



4012

VITA/TCE Volunteer Resource Guide **2010 RETURNS**

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)



Take this course on-line at www.irs.gov (keyword: Link and Learn Taxes) and experience Electronic Software Practice Lab, Online Testing, Immediate Feedback and more!



Pending Legislation and Technical Updates

At the time this product went to print, Congress was considering legislation that would impact returns within the scope of volunteer prepared returns. Publication 4491-X conveys tax law updates and other revisions to the VITA/TCE training products that occur after the products are published. The publication is normally available for downloading in mid-December via IRS.gov.

Volunteer Tax Alerts are issued during filing season (as needed) and may include additional technical updates. They are accessible via IRS.gov (keyword: Community Network). Also, consult your course instructor and/or site coordinator for guidance.

Department of the Treasury – Internal Revenue Service

Volunteer Agreement

Standards of Conduct – VITA/TCE Programs

The mission of the VITA/TCE Program is to provide free basic tax return preparation for eligible taxpayers. Volunteers are the program's most valuable resource. To establish the greatest degree of public trust, Volunteers have a responsibility to provide high quality service and uphold the highest of ethical standards.

As a participant in the VITA/TCE Program, I agree to the following standards of conduct:

- I will treat all taxpayers professionally, with courtesy and respect.
- I will safeguard the confidentiality of taxpayer information.
- I will apply the tax laws equitably and accurately to the best of my ability.
- I will only prepare returns for which I am certified. (Basic, Advanced, etc.)
- I will exercise reasonable care in the use and protection of equipment and supplies.
- I will not solicit business from taxpayers I assist or use the knowledge I have gained about them for any direct or indirect personal benefit for me or any other specific individual.
- I will not accept payment from taxpayers for the services I provide. I may receive compensation as an employee of a program sponsor.
- I will ensure the returns I prepare, follow the Intake/Interview and Quality Review Processes.

TaxWise® is a copyrighted software program owned by CCH Small Firm Services® (CCH). All screen shots that appear throughout the official Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) training materials are used with the permission of CCH Small Firm Services® (CCH). The screen shots used in this publication may not be extracted, copied, or distributed without written approval from the IRS SPEC Office of Education and Product Development.

Confidentiality Statement

All tax information received from taxpayers in your volunteer capacity is strictly confidential and should not, under any circumstances, be disclosed to unauthorized individuals and should be properly safeguarded.

All persons, scenarios and addresses appearing in this product are fictitious. Any resemblance to persons living or dead is purely coincidental.

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Contact Information for Volunteers ... Inside Back Cover

2011 IRS e-file Refund Cycle Chart Back Cover

How to Use This Guide

This publication is designed to assist you in preparing an accurate paper or software-prepared return using TaxWise®.* It is divided into three major sections—Tax Law, TaxWise®, and TaxWise® Online. The white tabs contain tax law in the form of decision trees, charts, and interview tips. The yellow tabs contain step-by-step procedures for electronic return preparation using TaxWise® software. The blue tabs contain information specific to users of the web-based option for TaxWise®.

The decision trees and interview tips in the Tax Law section are from your training materials and Publication 17, Your Federal Income Tax Guide (For Individuals). Use these tools during the dialogue with the taxpayer—“ask the right questions; get the right answers.” **NOTE: Publication 17 can be linked and researched electronically via IRS.gov.**

TaxWise® Online users should take advantage of both the yellow and blue tabs since material that is universal for both forms of TaxWise® is presented in the yellow tab section.

In the final tab is a chart depicting Form 1040 entries within the scope of the VITA/TCE program.

Are You Ready to Get Started?

Complete this assessment by entering a check mark in the box for “Yes.” Resolve all “No” (unchecked boxes) responses with your site coordinator before assisting taxpayers.

1. Have you signed:
 - ☐ a. The Volunteer Agreement/Standards of Conduct (Form 13615)?
 - ☐ b. The Property Loan Agreement (if applicable) (Form 13632)?
2. Do you know the following:
 - ☐ a. Your duties at the site?
 - ☐ b. Site contacts (emergency, reporting delays, technical issues, etc.)?
 - ☐ c. When you are expected at the site?
 - ☐ d. Your site identification number (SIDN)?
3. Do you have your:
 - ☐ a. Volunteer Resource Guide (Publication 4012)?
 - ☐ b. Guide to Federal Income Tax (Publication 17)?
 - ☐ c. Wallet Card (Form 13645) depicting your certification level (if applicable)?
4. Are the following items at the site:
 - ☐ a. Intake and Interview Sheets (Form 13614-C or approved alternative)?
 - ☐ b. Returns forms, schedules, worksheets, etc. with the site SIDN preprinted on them?

Volunteer Tax Alerts (VTAs)

For the latest volunteer tax law updates and other helpful tips throughout the filing season you can go to www.irs.gov—keyword: Volunteer Tax Alerts. Your site coordinator should share these messages with you.

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Note:

1. Some of the TaxWise® screen shots in this guide may not be updated for current tax law. Generally, the screens depicted mirror the current year’s version. However, there are some instances where there are embedded references to earlier tax years.
2. Not all forms are authorized for all volunteer programs. Forms intended specifically for the Military VITA Program will be annotated as such. Volunteers should only provide tax assistance based on their level of certification—basic, intermediate, advanced, military, or international.



The Five-Step Interview Process

interview
steps

Goal

Suggested Actions

step
1

Cultivate a comfortable environment and put the taxpayer at ease.

- Introduce yourself; engage in small talk (discuss the weather, difficulty in locating the site, apologize if long wait, etc.).
- Explain the tax return preparation process—the interview, how the information they provide will assist you in determining whether they must file a return, their eligibility for tax credits, etc.
- Allow the taxpayers to share any expectations, needs, and/or concerns by asking whether they have questions before beginning and encouraging them to ask questions throughout the process.
- Be friendly and respectful and speak clearly and simply.

step
2

Use active listening skills.

- Use nonverbal cues such as nodding, smiling appropriately, and making eye contact
- Listen, then respond by restating, paraphrasing, and/or encouraging further dialogue.

step
3

Review the taxpayer's responses to the intake questions (Form 13614-C or equivalent).

- Verify that all questions on the Intake form (F13614-C or equivalent) have been addressed and answered correctly. If the taxpayer checked the "Unsure" box, provide clarification and update response to "Yes" or "No".
- All corrections to taxpayer's information should be annotated on the approved intake and interview sheet prior to completing the return.
- Ask probing questions to clarify issues.
- Review all the information documents presented by the taxpayer including W-2s, 1099s, 1098s, etc.
- When you start the interview, use one or two open-ended questions, for example, 'Was there anyone else who lived in your home besides the people listed on this form'; this is essential information for determining Head of Household filing status.
- If the taxpayer's return does not fall within the scope of the program, (1) courteously explain that volunteer services are limited to those who fall within the scope of the program, (2) Encourage the taxpayer to use the intake sheet in working with another tax service, and (3) thank the taxpayer for coming and express regret you cannot assist them.

step
4

Working with the taxpayer, complete the critical intake questions (page 3 of Form 13614-C or equivalent).

- Don't assume—use the interview tips and decision trees in Publication 4012 to confirm:
 - Marital status (filing status)
 - Number of qualifying exemptions
 - Eligibility for child tax credit
 - Eligibility for the earned income credit

step
5

Advise taxpayer of the next steps.

- Restate the return preparation process, quality review procedures, signature and recordkeeping requirements, etc. Make sure you have good contact information in case there are electronic filing issues.



You – The Taxpayer & The IRS

You can prevent or minimize taxpayer interactions with the IRS by:

1. Understanding the taxpayer's tax situation before preparing their return
2. Allowing the taxpayer adequate time and provide directions (if requested) for completing pages 1 and 2 of the Form 13614-C
3. Conducting a probing interview with the taxpayer to confirm the accuracy and completeness of their entries on Form 13614-C before making any entries on their return
4. Annotating your finding and determinations from the interview on the Form 13614-C
5. Reviewing your work before submitting it to the quality reviewer (check the return for the common errors; at a minimum)



What happens to taxpayers when incorrect returns are filed with the IRS?

The IRS will contact taxpayers by mail or telephonically to correct or notify them of errors or omissions on their return.

Potential impact of an inaccurate return on taxpayers:

1. Reduced refund
2. Delayed refund
3. Additional tax liabilities
4. Interest and other penalties
5. Loss of wages (due to unplanned leave or loss of employment)
6. Notices from IRS for documentation to verify certain entries on their return
7. Time-off from work to gather the required documentation, attendance information, residency documentation, birth certificates, social security records, etc. and meeting with the IRS
8. Months of dialogues and interactions with the IRS

Some common errors:

1. Incorrect or missing social security numbers/ITIN
2. Incorrect tax entered based on taxable income and filing status
3. Computation errors in figuring the taxable income, withholding and estimated tax payments, Earned Income Credit, Standard Deduction for age 65 or over or blind, the taxable amount of social security benefits, and child and dependent care credit. Also, missing or incorrect identification numbers for employers and child care providers
4. Withholding and estimated tax payments entered on the wrong line, and
5. Math errors - both addition and subtraction



For additional guidance

IRS.gov (Keyword: common errors)

IRS.gov (Keyword: Partner and Volunteer Resource Center)

Intake/Interview & Quality Review Sheet**Section A. Page 1 and Page 2 to be completed by Taxpayer**

Thank you for allowing us to prepare your tax return. It is very important for you to provide the information on this form to help our certified volunteer preparer in completing your return. **If you have any questions, please ask.**

You will need your:

- Tax information such as Forms W-2, 1099, 1098.
- Social security cards or ITIN letters for you and all persons on your tax return.
- Proof of Identity (such as drivers license or other picture ID)

If no, use Pub 4012, Determining Residency Status Decision Tree to verify that taxpayer and/or spouse meet requirements to be U.S. residents for tax purposes.

Part I. Your Personal Information

| | | | | | | | |
|--|--|--|--|--|--|---|--|
| 1. Your First Name | | M. I. | | Last Name | | Are you a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| 2. Spouse's First Name | | M. I. | | Last Name | | Is spouse a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| 3. Mailing Address | | Apt# | | Current address where taxpayer will receive refund and/or other correspondence about the return. | | Zip Code | |
| 4. Phone Primary: | | Other: | | E-mail | | Refer to Pub 17, Chapter 20, for definition of 'Legally Blind'. | |
| 5. Your Date of Birth | | 6. Your Occupation | | 7. Are you Legally Blind | | 8. Totally and Permanently | |
| 9. Spouse's Date of Birth | | 10. Spouse | | 11. Is Spouse Legally Blind | | 12. Totally and | |
| 13. Can your parents or someone else claim you or your spouse on their tax return? | | 14. Other than English what language is spoken in | | 15. Are you or a member of your household co | | Use Pub 4012, TAB C Interview Tips to verify dependency status of taxpayer and spouse. | |
| 16. Job or Situation (e.g. retired, student). | | 17. This question is asked by the IRS to gather information on the population we serve. The results could mean additional partner funding to assist identified segment groups. | | 18. This question is asked by the IRS to gather information on the population we serve. The results could mean additional partner funding to assist identified segment groups. Do not confuse this question with the IRS definition of Totally and Permanently Disabled. | | 19. Review page 4 to see if taxpayer has provided additional information. Use page 4 to record interview notes. | |

Part II. Family and Dependent Inform

| | | | | | | | |
|---|--|--|--|--|---|-------------------|------------------------------|
| 1. As of December 31, 2010, your marital status was: | | | | | | | |
| <input type="checkbox"/> Single | | | | | | | |
| <input type="checkbox"/> Married: Did you live with your spouse during any part of the last six months of 2010? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | |
| <input type="checkbox"/> Divorced or Legally Separated: Date of final decree or separate maintenance agreement: _____ | | | | | | | |
| <input type="checkbox"/> Widowed: Year of spouse's death: _____ | | | | | | | |
| 2. List the name of everyone below who lived in your home and outside your home that you supported during 2010. If additional space is needed please check here and use page 4 for additional information. <input type="checkbox"/> | | | | | | | |
| Name (first, last) Do not enter your name or Spouse's name below. | Date of Birth (mm/dd/yy) | Relationship to you (e.g. son, mother, sister) | Number of months lived in | US Citizen or resident of the US, Canada | Single as of 12/31/10 | Full-time student | Received more than \$3650 in |
| Taxpayer should include everyone (except taxpayer and spouse) who lived in the taxpayer's home and everyone the taxpayer supported who lived elsewhere. List names as shown on Social Security records; see Pub 4012, TAB 1 for information about hyphenated or double surnames. | Verify date each person was born. Note: Incorrect birth dates may result in rejection of e-file. | See Pub 17, Chapter 3 for a list of relatives who do not need to live with the taxpayer to qualify as a dependent. | Verbally confirm the number of months each person listed lived in the taxpayer's home. | If not a U.S. citizen, determine residency for tax purposes. See Pub 4012, Determining Residency Status-Decision Tree. | Important Reminder: Review all information in Section A Part II and Section B Questions 1-5 before determining Filing Status and Dependency Exemptions. Use Pub 4012 Tabs B and C to make your determinations. | | |

Do not give this email address or phone number to taxpayer for refund information or tax help. Refer to the back cover of Pub 4012 for appropriate phone numbers.

ed to provide high quality service and

- To report any concerns to IRS on site operating issues please call **Toll Free 1-877-330-1205** or email us at **WI.Voltax@irs.gov**.

Section A. To be completed by Taxpayer (continued)

Part III. Income – In 2010, (Important Reminder: During the interview explain and assist taxpayers with questions below) any items marked “Unsure” and mark them “Yes” or “No”.

Yes No Unsure

On page 4, list the type and amount of any income not shown on a source document.

- ☐ ☐ ☐ 1. Wages or Salary? (Form(s) W-2) Enter all Form W-2 information; see Pub 4012, TAB 4 for entry instructions.
- ☐ ☐ ☐ 2. Tip Income? If yes, verify tips were reported to employer; if not, complete Form 4137.
- ☐ ☐ ☐ 3. Scholarships? (Forms W-2, 1098-T) See Pub 4012, TAB D.
- ☐ ☐ ☐ 4. Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV, 1099-OID)
- ☐ ☐ ☐ 5. Refund of state/local income taxes previously used as a deduction on 1040 Sch. A? (Form(s) 1099-G) If yes, complete worksheet.
- ☐ ☐ ☐ 6. Alimony Income? See Pub 4012, TAB E for alimony definition.
- ☐ ☐ ☐ 7. Self-Employment Income/Loss (such as earnings from contract labor, small business)? (Form(s) 1099-MISC)
- ☐ ☐ ☐ 8. Income (gain or loss) from the sale of Stocks, Bonds or Real Estate (including your) (Form(s) 1099-B) Check Pub 4012 TAB 2 for Sch C or C-EZ eligibility; if not eligible, refer to a tax professional.
- ☐ ☐ ☐ 9. Disability Income (such as payments from SSA, VA, insurance, etc)? (Forms 1099-SSA, 1099-B, 1099-INT)
- ☐ ☐ ☐ 10. Distributions from Pensions, Annuities, and/or IRA? (Form(s) 1099-R)
- ☐ ☐ ☐ 11. Unemployment Compensation? (Form(s) 1099-G)
- ☐ ☐ ☐ 12. Social Security or Railroad Retirement Benefits? (Form(s) SSA-1099)
- ☐ ☐ ☐ 13. Income (profit or loss) from Rental Property?
- ☐ ☐ ☐ 14. Other Income: (gambling, lottery, prizes, awards, jury duty, etc.) Specify: _____ (Forms W-2 G, 1099-MISC)

Part IV. Expenses – In 2010 Did you (or your spouse) pay: (Check Yes, No or Unsure to all questions below)

On page 4, list the type and amount of any deductible and/or qualified expenses not shown on a source document.

- ☐ ☐ ☐ 1. Alimony: If yes, do you have the recipient's SSN? ☐ Yes ☐ No
- ☐ ☐ ☐ 2. Contributions to a retirement account? ☐ IRA ☐ Roth IRA ☐ 401K See Retirement Savings Credit Form 8880; include Form W-2, Box 12.
- ☐ ☐ ☐ 3. Educational expenses paid for yourself, spouse or dependents? (such as tuition, fees, books, supplies, etc.) See Pub 4012, TABs G, 5, and 6, review current tax law on education expenses.
- ☐ ☐ ☐ 4. Unreimbursed employee business expenses (such as mileage)?
- ☐ ☐ ☐ 5. Medical expenses? Include only qualified unreimbursed expense (Sch A); see Pub 17, Chapter 21.
- ☐ ☐ ☐ 6. Home mortgage interest?
- ☐ ☐ ☐ 7. Real estate taxes for your home or personal property taxes?
- ☐ ☐ ☐ 8. Charitable contributions? Advise taxpayer of records requirements (Sch A); see Pub 17, Chapter 24.
- ☐ ☐ ☐ 9. Child/dependent care expenses that allowed you and your spouse, to work or attend school? If yes, ask taxpayer for provider's TIN, check “DC” box on TaxWise Main Info Sheet, and complete F2441.

Part V. Life Events – In 2010 Did you (or your spouse): (Check Yes, No or Unsure to all questions below)

Yes No Unsure

- ☐ ☐ ☐ 1. Have a Health Savings Account? (Forms 5498-SA, 1099-SA)
- ☐ ☐ ☐ 2. Have debt from a mortgage or credit card canceled/forgiven by a commercial lender? (Form(s) 1099-C) Any foreclosure should also be addressed as a Sale of Home. See Pub 17, Chapter 15.
- ☐ ☐ ☐ 3. Buy a home? If yes, closing date _____
- ☐ ☐ ☐ 4. Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year? _____
- ☐ ☐ ☐ 5. Purchase and install energy efficient home items? (such as windows, furnace, insulation, etc.)
- ☐ ☐ ☐ 6. Live in an area that was affected by a natural disaster? If yes, _____ Check for tax benefits for declared disaster areas.
- ☐ ☐ ☐ 7. Receive the First Time Homebuyers Credit in previous year? Taxpayer may have a requirement to repay their credit.
- ☐ ☐ ☐ 8. Pay any student loan interest? Student Loan Interest adjustment; See Pub 4012 TABs E and 3.
- ☐ ☐ ☐ 9. Make estimated tax payments or apply last year's refund to your 2010 tax? If so how much? _____
- ☐ ☐ ☐ 10. If you are due a refund, would you like information on how to get it? If yes to Q 10, verify routing and account numbers, complete Form 8888 for a Split Refund.
- ☐ ☐ ☐ 11. If you are due a refund, would you like information on how to get it? If U.S. Saving Bonds are elected, complete Form 8888.
- ☐ ☐ ☐ 12. If you have a balance due, would you like information on how to pay it? If balance due, discuss all available payment options as well as W-4 adjustment or ES Payments. payment directly from your bank account, check, money order, credit/debit card or payment plan)

TAXPAYER STOP HERE!

Thank you for completing this form.

Section B. To be Completed by Certified Volunteer

Remember: You are the link between the taxpayer's correct tax return. Verify the taxpayer's information is complete. Any question marked "Unsure" must be discussed with the taxpayer and changed to "Yes" or "No".

Must be completed ONLY if persons are listed in

Important Reminder:
The Certified Volunteer completes Section B while reviewing Section A and sources documents with the taxpayer.

Section B does not have to be completed if there is no one listed in Part II Question 2.

See Qualifying Child, Qualifying Relative and Tie-Breaker rules, Pub 4012, TAB C.

1. Can anyone else claim any of the persons listed in Part II, Question 2, as a dependent on their return? If yes, which ones:

See EIC Qualifying Child, Pub 4012, TAB H and Child and Dependent Care Credit Qualifying Person Pub 4012 TAB G

2. Were any of the persons listed in Part II, Question 2, totally and permanently disabled? If yes, which ones:

See Qualifying Child requirements, Pub 4012, TAB C.

3. Did any of the persons listed in Part II, Question 2 provide more than half of their own support? If yes, which ones:

See Qualifying Relative requirements, Pub 4012 TAB C. This question may be N/A for a Qualifying Child.

4. Did the taxpayer provide more than half the support for each of the persons in Part II, Question 2? If no, which ones:

See Qualifying Person for Head of Household filing status, Pub 4012, TAB B.

5. Did the taxpayer pay over half the cost of maintaining a home for any of the persons in Part II, Question 2? If yes, which ones:

Reminder

Use Publication 17, *Your Federal Income Tax For Individuals* and Publication 4012, *Volunteer Resource Guide* in making tax law determinations.

Section C. To be completed by Certified Quality Reviewer

After reviewing the tax return and verifying that it reflects correct tax law application to the information provided by the taxpayer, check the final item.

Sections A & B of this form are complete.

2. Taxpayer's Identity, Address and Phone Number were verified.

Important Reminder:
Section C must be completed by a Quality Reviewer (minimum Intermediate certification) after the return is prepared. The taxpayer should be present. The return must be checked against Sections A and B, source documents and other information provided by the taxpayer.

6. All **Income** shown on source documents and noted in Section A, Part III is included on the tax return.

7. Any **Adjustments to Income** are correctly reported.

8. **Standard, Additional or Itemized Deductions** are correct.

9. All **Credits** are correctly reported.

10. Withholding shown on **Forms W-2,1099** and **Estimated Tax Payments** are correctly reported.

11. If **Direct Deposit** or **Debit** was elected, checking/saving account and routing information match the supporting documents.

12. Correct SIDN is shown on the return.

☐ **Check if the items above have been verified to validate accuracy based on your interview with the taxpayer and a second review of their source documents.**



American Recovery and Reinvestment Act of 2009 (ARRA)

Making Work Pay Credit (MWPC)

- This is the second year for the Making Work Pay Credit provision of ARRA.
- The MWPC is a refundable credit. This means eligible taxpayers will receive the credit even if they have no tax liability.
- The credit is computed on **Schedule M** and claimed in the Payments section on page 2 of Form 1040. Taxpayers must attach **Schedule M** to their returns. Exception: Form 1040EZ filers will use a worksheet on the back of the form to figure the MWPC.
- In some cases taxpayers may receive an economic recovery payment in the year 2010 that should have been paid in 2009. In these situations, any MWPC will have to be reduced by the economic recovery payment received in 2010.

TIP: Most of the \$250 economic recovery payments were issued by the benefit payer in 2009. However, volunteers need to be aware there may be **some** cases where the taxpayer received a \$250 economic recovery payment in 2010.

What are the basics?

- During 2010, income tax withholding was reduced because most workers were expected to qualify for this credit on their 2010 tax returns.
- The making work pay credit is effective for tax years 2009 and 2010.

Who is eligible for the Making Work Pay Credit?

- A taxpayer must have **earned income** to qualify. Earned income includes wages and income from self-employment.
- Most workers with earned income up to certain limits will be eligible for the credit. The credit begins to phase out when adjusted gross income is more than \$75,000 (\$150,000 for married couples filing jointly).

Who is not eligible for the Making Work Pay Credit?

- Any taxpayer who does not have earned income. (For example: Pensioners are not eligible for the credit, unless they have earned income.)
- Anyone who can be claimed as a dependent on someone else's tax return. On a joint return neither spouse can be claimed as a dependent on anyone else's return.
- Non-resident aliens.
- Taxpayers who do not have a valid social security number. Exception: A taxpayer who does not have a valid social security number and files a joint return and his/her spouse does have a valid social security number qualifies for the credit. Note: A valid social security number does not include any identification number issued by the IRS.

How is the credit computed?

- The credit is 6.2 percent of **earned income**: up to **\$400** (up to **\$800** for married taxpayers filing a joint return).
- The MWPC is reduced by any economic recovery payment(s) received in 2010.



Taxpayers eligible for the MWPC in 2010 will need to check their records to determine if they received an economic recovery payment in 2010. The internet look up tool on IRS.gov will continue to be available for the 2011 filing season. Taxpayers can enter "economic recovery payment" in the search box and click "Search." Then select "Did I Receive an Economic Recovery Payment?"

SCHEDULE M
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service (99)

Making Work Pay Credit

▶ **Attach to Form 1040A or 1040.**

▶ **See separate instructions.**

OMB No. 1545-0074

2010
Attachment
Sequence No. **166**

Name(s) shown on return

Your social security number

☐ To take the making work pay credit, you must include your social security number (if filing a joint return, the number of either you or your spouse) on your tax return. A social security number does not include an identification number issued by the IRS. Only the Social Security Administration issues social security numbers.

☐ You cannot take the making work pay credit if you can be claimed as someone else's dependent or if you are a nonresident alien.

Important: Check the "No" box on line 1a and see the instructions if:

- (a) You have a net loss from a business,
- (b) You received a taxable scholarship or fellowship grant not reported on a Form W-2,
- (c) Your wages include pay for work performed while an inmate in a penal institution,
- (d) You received a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or
- (e) You are filing Form 2555 or 2555-EZ.

1a Do you (and your spouse if filing jointly) have 2010 wages of more than \$6,451 (\$12,903 if married filing jointly)?

☒ **Yes.** Skip lines 1a through 3. Enter \$400 (\$800 if married filing jointly) on line 4 and go to line 5.

☐ **No.** Enter your earned income (see instructions) **1a**

b Nontaxable combat pay included on line 1a
(see instructions) **1b**

2 Multiply line 1a by 6.2% (.062) **2**

3 Enter \$400 (\$800 if married filing jointly) **3**

4 Enter the **smaller** of line 2 or line 3 (unless you checked "Yes" on line 1a) **4**

5 Enter the amount from Form 1040, line 38*, or Form 1040A, line 22 **5**

6 Enter \$75,000 (\$150,000 if married filing jointly) **6**

7 Is the amount on line 5 more than the amount on line 6?

☐ **No.** Skip line 8. Enter the amount from line 4 on line 9 below.

☐ **Yes.** Subtract line 6 from line 5 **7**

8 Multiply line 7 by 2% (.02) **8**

9 Subtract line 8 from line 4. If zero or less, enter -0- **9**

10 Did you (or your spouse, if filing jointly) receive an economic recovery payment in **2010**? You may have received this payment in 2010 if you did not receive an economic recovery payment in 2009 but you received social security benefits, supplemental security income, railroad retirement benefits, or veterans disability compensation or pension benefits in November 2008, December 2008, or January 2009 (see instructions).

☐ **No.** Enter -0- on line 10 and go to line 11.

☐ **Yes.** Enter the total of the payments you (and your spouse, if filing jointly) received in **2010**. Do not enter more than \$250 (\$500 if married filing jointly) **10**

11 **Making work pay credit.** Subtract line 10 from line 9. If zero or less, enter -0-. Enter the result here and on Form 1040, line 63; or Form 1040A, line 40 **11**

*If you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico, see instructions.

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 52903Q

Schedule M (Form 1040A or 1040) 2010

You cannot take the MWP credit if you are a nonresident alien or can be claimed as a dependent on someone else's return.

Use the Earned Income Worksheet in the Schedule M Instructions if you checked the "No" box on line 1a. You may be able to add self-employment income to this amount.

Most eligible taxpayers received the \$250 payment in 2009. However some recipients received the payment in 2010. Any Making Work Pay Credit that the person is entitled to must be reduced by the \$250 ERP received in 2010.

Frequently Asked Questions

Schedule M, Making Work Pay Credit

Q: How is the making work pay credit claimed by taxpayers?

A: For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes that were made during 2010. These changes resulted in an increase in the amount of take-home pay. The making work pay credit is reported on the 2010 income tax return as a refundable credit, compensating for the reduced withholding.

Q: If a taxpayer is eligible for more of a credit, how is it claimed?

A: The modified withholding tables take the anticipated credit into account through reduced withholding. However, the making work pay credit is reported on all eligible 2010 income tax returns, along with the taxpayer's withheld income tax. Taxpayers receiving less than the full amount of the anticipated credit through reduced withholding are still entitled to the full credit on their return.

Q: How is the credit claimed by taxpayers who are self-employed?

A: Self-employed taxpayers claim the making work pay credit on their 2010 return filed in 2011. These taxpayers should use the earned income worksheet in the Schedule M instructions when calculating the Schedule M line 1a amount.

Q: Are pensioners eligible for MWPC?

A: Pensioners do not qualify for the MWPC, unless they receive earned income.

Q: What is the economic recovery payment?

A: The economic recovery payment is a one-time payment of \$250 paid to retirees, disabled individuals and Supplemental Security Income (SSI) recipients receiving benefits from the Social Security Administration, disabled veterans receiving benefits from the Department of Veterans Affairs and those receiving benefits from the Railroad Retirement Board. In most cases this payment was made in the in 2009. However there are some taxpayers that received their payments in 2010 instead of 2009.

Q: What happens if the taxpayer received the \$250 in 2010 instead of 2009?

A: In most cases this payment was made in 2009. However there are some taxpayers that received their \$250 payment in 2010. For that reason any Making Work Pay Credit these taxpayers are entitled to will have to be reduced by the \$250 economic recovery payment received in 2010. The calculation is made on Schedule M.

Q: Are dependents who work eligible for the MWPC?

A: Individuals who can be claimed as a dependent on someone else's return are not eligible for the MWPC.

Q: Is a non-resident alien eligible for the MWPC?

A: No, an individual who is a non-resident alien does not qualify for the credit.



Chart A – For Most People Who Must File

| IF your filing status is... | AND at the end of 2010 you were...* | THEN file a return if your gross income was at least...** |
|---|-------------------------------------|---|
| single | under 65 | \$ 9,350 |
| | 65 or older | \$10,750 |
| head of household | under 65 | \$12,050 |
| | 65 or older | \$13,450 |
| married, filing jointly*** | under 65 (both spouses) | \$18,700 |
| | 65 or older (one spouse) | \$19,800 |
| | 65 or older (both spouses) | \$20,900 |
| married, filing separately | any age | \$ 3,650 |
| qualifying widow(er) with dependent child | under 65 | \$15,050 |
| | 65 or older | \$16,150 |

* If you were born before January 2, 1946, you are considered to be 65 or older at the end of 2010.

** Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you can exclude part or all of it). **Do not** include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time during 2010, or (b) one-half of your social security benefits plus your other gross income is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the Form 1040 instructions to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2010 (or on the date your spouse died) and your gross income was at least \$3,650, you must file a return regardless of your age.



Chart B – For Children and Other Dependents

If your parent (or someone else) can claim you as a dependent, use this table to see if you must file a return.

In this table, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. Earned income includes wages, tips, professional fees, and taxable scholarship and fellowship grants. Gross income is the total of your unearned and earned income.

Caution. *If your gross income was \$3,650 or more, you usually cannot be claimed as a dependent unless you are a qualifying child. For details, see Exemptions for Dependents.*

Single dependents— Were you **either** age 65 or older **or** blind?

- ☐ **No.** You must file a return if **any** of the following apply.
 1. Your unearned income was more than \$950.
 2. Your earned income was more than \$5,700.
 3. Your gross income was more than the larger of —
 - a. \$950, or
 - b. Your earned income (up to \$5,400) plus \$300.
- ☐ **Yes.** You must file a return if **any** of the following apply.
 1. Your unearned income was more than \$2,350 (\$3,750 if 65 or older **and** blind).
 2. Your earned income was more than \$7,100 (\$8,500 if 65 or older **and** blind).
 3. Your gross income was more than the larger of—
 - a. \$2,350 (\$3,750 if 65 or older **and** blind), or
 - b. Your earned income (up to \$5,400) plus \$1,700 (\$3,100 if 65 or older **and** blind).

Married dependents—Were you **either** age 65 or older **or** blind?

- ☐ **No.** You must file a return if **any** of the following apply.
 1. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 2. Your unearned income was more than \$950.
 3. Your earned income was more than \$5,700.
 4. Your gross income was more than the larger of —
 - a. \$950, or
 - b. Your earned income (up to \$5,400) plus \$300.
- ☐ **Yes.** You must file a return if **any** of the following apply.
 1. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 2. Your unearned income was more than \$2,050 (\$3,150 if 65 or older **and** blind).
 3. Your earned income was more than \$6,800 (\$7,900 if 65 or older **and** blind).
 4. Your gross income was more than the larger of—
 - a. \$2,050 (\$3,150 if 65 or older **and** blind), or
 - b. Your earned income (up to \$5,400) plus \$1,400 (\$2,500 if 65 or older **and** blind).



Chart C – Other Situations When You Must File

If any of the four conditions listed below applied to you for 2010, you must file a return.

1. You owe any special taxes, including any of the following.
 - a. Alternative minimum tax. (See the Form 1040 instructions for line 45.)
 - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. (See Publication 590, Individual Retirement Arrangements (IRAs), and Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.) But if you are filing a return only because you owe this tax, you can file Form 5329 by itself.
 - c. Social security or Medicare tax on tips you did not report to your employer (see Publication 531, Reporting Tip Income) or on wages you received from an employer who did not withhold these taxes (see Form 8919).
 - d. Write-in taxes, including uncollected social security, Medicare, or railroad retirement tax on tips you reported to your employer or on group-term life insurance and additional tax on health savings accounts. (See Publication 531, Publication 969, and the Form 1040 instructions for line 61.)
 - e. Household employment taxes. But if you are filing a return only because you owe these taxes, you can file Schedule H by itself.
 - f. Recapture taxes. (See the Form 1040 instructions for lines 44 and 60.)
2. You received any advance earned income credit (EIC) payments from your employer. These payments should be shown in box 9 of your Form W-2. (See Publication 596, Earned Income Credit (EIC).)
3. You had net earnings from self-employment of at least \$400. (See Schedule SE (Form 1040) and its instructions.)
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes. (See Schedule SE (Form 1040) and its instructions.)



Chart D – Who Should File

1. You had income tax withheld from your pay.
2. You made estimated tax payments for the year or had any of your overpayment for last year's estimated tax applied to this year's taxes.
3. You qualify for the earned income credit. See Publication 596, Earned Income Credit (EIC), for more information.
4. You qualify for the additional child tax credit. See the instructions in your tax forms package for more information on this credit.
5. You qualify for the health coverage tax credit. For information about this credit, see Form 8885, Health Coverage Tax Credit.
6. You qualify for the refundable credit for prior year minimum tax. See Form 8801, Credit for Prior Year Minimum Tax — Individuals, Estates, and Trusts.
7. You qualify for the first-time homebuyer credit. See Form 5405, First-Time Homebuyer Credit.
8. You qualify for an American Opportunity Credit.



Always use Form 1040 when using tax software

| Considerations | Form 1040EZ | Form 1040A | Form 1040 |
|-----------------------|--|--|--|
| Filing Status | Single or married filing jointly | Any | Any |
| Exemptions | Personal (No dependents) | Personal and dependents | Personal and dependents |
| Income Sources | Wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, or Alaska Permanent Fund Dividends and taxable interest not over \$1,500 | Same as 1040EZ, plus: interest, ordinary dividends, capital gain distributions, annuities, IRAs, taxable social security and railroad retirement benefits | Same as 1040A, plus: income from self-employment, certain tips, non-taxable distributions required to be reported as capital gains |
| Taxable Income | Line 6 is less than \$100,000 | Line 27 is less than \$100,000 | Line 43 is any amount |
| Adjustments | None | Educator expenses, IRA deductions, student loan interest deduction, and tuition and fees deduction | Any |
| Deductions | Standard deduction only. If filing a joint return, taxpayer and spouse must both be under the age of 65 and not blind at the end of 2010 | Standard deduction only | Standard or itemized deductions |
| Tax Credits | Earned Income Credit and making work pay credit | Child tax credit (CTC), additional CTC credit, education credit, earned income credit, credit for child and dependent care expenses, credit for the elderly or disabled, adoption credit, making work pay credit, government retiree credit or retirement savings contributions credit | All |

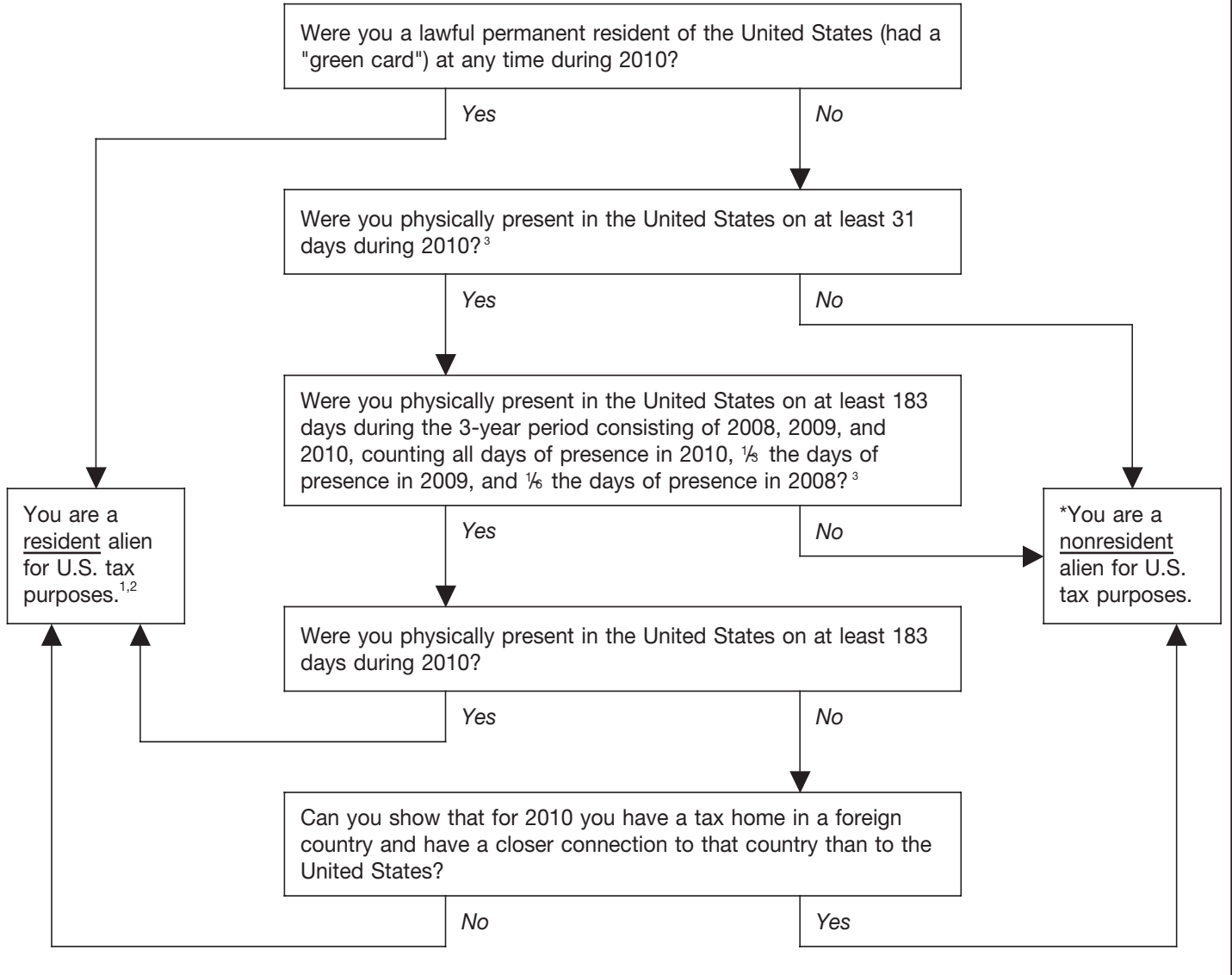
Hint: Always start Form 1040.

Determining Residency Status – Decision Tree

Resident Alien or Nonresident Alien?

Nonresident aliens are taxed differently from resident aliens, which is why it is important to determine their residency status. Use the following chart to determine if the taxpayer is a resident alien or a nonresident alien.

Start here to determine your residency status for 2010



¹ If this is your first or last year of residency, you may have a dual status for the year. See Publication 519 U.S. Tax Guide for Aliens under Dual-Status Aliens in chapter 1.

² In some circumstances you may still be considered a nonresident alien under an income tax treaty between the United States and your country. Check the provisions of the treaty carefully.

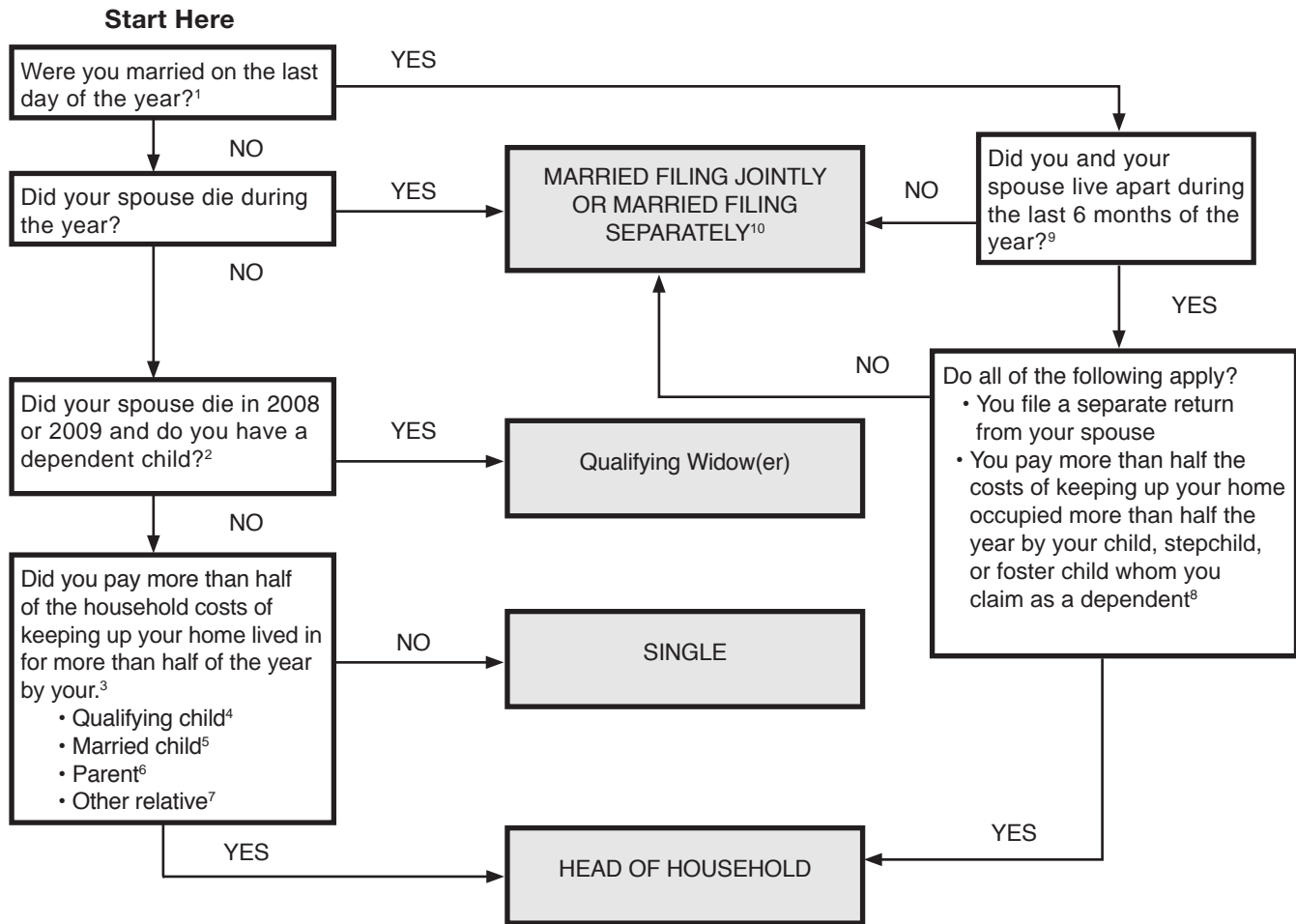
³ See *Days of Presence in the United States* in Publication 519 for days that do not count as days of presence in the United States.

* If it is determined that the taxpayer is a nonresident alien for U.S. tax purposes, volunteers should refer those taxpayers to the site coordinator, unless they have been trained and certified to prepare tax forms and returns (Forms 8843, 1040NR, or 1040NR-EZ) for nonresident aliens.

Notes

B. Filing Status

Determination of Filing Status – Decision Tree



Footnotes:

1. Your filing status is single if, on the last day of the year you were legally separated from your spouse under a divorce or separate maintenance decree and do not qualify for another filing status.
2. If you paid over half of the household costs for your child, you can file as Qualifying Widow(er) for 2 years after the death of your spouse. Your child or stepchild (foster child is not included) must be your dependent and that child must have lived with you all year. You must have been entitled to file Married Filing Jointly (even if you didn't) in the year of spouse's death. If you meet the qualifications for Qualifying Widow(er) and for Head of Household you should use Qualifying Widow(er) because Qualifying Widow(er) is more beneficial.

Head of Household:

1. Cost of home includes taxes, insurance, utilities, food, rent, mortgage/mortgage interest (public benefits payments, TANF, MFIP and other welfare considered paid by others).
2. Amounts paid out of funds received as governmental assistance or SSA in child's name are considered paid by others (not the taxpayer). Generally, only one taxpayer in a home can claim Head of Household filing status. Just because each person has their own children living in a home does not mean they are a separate "household" for this filing status purpose
3. See Publication 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year. Military deployment/TDY is a temporary absence and he or she is considered to have lived in your home.
4. See Tab C for definition of a qualifying child.
5. A married child includes grandchild, stepchild, or adopted child, but the child is not a qualifying person unless you can claim an exemption for the child. If you could claim an exemption for the child, except that the child's other parent claims the exemption under the special rules for a noncustodial parent, then the child is a qualifying person.
6. A parent does not have to live with you if you paid more than half the cost of keeping up his or her main home for the entire year, but you must be able to claim an exemption for the parent.
7. Other relatives include grandparent, brother, sister, stepbrother, stepsister, half brother, half sister, stepmother, stepfather, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and, if related by blood, uncle, aunt, nephew, or niece. You must be able to claim an exemption for any of these individuals.
8. Or child's other parent claims him or her under rules for children of divorced or separated parents.
9. This requirement is met if you are a U.S. citizen or resident alien for the entire year and you live with your nonresident alien spouse who you do not choose to treat as a resident alien for tax purposes.

10. Married Filing Separately (MFS)

If the taxpayer asks to file MFS, emphasize the advantages to Married Filing Jointly and the possibility of filing Form 8379, Injured Spouse Claim & Allocation (if appropriate). See Pub 17, Filing Status, MFS Special Rules for list of disadvantages.



interview
tips

Filing Status

Probe/Action: Ask the taxpayer:

step
1

Were you considered married in a legal union between a man and a woman as husband and wife on December 31 of the tax year? (Answer yes if state common law rules were met or if your spouse died during the year even if you did not remarry by the end of the year.)

If YES, go to Step 2.
If NO, go to Step 5.

step
2

Do you and your spouse wish to file a joint return?

If YES, STOP. Your filing status is married filing jointly.
If NO, go to Step 3.

step
3

Did you have a qualifying child or any other relative whom you can claim as a dependent living in your home during the tax year?*

If YES, go to Step 4.
If NO, STOP. Your filing status is married filing separately.

step
4

Can you be considered unmarried?

- ☐ You file a separate return
- ☐ You paid more than half the cost of keeping up a main home
- ☐ Your spouse did not live in your home during the last 6 months (including temporary absences) of the tax year
- ☐ Your home was the main home of your child, stepchild, or foster child for more than half the year
- ☐ You must be able to claim an exemption for the child (exception—noncustodial parent correctly claims exemption)

If YES, STOP. Your filing status is head of household.
If NO, STOP. Your filing status is married filing separately.

step
5

Did your spouse die in 2008 or 2009?

If YES, go to Step 6.
If NO, go to Step 7.

step
6

Can you be considered a qualifying widow(er) with a dependent child?

- ☐ You were entitled to file a joint return with your spouse for the year your spouse died
- ☐ You did not remarry before the end of this tax year
- ☐ You have a dependent child who is a son, daughter, stepson, or stepdaughter whom you can claim as an exemption
- ☐ You paid more than half the cost of keeping up a main home for you and that child for the entire year

If YES, STOP. Your filing status is qualifying widow(er) with dependent child.
If NO, go to Step 7.

step
7

Do you have a qualifying person for head of household filing status?

- ☐ You paid more than half the cost of keeping up a main home
- ☐ A qualifying person* lived with you more than half the year (exception for dependent parent or kidnapped child)

If YES, STOP. Your filing status is head of household.
If NO, STOP. Your filing status is **single**.

*You cannot use head of household filing status based on any person who is your dependent only because he or she lived with you for all of 2010.



Who Is a Qualifying Person Qualifying You To File as Head of Household?¹

| IF the person is your . . . | AND . . . | THEN that person is . . . |
|---|---|--|
| qualifying child (such as a son, daughter, or grandchild who lived with you more than half the year and meets certain other tests) ² | he or she is single | a qualifying person, whether or not you can claim an exemption for the person. |
| | he or she is married <u>and</u> you can claim an exemption for him or her | a qualifying person. |
| | he or she is married <u>and</u> you cannot claim an exemption for him or her | not a qualifying person. ³ |
| qualifying relative ⁴ who is your father or mother | you can claim an exemption for him or her ⁵ | a qualifying person. ⁶ |
| | you cannot claim an exemption for him or her | not a qualifying person. |
| qualifying relative ⁴ other than your father or mother (such as a grandparent, brother, or sister who meets certain tests). | he or she lived with you more than half the year, <u>and</u> he or she is related to you in one of the ways listed under <u>Relatives who do not have to live with you and</u> you can claim an exemption for him or her ⁵ | a qualifying person. |
| | he or she did not live with you more than half the year | not a qualifying person. |
| | he or she is not related to you in one of the ways listed under <u>Relatives who do not have to live with you and</u> is your qualifying relative only because he or she lived with you all year as a member of your household | not a qualifying person. |
| | you cannot claim an exemption for him or her | not a qualifying person. |

¹ A person cannot qualify more than one taxpayer to use the head of household filing status for the year.

² The term “qualifying child” is defined under Exemptions for Dependents, later. **Note:** If you are a noncustodial parent, the term “qualifying child” for head of household filing status does not include a child who is your qualifying child for exemption purposes only because of the rules described under Children of divorced or separated parents under Qualifying Child, later. If you are the custodial parent and those rules apply, the child generally is your qualifying child for head of household filing status even though the child is not a qualifying child for whom you can claim an exemption.

³ This person is a qualifying person if the only reason you cannot claim the exemption is that you can be claimed as a dependent on someone else’s return.

⁴ The term “qualifying relative” is defined under Exemptions for Dependents, later.

⁵ If you can claim an exemption for a person only because of a multiple support agreement, that person is not a qualifying person. See Multiple Support Agreement.

⁶ See Special rule for parent for an additional requirement.

[illegible]

C. Exemptions/ Dependency



Exemptions (reduces the taxpayer's taxable income)

- Exemption Amount: \$3,650 for 2010
- Two types:
 1. Personal exemptions—one exemption for the taxpayer and, if married, one for his or her spouse; unless they can be claimed as a dependent by another person.
 2. Exemptions for dependents—one exemption for each qualifying child and/or qualifying relative.
- Apply the rules for exemptions for dependents using the worksheets in the Forms 1040 and 1040A instruction books and interview tips in this publication.
- Dependents cannot claim exemptions for dependents. Taxpayers who are claimed as a dependent on someone else's return cannot claim any exemptions for their own dependents.



2010 Exemption Chart

| | | | | |
|---------|---|---|---|----------|
| \$3,650 | X | 1 | = | \$ 3,650 |
| \$3,650 | X | 2 | = | \$ 7,300 |
| \$3,650 | X | 3 | = | \$10,950 |
| \$3,650 | X | 4 | = | \$14,600 |
| \$3,650 | X | 5 | = | \$18,250 |



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Personal Exemptions

Probe/Action: Ask the taxpayer:

| | | |
|------------------|--|---|
| step 1 | Were you considered married during any part of the tax year? (Answer YES if state common law rules were met.) | If YES , go to Step 2. If NO , go to Step 7. |
| step 2 | Were you still considered married on December 31 of the tax year? | If YES , go to Step 5. If NO , go to Step 3. Note: Abandonment does not change marital status—answer YES if the taxpayer's responses to Steps 3 and 4 are NO. |
| step 3 | Did you obtain a final decree of divorce or separate maintenance by December 31 of the tax year? | If YES , you cannot claim a personal exemption for your former spouse. Go to Step 7. If NO , go to Step 4. |
| step 4 | Did your spouse die during the tax year? | If YES , go to Step 5. If NO , go back through Steps 1–3 and clarify answers. |
| step 5 | Are you filing a joint tax return? (Answer YES if you are filing a joint return to claim a refund and there would be no tax liability for either spouse if separate returns were filed.) | If YES , go to Step 7. If NO , go to Step 6. |
| step 6 | Did your spouse have income or can anyone else claim your spouse as a dependent (including a nonresident alien spouse)? | If YES to either, you cannot claim a personal exemption for your spouse. Go to Step 7 to see about your own personal exemption. If NO to both, you can claim a personal exemption for your spouse. |
| step 7 | Can anyone claim you (or your spouse if filing jointly) as a dependent on his or her return? | If YES , you cannot claim a personal exemption for yourself or your spouse. If NO , you can claim a personal exemption for yourself and your spouse. |

Step 4: If his or her spouse died during the year, the taxpayer can claim his or her spouse's exemption if the taxpayer did not remarry during the year. See Publication 17 for other considerations.

Step 5: If married filing jointly (other than to claim a refund of withholding), the taxpayer cannot be an exemption on another person's return.

Step 7: If married filing separately, the taxpayer can take his or her own exemption if another taxpayer is not entitled to claim him or her as a dependent.

If married filing separately, the taxpayer can claim his or her spouse's exemption if the spouse had no gross income, is not filing a return, and cannot be claimed as a dependent on another person's return.



Overview of the Rules for Claiming an Exemption for a Dependent

Caution: This table is only an overview of the rules. For details, see Publication 17.

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is only a claim for refund and there would be no tax liability for either spouse on separate returns.
- You cannot claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico, for some part of the year.¹
- You cannot claim a person as a dependent unless that person is your qualifying child or qualifying relative.

| Tests To Be a Qualifying Child | Tests To Be a Qualifying Relative |
|--|--|
| 1. The child must be younger than you. (Exception: Any age if permanently totally disabled) | 1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file an income tax return or files an income tax return only to get a refund of income tax withheld. |
| 2. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them. | 2. The person either (a) must be related to you in one of the ways listed under Relatives who do not have to live with you, or (b) must live with you all year as a member of your household ² (and your relationship must not violate local law). |
| 3. The child must be (a) under age 19 at the end of the year, (b) under age 24 at the end of the year and a full-time student or (c) any age and permanently and totally disabled. | 3. The person's gross income for the year must be less than \$3,650. ³ |
| 4. The child must have lived with you for more than half of the year. ² | 4. You must provide more than half of the person's total support for the year. ⁴ |
| 5. The child must not have provided more than half of his or her own support for the year. | |
| 6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. | |

¹There is an exception for certain adopted children.

²There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents, and kidnapped children.

³There is an exception if the person is disabled and has income from a sheltered workshop.

⁴There are exceptions for multiple support agreements, children of divorced or separated parents, and kidnapped children.



Qualifying Child of More Than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for Children of divorced or separated parents applies.

- | | |
|---|---|
| <ul style="list-style-type: none"> • Dependency Exemption • Head of Household • Credit for the Child and Dependent Care Expenses | <ul style="list-style-type: none"> • Child Tax Credit • Earned Income Credit • Exclusion for Dependent Care Benefits |
|---|---|

No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. If you and any person can claim the child as a qualifying child, the following rules apply.

If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.

If the parents do not file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2010. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2010.

If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for 2010.

Example: Your daughter meets the conditions to be a qualifying child for both you and your mother. Under the rules above, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed above for which you otherwise qualify. Your mother is not entitled to take any of the six tax benefits listed above unless she has a different qualifying child. **HOWEVER, IF YOUR MOTHER'S AGI IS HIGHER THAN YOURS, YOU CAN LET YOUR MOTHER TREAT YOUR DAUGHTER AS HER QUALIFYING CHILD. IF YOU DO THAT, YOUR DAUGHTER IS NOT YOUR QUALIFYING CHILD FOR ANY OF THE 6 BENEFITS.**

For more details and examples, see Pub. 17 and 501.

If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2010, but only if that person's AGI is higher than the highest AGI of any parent of the child who can claim the child.

Caution: For this situation it is not a tie-breaker rule but is part of the determination on who can claim the child on the tax return.



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Table 1: Dependency Exemption for Qualifying Child

Probe/Action: Ask the taxpayer:

| | | |
|-------------------|--|---|
| step 1 | Was the child younger than you (or your spouse, if filing jointly)? (revised 2009) | If YES , go to Step 2 (Answer Yes, if child is permanently and totally disabled). If NO , go to Table 2, Dependency Exemption for Qualifying Relative Interview Tips. |
| step 2 | Was the “child” your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (i.e., your grandchild, niece, or nephew)? | If NO , go to Table 2—Dependency Exemption for Qualifying Relative Interview Tips. If YES , go to Step 3. Note: An adopted child is treated as your child. |
| step 3 | Was the “child” under age 19 at the end of the year? OR Was the “child” under age 24 at the end of the year and a full-time student for some part of each of five months during the year? OR Was the “child” any age and permanently and totally disabled? | If NO , go to Table 2. If YES , go to Step 4. Note: A permanently and totally disabled person cannot engage in any substantial gainful activity due to a physical or mental condition and a doctor has determined their condition may last for 12 months or more or can lead to death. |
| step 4 | Did the “child” provide over half of his or her own support for the year? | If NO , go to Step 5. If YES , you may not claim an exemption for this “child” . Note: A worksheet for determining support is included at the end of this section. |
| step 5 | Did the “child” live with you as a member of your household for more than half of the year? | If NO , go to Table 2—Dependency Exemption for Qualifying Relative Interview Tips and see footnote for Step 5, if applicable. If YES , go to Step 6. Note: There are exceptions for kidnapped children, a child who was born or died in 2010, and certain temporary absences. |
| step 6 | Was the “child” a U.S. citizen, U.S. national, or a resident of the U.S., Canada, or Mexico? | If NO , you may not claim this “child” as a dependent. If YES , go to Step 7. Answer YES if you are a U.S. citizen or U.S. national and your adopted child lived with you as a member of your household in 2010. |
| step 7 | Was this “child” considered married on December 31, 2010? | If NO , go to Step 9. If YES , go to Step 8. |
| step 8 | Is the “child” filing a joint return for this tax year? | If NO , go to Step 9. If YES , you cannot claim this “child” as a dependent. Answer NO, if the child is filing a joint return to claim a refund and no tax liability would exist for either spouse if they had filed separate returns. |
| step 9 | Is the “child” a qualifying child of any other person? | If NO , go to Step 10. If YES , you may not be able to claim this “child” as a dependent. (See footnote—Step 9.) |
| step 10 | Can you or your spouse (if filing jointly) be claimed as a dependent on someone else’s tax return this year? | If NO , you can claim an exemption for this “child”. If YES , you cannot claim this person as a dependent. (See footnote—Step 10.) |

Footnotes:

Step 5: In most cases, because of the residency test, a child of divorced or separated parents is the qualifying child of the custodial parent. However, see Table 3 to determine if those rules are applicable.

Step 9: Qualifying Child of More Than One Person. If the child meets the rules to be a qualifying child of more than one person,

you must be the person entitled to claim the child as a qualifying child. (Refer to chart, Qualifying Child of More Than One Person on C-3)

Step 10: If you can be claimed as a dependent by another person, you may not claim anyone else as your dependent. Even if you have a qualifying child or qualifying relative, you may not claim that person as a dependent.



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Table 2: Dependency Exemption for Qualifying Relative

(Start with Table 1)

Probe/Action: Ask the taxpayer:

| | | |
|------------------|--|---|
| step 1 | Is the person your qualifying child or the qualifying child of anyone else? A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file U.S. income tax return income tax return or files an income tax return only to get a refund of income tax withheld. | If YES , the person is not a qualifying relative. (See Qualifying Child Interview Tips.) If NO , go to Step 2. |
| step 2 | Was the person your son, daughter, foster child, or a descendant of any of them (i.e., your grandchild)? OR Was the person your brother, sister, half brother, half sister, or a son or daughter of either of them (i.e., your niece or nephew)? OR Was the person your father, mother, or an ancestor or sibling of either of them (i.e., your grandmother, grandfather, aunt, or uncle)? OR Was the person your stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law? | If NO , go to Step 3. If YES , go to Step 4. Note: The relatives listed in Step 2 do not have to live with you. |
| step 3 | Was the person any other person (other than your spouse) who lived with you all year as a member of your household? | If NO , you cannot claim this person as a dependent. If YES , see footnote for Step 3, then go to Step 4. Note: There are exceptions for kidnapped children; a child who was born or died in 2010; certain temporary absences—school, vacation, medical care, etc. |
| step 4 | Was the person a U.S. citizen, U.S. national, or a resident of the United States, Canada, or Mexico for any part of the year? | If NO , you cannot claim this person as a dependent. If YES , go to Step 5. Answer YES if you are a U.S. citizen or U.S. national and you adopted a child who lived with you as a member of your household in 2010. |
| step 5 | Did the person have gross taxable income of less than \$3,650 in 2010?* | If NO , you cannot claim this person as a dependent. If YES , go to Step 6. |
| step 6 | Did you provide more than half the person's total support for the year? | If YES , go to Step 11. If NO , go to Step 7. Note: A worksheet for determining support is included at the end of this section. See Table 3 for a child of divorced or separated parents to determine if this test is met. |

continued on next page

Footnotes:

Step 3: A person does not meet this test if at any time during the year the relationship between you and that person violates local law.

*For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year

does not include income for services the individual performs at a sheltered workshop.

Step 5: In most cases, because of the residency test, a child of divorced or separated parents is the qualifying child of the custodial parent. However, see Table 3 to determine if those rules are applicable.



Table 2: Dependency Exemption for Qualifying Relative

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Continued
Probe/Action: Ask the taxpayer:

| | | |
|-------------------|---|---|
| step 7 | Did another person provide more than half the person's total support? | If YES , you cannot claim an exemption for this person. If NO , go to Step 8. |
| step 8 | Did two or more people together provide more than half the person's total support? | If YES , go to Step 9. If NO , you cannot claim this person as a dependent. |
| step 9 | Did you provide more than 10% of the person's total support for the year? | If YES , go to Step 10. If NO , you cannot claim this person as a dependent. |
| step 10 | Did the other person(s) providing more than 10% of the person's total support for the year provide you with a signed statement (Form 2120) agreeing not to claim the exemption? | If YES , go to Step 11. If NO , you cannot claim this person as a dependent. |
| step 11 | Was this person considered married on December 31, 2010? | If YES , go to Step 12. If NO , go to Step 13. |
| step 12 | Is the person filing a joint return for this year? | If YES , you cannot claim this person as a dependent. If NO , go to Step 13. Answer NO if the person is filing a joint return to claim a refund and no tax liability would exist for either spouse if they had filed separate returns. |
| step 13 | Can you or your spouse, if filing jointly, be claimed as a dependent on someone else's tax return this year? | If YES , you cannot claim this person as a dependent. If NO , you can claim an exemption for this person. |

Footnotes:

Step 9: Qualifying Child of More Than One Person. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. (Refer to chart, Qualifying Child of More Than One Person on C-3)

Step 10: If you can be claimed as a dependent by another person, you may not claim anyone else as your dependent. Even if you have a qualifying child or qualifying relative, you may not claim that person as a dependent.



Table 3: Children of Divorced, Separated, or Never Married Parents

(Start with Table 1)

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Probe/Action: Ask the taxpayer:

| | | |
|------------------|---|---|
| step 1 | Did the qualifying child or qualifying relative receive over half of his or her support from their parents who are: Divorced OR Legally separated under a decree of divorce or separate maintenance OR Separated under a written separation agreement OR Lived apart at all times during the last 6 months of the year? | If YES , go to Step 2. If NO , Table 3 does not apply. |
| step 2 | Was the child in the custody of one or both parents for more than half the year? | If YES , go to Step 3. If NO , Table 3 does not apply. |
| step 3 | Is this divorce decree or separation agreement one that is Post-1984 and Pre-2009 (decree or agreement that went into effect after 1984 and before 2009) that is applicable for 2010 and state all three of the following? 1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support. 2. The other parent will not claim the child as a dependent. 3. The years for which the claim is released. (See Step 3 footnote for the items the non-custodial parent must attach to his/her tax return.) OR Is this a Pre-1985 decree of divorce or separation maintenance or written separation agreement between the parents that provide that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during 2010? | If YES , go to Step 5. If NO , go to Step 4. |
| step 4 | Did the custodial parent (parent with whom the child lived for the greater part of the year) provide the taxpayer a signed written declaration (Form 8332, or a copy of Form 8332 or similar document) releasing his or her claim to the exemption for the child? | If YES , go to Step 5 and see footnote for Step 4 below. If NO , Table 3 does not apply. |
| step 5 | Can you or your spouse, if filing jointly, be claimed as a dependent on someone else's tax return this year? | If YES , you cannot claim this person as a dependent. If NO , you can claim an exemption for this person. See footnote for Step 5 below. |

Footnotes:

Step 3: Post-1984 and Pre-2009 divorce decrees or agreements:

The noncustodial parent must attach all of the following pages from the decree or agreement.

- Cover page (include the other parent's SSN on that page)
- The pages that include all the information identified in (1) through (3) above
- Signature page with the other parent's signature and date of agreement.

Release of exemption revoked

A custodial parent who has revoked his or her previous release of a claim to exemption for a child must attach a copy of the revocation to his or her return. (See Form 8332 for more details)

Step 4: Post-2008 decree or agreement. If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent cannot attach pages from the decree or agreement instead of Form 8332. The custodial parent must sign, and the noncustodial parent must attach to his or her return, either Form 8332, or a copy of Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to a child.

Other decrees or agreements that do not meet step 3: Non-custodial parents must attach the Form 8332, or a copy of Form 8332 or similar statement to their return.

Step 5: See Publication 17 or Form 1040 Instructions for additional guidance under Rules for Children of Divorced or Separated Parents.

Worksheet for Determining Support

Keep for Your Records



Funds Belonging to the Person You Supported

1. Enter the total funds belonging to the person you supported, including income received (taxable and nontaxable) and amounts borrowed during the year, plus the amount in savings and other accounts at the beginning of the year **1.** _____
2. Enter the amount on line 1 that was used for the person's support **2.** _____
3. Enter the amount on line 1 that was used for other purposes **3.** _____
4. Enter the total amount in the person's savings and other accounts at the end of the year **4.** _____
5. Add lines 2 through 4. (This amount should equal line 1.) **5.** _____

Expenses for Entire Household (where the person you supported lived)

6. Lodging (complete line 6a or 6b):
 - 6a. Enter the total rent paid **6a.** _____
 - 6b. Enter the fair rental value of the home. If the person you supported owned the home, also include this amount in line 21. **6b.** _____
7. Enter the total food expenses **7.** _____
8. Enter the total amount of utilities (heat, light, water, etc. not included in line 6a or 6b) **8.** _____
9. Enter the total amount of repairs (not included in line 6a or 6b) **9.** _____
10. Enter the total of other expenses. Do not include expenses of maintaining the home, such as mortgage interest, real estate taxes, and insurance. **10.** _____
11. Add lines 6a through 10. These are the total household expenses **11.** _____
12. Enter total number of persons who lived in the household **12.** _____

Expenses for the Person You Supported

13. Divide line 11 by line 12. This is the person's share of the household expenses **13.** _____
14. Enter the person's total clothing expenses **14.** _____
15. Enter the person's total education expenses **15.** _____
16. Enter the person's total medical and dental expenses not paid for or reimbursed by insurance . . **16.** _____
17. Enter the person's total travel and recreation expenses **17.** _____
18. Enter the total of the person's other expenses **18.** _____
19. Add lines 13 through 18. This is the total cost of the person's support for the year **19.** _____

Did the Person Provide More Than Half of His or Her Own Support?

20. Multiply line 19 by 50% (.50) **20.** _____
21. Enter the amount from line 2, plus the amount from line 6b if the person you supported owned the home. This is the amount the person provided for his or her own support **21.** _____
22. Is line 21 more than line 20?

☐ **No.** You meet the support test for this person to be your qualifying child. If this person also meets the other tests to be a qualifying child, stop here; do not complete lines 23–26. Otherwise, go to line 23 and fill out the rest of the worksheet to determine if this person is your qualifying relative.

☐ **Yes.** You do not meet the support test for this person to be either your qualifying child or your qualifying relative. **Stop here.**

Did You Provide More Than Half?

23. Enter the amount others provided for the person's support. Include amounts provided by state, local, and other welfare societies or agencies. Do not include any amounts included on line 1. . . **23.** _____
24. Add lines 21 and 23 **24.** _____
25. Subtract line 24 from line 19. This is the amount you provided for the person's support **25.** _____
26. Is line 25 more than line 20?

☐ **Yes.** You meet the support test for this person to be your qualifying relative.

☐ **No.** You do not meet the support test for this person to be your qualifying relative. You cannot claim an exemption for this person unless you can do so under a multiple support agreement, the support test for children of divorced or separated parents, or the special rule for kidnapped children. See *Multiple Support Agreement*, *Support Test for Children of Divorced or Separated Parents or Parents Who Live Apart*, or *Kidnapped Child* under *Qualifying Relative*.



Income

Confirm that all income received by the taxpayer has been discussed and shown on the return, if required.

Table A – Examples of Taxable Income

(Examples of income to consider when determining whether a return must be filed)

| | |
|---|---|
| Wages, salaries, bonuses, commissions | IRA distributions |
| Alimony | Jury duty fees |
| Annuities | Military pay (not exempt from taxation) |
| Awards | Military pension |
| Back pay | Notary fees |
| Breach of contract | Partnership, Estate and S-Corporation income (<i>Schedule K-1s, Taxpayer's share</i>) |
| Business income/Self-employment income | Pensions |
| Compensations for personal services | Prizes |
| Debts forgiven ¹ | Punitive damage |
| Director's fees | Railroad retirement—Tier I (portion may be taxable) |
| Disability benefits (employer-funded) | Railroad retirement—Tier II |
| Discounts | Refund of state taxes* |
| Dividends | Rents (gross rent) |
| Employee awards | Rewards |
| Employee bonuses | Royalties |
| Estate and trust income | Severance pay |
| Farm income | Self-employment |
| Fees | Non-employee compensation |
| Gains from sale of property or securities | Social security benefits - portion may be taxable - (<i>See TaxWise Tab 2 - Income, the page for Railroad Retirement, Civil Service, and Social Security Benefits</i>) |
| Gambling winnings | Supplemental unemployment benefits |
| Hobby income | Taxable scholarships and grants |
| Interest | Tips and gratuities |
| Interest on life insurance dividends | Unemployment compensation |

¹If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable (see D-9)

*If itemized in year paid and taxes were reduced because of deduction

Table B – Examples of Non-Taxable Income

(Examples of income items to exclude when determining whether a return must be filed)

| | |
|--|--|
| Aid to Families with Dependent Children (AFDC) | Meals and lodging for the convenience of employer |
| Child support | Payments to the beneficiary of a deceased employee |
| Damages for physical injury (other than punitive) | Relocation payments or payments in lieu of worker's compensation |
| Death payments | Rental allowance of clergyman |
| Dividends on life insurance | Sickness and injury payments |
| Federal Employees' Compensation Act payments | Social security benefits - portion may not be taxable - (<i>See TaxWise Tab 2 - Income, the page for Railroad Retirement, Civil Service, and Social Security Benefits</i>) |
| Federal income tax refunds | Supplemental Security Income (SSI) |
| Gifts, bequests, and inheritances | Temporary Assistance for Needy Families (TANF) |
| Insurance proceeds | Veterans' benefits |
| <ul style="list-style-type: none"> • Accident • Casualty • Health • Life | Welfare payments (including TANF) and food stamps |
| Interest on tax-free securities | Worker's compensation and similar payments |
| Interest on EE/I bonds redeemed for qualified higher education expenses | |



Travel Expenses

This chart summarizes expenses you can deduct when you travel away from home for business purposes.

| IF you have expenses for... | THEN you can deduct the cost of... |
|--|--|
| transportation | travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see <u><i>Luxury Water Travel</i></u> and <u><i>Cruise Ships</i></u> (under <i>Conventions</i>) for additional rules and limits. |
| taxi, commuter bus, and airport limousine | fares for these and other types of transportation that take you between: <ul style="list-style-type: none">• The airport or station and your hotel, and• The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location. |
| baggage and shipping | sending baggage and sample or display material between your regular and temporary work locations. |
| car | operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses. |
| lodging and meals | your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See <u><i>Meals</i></u> for additional rules and limits. |
| cleaning | dry cleaning and laundry. |
| telephone | business calls while on your business trip. This includes business communication by fax machine or other communication devices. |
| tips | tips you pay for any expenses in this chart. |
| other | other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to or from a business meal, public stenographer's fees, computer rental fees, and operating and maintaining a house trailer. |



Deductible Entertainment Expenses

When Are Entertainment Expenses Deducted?

| | |
|------------------------|--|
| General rule | You can deduct ordinary and necessary expenses to entertain a client, customer, or employee if the expenses meet the directly-related test or the associated test. |
| Definitions | <ul style="list-style-type: none">• Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation, and includes meals provided to a customer or client.• An ordinary expense is one that is common and accepted in your trade or business.• A necessary expense is one that is helpful and appropriate. |
| Tests to be met | Directly-related test <ul style="list-style-type: none">• Entertainment took place in a clear business setting, or• Main purpose of entertainment was the active conduct of business, and You did engage in business with the person during the entertainment period, and You had more than a general expectation of getting income or some other specific business benefit. |
| | Associated test <ul style="list-style-type: none">• Entertainment is associated with your trade or business, and• Entertainment directly before or after a substantial business discussion. |
| Other rules | <ul style="list-style-type: none">• You cannot deduct the cost of your meal as an entertainment expense if you are claiming the meal as a travel expense.• You cannot deduct expenses that are lavish or extravagant under the circumstances.• You generally can deduct only 50% of your unreimbursed entertainment expenses (see <u>50% Limit</u>). |



50% Limit

Table 3. Does the 50% Limit Apply to Your Expenses?

There are exceptions to these rules. See Publication 463 for additional guidance.

All employees and self-employed persons can use this chart.

Start Here

Were your meal and entertainment expenses reimbursed?
(Count only reimbursements your employer did not include in box 1 of your Form W-2. If self-employed, count only reimbursements from clients or customers that are not included on Form 1099-MISC, Miscellaneous Income.)

Yes

No

If an employee, did you adequately account to your employer under an accountable plan?
If self-employed, did you provide the payer with adequate records? (See chapter 6.)

No

Yes

Did your expenses exceed the reimbursement?

No

Yes

For the amount reimbursed...

For the excess amount...

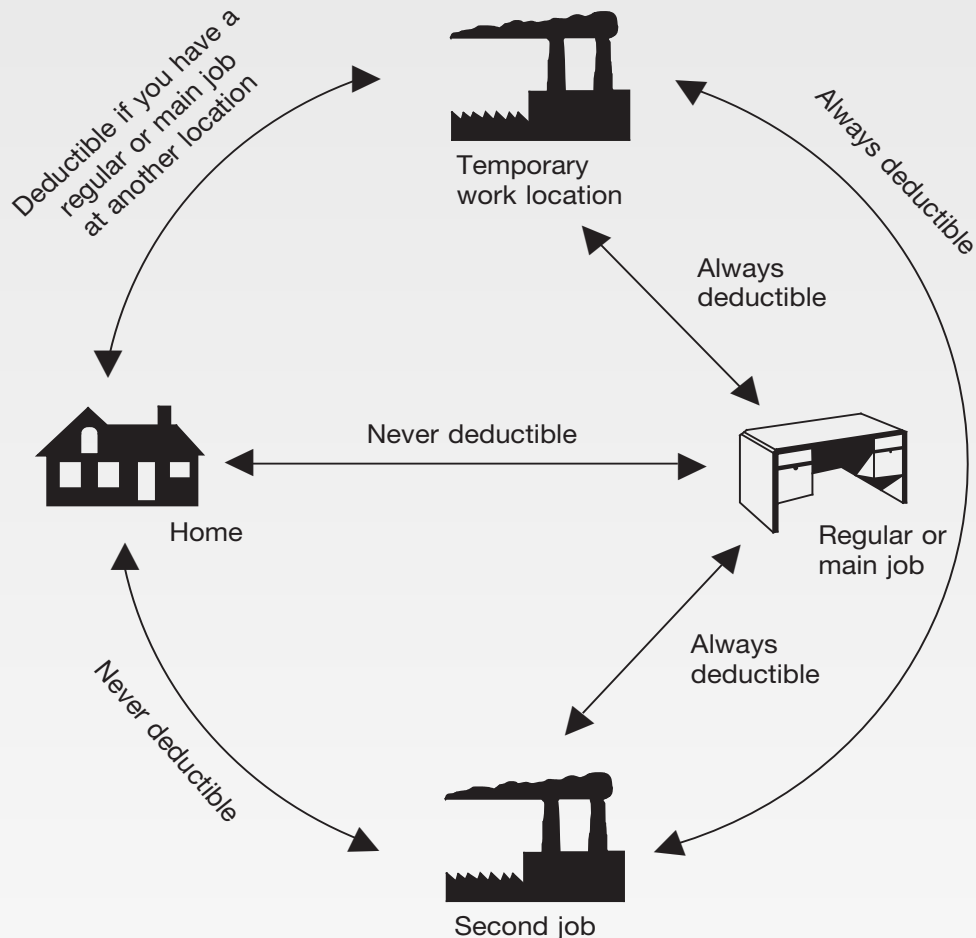
Your meal and entertainment expenses are NOT subject to the 50% limit. However, since the reimbursement was not treated as wages or as other taxable income, you cannot deduct the expenses.

Your meal and entertainment expenses ARE subject to the 50% limit.



Deductible Transportation Expenses

Most employees and self-employed persons can use this chart.
(Do not use this chart if your home is your principal place of business.)



Home: The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

Regular or main job: Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each, and the income you earn at each.

Temporary work location: A place where your work assignment is realistically expected to last (and does in fact last) one year or less. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.

Second job: If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. If you do not go directly from your first job to your second job, you can only deduct the transportation expenses of going directly from your first job to your second job. You cannot deduct your transportation expenses between your home and a second job on a day off from your main job.



Recordkeeping

How to Prove Certain Business Expenses

| If you have expenses for ... | THEN you must keep records that show details of the following elements . . . | | | |
|------------------------------|---|---|---|--|
| | Amount | Time | Place or Description | Business Purpose Business Relationship |
| Travel | Cost of each separate expense for travel, lodging, and meals. Incidental expenses may be totaled in reasonable categories such as taxis, fees and tips, etc. | Dates you left and returned for each trip and number of days spent on business. | Destination or area of your travel (name of city, town, or other designation). | <u>Purpose:</u> Business purpose for the expense or the business benefit gained or expected to be gained. <u>Relationship:</u> N/A |
| Entertainment | Cost of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled on a daily basis. | Date of entertainment. (Also see <i>Business Purpose</i> .) | Name and address or location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see <i>Business Purpose</i> .) | <u>Purpose:</u> Business purpose for the expense or the business benefit gained or expected to be gained. For entertainment, the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion: the date, place, nature, and duration of the business discussion, and the identities of the persons who took part in both the business discussion and the entertainment activity. <u>Relationship:</u> Occupations or other information (such as names, titles, or other designations) about the recipients that shows their business relationship to you. For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal. |
| Gifts | Cost of the gift. | Date of the gift. | Description of the gift. | |
| Transportation | Cost of each separate expense. For car expenses, the cost of the car and any improvements, the date you started using it for business, the mileage for each business use, and the total miles for the year. | Date of the expense. For car expenses, the date of the use of the car. | Your business destination. | <u>Purpose:</u> Business purpose for the expense. <u>Relationship:</u> N/A |



Armed Forces Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. **Table 1** lists included items that are subject to tax and must be reported on your tax return. **Table 2** lists excluded items that are not subject to tax, but may have to be shown on your tax return.

Table 1. Included Items

These items are included in gross income, unless the pay is for service in a combat zone.

| | |
|---|---|
| Basic pay <ul style="list-style-type: none">• Active duty• Attendance at a designated service school• Back wages• CONUS COLA• Drills• Reserve training• Training duty | Bonuses <ul style="list-style-type: none">• Career status• Enlistment• Officer• Overseas extension• Reenlistment |
| Special pay <ul style="list-style-type: none">• Aviation career incentives• Career sea• Diving duty• Foreign duty (outside the 48 contiguous states and the District of Columbia)• Foreign language proficiency• Hardship duty• Hostile fire or imminent danger• Medical and dental officers• Nuclear-qualified officers• Optometry• Pharmacy• Special duty assignment pay• Veterinarian | Other payments <ul style="list-style-type: none">• Accrued leave• High deployment per diem• Personal money allowances paid to high-ranking officers• Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year's service (requirement) is not attributable to a combat zone Incentive pay <ul style="list-style-type: none">• Submarine• Flight• Hazardous duty• High altitude/Low altitude (HALO) |

Table 2. Excluded Items

The exclusion for certain items applies whether the item is furnished in kind or is a reimbursement or allowance. There is no exclusion for the personal use of a government-provided vehicle.

| | |
|---|---|
| Living allowances <ul style="list-style-type: none">• BAH (Basic Allowance for Housing). You can deduct mortgage interest and real estate taxes on your home even if you pay these expenses with your BAH• BAS (Basic Allowance for Subsistence)• Housing and cost-of-living allowances abroad whether paid by the U.S. Government or by a foreign government• OHA (Overseas Housing Allowance)• Expanded HAP (Homeowners Assistance Program) benefit payments | Combat zone pay <ul style="list-style-type: none">• Compensation for active service while in combat zone or a qualified hazardous duty area. Note: Limited amount for officers |
| Moving allowances <ul style="list-style-type: none">• Dislocation• Military base realignment and closure benefit (the exclusion is limited as described beginning on page 3)• Move-in housing• Moving household and personal items• Moving trailers or mobile homes• Storage• Temporary lodging and temporary lodging expenses | Family allowances <ul style="list-style-type: none">• Certain educational expenses for dependents• Emergencies• Evacuation to a place of safety• Separation |
| Travel allowances <ul style="list-style-type: none">• Annual round trip for dependent students• Leave between consecutive overseas tours• Reassignment in a dependent restricted status• Transportation for you or your dependents during ship overhaul or inactivation• Per diem | Death allowances <ul style="list-style-type: none">• Burial services• Death gratuity payments to eligible survivors• Travel of dependents to burial site Other payments <ul style="list-style-type: none">• Defense counseling• Disability, including payments received for injuries incurred as a direct result of a terrorist or military action• Group-term life insurance• Professional education• ROTC educational and subsistence allowances• Survivor and retirement protection plan premiums• Uniform allowances• Uniforms furnished to enlisted personnel In-kind military benefits <ul style="list-style-type: none">• Dependent-care assistance program• Legal assistance• Medical/dental care• Commissary/exchange discounts• Space-available travel on government aircraft |



Tax Treatment of Scholarship and Fellowship Payments¹

Do not rely on this table alone. Refer to Publication 17 for complete details.

| IF you use the payment for... | AND you are... | | THEN your payment is... | |
|--|--------------------|------------------------|-------------------------|---------|
| | A degree candidate | Not a degree candidate | Tax free ² | Taxable |
| Tuition | X | | X | |
| | | X | | X |
| Fees | X | | X ³ | |
| | | X | | X |
| Books | X | | X ³ | |
| | | X | | X |
| Supplies | X | | X ³ | |
| | | X | | X |
| Equipment Computers must be required for enrollment or attendance. | X | | X ³ | |
| | | X | | X |
| Room | X | | | X |
| | | X | | X |
| Board | X | | | X |
| | | X | | X |
| Travel | X | | | X |
| | | X | | X |
| Research | X | | | X |
| | | X | | X |
| Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution. | X | X | | X |

¹To determine the taxable portion of the scholarship or grant, subtract allowable tax-free items (see Form 1098T for information regarding tuition paid and scholarships received). In TaxWise, link from appropriate box below line 7 to worksheet to report net.

²Payments used for any expenses indicated in this column are tax free only if the terms of the scholarship or fellowship do not prohibit the expense.

³If required of all students in the course.



Publication 4731

Screening Sheet for Form 1099-C, Cancellation of Debt

NOTE: Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form 1099-C issues.



Instructions: Use this Screening Sheet to assist in identifying taxpayers with cancellation of debt issues that are within the scope of the VITA/TCE Program.

- Use Part I for taxpayers with a Form 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Part II for taxpayers with a Form 1099-C resulting from cancellation of credit card debt.

Part I – Home Mortgage Loan

| | | |
|---------------|---|--|
| step 1 | Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct? | YES – Go to Step 2 NO – Go to Step 6 |
| step 2 | Did the taxpayer ever use the home in a trade or business or as rental property? | YES – Go to Step 6 NO – Go to Step 3 |
| step 3 | Was the debt canceled as a result of a bankruptcy case or does Box 3 of Form 1099-C show any interest? | YES – Go to Step 6 NO – Go to Step 4 |
| step 4 | Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness”: a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (NOTE: A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.) b. Was the mortgage secured by the taxpayer’s principal residence? c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence? d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)? | YES – Go to Step 4b NO – Go to Step 6 YES – Go to Step 4c NO – Go to Step 6 YES – Go to Step 6 NO – Go to Step 4d YES – Go to Step 6 NO – Go to Step 5 |
| step 5 | The discharged debt is “qualified principal residence indebtedness.” The Mortgage Forgiveness Debt Relief Act of 2007, as extended in the Emergency Economic Stabilization Act of 2008, allows individuals to exclude from gross income any discharges of “qualified principal residence indebtedness” made after 2006 and before 2013. The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer’s return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Schedule D. | |
| step 6 | These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex. Refer the taxpayer to: <ul style="list-style-type: none">• www.irs.gov for the most up-to-date information• An IRS Representative: 1-800-829-1040• An IRS Taxpayer Assistance Center (TAC)• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.• A professional tax preparer | Additional Resources: <ul style="list-style-type: none">• Publication 523, Selling your Home• Publication 525, Taxable and Nontaxable Income• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments• Publication 4705, Overview of Mortgage Debt Forgiveness• Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions |

**Screening Sheet for Form 1099-C, Cancellation of Debt**

NOTE: Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form 1099-C issues.

**Part II – Credit Card Debt**

- | | | |
|-------------------------|--|---|
| step 1 | Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their credit card company and is the information shown on the form correct? | YES – Go to Step 2 NO – Go to Step 6 |
| step 2 | Was the credit card debt related to a business? | YES – Go to Step 6 NO – Go to Step 3 |
| step 3 | Was the credit card debt canceled as a result of a bankruptcy or does Box 3 of Form 1099-C show any interest? | YES – Go to Step 6 NO – Go to Step 4 |
| step 4 | Based on the interview with the taxpayer, was the taxpayer insolvent immediately before the cancellation of the debt? NOTE: Insolvent means the taxpayer's total liabilities were greater than the fair market value of his/her total assets (including an interest in pension plans and the value of retirement accounts). If the taxpayer is unsure, answer "yes." | YES – Go to Step 6 NO – Go to Step 5 |
| step 5 | The cancellation of nonbusiness credit card debt (the amount in box 2 of Form 1099-C) must be reported as ordinary income on Form 1040, line 21 (Other Income). | |
| step 6 | These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex. Refer the taxpayer to: <ul style="list-style-type: none">• www.irs.gov for the most up-to-date information• An IRS Representative: 1-800-829-1040• An IRS Taxpayer Assistance Center (TAC)• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.• A professional tax preparer | |



Alimony Requirements (Instruments Executed After 1984)

Payments ARE alimony if all of the following are true:

Payments are required by a divorce or separation instrument.

Payer and recipient spouse do not file a joint return with each other.

Payment is in cash (including checks or money orders).

Payment is not designated in the instrument as not alimony.

Spouses legally separated under a decree of divorce or separate maintenance are not members of the same household.

Payments are not required after death of the recipient spouse.

Payment is not treated as child support.

These payments are deductible by the payer and includible in income by the recipient.

Payments are NOT alimony if any of the following are true:

Payments are not required by a divorce or separation instrument.

Payer and recipient spouse file a joint return with each other.

Payment is:

- Not in cash,
- A noncash property settlement,
- Spouse's part of community income, or
- To keep up the payer's property.

Payment is designated in the instrument as not alimony.

Spouses legally separated under a decree of divorce or separate maintenance are members of the same household.

Payments are required after death of the recipient spouse.

Payment is treated as child support.

These payments are neither deductible by the payer nor includible in income by the recipient.



Effect of Modified AGI¹ on Traditional IRA Deduction if You Are Covered by Retirement Plan at Work

If you are covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

| IF your filing status is... | AND your modified AGI is... | THEN you can take... |
|--|--|----------------------|
| single or head of household | \$56,000 or less | a full deduction. |
| | more than \$56,000 but less than \$66,000 | a partial deduction. |
| | \$66,000 or more | no deduction. |
| married filing jointly or qualifying widow(er) | \$89,000 or less | a full deduction. |
| | more than \$89,000 but less than \$109,000 | a partial deduction. |
| | \$109,000 or more | no deduction. |
| married filing separately² | less than \$10,000 | a partial deduction. |
| | \$10,000 or more | no deduction. |

¹Modified AGI (adjusted gross income).

²If you did not live with your spouse at any time during the year, your filing status is considered Single for this purpose (therefore, your IRA deduction is determined under the "Single" column).



Effect of Modified AGI¹ on Traditional IRA Deduction if You Are NOT Covered by Retirement Plan at Work

If you are not covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.

| IF your filing status is... | AND your modified AGI is... | THEN you can take... |
|---|---|----------------------|
| single, head of household, or qualifying widow(er) | any amount | a full deduction. |
| married filing jointly or separately with a spouse who is not covered by a plan at work | any amount | a full deduction. |
| married filing jointly with a spouse who is covered by a plan at work | \$167,000 or less | a full deduction. |
| | more than \$167,000 but less than \$177,000 | a partial deduction. |
| | \$177,000 or more | no deduction. |
| married filing separately with a spouse who is covered by a plan at work ² | less than \$10,000 | a partial deduction. |
| | \$10,000 or more | no deduction. |

¹Modified AGI (adjusted gross income).

²You are entitled to the full deduction if you did not live with your spouse at any time during the year.

Note: TaxWise automatically calculates the deduction limits



Student Loan Interest Deduction at a Glance

Caution: This table is only an overview of the rules. For details, see Publication 17.

| Feature | Description |
|-------------------------|--|
| Maximum benefit | You can reduce your income subject to tax by up to \$2,500. |
| Loan qualifications | Your student loan: <ul style="list-style-type: none">• must have been taken out solely to pay qualified education expenses, and• cannot be from a related person or made under a qualified employer plan. |
| Student qualifications | The student must be: <ul style="list-style-type: none">• you, your spouse, or your independent, and• enrolled at least half-time in a degree program.• a dependent when the loan was made |
| Time limit on deduction | You can deduct interest paid during the remaining period of your student loan. |
| Phaseout | The amount of your deduction depends on your income level. |



Effect of MAGI¹ on Student Loan Interest Deduction

| IF your filing status is... | AND your MAGI is... | THEN your student loan interest deduction is... |
|--|---|---|
| single, head of household, or qualifying widow(er) | not more than \$60,000 | not affected by the phaseout. |
| | more than \$60,000 but less than \$75,000 | reduced because of the phaseout. |
| | \$75,000 or more | eliminated by the phaseout. |
| married filing joint return | not more than \$120,000 | not affected by the phaseout. |
| | more than \$120,000 but less than \$150,000 | reduced because of the phaseout. |
| | \$150,000 or more | eliminated by the phaseout. |

Student Loan Interest Deduction Worksheets: Generally, you figure the deduction using the *Student Loan Interest Deduction Worksheet* in Form 1040 or Form 1040A instructions. However, if you are filing Form 2555, 2555-EZ, or 4563, or you are excluding income from Puerto Rico, you must complete *Worksheet 4-1* in Publication 970. When using TaxWise, link from the Form 1040 to 1040 Worksheet 2 and enter the amount of the student loan interest paid. TaxWise will calculate the deduction based on the filing status and income limits.

¹ MAGI (modified adjusted gross income)



Publication 4885

Screening Sheet for Health Savings Accounts (HSAs)

NOTE: Only volunteers with **Health Savings Account Certification** may assist taxpayers with HSA issues.



Instructions: Use this HSA Screening Sheet if the taxpayer received Form 1099-SA, Form W-2 with a code W in box 12, Form 5498-SA, **or** contributed to, or received distributions from, an HSA. This Screening Sheet will help you identify HSA issues that are within the scope of the VITA/TCE program. Use **Publication 969**, *Health Savings Accounts and Other Tax-Favored Health Plans*, and **Form 8889** and Instructions as references.

Determine HSA Eligibility (To set up an HSA or make contributions to an HSA)

TO QUALIFY: An individual must meet **ALL** the following requirements:

- Be covered under a high deductible health plan (HDHP) on the first day of any month of the year.
- Have no other health coverage except for allowable "other health coverage." (Publication 969, "Other health coverage")
- Not be claimed as a dependent on someone else's tax return. (Publication 969, "Qualifying for an HSA")
- Not be covered by Medicare (but the individual can be HSA eligible for the months before being covered by Medicare)

NOTE: If the taxpayer does not qualify, but contributions have been made to an HSA, the taxpayer should be referred to a professional tax preparer.

PART I – HSA Contributions and Deduction

| | | |
|---------------|---|---|
| step 1 | Is the taxpayer an eligible individual to make contributions to an HSA? | YES – Complete Form 8889, Part I, lines 1 and 2. Go to Step 2. NO – The taxpayer is not an eligible individual . STOP. |
| step 2 | Was the taxpayer enrolled in the same HDHP coverage for the entire year? (Answer Yes, if last-month rule applies, and see Form 8889 Instructions) Caution: If line 2 is more than line 13, the taxpayer must withdraw the excess contribution to avoid an additional tax. If the excess is not timely withdrawn, refer the taxpayer to a professional tax preparer. (Refer to Form 8889 Instructions, line 13). | YES – Complete Form 8889, Part I, lines 3-13. FOR YES AND NO: Lines 4 and 10 are out of scope. NO – Complete line 3 using the Limitation Chart and Worksheet in the Instructions for Form 8889. Then complete the remainder of Part I. |

PART II – HSA Distributions

| | | |
|---------------|---|---|
| step 1 | Did the taxpayer receive distributions from the HSA trustee (whether or not Form 1099-SA received)? | YES – Complete Form 8889 Part II, Line 14a, 14b, if applicable, and 14c. Go to Step 2. NO – STOP, do not complete Part II. |
| step 2 | Did the taxpayer use all or part of the distribution to pay unreimbursed qualified medical expenses in 2010 that were incurred after the HSA was established and were for qualified persons? | YES – Enter the amount on line 15 and complete line 16. Go to Step 3. NO – Enter zero on line 15 and complete line 16. Go to Step 3. |
| step 3 | If any part of the distribution is taxable, was the distribution made after the taxpayer died, became disabled or turned 65? | YES – Check box on line 17a and complete 17b. NO – Taxpayer will be subject to an additional 10% tax. |



Persons Not Eligible for the Standard Deduction Interview Tips

interview
tips

Certain taxpayer situations do not qualify for the standard deduction. These interview tips will assist you in determining if the taxpayer's standard deduction is zero or if they should itemize their deductions.

step
1

Is your filing status married filing separately?

If **YES**, go to Step 2.
If **NO**, go to Step 3.

step
2

Is your spouse itemizing deductions?

If **YES**, go to Conclusion 2.
If **NO**, go to Step 3.

step
3

Are you a dual status alien or a nonresident alien?

If **YES**, go to Conclusion 2.
If **NO**, go to Conclusion 1.

Conclusion 1: Based on the information provided, you may take either the standard or itemized deduction.

Conclusion 2: Based on the information provided, you do not qualify for the standard deduction.



Exhibit 1 – Standard Deduction for Most People*

This table provides the standard deduction amounts for tax year 2010.

| If the taxpayer's filing status is... | Your standard deduction is ... |
|--|--------------------------------|
| Single or married filing separate return | \$5,700 |
| Married filing joint return or qualifying widow(er) with dependent child | \$11,400 |
| Head of household | \$8,400 |

*Do not use this chart if the taxpayer was born before January 2, 1946, is blind, paid state or local excise taxes in 2010 (for the purchase of a new motor vehicle(s) after February 16, 2009 and before January 1, 2010.) or if someone else can claim an exemption for the taxpayer (or their spouse if married filing jointly).



Exhibit 2 – Standard Deduction Chart for People Born Before January 2, 1946 or Who Are Blind*

Check the correct number of boxes below. Then go to the chart.

You

Born before January 2, 1946

☐

Blind

☐

Your spouse, if claiming
spouse's exemption

Born before January 2, 1946

☐

Blind

☐

Total number of boxes you checked

| If your filing status is... | AND the number in the box above is... | THEN your standard deduction is... |
|---|--|---------------------------------------|
| Single | 1 | \$7,100 |
| | 2 | \$8,500 |
| Married filing joint return or Qualifying widow(er) with dependent child | 1 | \$12,500 |
| | 2 | \$13,600 |
| | 3 | \$14,700 |
| | 4 | \$15,800 |
| Married filing separate return | 1 | \$6,800 |
| | 2 | \$7,900 |
| | 3 | \$9,000 |
| | 4 | \$10,100 |
| Head of household | 1 | \$9,800 |
| | 2 | \$11,200 |

*Do not use this chart if the taxpayer paid taxes in 2010 for a new vehicle purchased in 2009. Use Schedule L (Form 1040 or Form 1040A), Standard Deduction for Certain Filers.



interview
tips

Interview Tips – Itemized Deductions

These interview tips will assist you in determining whether a taxpayer's itemized deductions are more than their standard deduction amount. It may be more advantageous for a taxpayer to itemize their deductions if the amount is larger than the allowable standard deduction amount.

step

1

Do you have expenses in the following categories: medical and dental expenses, taxes you paid, home mortgage interest you paid, mortgage insurance premiums you paid, gifts to charity, job expenses, and certain miscellaneous deductions?

Note: Casualty and theft losses and some miscellaneous deductions are beyond the scope of VITA/TCE.

If YES, go to Step 2.

If **NO**, generally speaking, you should take the standard deduction if eligible. For further explanation see exceptions in Publication 17, Standard Deduction chapter. Go to Step 2.

step

2

Were the medical and dental expenses paid by an employer under a pre-tax plan (not included in box 1 of the customer's Form W-2) or were the expenses reimbursed by an insurance company?

If YES, you cannot deduct reimbursed expenses. Go to Step 4.

If **NO**, you can claim these expenses. Go to Step 3.

step

3

Were the medical and dental expenses more than 7.5% of your adjusted gross income?

Note: You can include medical and dental bills you paid for:

- Yourself and your spouse
- All dependents you claim on your return
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents
- Any person you could have claimed as a dependent on your return unless that person received \$3,650 or more of gross income or filed a joint return
- Any person you could have claimed as a dependent unless you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2010 return.

If YES, go to Step 4.

If **NO**, your medical and dental expenses must be more than 7.5% of your adjusted gross income to claim a medical expense deduction on Form 1040, Schedule A. Go to Step 4.

step

4

Were the following taxes you paid imposed on you: state, local or foreign income taxes, real or personal property taxes?

Note: This includes taxes paid on a qualifying new motor vehicle.

If YES, go to Step 5.

If **NO**, you cannot claim this expense as a deduction because you were not obligated to pay the taxes. Go to Step 6.

step

5

Did you pay these taxes during **this tax year**?

If YES, you can claim these expenses and go to Step 6.

If **NO**, you cannot deduct taxes for this year that were paid in another year. Go to Step 6.

step

6

Are you legally liable for the home mortgage loan?

If YES, go to Step 7.

If **NO**, you cannot take an interest expense for a mortgage for which you are not legally liable. Go to Step 12.



interview
tips

Interview Tips – Itemized Deductions (continued)

| | | |
|-------------------|--|--|
| step 7 | Did your home secure the mortgage loan? | If YES, go to Step 8. If NO, you cannot take an interest expense if your main home does not secure the mortgage. Go to Step 11. |
| step 8 | Did you pay the mortgage interest in this tax year? | If YES, go to Step 9. If NO, you cannot take the mortgage interest deduction. Go to Step 11. |
| step 9 | Did you take out your mortgage on or before October 13, 1987? | If YES, your mortgage interest is fully deductible. Go to Step 10. If NO, follow the flowchart in Publication 17 to determine what is deductible. Go to Step 11. |
| step 10 | Did you pay premiums in 2010 for qualified mortgage insurance for a home acquisition debt that was issued after 2006? | If YES , you can take a deduction for qualified mortgage insurance as home mortgage interest within the AGI income limitations. If NO , you cannot take a deduction for qualified mortgage insurance as home mortgage interest. |
| step 11 | Did you pay points to obtain a home mortgage (on a main home or second home or home improvement loan or to refinance your home)? | If YES, follow the flowchart in Publication 17 and then go to Step 12. If NO, go to Step 12. |
| step 12 | Did you make a cash contribution to a qualified organization? | If YES, you must have a written receipt from that particular organization, and then go to Step 13. If NO, go to Step 13. |
| step 13 | Did you make a noncash donation to a qualified organization? Note: Generally fair market value is used to determine the value of a donation. | If YES, advise the taxpayer that generally he or she must have a written receipt from that particular organization. Go to Step 14. If NO , Go to Step 15. |
| step 14 | Is the total of all noncash donations \$500 or less? Note: If more than \$500, refer taxpayer to a professional tax preparer. | If YES, see Publication 17 for more details. If NO , this is beyond the scope of VITA/TCE. Refer taxpayer to a professional tax preparer. |
| step 15 | Do you have any employee or investment expenses more than 2% of your (and your spouse's if married filing jointly) adjusted gross income? | If YES, report the expenses on Schedule A, <i>Job Expenses and Certain Miscellaneous Deductions</i> . If NO , your employee and investment expenses are not deductible. |

If the total itemized deduction is more than the standard deduction, carry the total to line 40 of Form 1040.



Child and Dependent Care Credit Expenses

Probe/Action: To determine if a taxpayer qualifies for the Credit for Child and Dependent Care Expenses, ask the taxpayer for information from the decision tree on the next page.

Who is a qualifying person?

- A child who is under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed*
- Any person who is physically or mentally incapable of self-care who the taxpayer can claim as a dependent or could have claimed as a dependent except that the person had gross income of more than \$3,650 or filed a joint return or that the taxpayer or spouse, if married filing jointly, could be claimed as a dependent on someone else's 2010 return.
- A spouse who is physically or mentally incapable of self-care and lived with the taxpayer for more than half the year.

Special rules apply if the parents are divorced or separated. (See Publication 17.)

Qualified work-related expenses

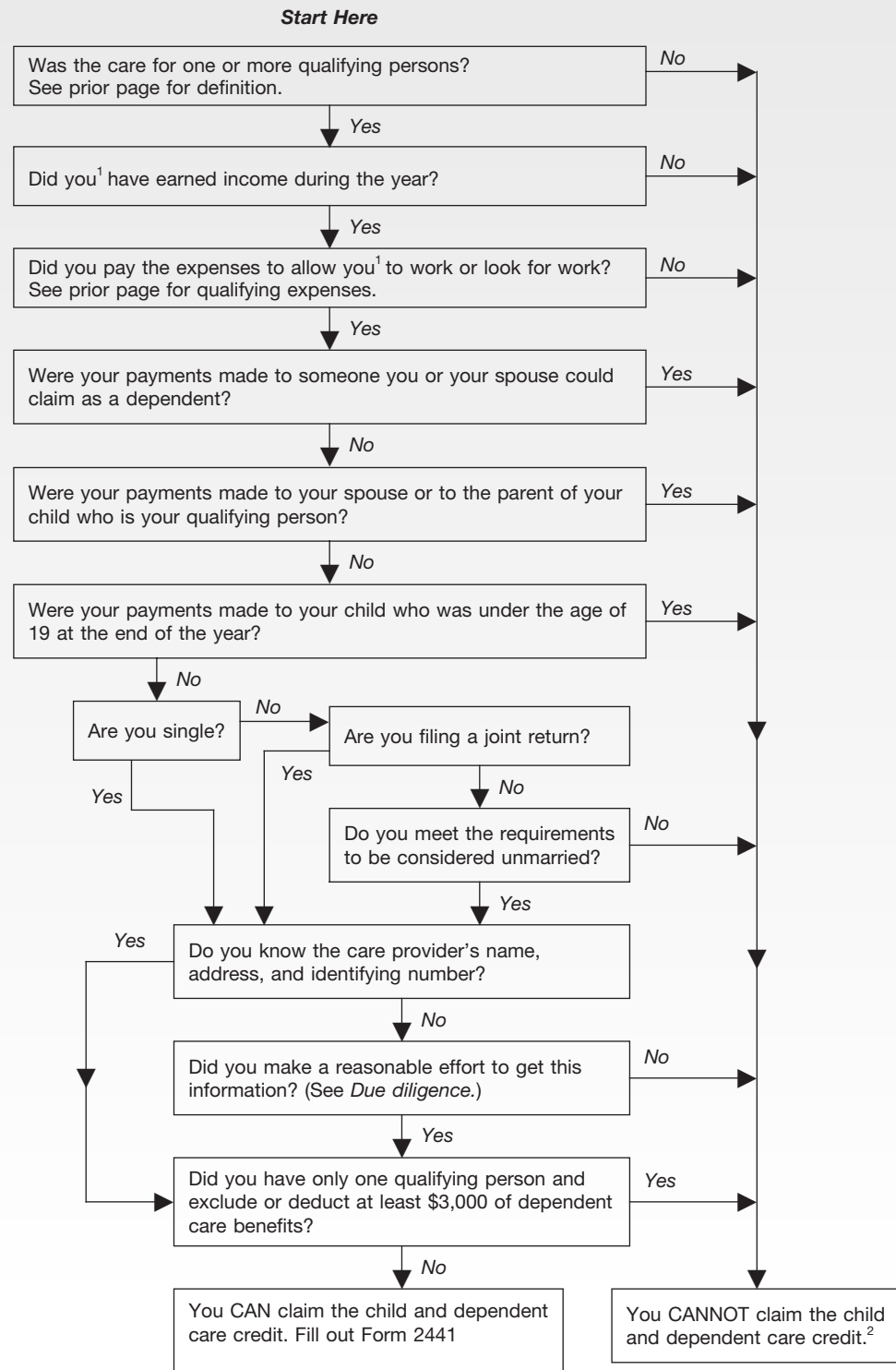
- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married to work or look for work.
- The care includes the costs of services for the qualifying person's well-being and protection.

*Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

Caution: Only the custodial parent may claim the child and dependent care credit even if the child's exemption is being claimed by the non-custodial parent under the rules for divorced & separated parents.

Credit for Child & Dependent Care Expenses – Decision Tree

Can You Claim the Child and Dependent Care Credit



¹ This also applies to your spouse, unless your spouse was disabled or full-time student.

² If you had expenses that met the requirements for 2009, expect that you did not pay them until 2010, you may be able to claim those expenses in 2010.



Education Credits

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

Comparison of Education Credits

| American Opportunity Credit | Lifetime Learning Credit |
|--|--|
| Up to \$2,500 per eligible student | Up to \$2,000 credit per return |
| Available for first 4 years of post secondary education ¹ , cannot be claimed more than 4 tax years | Available for all years of post secondary education and for courses to acquire or improve job skills |
| Forty percent (.40) of the credit is refundable ² (Up to \$1,000 even if no taxes are owed) | Non refundable credit |
| Student must be pursuing an undergraduate degree or other recognized education credential | Student does not need to be pursuing a degree or other recognized education credential |
| Student must be enrolled at least half time for at least one academic period beginning during the year | Available for one or more courses |
| No felony drug conviction on student's record | Felony drug conviction rule does not apply |
| Credit is reduced if modified AGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if married filing jointly) | Credit is reduced if modified AGI is between \$50,000 and \$60,000 (\$100,000 and \$120,000 if married filing jointly) |

Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education
- Taxpayers who paid the education expenses for an eligible student
- The eligible student is either the taxpayer, taxpayer's spouse or a dependent for whom the taxpayer can claim as a dependent on the tax return.

Note: Qualified education expenses paid by a dependent for which an exemption is claimed, or by a third party for that dependent, are considered paid by the taxpayer.

¹ Previously the credit could be claimed for the first two years of post secondary education but has been expanded as a result of the American Recovery and Reinvestment Act.

² None of the credit is refundable if the taxpayer claiming the credit is a child (a) who is under age 18 or (b) age 18 at the end of the year, and their earned income does not exceed one-half of his or her own support or (c) a student who is at least age 18 and under 24 whose earned income does not exceed one-half of his or her own support; and (2) who has at least one living parent, and; (3) who does not file a joint return.



Education Credits (Continued)

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

Who Can Claim a Dependent's Expenses?

| If the taxpayer... | Then only... |
|--|--|
| Claims an exemption on the return for a dependent who is an eligible student | The taxpayer can claim the credit based on that dependent's expenses. The dependent cannot claim the credit. |
| Does not claim the exemption on the tax return | The dependent can claim the credit. The taxpayer cannot claim the credit based on the dependent's expenses. |

Who Cannot Claim the Credit?

- Married filing separate filing status
- Taxpayers listed as a dependent on another person's tax return
- Taxpayers whose modified AGI is more than the allowable income limits
- Taxpayer (or the spouse) was a nonresident alien for any part of the tax year and the nonresident alien did not elect to be treated as a resident alien for tax purposes

What Expenses Qualify?

- Expenses paid for an academic period starting in 2010 or the first 3 months of 2011
- Expenses not refunded when the student withdraws from class
- Expenses paid with the proceeds from a loan

What are Qualifying Expenses?

- The term "qualified tuition and related expenses" has been expanded for the American opportunity credit to include expenditures for course materials. For this purpose, course materials are books, supplies, and 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.

What is Tax-free educational assistance?

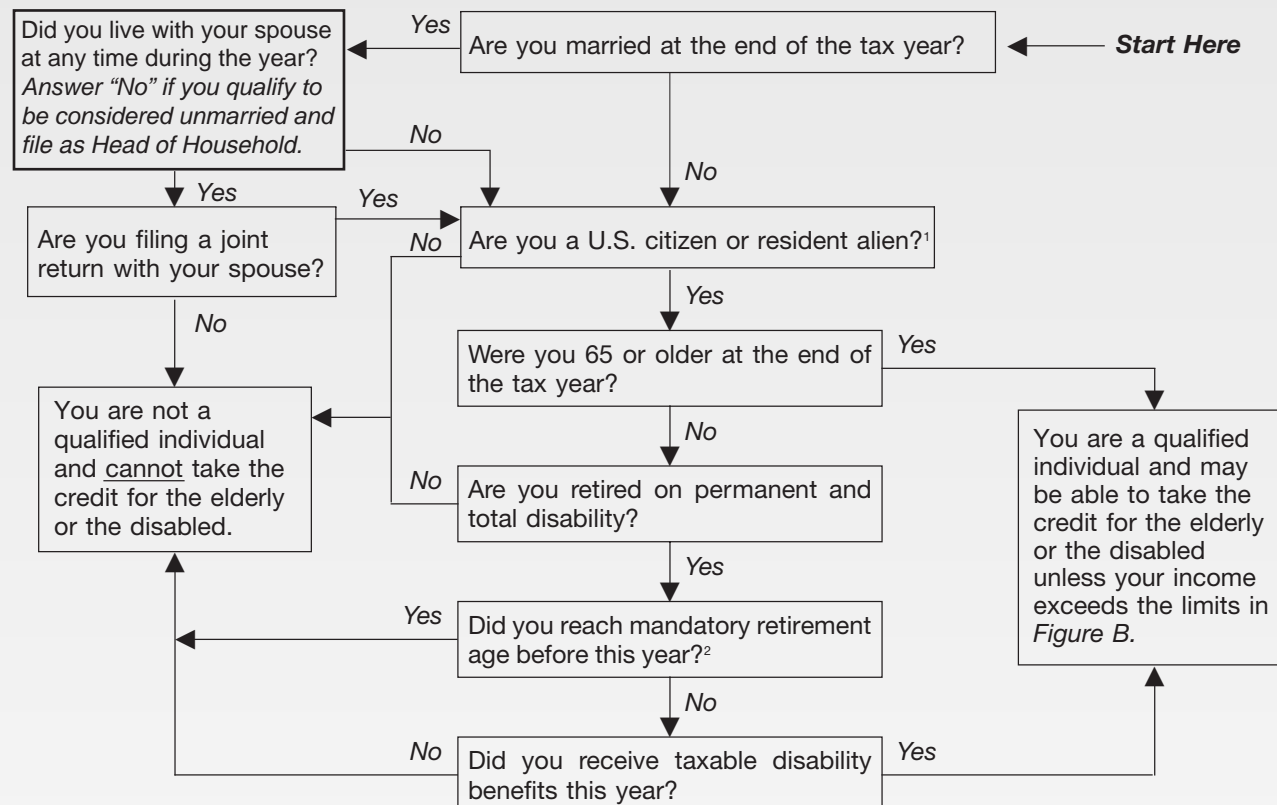
- Tax-free parts of scholarships and fellowships
- Pell grants (see chapter 1 of Publication 970)
- Employer-provided educational assistance (see Publication 970)
- Veterans' educational assistance
- Any other nontaxable payment (other than gifts or inheritances) received as educational assistance

Note: If qualified education expenses are paid with certain tax free funds, the taxpayer cannot claim a credit for those amounts. The taxpayer must reduce the qualified education expenses by the amount of any tax-free educational assistance received.

Credit for the Elderly or the Disabled – Decision Tree

Use the following chart to determine if the taxpayer is eligible for the Credit for the Elderly or the Disabled:

Figure A. Are You a Qualified Individual?



¹ If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see *U.S. Citizen or Resident Alien* under *Qualified Individual*. If you and your spouse choose to treat you as a U.S. resident alien, answer "yes" to this question.

² Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Figure B. Income Limits

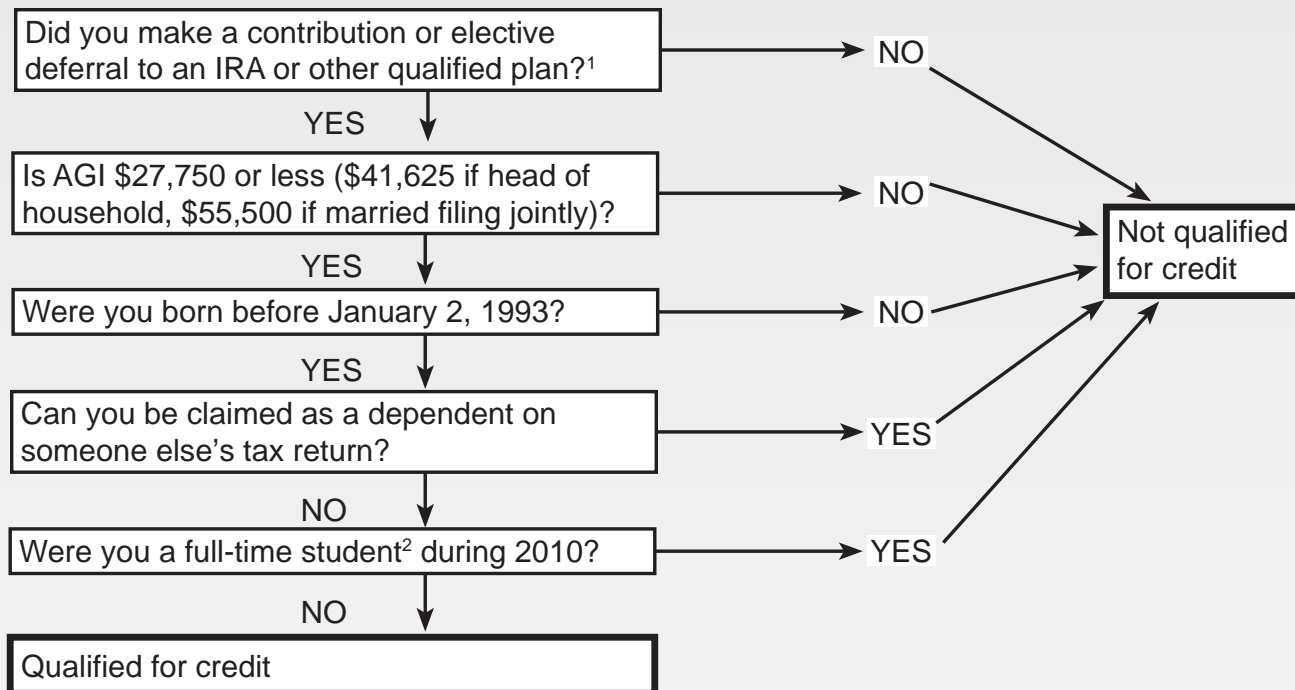
| IF your filing status is . . . | THEN, even if you qualify (see <i>Figure A</i>), you CANNOT take the credit if . . . | |
|---|---|--|
| | Your adjusted gross income (AGI)* is equal to or more than . . . | OR the total of your nontaxable social security and other nontaxable pension(s) is equal to or more than . . . |
| single, head of household, or qualifying widow(er) with dependent child | \$17,500 | \$5,000 |
| married filing a joint return and both spouses qualify in <i>Figure A</i> | \$25,000 | \$7,500 |
| married filing a joint return and only one spouse qualifies in <i>Figure A</i> | \$20,000 | \$5,000 |
| married filing a separate return | \$12,500 | \$3,750 |

* AGI is the amount on Form 1040A, line 22, or Form 1040, line 38.

Tax Software Hint: The software will calculate the credit and complete the Schedule R if the date of birth is provided. Be sure to include the taxpayer's total social security benefits, regardless of the taxability, to ensure the correct calculation of the credit.

Retirement Savings Contributions Credit – Decision Tree

To determine if a taxpayer qualifies for the Credit for Qualified Retirement Savings Contributions, review the return information and ask the taxpayer the following:



¹ Plans that qualify are listed in the Other Credits chapter of Publication 17.

² See Publication 17 for definition of full-time student.

Note: Distributions from a military retirement plan do not reduce the taxpayer's Qualified Retirement Savings Contribution. The military retirement plan is a noncontributory plan that does not allow any contributions by the military employee. In addition do not reduce the taxpayer's contribution by any distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k). See Form 8880 Instructions for more information.

Important Reminders for Retirement Savings Contributions Credit

- Be sure to look at the taxpayer's Form(s) W-2. An entry in box 12 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A full description of all codes used in box 12 can be found in Instructions for Forms W-2 and W-3.
- An entry in box 14 on the W-2 may also indicate a contribution to a state retirement system which may be eligible for this credit.
- When using tax software, remember to key in all entries as they appear on the Form W-2.
- A contribution to a traditional or Roth IRA may also qualify for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Intake and Interview Sheet and ask the taxpayer if he or she made any IRA contributions.
- Distributions can reduce the eligible contributions for this credit. A current tax year distribution is reported on a Form 1099-R. However, you must remember to ask the taxpayer if they received distributions in the two preceding tax years or will receive a distribution before the due date of the tax return, as they may not bring this documentation to the tax site.
- Complete Form 8880 to claim this credit.



Child Tax Credit

Use the worksheet in Form 1040 or Form 1040A Instruction booklet.

This is a credit intended to reduce the tax. This part of the credit is not refundable. The credit is up to \$1,000 per qualifying child.

Qualifying child:

1. Under age 17 at the end of the tax year.
2. A U.S. citizen or U.S. national* or resident of the United States.
3. Claimed as your dependent.**
4. Your:
 - a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
 - b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) if you care for the individual as your own child.
5. Did not provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See **Interview Tips for Child Tax Credit** for **Exception to Time Lived with You** section if the child did not live with the taxpayer for more than half the year.)

* National is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.

**Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

Caution: If the taxpayer is able to claim the dependent under the rules for divorced and separated parents, he or she is the only parent entitled to claim the child tax credit or additional child tax credit.



Additional Child Tax Credit – General Eligibility

The child tax credit is generally a nonrefundable credit; however, certain taxpayers may be entitled to a refundable additional child tax credit.

- Taxpayers with more than \$3,000 of taxable earned income may be eligible for the additional child tax credit regardless of the number of qualifying children.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.

Form 8812 is used to calculate the allowable additional child tax credit.

See Tab A, Exemption, and the worksheet in the instruction booklets for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).



interview
tips

Child Tax Credit

(Remember to apply the steps for each child.)

Probe/Action: Ask the taxpayer:

| | | |
|------------------|--|---|
| step 1 | Is this child your son, daughter, adopted child, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)? A descendant is of any generation. | If YES , go to Step 2. If NO , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 2 | Is this child under age 17 at the end of the tax year? | If YES , go to Step 3. If NO , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 3 | Did the child provide over half of his or her own support for the tax year? | If NO , go to Step 4. If YES , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 4 | Did the child live with you for more than half of the tax year? If the child did not live with you for the required time, see the following notes below the chart: <ul style="list-style-type: none"> • Exception to Time Lived with You • Kidnapped Child • Children of Divorced or Separated or Never Married Parents. | If YES , go to Step 5. If NO , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 5 | Is this child a U.S. citizen, U.S. national, or resident of the United States? Note: A national is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens. | If YES , go to Step 6. If NO , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |

Questions: Who Must Use Publication 972?

| | | |
|------------------|--|---|
| step 6 | Are you excluding income from Puerto Rico or are you filing Form 2555, Form 2555-EZ (relating to foreign earned income), or Form 4563, <i>Exclusion of Income for Bona Fide Residents of American Samoa</i> ? | If NO , go to Step 7. If YES , you must use Publication 972 to figure the credit. |
| step 7 | Are you claiming any of the following credits? <ul style="list-style-type: none"> • Residential energy efficient property credit, Form 5695, Part II; Mortgage Interest credit, Form 8396; District of Columbia first-time homebuyer credit, Form 8859; Retirement savings contribution credit, Form 8880; Education Credits, Form 8863; Alternative motor vehicle credit, Form 8910, Part III; Plug-in electric vehicle credit, Form 8934, Part I; Plug-in electric drive motor vehicle credit, Form 8936, Part III; | If NO , use the Child Tax Credit Worksheet to figure the credit. If YES , you must use Publication 972 to figure the credit. |

Exception to Time Lived with You

A child is considered to have lived with you for all of 2010 if the child was born or died in 2010 and your home was this child's home for the entire time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home.

Kidnapped Child

A kidnapped child is considered to have lived with you for all of 2010 if:

- In the year the kidnapping occurred, the kidnapped child is presumed by law enforcement to have been taken by someone who is not a family member, and
- The kidnapped child lived with the taxpayer for more than half of the portion of the year prior to the kidnapping.

Children of Divorced or Separated Parents

A child will be treated as being the qualifying child of his or her noncustodial parent if all of the following apply:

- The parents were divorced or legally separated or lived apart at all times during the last 6 months of 2010.
- The child received over half of his or her support for 2010 from the parents.
- The child was in custody of one or both of the parents for more than half of 2010.
- A decree of divorce or separate maintenance or written separation agreement that applies to 2010 provides that (a) the noncustodial parent can claim the child as a dependent, or (b) the custodial parent will sign a written declaration that he or she will not claim the child as a dependent for 2010.
- The custodial parent signs Form 8332 or similar statement that he or she will not claim the child as a dependent in 2010. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the non custodial parent can attach certain pages instead of Form 8332.



Energy Credits

Part I. Form 5695 - Key points about the Nonbusiness Energy Property Credit:

- The 2010 credit is 30 percent of the cost of all qualifying improvements paid or incurred in 2010.
- The credit is limited to a total of \$1,500 for tax years 2009 and 2010 combined.
- The credit applies to improvements such as:
 - adding insulation, energy-efficient exterior windows and doors, (**does not include** labor costs for onsite preparation, assembly or installation)
 - energy-efficient heating and air conditioning systems and certain metal and asphalt roofs. (**includes** labor costs for onsite preparation, assembly, or original installation)
- The improvements must be made to the taxpayer's principal residence located in the United States (must be existing home).
- Qualifying improvements must be placed into service by the taxpayer during 2010.
- The credit is taken on Part I, Form 5695. See Form 5695 and Instructions for more information.

Part II, Form 5695 - Key points about the Residential Energy Efficient Property Credit:

- This information is provided as awareness in order that volunteers can identify when the issue is out of scope.
- This credit is taken on Part II, Form 5695. This part of the form is out of scope for return preparation in the volunteer program. Taxpayers that have expenses for the following items should be referred to a professional tax preparer.
- The credit is available to help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines.

Please note, not all ENERGY STAR products qualify for a tax credit. For detailed information about qualifying improvements, visit the U.S. Department of Energy's [EnergyStar Web site](#) and the [EnergyStar Frequently Asked Questions site](#).

Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturers' Web site. Taxpayers should keep a copy of the manufacturer's certification statement and receipts with their other important tax records.

Notes

H. Earned Income Credit



Earned Income Table

| Earned Income | |
|---|--|
| Includes | Does not include |
| <ul style="list-style-type: none"> ■ Taxable wages, salaries, and tips ■ Union strike benefits ■ Taxable long-term disability benefits received prior to minimum retirement age ■ Net earnings from self-employment ■ Gross income of a statutory employee ■ Household employee income ■ Nontaxable combat pay election ■ Non-Employee compensation ■ The rental value of a home or a housing allowance provided to a minister as part of the minister's pay | <ul style="list-style-type: none"> ■ Interest and dividends ■ Social security and railroad retirement benefits ■ Welfare benefits ■ Workfare payments ■ Pensions and annuities ■ Veteran's benefits (including VA rehabilitation payments) ■ Workers' compensation benefits ■ Alimony ■ Child support ■ Nontaxable foster-care payments ■ Unemployment compensation ■ Taxable scholarship or fellowship grants that are not reported on Form W-2 ■ Earnings for work performed while an inmate at a penal institution* ■ Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal Thrift Savings Plan) ■ The value of meals or lodging provided by an employer for the convenience of the employer ■ Disability Insurance payments ■ Excludable dependent care benefits (line 18 of Form 2441, Form 1040, or Form 1040A) ■ Salary reductions such as under a cafeteria plan ■ Excludable employer-provided educational assistance benefits (may be shown in box 13 of Form W-2) ■ Anything else of value received from someone for services performed, if it is not currently taxable |



Common EIC Filing Errors

- Claiming a child who is not a qualifying child
- Married taxpayers incorrectly filing as a single or head of household
- Incorrectly reporting income
- Incorrect social security numbers

***Note:** This particular income is subtracted from the earned income on the EIC Worksheet in the section titled EIC.



Summary of EIC Eligibility Requirements

| Part A Rules for Everyone | Part B Rules If You Have a Qualifying Child | Part C Rules If You Do Not Have a Qualifying Child |
|--|---|---|
| Taxpayers & qualifying children must all have a valid social security number. | Child must meet the relationship, age, and residency tests. | Must be at least age 25 but under age 65 as of December 31. |
| Filing status cannot be “married filing separately.” | Qualifying child cannot be used by more than one person to claim the EIC. | Cannot be the dependent of another person. |
| Must be a U.S. citizen or resident alien all year. | | Must have lived in the United States more than half the year. |
| Cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income). | | |
| Investment income must be \$3,100 or less. | | |
| Cannot be a qualifying child of another person. | | |
| <div>Part D</div> <div>Earned Income and AGI Limitations</div> <div>Must be less than:</div> <div><div></div>\$43,352 (\$48,362 for married filing jointly) if you have three or more qualifying children,</div> <div><div></div>\$40,363 (\$45,373 for married filing jointly) if you have two qualifying children,</div> <div><div></div>\$35,535 (\$40,545 for married filing jointly) if you have one qualifying child, or</div> <div><div></div>\$13,460 (\$18,470 for married filing jointly) if you do not have a qualifying child.</div> | | |



Disallowance of the Earned Income Credit

Form 8862, *Information to Claim Earned Income Credit After Disallowance*, must be attached to the return of any taxpayer whose EIC claim was denied or reduced for any reason other than a math or clerical error. If the taxpayer’s EIC was denied or reduced as a result of a math or other clerical error, Form 8862 is not required.

A taxpayer who is determined to have claimed the EIC due to reckless or intentional disregard of the EIC rules cannot claim the EIC for 2 tax years. If the error was due to fraud, then the taxpayer cannot claim the EIC for 10 tax years. See Publication 596, *Earned Income Credit*, for specific guidance.



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EIC General Eligibility Rules

Probe/Action: Ask the taxpayer:

step
1

Calculate the taxpayer's earned income and adjusted gross income (AGI) for the tax year. Are both less than:

- \$43,352 (\$48,362 married filing jointly) with three or more qualifying children;
- \$40,363 (\$45,373 married filing jointly) with two qualifying children;
- \$35,535 (\$40,545 married filing jointly) with one qualifying child; or
- \$13,460 (\$18,470 married filing jointly) with no qualifying children?

If YES, go to Step 2.

If NO, STOP. You cannot claim the EIC.

step
2

Do you (and your spouse, if filing jointly) have a social security number (SSN) that allows you to work?

Note: Answer "no" if the taxpayer's social security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the cardholder obtained the SSN to get a federally funded benefit, such as Medicaid.

If YES, go to Step 3.

If NO, STOP. You cannot claim the EIC.

step
3

Is your filing status married filing separately?

If YES, STOP. You cannot claim the EIC.

If NO, go to Step 4.

step
4

Are you (or your spouse, if married) a nonresident alien?

Note: Answer "no" if the taxpayer is married filing jointly, and one spouse is a citizen or resident alien and the other is a nonresident alien.

If YES and you are either unmarried or married but not filing a joint return, STOP. You cannot claim the EIC.

If NO, go to Step 5.

step
5

Are you (or your spouse, if filing jointly) filing Form 2555 or Form 2555-EZ (Foreign Earned Income)?

If YES, STOP. You cannot claim the EIC.

If NO, go to Step 6.

step
6

Is your investment income more than \$3,100?

If YES, STOP. You cannot claim the EIC.

If NO, go to Step 7.

step
7

Are you (or your spouse, if filing jointly) an EIC qualifying child of another person?

If YES, STOP. You cannot claim the EIC.

If NO, go to the interview tips for EIC—With a Qualifying Child or EIC—Without a Qualifying Child.



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tips

EIC with a Qualifying Child

Probe/Action: Ask the taxpayer:

step
1

Does your qualifying child have an SSN that allows him or her to work?

Note: Answer NO only if the child's social security card says "NOT VALID FOR EMPLOYMENT" and his or her SSN was obtained to get a federally funded benefit.

If YES, go to Step 2.

If NO, STOP. You cannot claim the EIC on the basis of this qualifying child.

step
2

Is the child your son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them?

If YES, go to Step 3.

If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child.

step
3

Was the child any of the following at the end of the tax year:

- Under age 19 and younger than the taxpayer
- Under age 24 and a full-time student and younger than the taxpayer, or
- Any age and permanently and totally disabled?

If YES, go to Step 4.

If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child.

step
4

Was the child married at the end of the year?¹

Note: Answer NO if the child was married at the end of the year and either (1) you can claim the child's exemption, or (2) you cannot claim the child's exemption solely because you gave that right to the child's other parent.

If NO, go to Step 5.

If YES, STOP. This child is not your qualifying child (failed the relationship test). Go to interview tips for EIC without a Qualifying Child.

step
5

Did the child live with you in the United States for more than half (183 days for 2010) of the tax year?

Note: Active duty military personnel stationed outside the United States are considered to live in the United States for this purpose.

If YES, go to Step 6.

If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child.

step
6

Is the child a qualifying child of another person?

Note: There may be a case when a qualifying child cannot be claimed by anyone. **Example:** The only parent that the child lives with does not work nor files a tax return and another adult cannot meet the general eligibility rules. In this example no one qualifies to claim this child as a qualifying child for EIC.

If YES, explain to the taxpayer what happens when more than one person claims the EIC using the same child (Qualifying Child of More than One Person rule). If the taxpayer chooses to claim the credit with this child, compute the EIC using the appropriate EIC worksheets.

If NO, compute the EIC using the appropriate EIC worksheet.

¹ If your child was married at the end of the year, he or she does not meet the relationship test unless you can claim the child's exemption or you cannot claim the child's exemption because you gave that right to the child's other parent.



EIC without a Qualifying Child

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Probe/Action: Ask the taxpayer:

step
1

Can you (or your spouse, if filing jointly) be claimed as a dependent by another person?

If NO, go to Step 2.
If YES, STOP. You cannot claim the EIC.

step
2

Were you (or your spouse, if filing jointly) at least 25 but under age 65 on December 31 of the tax year?

If NO, STOP. You cannot claim the EIC.
If YES, go to Step 3.

step
3

Did you (and your spouse, if filing jointly) live in the United States for more than half (at least 183¹ days) of the tax year?

If NO, STOP. You cannot claim the EIC.
If YES, compute EIC using the appropriate EIC worksheet.

¹ More than 183 days in a leap year.



Qualifying Child of More than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The following rules apply:

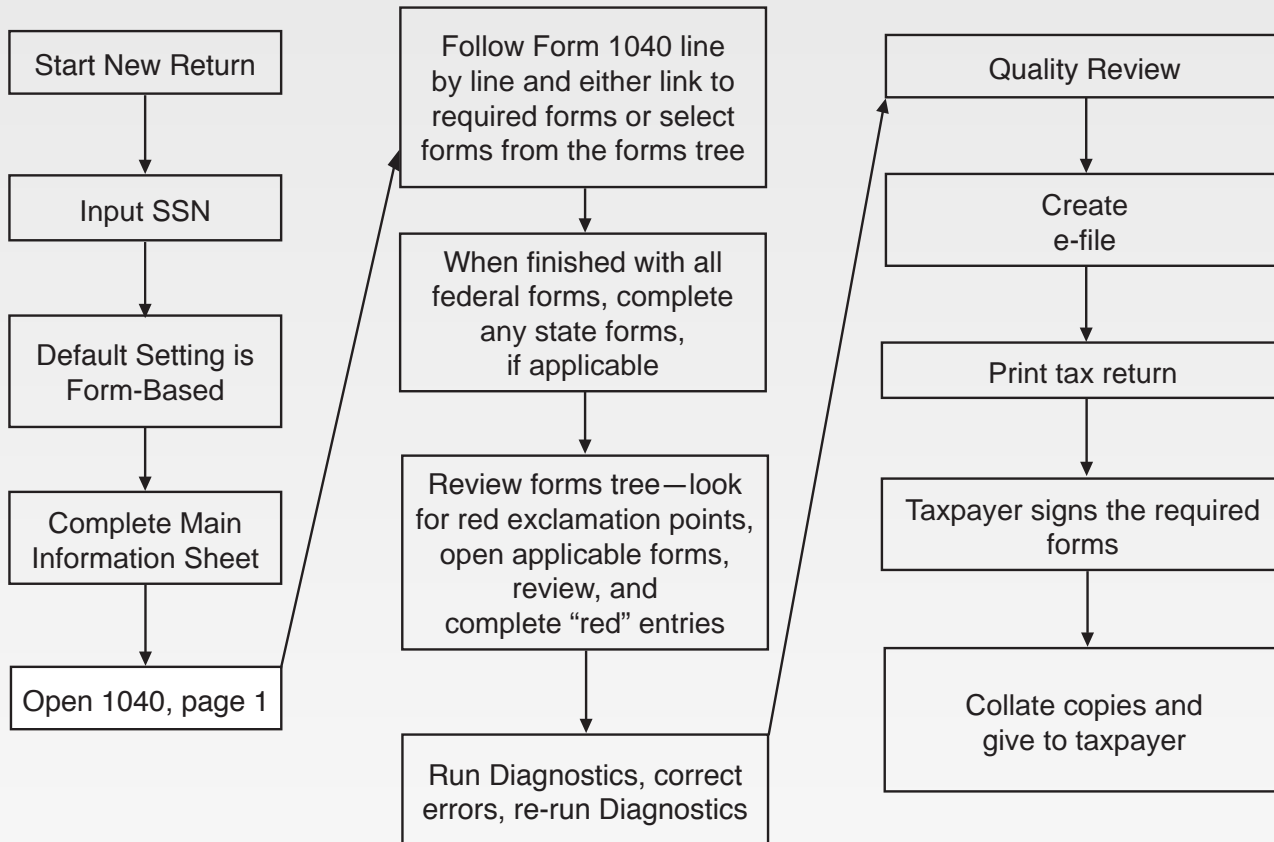
- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents do not file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2010. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2010.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for 2010.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2010, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

Notes



TaxWise® Form-Based Flow Chart

At the time this publication went to print, 2010 TaxWise screen shots were not available. Refer to help screens in the 2010 tax software if additional information is needed on applicable software screens.



Electronic Filing of Returns with Valid ITIN

Returns can be electronically filed when the taxpayer has an Individual Taxpayer Identification Number (ITIN) but has a Form W-2 with a social security number (SSN) not belonging to that taxpayer.

1. The taxpayer's ITIN must be entered on the Main Information Sheet in the space provided for the taxpayer's, or if applicable, spouse's social security number.
2. When completing the Form W-2 in TaxWise, override the ITIN and enter the SSN shown on the paper W-2. Consult to your Site Coordinator or refer to your reference material for override procedures.

Apply for an ITIN



Go to “File” then select “Apply for ITIN” option, TaxWise® will generate a unique identifier that will always begin with ITIN and be followed by 5 numeric characters.

Creating a Temporary TIN for Returns with No ITIN for Spouses and Dependents

(These returns cannot be electronically transmitted.)

Although TaxWise® will create a temporary ITIN for the main taxpayer when you use the “Apply for ITIN” feature in TaxWise®, it will not generate temporary ITINs for the spouse and/or dependents. The ITIN application requires a federal tax return be associated with all Form W-7 applications (with some exceptions as noted in the instructions for Form W-7). Federal tax returns cannot be filed using electronic return preparation software without a TIN (taxpayer identification number). If the taxpayer is working under an erroneous social security number, that social security number should not be used on the return.

1. In the TIN field, enter the number “9” followed by a fourth and fifth digit in the 70-88 range and a numerical sequence with the number “1”. A return requiring three temporary TINs will be entered as follows:

| | |
|-----------------|-------------|
| The taxpayer’s | 900-70-0001 |
| The spouse’s | 900-70-0002 |
| The dependent’s | 900-70-0003 |

Change the last digits of the TIN each time a new spouse or dependent applying for an ITIN needs a return prepared.

2. Print the return package, completely cross-out in **INK** the TIN on each form reflecting the temporary number; and provide the return package to the taxpayer to mail with Forms W-7 to the address shown on the Form.
3. If the taxpayer has a family pack that includes multiple Form W-7’s with one return, or multiple returns with one Form W-7, these forms should be staggered and stapled together to show the entire package as a family pack. This will prevent separation of the forms/returns that could delay the processing time.

Taxpayer Identification Numbers and Determining the Last Name of Taxpayer

A name control is a sequence of letters derived from a taxpayer's last name that is used by IRS in processing the tax return filed by the taxpayer. It is important that the combination of name control and taxpayer identification number (TIN) provided on an electronically filed return match IRS's record of name controls and TINs.

In e-file, a taxpayer's TIN and name control must match the data in the IRS database. If they do not match, the e-filed return will reject and generate an Error Reject Code.

Per Electronic Filing Error Reject Code (ERC):

ERC **The Name Control cannot contain leading or embedded spaces.** The left-most position
0006 must contain an alpha character.

Per Tax Preparation Software Instructions:

Taxpayer's Name: For e-filed returns, the only punctuation allowed in the name area is a hyphen (-). For best results, eliminate punctuation throughout the return for electronic filing.

Tip: One of the most common reasons that returns are rejected by the IRS is name/TIN inconsistency. To ensure accuracy, verify the name and taxpayer identification number with the card.

The image shows a portion of a tax form with the following fields:

- Top Row:** Your first name, Initial, Last name, Suffix, Your SSN.
- Bottom Row:** If filing a **JOINT** return, enter your spouse's: First name, Initial, Last name, if different from yours, Spouse's SSN.

Each text field is represented by a dotted line indicating where to enter information.

Type the primary taxpayer's first name, middle initial, last name and suffix (Jr, Sr, III, etc.). Punctuation is not necessary. When filing electronically, the only punctuation allowed in the name area is a hyphen (-).

Per Publication 1346, Electronic Return File Specifications for Individual Income Tax Returns

.01 Name Controls for Individual Tax Returns

1. Primary Name Control (SEQ 0050) of Form 1040/1040A/1040EZ must equal the first four significant characters of the primary taxpayer's last name. **No leading or embedded spaces are allowed.** The first left-most position must contain an alpha character. Omit punctuation marks, titles and suffixes within last name field.

Examples:

Individual Name Primary/Secondary Name Control

| Individual Name on SSN/ITIN Card(s) | Enter in TaxWise | | IRS Database Primary/Secondary Name Control |
|--|------------------|----------------|---|
| | FirstName Field | LastName Field | |
| John Brown | John | Brown | BROW |
| Walter Di Angelo | Walter | DiAngelo | DIAN |
| Ronald En, Sr. | Ronald | En | EN |
| Thomas Lea-Smith | Thomas | Lea-Smith | LEA- |
| Joseph Corn & Mary Smith | Joseph | Corn | CORN |
| | Mary | Smith | SMIT |
| Roger O'Neil | Roger | ONeil | ONEI |
| Kenneth McCarty | Kenneth | McCarty | MCCA |

2. Consider certain foreign suffixes as part of the last name (i.e., Armah-Bey, Paz-Ayala, Allar-Sid). Particular attention must be given to those names that incorporate a mother's maiden name as a suffix to the last name.

Examples:

Individual Name Primary Name Control

| Individual Name on SSN/ITIN Card | Enter in TaxWise | | IRS Database Primary Name Control |
|----------------------------------|------------------|------------------|-----------------------------------|
| | FirstName Field | LastName Field | |
| Abdullah Allar-Sid | Abdullah | Allar-Sid | ALLA |
| Jose Alvarado Nogales | Jose | AlvaradoNogales | ALVA |
| Juan de la Rosa Y Obregon | Juan | DeLaRosaYObregon | DELA |
| Pedro Paz-Ayala | Pedro | Paz-Ayala | PAZ- |
| Donald Vander Neut | Donald | VanderNeut | VAND |
| Otto Von Wodtke | Otto | VonWodtke | VONW |
| John Big Eagle | John | BigEagle | BIGE |
| Mary Her Many Horses | Mary | HerManyHorses | HERM |
| Ted Smith Gonzalez | Ted | Gonzales | GONZ |
| Maria Acevedo Smith | Maria | Smith | SMIT |
| Robert Garcia Garza Hernandez | Robert | GarzaHernandez | GARZ |

.01 Name Controls for Individual Tax Returns continued

3. Below are examples of Indo-Chinese last names and the derivative Name Control. Some Indo-Chinese names have only two characters. Indo-Chinese names often have a middle name of "Van" (male) or "Thi" (female).

Examples:

Individual Name Primary/Secondary Name Control

| Individual Name on SSN/ITIN Card(s) | Enter in TaxWise | | IRS Database Primary/Secondary Name Control |
|-------------------------------------|------------------|----------------|---|
| | FirstName Field | LastName Field | |
| Binh To La | Binh | La | LA |
| Kim Van Nguyen | Kim | Nguyen | NGUY |
| Nhat Thi Pham | Nhat | Pham | PHAM |
| Jin-Zhang Qui & Yen-Yin Chiu | Jin-Zhang | Qui | QUI |
| | Yen-Yin | Chiu | CHIU |

.02 Name Line 1 Format

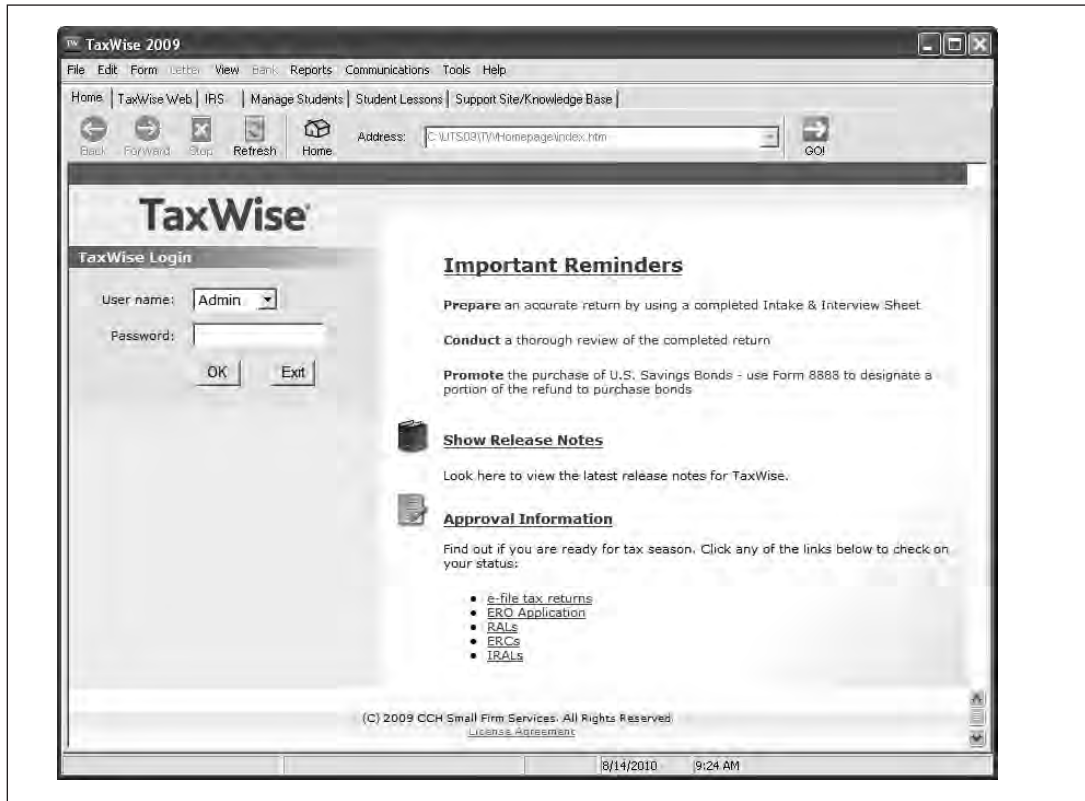
1. Name Line 1 CANNOT CONTAIN **MORE THAN 35 CHARACTERS (this includes both names on the tax return).**

If information in Name Line 1 exceeds 35 characters, it will truncate using the following priority:

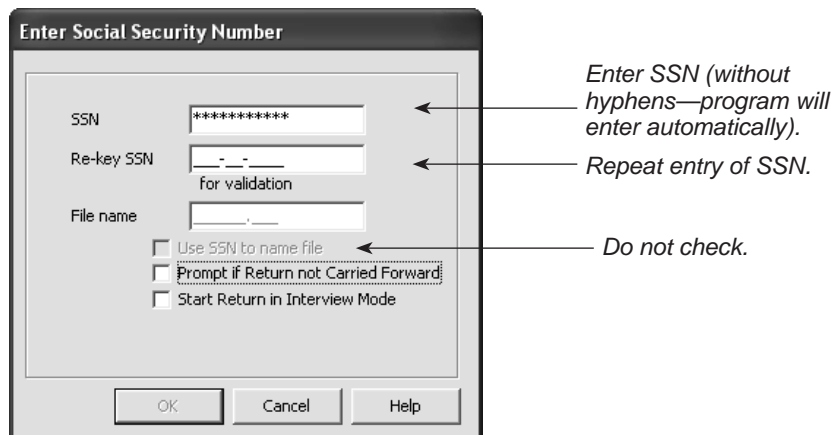
- Substitute the initial for the second given name.
- Omit the second initial of the secondary taxpayer, if necessary.
- Omit the second initial of the primary taxpayer, if necessary.
- Substitute initials for the secondary taxpayer's given name.
- Substitute initials for the primary taxpayer's given name.

TaxWise® Log In Screen

Open TaxWise®, select a “User name;,” enter a “Password;,” and click **OK**.



Starting a New Return



Enter SSN (without hyphens—program will enter automatically).

Repeat entry of SSN.

Do not check.

TaxWise® will automatically generate an alpha-numeric filename that will be associated with the SSN. The association will ensure unique file names for each return which will allow the program to show the SSN rather than filename in TaxWise® Explorer and also during Backup and Restore. The option to “Use SSN to name file” will be grayed out.

The TaxWise® Window

Main Information Screen

| | | | | | |
|-----------------|--|---------|-----------|--------|-------------|
| Your first name | | Initial | Last name | Suffix | Your SSN |
| | | | | | 111-11-1111 |

If filing a **JOINT** return, enter your spouse's

| | | | |
|------------|---------|------------------------------------|--------------|
| First name | Initial | Last name, if different from yours | Spouse's SSN |
| | | | |

Mailing address

Name line 2. Use % for care of

Present home address

Zip code, city, and state

Email address

Telephone numbers

| | Taxpayer | Spouse |
|-----------------------------|----------|--------|
| Daytime | | |
| Evening | | |
| Cell phone or fax | | |
| Foreign phone | | |

Birth date

Age for Federal tax purposes

| | |
|--|--|
| | |
| | |

Taxpayer's occupation

Spouse's occupation

Do not use punctuation marks (period, comma, or hyphen).

Verify

Enter spouse SSN.

Verify spouse last name with SS card.

If different from taxpayer, enter last name here.

Note 1: see below.

Enter zip code first. (See note 2.)

Always ask for at least one telephone number.

Enter area code first.

Must input birth date. Include spouse if joint return.

Enter as mmddyyyy (program will enter slash marks).

Note 1: Use only if an additional name is needed for "in care of," for a two line street address, or in the case of , a deceased taxpayer. Enter the name of the person filing the return for the deceased person. This may be the surviving spouse if the filing status is Married Filing Jointly or a personal representative such as an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. When you print the return, the tax software prints the date of death and DECD next to the deceased person's name in the address area at the top of Form 1040 page 1, as required by the IRS.

Note 2: Once the zip code is entered TaxWise® will then auto-fill the city and state. The auto entry can be changed if needed.

Main Information Screen (continued)

Do not use foreign address field for APO/FPO addresses. (See Note 3.)

If the taxpayer served in a combat zone during the tax year, click on this box and select the name of the combat zone from the dropdown menu, or choose "Combat Zone." This will identify the return to the IRS, and can avoid certain reject conditions, such as federal withholding exceeding 50% of the wage amount.

Defaulted to No.

Important for calculation of standard deduction.

Complete for deceased taxpayer.

Ask taxpayer. Answer does not affect refund or balance due.

Hint: Only enter child's name and SSN in this section if not being claimed as a dependent.

Verify exemptions. College/high school students or young military personnel who entered the military this tax year may be eligible to be claimed on someone else's tax return.

Hint: Enter year of death and deceased spouse's name on Name line 2.

| | |
|---|--|
| Foreign Address | |
| Foreign street address | |
| Foreign city, state, province, Zip code | |
| Foreign country. Do not abbreviate. | |
| Taxpayer Information | |
| Special processing | |
| Are you excluding Puerto Rico income from this tax return? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| If "Yes", enter the amount of income excluded | 0. |
| Check if blind | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Check if totally and permanently disabled | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Date of death, ONLY if in 2009 or 2010 | |
| This tax return is being filed by <input type="checkbox"/> the surviving spouse or <input type="checkbox"/> someone else. | |
| Presidential Election Campaign | Check here if you, or your spouse if a joint return, want \$3 to go to this fund |
| | <input type="checkbox"/> You <input type="checkbox"/> Spouse |

| | |
|-------------------------------------|---|
| Filing Status and Exemptions | |
| 1 | <input type="checkbox"/> Single |
| 2 | <input type="checkbox"/> Married filing jointly (even if only one had income) |
| 3 | <input type="checkbox"/> Married filing separately |
| | Spouse's first name: Last name: SSN: |
| | Did your spouse ever live with you in 2009? |
| | If "Yes", did you and your spouse live together at anytime after June 30, 2009? |
| | Married filing separately, only. If the state in the address above is a community property state (AZ, CA, ID, LA, NV, NM, TX, WA, or WI), or a return is being filed to one of these states, answer the following questions. |
| | Military. Is this your home of record? |
| | If "Yes", fill in the Community Property Allocation Worksheet. |
| | Others. Are you a resident of this community property state? |
| | If "Yes", fill in the Community Property Allocation Worksheet and use Form 1040. If "No", you CANNOT e-file this return. |
| 4 | <input type="checkbox"/> Head of household (with qualifying person). If the qualifying person is a child but not your dependent, enter the child's name and social security number A self-supporting child who lives with you IS NOT a qualifying person. |
| 5 | <input type="checkbox"/> Qualifying widow(er) with dependent child Year spouse died (2007 or 2008 only): |

| | | | |
|--|--|-----------------------------------|--|
| 6 Exemptions | a <input checked="" type="checkbox"/> Yourself | b <input type="checkbox"/> Spouse | Number of boxes checked on 6a and 6b. |
| Check if | | | |
| (a) you can be claimed on another person's return | <input type="checkbox"/> | | |
| (b) filing status 2 and spouse can be claimed on another person's return | <input type="checkbox"/> | | |
| (c) you are using filing status 4 and claiming nonresident alien spouse | <input type="checkbox"/> | | |
| Spouse's first name: | Spouse's last name: | | |
| Spouse's SSN or ITIN: | | | |

Note 1: If the return is for a Canadian resident, the address should be put entirely on the foreign street address line. Leave Zip code, city, and state blank.

Note 2: If someone else is entitled to claim the taxpayer (or spouse), check the appropriate box on line 6 of the Main Information Sheet. If the taxpayer is filing Head of Household and claiming an exemption for a nonresident alien spouse, check the box on line 6c of the software's main information sheet and enter the spouse's first name, last name and SSN or ITIN.

Main Information Screen (continued)

c Dependents/Nondependents

| First name | Last name | Date of birth | Age | Social security number | Relationship to YOU | Mo in Hm | Code | EIC | CTC |
|------------|-----------|---------------|-----|------------------------|---------------------|----------|------|-----|-----|
| | | | 0 | | | | | | |
| | | | 0 | | | | | | |
| | | | 0 | | | | | | |
| | | | 0 | | | | | | |

Totals from Above Statement

Number of your children who lived with you **Box 6c1**

Number of your children who didn't live with you due to divorce or separation **Box 6c2**

Number of other dependents **Box 6c3**

Hint: If there is the slightest chance the child will be a qualifying child for EIC purposes, be sure to check the EIC box next to the child's name TaxWise will not allow the EIC if they do not qualify.

Verify names, SSN, and dates of birth with social security card to prevent rejected returns. **List children from youngest to oldest.**

Last name—Enter last name only if different from primary taxpayer.

Use down arrow or space bar on [Relationship to YOU], [Mo in Hm], and [Code] columns for valid choices.

DC is credit for child and dependent care expenses.

EIC is earned income credit.*

CTC is child tax credit—TaxWise® automatically determines if child is a qualifying child based upon your input.

Check applicable box if noncustodial parent or Multiple Support agreement exists.

Noncustodial Parents. If you are claiming, as a dependent, a child who does not live with you, you MUST attach to the tax return, or Form 8453 if e-filing, a written document that substantiates your right to claim this dependent. Check the item you are attaching.

A copy of a pre-1985 divorce or separation agreement ☐ or

A copy of a divorce or separation agreement that went into effect after 1984 and before 2009 ☐ or

Form 8332 - Release of Claim of Exemption - required if divorce or separation agreement went into effect after 2008 ☐

Total number of exemptions claimed **Box 6d**

Enter number of months each individual lived in the taxpayer's home or use MX if the dependent lived in Mexico or CN if the dependent lived in Canada – type in directly or use the drop-down list.

*** EIC must be checked to bring up the applicable EIC forms. If in doubt, check the box.**

Carefully read the information regarding Dependents/Nondependents, and pay special attention to the codes. If the taxpayer is married filing a separate return and is able, to claim their spouse's exemption, fill in the spouse's name, SSN, and other information in the software Main Information Sheet, Dependents/Non-Dependents section, showing the relationship as "other" and the Code as "3."

Use the Code box to indicate relationship as follows:

- 1** = Your dependent child who lives with you
- 2** = Your dependent child who does NOT live with you due to divorce or separation
- 3** = All other dependents
- 0** (zero) = Nondependents

If There Are More Than Four Dependents

If there are more than four dependents to list, enter the first four on the Main Information Sheet. To enter the rest of the dependents, open Form 1040, page 1, link from any field in the dependents section. Link to **NEW Addl Deps - Form 1040 Line 6c**, the Additional Dependents Statement. Last names must be used on the Additional Dependents Statement.

TaxWise® carries the first four dependents from the Main Information Screen to the statement. List the remaining dependents below the first four.

Note: Do not list nondependents on the Additional Dependents statement. List nondependents **only** on the Main Information Sheet. Also, children who are qualifying children for EIC or dependent care credit must be entered on the Main Information Sheet.

Qualifying Child(ren) for Earned Income Credit (EIC):

If the taxpayer qualifies (or may qualify) for earned income credit (EIC), you MUST enter the birth date and select the EIC check box for qualifying children. This information carries to Schedule EIC. TaxWise® calculates the amount of earned income credit if the client qualifies based on income and other requirements.

Child Without SSN or ITIN

If the qualifying child is a resident of the U.S. but does not have a valid SSN or ITIN, you must override the CTC box on the Main Information Sheet.

Main Information Screen (continued)

State Information If you are not preparing a state return, check here ☐ or fill in state information below
 Full year resident: and Part-year: and Nonresident:

Check box if not preparing state returns.

Type of Return ☐ Bank products ☒ E-file ONLY ☐ Paper

Paper or e-file are only choices.

Select Your Bank ☐ Chase ☐ Republic ☐ Santa Barbara
☐ River City ☐ Other

Do not make entries in this section.

These products are only available to tax preparers registered to offer them.

Audit Shield

Does the taxpayer want Audit Shield? ☐ Yes ☐ No

Do not use this section unless your agency is participating in the program.

Fee Collect

Does the taxpayer want to have your tax preparation fees deducted from his or her refund? ☐ Yes ☐ No

RTN must be 9 characters.

Bank Account Information
 Direct deposit available for e-filing, paper returns, or RAL/ERC direct deposit refund.
 Electronic Funds Transfer (ACH Debit) available for e-filing only.
 Routing transit number (RTN) of financial institution
 Account number (DAN) including hyphens

Type account number exactly as shown on check.* See "Finishing the Return" section for an example of a check.

***Note: You will also need to add account information on 1040 page 2. See page 13-6 for additional information.**

State Information

A federal return may have as many as 9 state returns attached, in any combination; for example, two different full-year resident states (one for taxpayer and one for spouse), two different part-year states, and five different nonresident states.

Consult instructions for each state to determine which status applies to the taxpayer. To view instructions for the state individual package, select **Help** from any field in the "State Information" section of the Main Information Screen and scroll to State Information. Select **[click here]** and then select the applicable state of interest.

* Do not use a preprinted deposit slip.

Main Information Screen (continued)

Self-Select and Practitioner PIN(s)

ERO PIN for both the Self-Select and Practitioner PIN programs ←
Check if using the Practitioner PIN method for e-filing this income tax return or
Form 4868 with direct debit ☐ ←

Enter **98765**

Check for
Practitioner PIN.

What form(s) are you e-filing using PINs?

The income tax return ☐
Form 4868 without direct debit. No PINs required ☐
Form 4868 with direct debit ☐
* Form 2350 without direct debit ☐
* Form 2350 with direct debit ☐
* Requires date(s) of birth above and 2008 original AGI or 2008 PIN. F8 to change
spouse AGI, if incorrect.
Taxpayer's original 2008 AGI: Spouse's original 2008 AGI:
OR taxpayer's 2008 PIN: OR spouse's 2008 PIN:

Only first box should
be checked.

To use Self-Select
PIN, taxpayers must
bring their prior year
tax return or know
their prior year PIN.

Last year's AGI or
prior year PIN
required for SSP.

The following attachments require the submission of Form 8453. Please note that PINs are still required
and that Form 8879 must be signed for all e-filed returns.

- | | |
|---|---|
| <input type="checkbox"/> Form(s) 1098C | <input type="checkbox"/> Form 3115 |
| <input type="checkbox"/> Form 3468 attachment required | <input type="checkbox"/> Form 4136 attachment required |
| <input type="checkbox"/> Form 5713 | <input type="checkbox"/> Forms(s) 8283, page 2 and / or appraisal |
| <input type="checkbox"/> Form(s) 8332 | <input type="checkbox"/> Form 8858 |
| <input type="checkbox"/> Form 8864 attachment required | <input type="checkbox"/> Form 8885 attachments |
| <input type="checkbox"/> Schedule D transaction listing | <input type="checkbox"/> Copy of divorce or separation agreement |
| <input type="checkbox"/> Revenue Procedure 2009-20 (Ponzi loss) | |

The information below, as well as the ERO PIN above, must be filled in for all e-filed returns.

For Practitioner
or Self-Select
PIN signature,
taxpayer(s) must
enter a five digit
number (not starting
with zero). If married
filing jointly (MFJ),
spouse must also
enter PIN.

The date must be entered below. This is today's date:

Do NOT use @Today.

Date:

Taxpayer's PIN Enter 5 numbers, other than all zeroes.

I ☐ authorize ☐ do not authorize

ERO firm name to enter this PIN as my
signature on my tax year 2009 electronically filed income tax return.

Spouse's PIN Enter 5 numbers, other than all zeroes.

Date:

I ☐ authorize ☐ do not authorize

ERO firm name to enter this PIN as my
signature on my tax year 2009 electronically filed income tax return.

Check **do not
authorize** for
Self-Select PIN.

Check **authorize**
for Practitioner PIN.*

*Preparer can enter PIN for Practitioner PIN, and taxpayer will need to sign
Form 8879.

Main Information Screen (continued)

Third Party Designee
Do you want to allow another person to discuss this return with the IRS? ☐ Yes ☒ No

Designee's name: _____ Designee's telephone: _____ Designee's PIN (cannot be 00000): _____

Preparer Information Check to bill as a self-prepared return: ☐

Preparer's ID: _____ Date: _____
 Preparer's name: _____ Print as signature: ☐
 Preparer's SSN: _____ PTIN: **S 23011111** EIN: _____
 Firm name: _____ Check if also ERO: ☐
 Address: _____ Check if self-employed: ☒
 Zip code: _____ Phone: _____
 Email address: _____ Fax: _____
 Non-paid indicator: _____ IRS only: ☒

Preparer's Use Fields

| | | | |
|----|---|----|---|
| 1 | 2 | 3 | 7 |
| 4 | 5 | 6 | |
| 8 | 9 | 10 | |
| 11 | Other than English what language is spoken in your home | | |
| 12 | Are you or a member of your household considered disabled | | |

Time in this return: _____ minutes Tax bracket: **10.0** Price: **0.00**

Information below is for the preparer. It will print and proforma. Notes to the client should be listed on the Summary Sheet.

Usually check No.
Cannot be volunteer preparer.

The PTIN field should have an entry by default and the **IRS only** box should be checked. If not, please contact your site manager. Do not enter any other information in Preparer Information.

Use these fields for information that is helpful to your site. For example, these fields could be used to enter the preparer's name and/or new versus returning taxpayers. These fields are used by the military to report rank, grade, enlisted/retired, etc.

Check information on the Main Information Sheet for accuracy and complete any required fields. When complete, close form.

Note: Preparer's Use Fields are for site's use and are defined by the site coordinator.

After the end of the tax season a custom report can be created.

Income

The following are examples of income items to consider in determining entries into TaxWise®:

| Form | Type | Go to 1040 Line | TaxWise® Entries (See Note 1) |
|---|--|-----------------|--|
| W-2 | Wages & Salaries | 7 | Link and complete Form W-2 |
| 1099-INT | Interest | 8a | Select Interest Stmt from Forms Tree or Link to Schedule B, and then link to the Interest Stmt |
| 1099-DIV | Dividends | 9 | Select Dividend Stmt from Forms Tree or Link to Schedule B, and then link to the Dividend Stmt |
| 1099-G | State Tax Refunds | 10 | Link to State Tax Refund Worksheet |
| 1099-MISC | Miscellaneous Income (See Note 2) | 12 | Link to Schedule C-EZ, then link from Income to 1099-MISC, and then complete Schedule C-EZ |
| 1099-B | Sale of Stock | 13 | Select Cap Gn Wkt from Forms Tree or Link to Schedule D, and then link Cap Gn Wkt |
| 1099-R | Distributions from IRAs | 16 | Link and complete Form 1099-R |
| 1099-R | Distributions from Retirement Plans | 16 | Link and complete Form 1099-R |
| CSA-1099-R | Civil Service Annuity Paid | 16 | Link and complete Form 1099-R |
| CSF-1099-R | Statement of Survivor Annuity Paid | 16 | Link and complete Form 1099-R |
| RRB-1099-R | Railroad Retirement Benefits (Tier 2) | 16 | Link and complete Form 1099-R |
| Schedule K-1 (Form 1065, 1120S or 1041) | Interest and/or Dividend Income, Capital Gains and Losses, Tax-Exempt Interest Income, Royalties | 17 | See Note 3 |
| 1099-G | Unemployment Compensation | 19 | Link and complete Form 1099-G |
| SSA-1099R | Social Security Benefits | 20 | Link and complete 1040 Wkt 1 |
| RRB-1099 | Railroad Retirement Benefits (Tier 1) | 20 | Link and complete 1040 Wkt 1 |
| W-2G | Gambling Winnings | 21 | Link from "Amount" box to complete line 21, Other Income |

Other Income

Once the main information data and income statements are entered, TaxWise® automatically makes available all forms and schedules for credits except American Opportunity and Lifetime Learning Credits and Retirement Savings Contribution Credit if there is only a Roth IRA contribution. These credit forms and schedules will be annotated with a red exclamation point.

Note 1: If the applicable form is in the left-hand tree, it may be selected directly rather than linking from Form 1040.

Note 2: For miscellaneous nonemployee compensation, it is important to link to Form C-EZ and then to Form 1099-MISC to ensure that the self-employment tax is properly computed.

Note 3: If K-1 is from Form 1065 or 1120S, go to Schedule E, Part II, line 28 (name) to link to the Partner's and Stakeholder's K-1 Worksheet. If K-1 is from Form 1041, go to Schedule E, Part III, line 33 (name) to link to the Estate and Trust K-1 Worksheet. While the starting point is Schedule E, input of the Schedule K-1 income will carry the entries to the applicable schedules of Form 1040. The income is then reflected on the appropriate lines of Form 1040. Enter the K-1 information before entering any other interest income.

Tip: To eliminate unnecessary burden on the taxpayer, such as a CP-2000 Notice, the "Regulatory Explanation" or "Election Explanation" form should be added to the return to provide further explanation about an item reported or not reported on the tax return. The "Regulatory Explanation" form is added to the TaxWise forms tree by selecting the "Add Form" option and typing "RegExpl" in the search box. The "Election Explanation" form is added to the TaxWise forms tree by selecting the "Add Form" option and typing "Election" in the search box.

How/Where to Enter Income

Select "1040 Pg 1" from the tree and press the **Page Down** key twice to go to Form 1040, line 7.

Note: Where the type is yellow (calculated entry), link to access the appropriate entry form. Once you link, use existing forms (if applicable) prior to adding a new form.

| Income | | |
|--|---|---------|
| 7 | Wages, salaries, tips, etc. AB <input type="checkbox"/> FB <input type="checkbox"/> DCB <input type="checkbox"/> SNE <input type="checkbox"/> SSHIP <input type="checkbox"/> | 30,000. |
| | Taxable scholarship not on Form W2 | 0. |
| | Household employee income not on Form W2 | 0. |
| 8a | Taxable interest | 0. |
| b | Tax-exempt interest | 0. |
| 9a | Ordinary dividends including qualified dividends from Forms 8814, listed on Schedule B | 0. |
| b | Qualified dividends including qualified dividends from Form 8814, listed on Schedule B | 0. |
| | Qualified dividends from Schedules K-1 are included on line 9b. Do NOT list these amounts on Schedule B | 0. |
| <div style="border: 1px solid black; padding: 5px;"> Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Answer "No" if you deducted state sales tax instead of state income tax. <input type="checkbox"/> Yes <input type="checkbox"/> No </div> | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes. F9 for worksheet | 0. |
| 11 | Alimony received | 0. |
| 12 | Business income or (loss) | 0. |
| 13 | Capital gain or (loss) | 0. |
| 14 | Other gains or (losses) | 0. |
| 15a | IRA distributions | 0. |
| b | Taxable amount | 0. |
| 16a | Pensions and annuities | 0. |
| b | Taxable amount | 0. |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc | 0. |
| 18 | Farm income or (loss) | 0. |
| 19 | Unemployment compensation | 0. |
| | Repayment of 2006 unemployment compensation | 0. |
| 20a | Social security benefits | 0. |
| b | Taxable amount | 0. |
| 21 | Other income. *Type: Amount | 0. |

Link to Form W-2.*

Link to Form 4137 to calculate Social Security and Medicare tax on unreported tips.

Link to 1040 Worksheet 1 to enter taxable portion.

Link to 1040 Worksheet 1 to enter income not reported on a Form W-2

Input interest on the Interest Statement.

Input dividends on the Dividend Statement.

Link to state tax refund worksheet.¹

Enter directly.

Link to Sch C-EZ.²

Input Capital gains or loss on the Capital Gain or Loss Transactions Worksheet.

Link to Form 1099R.

Link to Form 1099R.

Link to Sch E, page 1.

Link to Form 1099-G.

Link to Form 1040 wkt 1.

To report each source of "other income," enter the type under line 21 and then link to the appropriate form, worksheet, or scratchpad. TaxWise adds up the other income amounts and displays the total on line 21. Use **Add Form** feature to complete Form 2555 or Form 2555-EZ, if applicable. The exclusion amount will be calculated by TaxWise and entered as a negative number on line 21 of Form 1040.

¹ List state refund only if taxpayer itemized deductions (on Schedule A) last year and taxes were reduced because of deductions.

² For taxpayers with Form 1099-MISC with nonemployee income, link from line 12 to Schedule C-EZ and then link to Form 1099-MISC from line 1. Entering the information this way will automatically calculate self-employment tax.

Hint: If taxpayer has income from a foreign employer link from line 7 to Form FEC-Foreign Employer Compensation. If the taxpayer qualifies to claim the Foreign Earned Income Exclusion, Form 2555 or Form 2555-EZ can be filed electronically. Enter the taxpayer's address at the time the money was earned. For Section e, TaxWise Help can be used to determine the appropriate country code. Enter the foreign employer's information. List the compensation amount in U.S. dollars. Once you enter the information, TaxWise automatically reports the total on line 7 of Form 1040.

Form W-2 Instructions

| US W-2 Wage and Tax Statement | |
|--|--|
| This W-2 statement is for the: <input checked="" type="checkbox"/> Employee <input type="checkbox"/> Spouse | |
| <input type="checkbox"/> Check if this W-2 is handwritten, altered, or appears not to be a true W-2. <input checked="" type="checkbox"/> Check if this is the taxpayer's address shown on the W-2 or <input type="checkbox"/> Check and make changes | |
| 6 MATHIS DRIVE 30165- Rome GA | |
| <input type="checkbox"/> Check if employer was contacted to verify W-2 (Bank product only) Employer phone: _____ <input type="checkbox"/> Check to take calculations off of lines 3, 4, 5, and 6. <input type="checkbox"/> Check to take calculations off of line 16, state wages. | |
| a Control number: _____ Corrected W-2 (W-2C): <input type="checkbox"/> Void: <input type="checkbox"/> | |
| b Employer ID: _____ <- F9 for Sub W-2 -> Name code: _____ | |
| c Employer's name Employer's care of name. Use % for care of, Employer's address Employer's Zip code, city, and state | |
| d Employee's social security number: 331-99-1146 | |
| e Employee's name and address TAXPAYER SAMPLE f Employee's address and Zip code 6 MATHIS DRIVE Rome GA 30165 | |
| 1 Wages, tips, etc. 0. 2 Federal tax withheld 0. 3 Social security wages 0. 4 Social security tax withheld 0. 5 Medicare wages 0. 6 Medicare tax withheld 0. 7 Social security tips 0. 8 Allocated tips 0. 9 Advance EIC payment 0. 10 Dependent care benefits 0. 11 Nonqualified plans 0. | |
| 12 Code Amount YY -> Year 0. 0. 0. 0. for prior year USERRA contribution | |
| 13 Statutory employee Retirement plan Third party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | |
| 14 Other Type Amount Qualifies for Form 8880 0. 0. 0. 0. 0. 0. 0. 0. 0. RR = Railroad; T = Tier RRT1: 0. RRTM: 0. RRT2: 0. | |
| See instructions below for statutory employee box and line 15. | |
| 15 State State ID number 16 St wages 17 State tax 18 Loc wages 19 Local tax 20 Local name 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. | |

Tax Tip: If there is more than one Form W-2, select the **Copy W-2** tab.

Compare this address to Form W-2 address. If same, check second box. If different, check third box and enter address exactly as it appears on Form W-2.

If boxes 3, 4, 5, 6, and/or 16 do not match taxpayer's copy of Form W-2, check fifth and/or sixth box and enter data exactly as it appears on Form W-2.

Review box 2 and box 17 to ensure tax withheld was entered and is correct.

Hint: If the taxpayer received Advanced Earned Income Credit, the amount will appear in box 9 of the W-2. Make sure to enter this information.

If there is an entry in Box 10, Form 2441 must be completed.

Enter codes and amounts in boxes 12 and 14 **exactly** as they appear on the taxpayer provided W-2.

Form W-2 ALERT!

IRS requires that information on electronically filed Form(s) W-2 match the printed Form(s) W-2 exactly.

A taxpayer with multiple Forms W-2 could possibly have a different address on several, if not all, of the Forms W-2.

Check them carefully; the change must be made on every Form W-2 that is different from the current address.

IMPORTANT!

The most current address entered in MAIN INFO will not be affected and will remain the current address for the taxpayer(s).

Note: If the employer's address is Canadian, enter as much as possible in the city field, enter a period(.) in the state field, and use estimate function in the Zip field to get the red out. You may need to abbreviate some information so that it will all fit in the city field.

How to Enter Tips

Hint: Allocated tip income will appear in box 8 of the W-2 and TaxWise will carry this amount to line 7 of the Form 1040. If there are unreported tips, Form 4137 should be chosen and completed.

Allocated Tips:

Allocated tips in box 8 of Form W-2 will carry over to line 3 of Form 4137. If this amount is not correct, verify the amount entered in box 8 of Form W-2.

How to Enter Unreported Tips:

Link to Form 4137 from line 7 or Line 59 of Form 1040. Form 4137, line 2 will automatically calculate the figures on lines 3 and 4. From Form W-2 the Social Security tips (box 7) will appear on line 3 and the Allocated tips (box 8) will appear on line 4.

If the taxpayer has unreported tips, you may need to override a few entries on Form 4137.

Use the override function on the Employer's Name and enter it if it does not appear automatically. If the taxpayer has a tip log that shows a different amount than his or her allocated tips, override line 4 and enter the actual amount received.

If the taxpayer has no allocated tips, then the amount of unreported tips can be entered directly on line 4. If, in any month, less than \$20 in tips were received and not reported to the employer, enter the amount on line 5. If the correct occupation doesn't carry from the Main Information Sheet, override the Occupation block and enter it.

Unreported tips will display on line 7 of Form 1040. In TaxWise®, Form 4137 figures the employee portion of social security and Medicare taxes; these will display on line 57.

| US 4137 | | Social Security Tax on Unreported Tip Income | |
|-------------------|--|--|---|
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | |
| 1 | a | b | c |
| | Name of employer(s) to whom you were required to, but did not, report your tips | EIN | Total cash and charge tips you received (including unreported tips) |
| a | | | 0. |
| b | | | 0. |
| c | | | 0. |
| d | | | 0. |
| e | | | 0. |
| 2 | Total cash and charge tips received this year. Total of line 3 + line 4 | | 0. |
| 3 | Total cash and charge tips reported to your employer. W2 social security tips | | 0. |
| 4 | Unreported tips. Allocated tips from W2 or F8 to enter the amount you wish | | 0. |
| 5 | Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month | | 0. |
| 6 | Unreported tips subject to Medicare tax | | 0. |
| 7 | Maximum amount of wages (including tips) subject to social security tax | | 106,800. |
| 8 | Total social security wages and social security tips, total of boxes 3 and 7 on Forms W2, or railroad retirement tier 1 compensation | 0. | 0. |
| 9 | Subtract line 8 from line 7. If line 8 is more than line 7, enter -0- here and on line 10 and go to line 12 | | 106,800. |
| 10 | Unreported tips subject to social security tax. Smaller of line 6 or line 9. If you received tips as a Federal, state, or local government employee, see instructions. Tips subject to Medicare tax only | 0. | 0. |
| 11 | Multiply line 10 by .062 | | 0. |
| 12 | Multiply line 6 by .0145 | | 0. |
| 13 | Add lines 11 and 12 | | 0. |

Schedule B – Interest

US Schedule B Interest and Ordinary Dividends

Name: VANESSA L. FRANKLIN SSN: 111-11-1111

Part I: Interest

1a Seller-financed mortgages

Interest income from seller-financed mortgages and the buyer used the property as a personal residence. Show the buyer's name, address, and social security number.

Name: Address: ID number: Amount: 0.

State information for seller-financed mortgage interest

Joint amount: 0. Spouse amount: 0.

Other interest

Payer: If the payer is a brokerage firm, list the firm's name as the payer. Amount:

b: 0. c: 0. d: 0. e: 0. f: 0. g: 0.

The interest from Schedules K-1 transfers to line 8. If you are using the interest statement, check here ☐ AND manually enter 0. for the taxpayer and 0. for the spouse on the statement as K-1 interest.

Subtotal: 0.

These amounts reduce taxable interest income.

Nominee distributions (N): 0.

Accrued interest (A): 0.

Name will be red when it is first entered on Sch B. Once an entry is made on line 1b, the red will disappear.

Link to Interest— Stmt-Schedule B, line 1b interest income.

Do not make entry directly on line 1b; link to the worksheet.

Interest Statement for Schedule B, Line 1b Interest Received

| US Schedule B | | Interest Received | | | | | | | |
|---|-------------------|-------------------|-------|---------------------|--------|--------------|---------|---------------|------------------|
| Amounts shown in Box 8 should not be entered in the "Box 1 or 3 amount" column. Instead, enter an "E" in the "NAEOB column" and the amount from Box 8 in the "NAEOB amount" column. | | | | | | | | | |
| Payer | Box 1 or 3 amount | TSJ | + / - | State adjust Amount | NAE OB | NAEOB amount | AMT PAB | Early penalty | Federal withheld |
| Fully Taxable | 500. | | | 0. | | 0. | 0. | 0. | 0. |
| Fed/State Exempt | 0. | | | 0. | E | 600. | 0. | 0. | 0. |
| My State Exempt | 700. | | - | 700. | | 0. | 0. | 0. | 0. |
| Fed Xmpt/St Taxable .. | 0. | | + | 800. | E | 800. | 0. | 0. | 0. |
| ..... | 0. | | | 0. | | 0. | 0. | 0. | 0. |

Enter name of payer, abbreviate as needed to fit on line (approximately 20 characters). Do not use punctuation.

Enter amount from Form 1099-INT, box 1 or box 3.

Enter from Form 1099-INT, box 8

Enter from Form 1099-INT, box 9

Enter amount from Form 1099-INT, box 2.

Enter amount from Form 1099-INT, box 4.

Note: Use only 1 interest statement to record all interest income.

Additional Interest, NAEOB, and State Adjustments

TSJ (T= Taxpayer, J=Joint, S=Spouse) column: annotating who received interest is important for state tax purposes.

State Adjustment column: **IMPORTANT**—When a state return has been selected on the Main Information Screen, the entries are transferred directly to the state return. If state tax law treats the interest differently, an adjustment has to be made in the State adjust column.

NAEOB column: Enter:

- N – Nominee interest—Interest transferred to another person
- A – Accrued interest—Interest paid to seller at time of purchase
- E – Federal tax exempt interest
- O – OID – Generally not used since most interest reported on Form 1099-OID is fully taxable and should be entered as ordinary interest.
- B – Amortized bond premium—See IRS Publication 1212 for more details.

Interest on in-state municipal bonds is NOT taxable on the federal and state returns (second line in screen shot above).

Interest on U.S. savings bonds is taxable on the federal return but is NOT taxable on the state return (third line in screen shot above).

Interest on out-of-state municipal bonds is NOT taxable on the federal return BUT is taxable on the state return (fourth line in screen shot above).

TAX TIP: Always fill in the additional interest form as though there is only a federal return. This entry is transferred directly to the state return. Then, ask the question, “Is the interest treated differently on the state return?” If the interest is treated differently, adjust by entering the appropriate +/- and amount in the State adjust column.

Schedule B – Ordinary Dividends

Link to Dividend Stmt-Schedule B, line 5 Dividend Income.

Part II: Ordinary Dividends

5 Payer. If the payer is a brokerage firm, list the firm's name as the payer.

| | Amount |
|-----------------------------|--------|
| a MUTUAL FUND | 50. |
| b STOCK | 45. |
| c | 0. |
| d | 0. |
| e | 0. |
| f | 0. |
| g | 0. |
| h | 0. |
| i | 0. |
| j | 0. |
| Subtotal | 95. |
| Nominee distributions (N) | 0. |
| 6 Add the amounts on line 5 | 95. |

The qualified dividends from Forms 8814 transfer to line i. If you are using the dividend statement, check here ☐ AND manually enter in BOTH the ordinary dividends column AND the qualified dividends column: 0. for the taxpayer and 0. for the spouse on the statement. List the payer as Form 8814.

The dividends from Schedules K-1 transfer to line j. If you are using the dividend statement, check here ☐ AND manually enter: 0. for the taxpayer and 0. for the spouse on the statement as K-1 dividends.

Note: Do not make entries directly on line 5a; link to the worksheet.

Dividend Statement for Schedule B, Line 5 Dividend Income

| US Schedule B Dividend Income | | | | | | | | | | | | |
|-------------------------------|--------------------|---------------------|-----|------------------|---|--------------|-----------|----------|------------|------------------|---------|--|
| Payer | Ordinary dividends | Qualified dividends | TSJ | State adj +/- \$ | N | Capital gain | 1250 gain | 28% gain | Fed. with. | Exempt int. div. | AMT PAB | |
| Example 1 | 125. | 0. | | - 125. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. | |

Enter name of payer, abbreviate as needed to fit on line.

Enter amount from Form 1099-DIV, box 1a.

Enter amount from Form 1099-DIV, box 1b.

Enter amount from Form 1099-DIV, box 2a. This amount will automatically flow to Sch D, line 13.

Enter amount from Form 1099-DIV, line 2b.

Enter amount from Form 1099-DIV, line 2d.

Enter amount from Form 1099-DIV, box 4.

Type the amount of exempt interest dividends received from a regulated investment company (mutual fund).

Note: Use only 1 dividend statement to record all dividend income.

Additional Dividends Entries

State adjustment: When a state return has been selected on the Main Information Screen, entries made on the Dividend Statement will be treated the same on the state return. If state tax law treats the dividend differently, an adjustment has to be made in the State adj column.

Example 1: Enter dividends from direct federal government obligations which are fully taxable on the federal return but tax exempt on the state return. Entering the dividend in the Amount column will result in the dividend showing up as taxable on both the federal and state returns. Therefore, an adjustment has to be made in the State adj column by entering a "-" and the amount. This will result in the dividend showing up as tax exempt on the state return.

TAX TIP: Always fill in the Dividend Statement as though there is only a federal return. This entry is transferred directly to the state return. Then, ask the question, "Is the dividend treated differently on the state return?" If yes, adjust by entering the appropriate +/- and amount in the State adj column. Note that the procedure for entering tax exempt interest dividends on the dividend statement does not require an entry in the Ordinary Dividend column. Tax exempt dividends are entered once in the Exempt int.div. column.

Amounts from Form 1099-DIV box 2a are entered in the Capital Gain column. The total of this column will be shown on 1040 line 13 or Sch D line 13.

Note: If Foreign tax paid (box 6) is shown on 1099-DIV, see Tab 5 "Nonrefundable Credits" for Foreign Tax Credit information.

Schedule C-EZ Business Income

| US Schedule CEZ | | Net Profit from Business | |
|--|---|----------------------------|--|
| This business or profession is owned by the: <input type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse | | | |
| Name of proprietor: JOHN SAMPLE | | SSN: 111-11-1111 | |
| Part I: General Information | | | |
| You may use this form | | | |
| if you | <ul style="list-style-type: none"> ▪ Had business expenses of \$5,000 or less. ▪ Use the cash accounting method. ▪ Did not have an inventory at any time during the year. ▪ Did not have a net loss from this business. ▪ Had only one business as either a sole proprietor or statutory employee. | and you | <ul style="list-style-type: none"> ▪ Had no employees during the year. ▪ Are not required to file Form 4562, Depreciation and Amortization, for this business. See Schedule C, line 13, instructions. ▪ Do not deduct expenses for business use of your home. ▪ Do not have prior year unallowed passive activity losses from this business. |
| A Principal business or profession, including product or service | | B Business code | |
| C Business name. If no separate business name, leave blank. | | D Employer ID number (EIN) | |
| E Business address including suite or room number. Not required if the same as the tax return address. Zip code, city or town, and state | | | |
| Part II: Figure Your Net Profit | | | |
| 1 Gross receipts | | 0. | |
| If this income was reported to you on Form W-2 or W-2GU and the "Statutory employee" box on that form was checked, or you are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax, check here <input type="checkbox"/> | | | |
| 2 Total expenses. If more than \$5,000, use Schedule C | | 0. | |
| 3 Net profit. If less than -0-, you MUST use Schedule C | | 0. | |
| Part III: Information on Your Vehicle Complete this part only if you are claiming vehicle expenses. | | | |
| 4 When did you place your vehicle in service for business purposes? (MM/DD/YYYY) | | | |
| 5 Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for | | | |
| a Business: 0 | | b Commuting: 0 | |
| c Other: 0 | | | |
| Business miles at the standard mileage rate of . . . 55.0¢ | | | |
| Include this amount with any other expenses you list on line 2 above | | 0. | |
| 6 Was your vehicle available for use during off-duty hours? | | Yes | No |
| 7 Do you (or your spouse) have another vehicle available for personal use? | | | |
| 8a Do you have evidence to support your deduction? | | | |
| b If "Yes", is the evidence written? | | | |

Sch C-EZ can be used only if these statements are true. **Note:** Only one Sch C-EZ is allowed per taxpayer.

To find appropriate code, go to TaxWise® **Help** and select **Business Codes**.

If taxpayer does not have an EIN, leave blank.

If taxpayer has Form 1099-MISC for nonemployee compensation, link and select New Miscellaneous Income from 1099-MISC.

Link to a scratch pad to accumulate & list expenses.

If mileage is calculated you must include it in the Scratch Pad used to list other expenses related to this business. It is not automatically included in expenses.

Any Form 1099-MISC with nonemployee compensation (box 7) must be entered on line 1 by linking to Form 1099-MISC. A separate TaxWise Form 1099-MISC must be completed for each Form 1099-MISC that the taxpayer provides. For other income link to a scratch pad and enter the business income. All Forms 1099 and scratch pad income will be totaled on line 1.

Self-employment tax and the adjustment of half of the self-employment tax are automatically calculated and carried to the appropriate forms.

Schedule C Business Income

| US Schedule C | | Profit or Loss from Business |
|--|--|------------------------------|
| This business or profession is owned by the: <input type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse | | |
| Name of proprietor: JOHN SAMPLE | | SSN: 111-11-1111 |
| A Principal business or profession, including product or service <div style="background-color: black; height: 15px; width: 100%;"></div> | B Business code <div style="background-color: black; height: 15px; width: 100%; text-align: center;">0</div> | |
| C Business name. If no separate business name, leave blank. <div style="background-color: black; height: 15px; width: 100%;"></div> | D Employer ID number (EIN) <div style="background-color: black; height: 15px; width: 100%;"></div> | |
| E Business address including suite or room number <div style="background-color: black; height: 15px; width: 100%;"></div> Zip code, city or town, and state <div style="background-color: black; height: 15px; width: 100%;"></div> | | |
| F Accounting method (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify): <div style="background-color: black; height: 15px; width: 100%;"></div> | | |
| G Did you "materially participate" in the operation of this business during this year? If "No", losses may be limited <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| H If you started or acquired this business this year, check here <input type="checkbox"/> For state purposes, check if this business is an LLC <input type="checkbox"/> | | |
| Part I: Income | | |
| 1 Gross receipts or sales If this income was reported to you on Form W2 or W2GU and the "Statutory employee" box on that form was checked, or you are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax, check here <input type="checkbox"/> | 0. | |
| 2 Returns and allowances | 0. | |
| 3 Subtract line 2 from line 1 | 0. | |
| 4 Cost of goods sold from line 42 on page 2 | 0. | |
| 5 Gross profit. Subtract line 4 from line 3 | 0. | |
| 6 Other income, including Federal and state gasoline or fuel tax credit or refund | 0. | |
| 7 Gross income. Add lines 5 and 6 | 0. | |
| Part II: Expenses | | |
| 8 Advertising | 0. | |
| 9 Car and truck expenses | 0. | |
| 10 Commissions and fees | 0. | |
| 11 Contract labor | 0. | |
| 12 Depletion | 0. | |
| 13 Depreciation and section 179 expense deduction | 0. | |
| 14 Employee benefit programs (other than on line 19) | 0. | |
| 15 Insurance, other than health | 0. | |
| 16 Interest | 0. | |
| a Mortgage (paid to banks, etc.) | 0. | |
| b Other | 0. | |
| 17 Legal and professional services | 0. | |
| 18 Office expense | 0. | |
| 19 Pension and profit-sharing plans | 0. | |
| 20 Rent or lease | 0. | |
| a Vehicles, machinery, and equipment | 0. | |
| b Other business property | 0. | |
| 21 Repairs and maintenance | 0. | |

To find appropriate code, go to TaxWise® **Help** and select **Business Codes**.

If taxpayer does not have an EIN, leave blank.

If taxpayer has Form 1099-MISC for nonemployee compensation, link and select New Miscellaneous Income from 1099-MISC.

Following are some of the types of expenses that are in scope for volunteer prepared returns: advertising, car and truck, commissions and fees, insurance, interest, legal and professional services, office, rent or lease, repairs and maintenance, supplies, taxes and licenses, travel, and utilities.

Schedule D – Capital Gains and Losses

*Link to
Capital Gain
worksheet*

Note: Never enter directly to Schedule D. Link to the Capital Gain or Loss Transactions Worksheet.

Schedule D – Capital Gain or Loss Transactions Worksheet

Example: Eliminating Capital Loss on Foreclosure.*

Link to Schedule D Worksheet 2 and use the Sale of Your Home Worksheet to determine the amount of the gain. The worksheet does not automatically carry the gain to Schedule D. If the taxpayer has a taxable gain, you will need to enter the information from the Sale of Your Home Worksheet in Part I or II of Schedule D and show any portion of the Section 121 Exclusion for which the taxpayer qualifies. TaxWise requires a sale and purchase date on the line with the exclusion amount and a cost basis of \$0.

| Part II: Long-term Capital Gains and Losses - Assets Held More Than One Year | | | | | | |
|---|-----------------------------------|-------------------------|---------------------|-----------------------|-------------------------|------------------------|
| *28% rate gain or (loss) includes all "collectibles gains and losses" (as defined in the instructions) and up to 50% of the eligible gain on qualified small business stock (section 1202). | | | | | | |
| 8 | (a) Description of property | (b) Date acquired | (c) Date sold | (d) Sales price | (e) Cost or basis | (f) Gain or loss |
| | Main Home | 09/03/1994 | 07/07/2010 | 225,000. | 300,000. | -75,000. |
| | Form 1099C | 09/03/1994 | 07/07/2010 | 75,000. | 0. | 75,000. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
| 10 | Total long-term sales | | | 300,000. | 300,000. | 0. |

* Loss on personal residence is not deductible

Example: Applying Section 121 Exclusion to Excessive capital Gains on Sale of Main Home

| Part II: Long-term Capital Gains and Losses - Assets Held More Than One Year | | | | | | |
|---|-----------------------------------|-------------------------|---------------------|-----------------------|-------------------------|------------------------|
| *28% rate gain or (loss) includes all "collectibles gains and losses" (as defined in the instructions) and up to 50% of the eligible gain on qualified small business stock (section 1202). | | | | | | |
| 8 | (a) Description of property | (b) Date acquired | (c) Date sold | (d) Sales price | (e) Cost or basis | (f) Gain or loss |
| | Main Home | 09/03/1994 | 07/07/2010 | 789,000. | 226,000. | 563,000. |
| | Sect 121 Exc | 09/03/1994 | 07/07/2010 | -500,000. | 0. | -500,000. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
|  | ..... | ..... | ..... | 0. | 0. | 0. |
| 10 | Total long-term sales | | | 289,000. | 226,000. | 63,000. |



To eliminate unnecessary burden on the taxpayer, such as a CP-2000 Notice, the "Regulatory Explanation" or "Election Explanation" form should be added to the return to provide further explanation about an item reported or not reported on the tax return. The "Regulatory Explanation" form is added to the TaxWise forms tree by selecting the "Add Form" option and typing "RegExpl" in the search box. The "Election Explanation" form is added to the TaxWise forms tree by selecting the "Add Form" option and typing "Election" in the search box.

1099-R Pension and Annuity Income

| US 1099-R Distributions from Profit-Sharing, Retirement Plans, IRA's, etc. | | | |
|---|--|--|--|
| This 1099-R is for the: <input type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse | | | |
| <input type="checkbox"/> Check if this 1099-R is handwritten, altered, or appears not to be a true 1099-R. | | <input type="checkbox"/> Corrected | |
| Payer's ID: <input type="text"/> <- F9 for Sub 1099-R Name code: <input type="text"/> | 1 Gross (RRB line 7) <input type="text"/> 0. | Taxable amount not determined <input type="checkbox"/> | |
| Payer's name <input type="text"/> | 2 Taxable amount <input type="text"/> 0. | Total distribution <input type="checkbox"/> Elect 10 averaging <input type="checkbox"/> | |
| Payer's care of name. Use % for care of. <input type="text"/> | 3 Capital gain in line 2 <input type="text"/> 0. | 4 Federal tax withheld <input type="text"/> 0. | |
| Payer's address <input type="text"/> | 5 Employee contribution or insurance premiums <input type="text"/> 0. | 6 Net unrealized appreciation in employer's securities <input type="text"/> 0. | |
| Payer's Zip code, city, and state <input type="text"/> | Recipient's social security number: <input type="text"/> 331-99-1146 | | |
| Recipient's name <input type="text"/> TAXPAYER SAMPLE | 7 Codes IRA /SEP/ Simple <input type="checkbox"/> | 8 Other <input type="text"/> 0.0 % <input type="text"/> 0. | |
| Recipient's address <input type="text"/> 6 MATHIS DRIVE | Check if disability and the taxpayer is disabled <input type="checkbox"/> Check to force Form 5329 - See F1 Help <input type="checkbox"/> | | |
| <input type="text"/> Rome GA 30165 | 9a Percentage of total distribution <input type="text"/> 0.0 % | 9b Total employee contributions <input type="text"/> 0. | |
| Account number (optional) <input type="text"/> | 10 State tax <input type="text"/> 0. | 11 State and state ID no. <input type="text"/> | 12 State distribution <input type="text"/> 0. |
| See F1 Help on the state return for use of these boxes. Instructions vary by state. Check if applies. | <input type="text"/> 0. | <input type="text"/> | <input type="text"/> 0. |
| Box 1 <input type="checkbox"/> | 13 Local tax <input type="text"/> 0. | 14 Locality name <input type="text"/> | 15 Local distribution <input type="text"/> 0. |
| Box 2 <input type="checkbox"/> | <input type="text"/> 0. | <input type="text"/> | <input type="text"/> 0. |
| Box 3 <input type="checkbox"/> | <input type="text"/> 0. | <input type="text"/> | <input type="text"/> 0. |
| Railroad retirement <input type="checkbox"/> | <input type="text"/> 0. | <input type="text"/> | <input type="text"/> 0. |

Complete TaxWise® version of 1099-R using information from taxpayer's Form 1099-R or Form RRB-1099-R. Make sure the paper and electronic versions match.

No amount is entered if Simplified Method is used.

Check if Code 3 is in box 7—person on disability but under retirement age. This makes the amount go to Wages, line 7 on Form 1040, rather than the pension line.

Some early distributions may be exempt from additional tax. Add Form 5329. Enter the exception code and amount in Part I. Only Part I is in-scope for VITA/TCE.

With Form 1099-R selected, link to Help screen to bring up 1099-R instructions. Scroll to and select applicable state for state instructions on use of boxes 1, 2, and 3 and Railroad Retirement.

Form 1099 Alert

IRS requires that information on electronically filed Form(s) 1099 match the printed Form(s) 1099.

Note: Distribution codes for box 7 can be found in TaxWise® by accessing from box 7 or on the back of Form 1099-R.

1099-R Exclusion Worksheet

| Exclusion Worksheet | |
|---|--------------------------|
| 1 Amount rolled over | 0. |
| 2 Amount, up to \$100,000, paid directly by the trustee of the IRA to a charitable organization. The donor must have been at least 70 1/2 when the distribution was made | 0. |
| 3 Amount rolled over into an HSA. This election is irrevocable and can only be done once in the recipient's lifetime | 0. |
| 4 Retired public safety officers - amount, up to \$3,000, paid directly from a qualified governmental plan to pay health or qualified long-term care insurance for the taxpayer, spouse, or dependents | 0. |
| 5 Excludable amount due to a tax-free exchange; as calculated in a previous year; or by law, is specifically tax-exempt | 0. |
| * If the distribution is from a traditional, SEP, or SIMPLE IRA and you ever made nondeductible IRA contributions, check | <input type="checkbox"/> |
| * If this is a conversion from a traditional IRA to a Roth IRA, check | <input type="checkbox"/> |
| If PART of this distribution was converted to a Roth IRA, enter the amount converted | 0. |
| Simplified Method | |
| 1 Cost in the plan at the annuity starting date (RRB line 3) | 0. |
| 2 Check age of primary annuitant at annuity starting date <input type="checkbox"/> 55 or under <input type="checkbox"/> 56-60 <input type="checkbox"/> 61-65 <input type="checkbox"/> 66-70 <input type="checkbox"/> 71 or older <input type="checkbox"/> Check if the annuity starting date is after 11/18/1996. <input type="checkbox"/> Check if the annuity starting date is after 12/31/1997 and this is a joint and survivor annuity. Use table below. Check combined age of annuitants at annuity starting date <input type="checkbox"/> 110 or under <input type="checkbox"/> 111-120 <input type="checkbox"/> 121-130 <input type="checkbox"/> 131-140 <input type="checkbox"/> 141 or more | |
| 3 Exclusion per month | 0.00 |
| 4 Number of months for which payments were received this year | 0 |
| 5 If the annuity started after 1986, enter the amount recovered tax free in prior years | 0. |
| 6 Exclusion | 0. |
| 7 Remaining cost in the pension or annuity | 0. |

Enter the amount paid for qualified insurance premiums paid by a retired public safety officer.

This worksheet is used to recover the taxpayer's original contributions. The employee contributions are shown in box 5 or box 9b on Forms 1099-R, CSA- and CSF-1099-R and box 3 of Form RRB-1099-R.

Taxpayer should have documentation of the recovered tax-free amount or last year's tax return.

Note: There are two methods used to figure the taxable portion of each pension or annuity payment: the General Rule and the Simplified Method. For additional information see Publication 17.

Rollover

If this is a rollover, complete line 1 of the Exclusion Worksheet indicating the amount that was rolled over within the 60-day period. TaxWise will transfer the amount to the proper lines on page 1, Form 1040. In addition, you will need to check the box on line 15b and link (F9) to explain the facts of the rollover: from which financial institution, to which financial institution, and if it was a direct rollover.

Partially Taxable - Simplified Method

Input the information from the taxpayer's copy of 1099 R. Move down the screen to the Simplified Method worksheet and complete items 1, 2, 4 and 5. Item 2 asks for the annuity starting date which may be earlier than the current tax year. Item 5 is an accumulation of tax-free amounts from previous years. This information should be available on the taxpayer's prior year return.

SSA Form 1099 and Form RRB -1099 (Blue)

From Form 1040, line 20a, link to Form 1040 Worksheet 1. Be sure to record the Social Security (Form SSA-1099, box 5) and Railroad Tier 1 (Form RRB-1099, box 5) benefits on the proper lines and in the proper columns (if a joint return). Include any amounts paid for Medicare (Form SSA-1099, Description box and Form RRB-1099, box 11) for potential itemized deductions. Medicare premiums include Part B and Part D. Include any amounts for federal income tax withholding (Form SSA-1099, box 6 and Form RRB-1099, box 10). TaxWise will perform all the calculations to determine the taxable amount based on other information in the return. See page s 2-12 and 2-13 for further details.

Railroad Retirement, Civil Service, and Social Security Benefits

1: **Form RRB-1099-R—Tier 2 (Green form) Non-Social Security Equivalent Benefits (NSSEB)**—

NSSEB includes all Tier 1 and Tier 2 Railroad Benefits not included on Form RRB-1099. It should be treated the same as any other qualified employee retirement plan.

Enter RRB-1099-R data on TaxWise® Form 1099-R as follows:

| Box | From RRB-1099-R | To TaxWise® |
|-----|-----------------------------|---|
| 3 | Employee contributions | 1099-R box 9b and line 1 of Simplified Method section |
| 7 | Gross distribution | 1099-R box 1 |
| 9 | Federal income tax withheld | 1099-R box 4 |
| 12 | Medicare premium total | Sch A—Detail—if itemizing deductions |

Complete TaxWise® Form 1099-R as follows:

- Click in box to the right of box 1—“Taxable amount not determined”
- A distribution code (box 7) is required and the code is “7” unless the interview with the taxpayer indicates it is not a normal distribution.
- Complete Simplified Method section, if applicable
- “X” the **Railroad retirement** box to the left of block 13 for railroad pensions that qualify for subtraction on state returns.

2: **CSA-Form 1099-R—Civil Service Retirement Benefits**—The Office of Personnel Management issues CSA-Form 1099-R for annuities paid or CSF-Form 1099-R for survivor annuities paid. The CSA-Form 1099-R box numbers reflect the standard numbering on a Form 1099-R. If the taxable amount is not calculated in box 2:

- The Simplified Method must be used
- Enter box 9b on line 1 of the Simplified Method section, if applicable
- Complete the other required entries of the Simplified Method section

3: **Form RRB-1099—Tier 1 (Blue form) Social Security Equivalent Benefits (SSEB)**—Treat the benefits reported on this form just like the information reported on SSA-Form 1099. (See below)

Note: If there is any amount in box 7, 8, or 9 (benefits for previous year), refer your client to a tax professional.

4: **SSA-Form 1099—Social Security Benefit Statement**—The Social Security Administration issues SSA-Form 1099 to report benefits paid. Use the following procedures for entering this information into TaxWise®:

- From Form 1040, line 20, link to 1040 Wkt 1
- Scroll to Social Security and Railroad Tier 1 Benefits section
- “Social Security Received This Year”—Enter SSA-Form 1099, box 5 amount or RRB-Form 1099, box 5 amount
- “Medicare to Schedule A”—Enter SSA-Form 1099, Medical Premiums or RRB-Form 1099, box 11 amount
- “Federal Tax Withheld”—Enter SSA-Form 1099, box 6 amount or RRB-Form 1099, box 10 amount

1099-R Entry Variations

A. Example 1 (most common)—An amount is entered in box 1, box 2a is blank or the same amount as box 1, the distribution code in box 7 is [7], and nothing is entered in boxes 5 or 9b.

- The amount in box 1 is fully taxable. TaxWise® will transfer the amount in box 1 to Form 1040 page 1, line 16b. Nothing has to be entered in box 2; use the estimate function to remove red.

B. Example 2—An amount is entered in box 1, box 2a is blank, the distribution code is [7], and an amount is entered in box 9b.

- The Simplified Method section will have to be completed to determine the amount in box 9b that will be tax free. TaxWise® will automatically deduct this amount from the amount in box 1 and enter the result on Form 1040 page 1, line 16b.
- Do not make an entry to box 2 of Form 1099-R.

C. Example 3—An amount is entered in box 1 and the taxable amount (other than zero) is entered in box 2a with a distribution code of [7]. There may or may not be an entry in box 5. Generally, the amount in box 2a is [box 1 minus the amount in box 5].

- The payer has made things easy by providing the taxable amount. TaxWise® will enter the taxable amount on Form 1040 page 1, line 16b.

D. Example 4—An amount is entered in box 1, box 2a is blank or zero, an amount is in box 5, and the distribution code is [7].

- Generally, the amount in box 5 should be nontaxable and therefore should be subtracted from line 1 and the result entered on Form 1040 page 1, line 16b. The tax preparer must ascertain from the taxpayer what amount should be nontaxable. In the TaxWise® 1099-R form, enter the tax-exempt amount on line 5 of the *Exclusion Worksheet*. (The *Exclusion Worksheet* is located just below the primary 1099-R form.) TaxWise® will subtract the amount from line 1 and enter the result on Form 1040 page 1, line 16b.

Note: If zero is entered in box 2 of TaxWise® 1099R, the box will become red and lines 1 and 2 of the **Exclusion Worksheet** will become red. This indicates that there is a required entry in the *Exclusion Worksheet*. Enter the tax-exempt amount on line 5 of the *Exclusion Worksheet*. TaxWise® will subtract this amount from line 1 and enter the amount on Form 1040 page 1, line 16b. Then the red on line 2 and in the *Exclusion Worksheet* will disappear.

Schedule E – Rental Income and Loss FOR MILITARY ONLY

| US Schedule E | | Supplemental Income and Loss | |
|--|----------------|------------------------------|--------------------------|
| Name: | TAXPAYER BROWN | | SSN: 111-11-1111 |
| Part I: Income or Loss From Rental Real Estate and Royalties | | | |
| Note: If you are in the business of renting personal property, use Schedule C. Report farm rental income or loss from Form 4835 on page 2, line 40. | | | |
| K-1 royalty information transfers to column C of lines 1 and 4. In the State column, enter the state in which the property is located, if different from the state of . . . | | | |
| 1. List the kind and location of each rental real estate property. | | | |
| Kind | Location | Check if royalty | TJ State |
| A | | <input type="checkbox"/> | <input type="checkbox"/> |
| B | | <input type="checkbox"/> | <input type="checkbox"/> |
| C | | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. For each rental real estate property listed, did you or your family use it during the tax year for personal purposes for more than the greater of: | | | |
| • 14 days or • 10% of the total days rented at fair rental value? If "Yes", see instructions. | | | |
| | | Yes | No |
| A | | <input type="checkbox"/> | <input type="checkbox"/> |
| B | | <input type="checkbox"/> | <input type="checkbox"/> |
| C | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | Properties | |
| Income | A | B | C Totals |
| Rents received | 0. | 0. | 0. |
| Royalties received | 0. | 0. | 0. |
| 3 Rents | 0. | 0. | 0. |
| +4 Royalties | 0. | 0. | 0. |

Enter rent received.

If Form 1099-MISC is received for rental income, link to New Miscellaneous Income from 1099-MISC.

Use Sch E to report rental income **only** when taxpayer is not in the business of renting property.

Use separate columns for each rental property.

| Expenses | | A | B | C | Totals |
|--|--|----|----|----|--------|
| 5 Advertising | | 0. | 0. | 0. | |
| 6 Auto and travel | | 0. | 0. | 0. | |
| 7 Cleaning and maintenance | | 0. | 0. | 0. | |
| 8 Commissions | | 0. | 0. | 0. | |
| 9 Insurance | | 0. | 0. | 0. | |
| 10 Legal and other professional fees | | 0. | 0. | 0. | |
| 11 Management fees | | 0. | 0. | 0. | |
| 12 Mortgage interest paid to banks, etc. | | 0. | 0. | 0. | 0. |
| 13 Other interest | | 0. | 0. | 0. | |
| 14 Repairs | | 0. | 0. | 0. | |
| 15 Supplies | | 0. | 0. | 0. | |
| 16 Taxes | | 0. | 0. | 0. | |
| 17 Utilities | | 0. | 0. | 0. | |
| Other: | | | | | |
| 18 | | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | |
| Total of line 18 | | 0. | 0. | 0. | |
| +Royalty expense from K-1s (transfer here) | | | | | |
| +Amortization and part-rental worksheet expenses (transfer here) | | | | | |
| If you are using the statement, check <input type="checkbox"/> AND manually enter these amounts on the statement | | 0. | 0. | 0. | |
| 19 Add lines 5 through 18 | | 0. | 0. | 0. | 0. |
| 20 Depreciation expense or depletion | | 0. | 0. | 0. | 0. |
| 21 Total. Add lines 19 and 20 | | 0. | 0. | 0. | 0. |
| 22 Income or (loss) from rental real estate or royalty properties | | 0. | 0. | 0. | 0. |
| 23 Deductible rental real estate loss | | 0. | 0. | 0. | 0. |

Can deduct hazard insurance as reported on Form 1098.

Most common entries:
• homeowners association fee
• telephone bills

Link to Form 4562.

[illegible]

Form 1040 – Adjustments to Income

| Adjustments to Income | | |
|-----------------------|---|------|
| 23 | Educator expenses | 0. |
| 24 | Certain business expenses of reservists, qualified performing artists, and fee-based government officials. Form 2106 or 2106-EZ | 0. |
| 25 | Health savings account deduction. Form 8889 | 0. |
| 26 | Moving expense. Form 3903 | 0. |
| 27 | One-half of self-employment tax | 0. |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | 0. |
| 29 | Self-employed health insurance deduction | 0. |
| 30 | Penalty on early withdrawal of savings | 0. |
| 31 | Alimony paid. Recipient's SSN: [REDACTED] and amount | 0. |
| 32 | IRA deduction | 0. |
| 33 | Student loan interest deduction | 0. |
| 34 | Tuition and fees deduction | 0. |
| 35 | Domestic production activities deduction. Form 8903 | 0. |
| | Other: Reforestation | 0. |
| | Sub-pay (Trade Act) | 0. |
| | Jury duty pay turned in to your employer | 0. |
| | 501(c)18 pension plan | 0. |
| | Clean-fuel vehicles | 0. |
| | PPR | 0. |
| | Form 2555, line 48 | 0. |
| | Archer MSA deduction. Form 8853 | 0. |
| 36 | Total adjustments | 0. |
| 37 | Adjusted gross income | 110. |

To complete this section:

Auto calculated from Sch SE.

Flows over from input of 1099-INT in Interest Worksheet.

If the taxpayer paid alimony to more than one person, from Form 1040 line 31a link to the Alimony Paid Worksheet. TaxWise will display the total for all alimony payments on line 31a.

Link to 1040 worksheet 2

Link to 1040-WKT2, Student Loan, Education Worksheet, and insert the amounts of student loan interest paid. The program will calculate the deductible amounts, applying the appropriate limits.

Hint: Link from line 26 of Form 1040 to access Form 3903, Moving Expenses. Check the box near the top of the form to indicate an Armed Forces PCS move. Line 2 is broken into two separate entries: one allows you to enter the miles traveled and compute the standard mileage amount; there is a separate line for "other travel costs." If you need to add together expenses or reimbursements, link from lines 1, 2 or 4 to bring up a scratch pad. If you determine that nontaxable reimbursements are greater than allowable moving expenses, remove Form 3903 before continuing with the return.

Hint: If the taxpayer contributed to a Roth or a traditional IRA, whether it is deductible or not, you should link to the IRA worksheet from Line 32 of Form 1040 and enter the amount of the contribution on the appropriate line. (see note)

Note: On line 32 taxpayer's age must be 70½ or younger; if married filing separately, **could not** have lived together any time during the year.

Notes

4. TaxWise® Deductions

Form 1040, Page 2 – Deductions

| Taxable Income and Tax | |
|--|--------------------------|
| 38 Amount from line 37 (adjusted gross income) | 64,325. |
| 39 a Taxpayer ... <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind; Spouse: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Total boxes checked | 0 |
| b If you are married filing separately and your spouse itemizes deductions, or you are a dual-status alien, check here or F3 | <input type="checkbox"/> |
| 40 a Itemized deductions or standard deduction. If you elect to itemize deductions even though the standard deduction is larger, check here | <input type="checkbox"/> |
| If you were or are a resident of Puerto Rico and are excluding Puerto Rico income, or you are excluding income on Form 4563, check here (section 933) | <input type="checkbox"/> |
| b If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here | 11,400. |
| 41 Subtract line 40a from line 38 | 52,925. |
| 42 If line 38 is over \$125,100, married filing separately; \$166,800, single; \$208,500, head of household; \$250,200, married filing jointly or qualifying widow(er), the exemption amount is reduced. If housing to Midwestern displaced individual was provided, see instructions. Otherwise, multiply \$3,650 by the total number of exemptions on line 6d | 3,650. |
| 43 Taxable income | 49,275. |
| 44 Tax. From ... <input checked="" type="checkbox"/> the tax table or schedule <input type="checkbox"/> Form 8615 <input type="checkbox"/> Schedule D Tax Worksheet <input type="checkbox"/> Schedule J <input type="checkbox"/> Foreign earned income tax worksheet | 0. |
| Check if any tax is from: <input type="checkbox"/> Form(s) 8814 <input type="checkbox"/> Form 4972 | 0. |
| Education credit recapture amount | 0. |
| 45 Alternative minimum tax. Attach Form 6251 | 0. |
| 46 Add lines 44 and 45 | 0. |

If itemizing deductions, link to Sch A Itemized Deductions. Complete the blank fields that apply to the taxpayer's situation.

Note:

- TaxWise will automatically calculate the standard deduction based on the information collected from the approved intake and interview sheet and entered into the Main Information Sheet. If the taxpayer cannot take the standard deduction, TaxWise will prompt the preparer to itemize deductions.
- TaxWise will automatically calculate a dependent's standard deduction, if the box indicating, "the taxpayer can be claimed on another person's tax return", has been checked in the Main Information Sheet.
- TaxWise will automatically calculate real estate taxes when not itemizing deductions; if the real estate taxes paid are entered on line 6 of Sch A, then the allowable deduction will carryback to Form 1040.

Schedule A – Itemized Deductions

| US Schedule A | | Itemized Deductions | |
|------------------------------------|---|-------------------------|--|
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | |
| Medical and Dental Expenses | | | |
| 1 | Unreimbursed medical and dental expenses | 0. | <div style="text-align: right;">←</div> <i>Link to Itemized Detail sheet from Sch A, line 1 for breakout of medical expenses</i> |
| 2 | Amount from Form 1040, line 38 | 0. | |
| 3 | Multiply line 2 by 7.5% | 0. | |
| 4 | Subtract line 3 from line 1 | 0. | |
| Taxes You Paid | | | |
| 5 | State and local taxes. Only one box can be checked. | | |
| a | <input type="checkbox"/> Income taxes | 0. | <div style="text-align: right;">←</div> <i>Link to F/S Tax Paid to enter federal and state Estimated Taxes paid.</i> |
| b | <input type="checkbox"/> General sales tax | 0. | |
| 6 | Real estate tax remainder from Form 8829 | 0. | <div style="text-align: right;">←</div> <i>Link to sales tax worksheet</i> |
| | Real estate tax remainder from part rental worksheets | 0. | |
| | Real estate taxes on your principal residence, not listed above TSJ: <input type="checkbox"/> | 0. | |
| | Other real estate taxes you paid, not listed elsewhere in this tax return TSJ: <input type="checkbox"/> | 0. | |
| 7 | New motor vehicle taxes from the worksheet. Skip this line if box 5b is checked. TSJ: <input type="checkbox"/> | 0. | |
| 8 | Other taxes (including personal property tax) | | |
| | Personal property tax remainder from business vehicle worksheet | 0. | |
| | Type <input type="checkbox"/> TSJ: <input type="checkbox"/> | 0. | |
| 9 | Add lines 5 through 8 | | 0. |
| Interest You Paid | | | |
| 10 | Home mortgage interest remainder from Form 8829 | 0. | <div style="text-align: right;">←</div> <i>Enter amount from Form 1098, box 1 (and box 2, if applicable).</i> |
| | Home mortgage interest remainder from part rental worksheets | 0. | |
| | Form 8396 credit, if applicable TSJ: <input type="checkbox"/> | 0. | |
| | Home mortgage interest and points from Form 1098, not listed above TSJ: <input type="checkbox"/> | 0. | |
| 11 | Home mortgage interest not reported on Form 1098. If paid to an individual, show the person's name, ID number, and address. | | |
| | Individual's name | | |
| | ID number | | |
| | Address | | |
| | Amount TSJ: <input type="checkbox"/> | 0. | <div style="text-align: right;">←</div> <i>Points from refinancing must be spread over life of mortgage unless used to remodel (see Publication 17, Points).</i> |
| 12 | Points not reported on Form 1098 TSJ: <input type="checkbox"/> | 0. | |
| 13 | Total qualified mortgage insurance premiums TSJ: <input type="checkbox"/> | 0. | <div style="text-align: right;">←</div> <i>Loan origination fee from closing statement entered here if not included as points in line 10.</i> |
| | Allowed qualified mortgage insurance premiums | 0. | |
| 14 | Investment interest. Attach Form 4952, if required TSJ: <input type="checkbox"/> | 0. | |
| 15 | Add lines 10 through 14 | | 0. |
| Gifts to Charity | | | |
| 16 | Total gifts by cash or check | 0. | <div style="text-align: right;">←</div> <i>Link to Itemized Detail sheet from Sch A</i> |
| 17 | Other than by cash or check | 0. | |
| 18 | Carryover from prior year | 0. | |
| 19 | Add lines 16 through 18 | | 0. |

Schedule A – Itemized Deductions (continued)

| | |
|---|----|
| Casualty and Theft Losses | |
| 20 Casualty or theft loss(es). Attach Form 4684 | 0. |
| Job Expenses and Most Other Miscellaneous Deductions | |
| 21 Unreimbursed employee expenses - job travel, union dues, job education, etc. Type | |
| *Amount TSJ: \| | 0. |
| *Forms 2106 and 2106EZ transfer to this line. If you are using a statement, check here <input type="checkbox"/> AND manually enter . 0. | |
| Line 21 amount for state returns | 0. |
| 22 Tax preparation fees TSJ: \| | 0. |
| 23 Other expenses - investment expense, safe deposit box, etc. Type Amount | |
| ** TSJ: \| | 0. |
| TSJ: \| | 0. |
| **Schedules K-1 and Forms 4684 and 4797 amounts transfer here. If you are using a statement, check here .. <input type="checkbox"/> AND manually enter: 0. on the statement. | |
| 24 Add lines 21 through 23 | 0. |
| 25 Amount from Form 1040, line 38 | 0. |
| 26 Multiply line 25 by 2% | 0. |
| 27 Subtract line 26 from line 24 | 0. |
| Line 27 amount for state returns | 0. |

Link to Form 2106 or Form 2106-EZ.

Link to misc deductions Sch A, line 23.

Hint: On the entry screen for Form 2106 page 1, there is a box at the bottom for "Minister, QPA, FBO, RC, and Impairment Related Work Expenses." On the line to the right of RC, enter the portion of the amount from Line 10 of Form 2106 that is due to reservist travel expenses over 100 miles. You can link from the entry field to a scratch pad to add up the separate items (vehicle expenses, lodging and 50% of food) if you wish. The software will carry the "RC" reservist expenses to line 24 on the front of Form 1040, and the remainder to line 21 of Schedule A.

Schedule A Nondeductible Items

- **Medical:** cosmetic surgery; funeral/burial; nonprescription drugs; weight loss program not prescribed; diet food
- **Taxes:** fees/licenses (drivers, marriage, dog); sales tax; assessments for improvements that increase property value
- **Contributions:** political; country club/fraternal lodge; raffle, bingo, or lottery tickets; tuition; value of time/services; gifts to lobby groups; civic leagues, social clubs; labor unions.
- **Miscellaneous:** commuting; home repair; rent; loss from sale of home; personal legal expenses; lost/misplaced cash or property; nonprescription drugs; fines/penalties.

5. TaxWise® Nonrefundable Credits

Note: Enter amounts given by cash or check under Cash Contributions for 50% Limit Organizations. Enter the value of noncash items donated under Other Than Cash Contributions from 50% Limit Organizations. Be Careful to list them separately.

Nonrefundable Credits

| Nonrefundable Credits | | | |
|-----------------------|---|--|----|
| 47 | Foreign tax credit. Form 1116, if required | | 0. |
| 48 | Credit for child and dependent care expenses. Form 2441 | | 0. |
| 49 | Education credits. Form 8863 | | 0. |
| 50 | Retirement savings contributions credit. Form 8880 | | 0. |
| 51 | Child tax credit. Attach Form 8901 if required | | 0. |
| 52 | Credits from Form | <input type="checkbox"/> 8396 <input type="checkbox"/> 8839 <input type="checkbox"/> 5695 | 0. |
| 53 | Other credits from Form | <input type="checkbox"/> 3800 <input type="checkbox"/> 8801 <input type="checkbox"/> | 0. |
| 54 | Total credits. Add lines 47 through 53 | | 0. |
| 55 | Subtract line 54 from line 46 | | 0. |

Link to Form 1116,
Foreign Tax Credit
page 1.

Link to Form 2441,
page 1.

Link to Sch R.*

Link to Form 8863.

Link to Form 8880.

Hint: Remember,
the nonrefundable
credits cannot
exceed the
taxpayer's federal
income tax.

Form 5695 Residential Energy Credits

Link to Form 5695, complete Part I. Part II is out of scope. Maximum credit is limited to \$1,500 claimed for 2009 and 2010 combined.

Form 8863

Link to Form 8863 Education Credits. Enter each student's name, SSN, and qualified expenses in the appropriate section of Form 8863. TaxWise does the calculations. You can enter the total amount of qualifying expenses for each student; TaxWise will apply the limitations.

Caution: When completing the worksheet for an Education Credit, TaxWise helps you create an accurate claim, however, TaxWise will not catch other errors, such as taking more than one benefit for the same taxpayer.

Schedule R

If taxpayer qualifies for the credit for the elderly or the disabled, link to Schedule R. If the taxpayer is permanently and totally disabled, check the box in Part II. Otherwise, complete Part III by entering the amount of veterans' pensions or any other pension, annuity or disability benefit that is excluded from income.

Form 2441 – Credit for Child and Dependent Care Expenses

| | | | |
|--|--|---|---|
| US 2441 | | Credit for Child and Dependent Care Expenses | |
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | |
| Part I: Persons or Organizations Who Provided the Care | | | |
| | | | |
| 1(a) Care provider's name | (b) Street address City, state, and Zip code | (c) ID number SSN or EIN | (d) Amount paid |
| Code: ..... | ..... | EIN? <input type="checkbox"/> Type: | 0. |
| Code: ..... | ..... | EIN? <input type="checkbox"/> Type: | 0. |
| Total of the line 1 amounts | | | 0. |
| Part II: Credit for Child and Dependent Care Expenses | | | |
| 2 Information about your qualifying person(s). | | | |
| To qualify the persons must have shared the same home with you in 2009. If you received dependent care benefits from your employer, fill in page 2 of this form. | | | |
| Only list below those expenses not excluded on page 2. Total not excluded on page 2 | | | |
| ..... |  |  | ..... 0. |
| (a) Qualifying person's name | | (b) Social security number | (c) Qualified expenses * See below. |
| First name | Last name | | |
| ..... | ..... | ..... | ..... 0. |
| ..... | ..... | ..... | ..... 0. |
| * Qualified expenses are those you incurred and PAID in 2009. | | | |
| Total of the line 2 amounts | | | 0. |

Important: Make sure the "DC" column is checked for the applicable dependent(s) on the Main Information Sheet.

When the taxpayer has more than two care providers link to the "Providers - Form 2441 Line 1a and 1b."

Line 1 should be total paid for child care.

Line 2 should be total paid minus any dependent care benefits on W-2.

If more than 2 children with dependent care expenses, link to new Qualifying Form 2441, line 2 and complete all fields for each qualifying child.

| | |
|---|----------|
| 3 Smaller of line 2, \$3,000 for 1 qualifying person, or \$6,000 for 2 or more persons. If you completed Part III, amount from line 35 | 0. |
| 4 Your earned income | 0. |
| 5 If married filing jointly, your spouse's earned income is entered. If your spouse was a student or disabled, see the worksheet below. All others, amount from line 4 | 0. |
| 6 Smallest of lines 3, 4, or 5 | 0. |
| 7 Amount from Form 1040, line 38, or Form 1040NR, line 36 | 0. |
| 8 Amount applicable to the amount on line 7 | 0.27 |
| If you paid, in 2007, dependent care expenses incurred in a prior year, enter the amount of credit based on the rate that applied for that year | |
| F9 here to explain the calculation of the credit for prior year expenses | |
| Also enter qualifying person's name | |
| and social security number | |
| 9 Multiply line 6 by the decimal amount on line 8, plus prior year amounts shown above | 0. |
| 10 Amount from Form 1040, line 46, or Form 1040NR, line 43 | 0. |
| 11 Amount from Form 1040, line 51, or Form 1040NR, line 46 | 0. |
| 12 Subtract line 11 from line 10 | 0. |
| 13 Credit for child and dependent expenses. Smaller of line 9 or line 12 | 0. |

Line 3 should equal total qualified expenses up to maximum allowable minus any dependent care benefit on W-2.

| Worksheet for Income Considered Earned by Disabled or Student Spouse | |
|--|---|
| If you have 1 qualifying person \$250 x <input type="text"/> months spouse was a student or disabled \$..... 0. | If you have two or more qualifying persons \$500 x <input type="text"/> months spouse was a student or disabled \$..... 0. |

Important: If spouse is disabled or full-time student, enter the number of months.

Form 8863 – Education Credits

| US 8863 | | Education Credits | | | | |
|--|--|---|---|---|---|--|
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | | | | |
| <p>Note: These credits are NOT available if you are a dependent of another or married filing separately. You cannot take an education credit and the tuition and fees deduction for the same student.</p> <p>Both the credit and the AGI deduction should be checked for Federal and state tax purposes.</p> | | | | | | |
| Part I: American Opportunity Credit | | | | | | |
| <p>Use Part II if you are claiming the Hope credit for a student attending school in a Midwestern disaster area. If you use Part II, you cannot use Part I for ANY student.</p> <p>Caution: You cannot take the American opportunity credit for more than 4 tax years for the same student.</p> | | | | | | |
| 1 | (a) Student's name as shown on page 1 of this tax return. First name and last name | (b) Student's social security number | (c) Qualified expenses but not more than \$4,000 per student | (d) Subtract \$2,000 from the amount in column c | (e) Multiply the amount in column d by 25% | (f) If column d is zero, amount from column c. Otherwise, add \$2,000 to column e |
| | | | 0. | 0. | 0. | 0. |
| | | | 0. | 0. | 0. | 0. |
| | | | 0. | 0. | 0. | 0. |
| | | | 0. | 0. | 0. | 0. |
| 2 Tentative American opportunity credit | | | | | | 0. |
| Part III: Lifetime Learning Credit | | | | | | |
| <p>Caution: You cannot take the American opportunity credit or the Hope credit and the lifetime learning credit for the same student in the same year.</p> | | | | | | |
| 5 | (a) Student's name as shown on page 1 of your tax return F9 below for a statement if you need to list more than 3 students. First name Last name | * M W | (b) Student's social security number | (c) Qualified expenses | | |
| | | <input type="checkbox"/> | | 0. | | |
| | | <input type="checkbox"/> | | 0. | | |
| | | <input type="checkbox"/> | | 0. | | |
| 6 Add the amounts on line 5, column (c) | | | | 0. | | |
| 7a Smaller of line 6 or \$10,000 | | | | 0. | | |
| b Students who attended an eligible education institution in a Midwestern disaster area, smaller of \$10,000 or qualified expenses included in line 6 | | | | 0. | | |
| c Subtract line 7b from line 7a | | | | 0. | | |
| 8a Multiply line 7b by 40% | | | | 0. | | |
| b Multiply line 7c by 20% | | | | 0. | | |
| c Tentative lifetime learning credit | | | | 0. | | |

For both Education credits, enter qualified student's name, SSN, and qualified expenses; software will calculate the credit.

To claim this credit:

- Taxpayers cannot file married filing separately or be a nonresident alien (unless married filing jointly with resident)
- Only the taxpayer is eligible if he or she claims the student as a dependent. Only the student is eligible if he or she is **not** claimed as a dependent (even if he or she *can* be claimed)—no matter who pays.
- For the American Opportunity credit only, qualified tuition & related expenses include books, supplies & equipment needed for the course, whether or not they were purchased from the institution as a condition of enrollment. Computers, however, can only be included IF they are a requirement for enrollment or attendance.

Note: The following are not qualifying expenses for Education Credits: room and board, insurance, medical, transportation, or personal expenses, even if the amount must be paid to the institution as a condition of enrollment or attendance. If the educational expenses are associated with sports, games, hobbies, or other noncredit courses, see Publication 970 for more information.

Form 1116 – Foreign Tax Credit

| US 1116 | | Foreign Tax Credit | |
|--|---|---|-------|
| Name: <input style="width: 200px;" type="text"/> | | SSN: 119-56-6900 | |
| Simplified Limitation Election The simplified method cannot be used if you file Form 4563 or exclude income from Puerto Rico. If ALL of your foreign source income is from dividends and interest and all of that income is reported to you on Forms 1099-DIV or 1099-INT and your qualified foreign taxes are not more than \$300 (\$600 if married filing jointly), you do not need to fill out this form. You can enter the foreign tax amount here: <input style="width: 50px;" type="text"/> or directly on Forms 1040 or 1040NR. By making this election, you forego any carryover of excess foreign taxes to or from a taxable year to which this election applies and this election applies to all later tax years and can only be revoked with IRS consent. Enter the amount of foreign income on Schedules B, as applicable and also on line 16 of Form 1116AMT. | | | |
| Check only one box. Use a separate Form 1116 for each category of income. | | | |
| a <input type="checkbox"/> Passive category income | | c <input type="checkbox"/> Section 901(j) income | |
| b <input type="checkbox"/> General category income | | e <input type="checkbox"/> Lump sum distributions | |
| d <input type="checkbox"/> Income re-sourced by treaty | | | |
| f Resident of (name of country): <input style="width: 100px;" type="text"/> | | | |
| Part I: Taxable Income or Loss from Sources Outside United States for Category Above | | | |
| g Name of country or possession. Limit to 10 characters for printing. | | | |
| A <input style="width: 50px;" type="text"/> | B <input style="width: 50px;" type="text"/> | C <input style="width: 50px;" type="text"/> | |
| 1a Gross income from sources within country shown above. Type: <input style="width: 50px;" type="text"/> Income other than capital gains | A | B | C |
| b Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is \$250,000 or more, and | Total | Total | Total |
| | 0. | 0. | 0. |

If qualified foreign taxes are \$300 (\$600 if MFJ) or less and the income is from interest, dividends, royalties, etc., enter exact amount of foreign tax paid here. Do not complete the rest of the form.

FOR INTERNATIONAL ONLY:

If the foreign tax is not passive and is greater than \$300 (\$600 if MFJ), complete Form 1116. Read each line carefully and enter all applicable information.

Be sure to link to Form 1116 from Form 1040, and complete the box at the top of the form. TaxWise will automatically include this amount but will not bring up Form 1116 unless it's required.

Hint: TaxWise will show the amount of itemized or standard deduction to the left of the entry field, but the amount of the deduction must be manually entered on line 3a, Form 1116. TaxWise will perform all other calculations.

Retirement Savings Contributions Credit

TaxWise® will automatically insert Form 8880, *Credit for Qualified Retirement Savings Contributions*, if the taxpayer meets eligibility criteria and any of the following are true:

1. A traditional IRA contribution is entered on Form 1040, line 32.
2. The taxpayer or spouse's Form W-2 includes box 12 entries of D, E, F, G, H, S, AA, BB, or box 14 amounts are marked as "Qualifies for Form 8880".

Form 8880 will have a red exclamation mark and will need to be completed prior to return completion.

Verify total contribution amounts with the taxpayer.

If the taxpayer contributed to a **Roth IRA only**:

1. Link to IRA worksheet from Form 1040, line 32.
2. Enter Roth contributions on worksheet, line 20.
3. Close form.
4. Open Form 8880 and complete any red entries.

Form 8880 - Credit for Qualified Retirement Savings Contributions

| US 8880 | | Credit for Qualified Retirement Savings Contributions | |
|--|--|---|------------|
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | |
| Caution. You CANNOT claim this credit if EITHER of the following apply. <ul style="list-style-type: none">▪ The adjusted gross income is more than \$27,750 (\$41,625 if head of household, \$55,500 if married filing jointly).▪ The person(s) who made the qualified contribution or elective deferral<ul style="list-style-type: none">a was born after January 1, 1992,b was claimed as a dependent on someone's 2009 tax return, orc was a full-time student in 2009 (see instructions). Was the taxpayer a full-time student in 2009? <input type="checkbox"/> Yes <input type="checkbox"/> No Was the spouse a full-time student in 2009? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| | | (a) Taxpayer | (b) Spouse |
| 1 Traditional and Roth IRA contributions for 2009. Transfers from the IRA worksheet. | | 0. | 0. |
| 2 Elective deferrals to qualified plans Forms W2 and W2GU, box 12, using codes D, E, F, G, H, S, AA, BB, and box 14 amounts you marked | | 0. | 0. |
| Self-employed retirement contributions ... | | 0. | 0. |
| Other elective deferrals not included above | | 0. | 0. |
| Elective deferrals to a 401(k) or other qualified employer plan and voluntary employee contributions, and 501(c)(18)(D) plan contributions for 2009. See instructions | | 0. | 0. |
| 3 Add lines 1 and 2. If you do not qualify, this line will not total | | 0. | 0. |

If you entered Form W-2 into TaxWise correctly and completely, Form 8880 will appear in red on the forms tree and will need to be completed. TaxWise will do the credit calculation.

Indicate whether taxpayer or spouse was a full-time student.

Note: Certain distributions received after 2007 and before the due date (including extensions) of your 2010 tax return from any of the following types of plans must be entered on Form 8880, line 4:

- Traditional or Roth IRAs
- 401(k), 403(b), governmental 457, 501(c)(18)(D), SEP, or SIMPLE plans

If taxpayer took no distributions during the testing period, press F3 to eliminate the red in box 4.

Do not include any:

- Military pensions
- Distributions not taxable as the result of a rollover or a trustee-to-trustee transfer
- Distributions from your IRA (other than a Roth IRA) rolled over to your Roth IRA
- Loans from a qualified employer plan treated as a distribution
- Distributions of excess contributions or deferrals (and income allocable to such contributions or deferrals)
- Distributions of contributions made during a tax year and returned (with any income allocable to such contributions) on or before the due date (including extensions) for that tax year
- Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k)

If you are filing a joint return, include each spouse's amounts in the appropriate columns.

Notes

6. Other Taxes and Payments

Form 1040, Page 2 – Other Taxes and Payments

Hint: TaxWise provides all the forms and schedules you need in order to figure and report these taxes and in most cases performs the calculations. You may link to these forms from the applicable line on the Form 1040 TaxWise screen.

| Other Taxes | |
|---|---|
| 56 | Self-employment tax <input type="checkbox"/> Form 4029 <input type="checkbox"/> Form 4361 <input type="checkbox"/> Exempt Notary |
| 57 | Social security \ Medicare tax from . . . <input type="checkbox"/> Form 4137 <input type="checkbox"/> Form 8919 <input type="checkbox"/> RRTA |
| 58 | Additional tax on IRAs, other qualified retirement plans, etc |
| 59 | Additional taxes |
| a | <input type="checkbox"/> Advance earned income credit payments |
| b | <input type="checkbox"/> Household employment taxes, Schedule H |
| Other taxes . . . UT: 0. MSA: 0. 72M5: 0. | |
| EPP: 0. 453A (C): 0. S72P: 0. | |
| ADT: 0. 4255: 0. 8828: 0. | |
| IECR: 0. QEVCR: 0. 8866: 0. | |
| MEDMSA: 0. 8697: 0. 8611: 0. | |
| ECCFR: 0. HSA: 0. NQDC: 0. | |
| 453 (I) 3: 0. 1260 (B): 0. FITPP: 0. | |
| HDHP: 0. FTHCR: 0. Cobra: 0. | |
| Form 8693 attached for Form 8611. Enter date approved: | |
| Write-in: | |
| 60 | Total tax. Add lines 55 through 59 |
| Payments | |
| 61 | Federal income tax withheld |
| Enter Federal withholding from 1099s (1099B, etc) | |
| 62 | 2009 estimated tax payments and amount applied from 2008 return |
| If estimated tax was paid in joint names and you are now divorced, enter ex-spouse's SSN: and check here <input type="checkbox"/> | |
| 63 | Making work pay and government retiree credits. Attach Schedule M |
| 64a | Earned income credit No: <input type="checkbox"/> |
| b | Nontaxable combat pay election |
| 65 | Additional child tax credit. Form 8812 |
| 66 | Refundable education credit from Form 8863, line 16 |
| 67 | First-time homebuyer credit. Form 5405 |
| 68 | Amount paid with request for extension of time to file |
| 69 | Excess social security and tier 1 RRTA tax withheld |
| 70 | Credits from Form . . . <input type="checkbox"/> 2439 <input type="checkbox"/> 4136 <input type="checkbox"/> 8801 <input type="checkbox"/> 8885 |
| From Form 8689 | |
| 71 | Total payments. Add lines 61 through 70 |

| Refund | |
|--|--|
| 72 | Amount overpaid |
| 73 | Amount to be refunded |
| If Form 8888 is attached, check here <input type="checkbox"/> | |
| Direct Deposit Routing number: Checking: <input type="checkbox"/> Savings: <input type="checkbox"/> | |
| Account number: | |
| 74 | Amount to be applied to 2010 estimated tax |

| Amount You Owe | |
|----------------|---|
| 75 | Amount you owe |
| 76 | Estimated tax penalty included on line 75 |

Entered automatically from Sch SE.

See Form 5329, Part I

Entered automatically from Form W-2.

Volunteers do not prepare returns with these taxes.

Entered automatically to the payments section from Form W-2 or Form 1099

Link to F/S TaxPaid Federal Estimate/ State Payment for current tax year.

Sch EIC will be completed automatically. Amount will calculate based on previous entries. Sch EIC wkt will appear in forms tree with red exclamation mark.

Calculated automatically. If there is a balance due, open 1040-V and click on TaxWise Help for additional information.

You may also link to Form 9465 to request an Installment Agreement. On the form, electronic funds withdrawal may be selected for the taxpayer's payment.

Form 2210 will be defaulted in TaxWise and \$0 will be reflected on line 9. Inform taxpayers with a balance due they may receive a notice from the IRS.

Check yes for Electronic Funds Withdrawal, then go to ACH 1040/ES Form

Electronic Funds Withdrawal

If this option is chosen for an electronic return prepared using TaxWise®:

- Enter the bank account information on the Main Information Screen.
- Make the selection for an electronic funds transfer on the bottom of Form 1040/1040A, page 2 or Form 1040EZ, page 1. Check the "Yes" box below Amount You Owe. Go to ACH 1040/ES form and complete it.

Form ACH 1040/ES

Direct Debit for Balance Due or Estimated Tax Payment

| US | | Direct Debit for Balance Due or Estimated Tax Payment | |
|--|-------------|---|-----------------------------------|
| Name: | JOHN SAMPLE | SSN: | 111-11-1111 |
| This worksheet is for electronic funds transfer (direct debit) of 2009 income tax balance due: <input type="checkbox"/> OR 2010 estimated tax payment: <input type="checkbox"/> | | | |
| If you want direct debit for both the balance due on this year's income tax return and one 2010 estimated tax payment or you want direct debit for more than one 2010 estimated tax payment, you must make a separate worksheet for each. Shift F10 will duplicate this worksheet. | | | |
| For The Balance Due On Your 2009 Tax Return | | | |
| Amount of tax due: | 0. | Amount you want debited: | 0. |
| Routing number: | ..... | Checking <input type="checkbox"/> | Savings <input type="checkbox"/> |
| Account number: | ..... |  |  |
| For accuracy, rekey the routing number and account number on the Main Information Sheet. | | | |
| Requested payment date | ..... |  |  |
| If the return is transmitted on or before April 15, the requested payment date cannot be later than April 15. If the return is transmitted after April 15, the requested payment date must be today's date. Penalties may be added if the return is filed after April 15, 2010. | | | |
| This is today's date: 08/16/2010 | | | |
| For 2010 Estimated Tax Payment ← | | | |
| If you filled in amounts above to pay your balance due, do NOT fill in any information below. Shift F10 for a new worksheet and fill in the bottom part of that worksheet. | | | |
| Amount you want debited for this 2010 estimated tax payment | 0. | | |
| Routing number: | ..... | Checking: <input type="checkbox"/> | Savings: <input type="checkbox"/> |
| Account number: | ..... |  |  |
| Account information above is not verified by Taxwise. | | | |
| Requested payment date | ..... |  |  |
| For a first quarter payment, use 04/15/2010. For a second quarter payment, use 06/15/2010. For a third quarter payment, use 09/15/2010. For a fourth quarter payment, use 01/18/2011. | | | |
| Daytime telephone number: | ..... | Required! | |

Hint: If the taxpayer made estimated payments during the year, link to the estimated tax payments worksheet from Line 62 of the Form 1040 and record the date and amount of each payment.

Estimated Tax Payments

Complete Form ACH 1040/ES, Direct Debit for Balance Due or Estimated Tax Payment.

- Click 2010 income tax balance due
- Re-enter bank account information
- Enter Requested Payment Date

Estimated Tax Payments:

- When *e-filing* a Form 1040 series return, up to four estimated payments can be scheduled for withdrawal on the following dates:
 - April 15, 2011
 - June 15, 2011
 - September 15, 2011
 - January 15, 2012

When the due date for doing any act for tax purposes - filing a return, paying taxes, etc - falls on a Saturday, Sunday, or legal holiday, the due date is delayed until the next business day.

Form 5329

| | | |
|--|---|--|
| US 5329 Additional Taxes on Qualified Plans and Other Favored Accounts | | 2009 |
| Name: TAXPAYER S BERRY | | SSN: 140-11-1111 |
| Check if filing this form by itself and not with your tax return <input type="checkbox"/> Address: _____ City, state, Zip code: _____, _____ | | Check if amended: <input type="checkbox"/> |
| Part I: Additional Tax on Early Distributions | | Part-year resident state: _____ |
| 1 Early distributions included in income | | 0 |
| 2 Early distributions on line 1 that are not subject to additional tax. Enter the appropriate exception number (01-12). F3 if highlighted and no exception applies | | 0 |
| 3 Amount subject to additional tax | | 0 |
| 4 Additional tax. 10% of line 3. SIMPLE plans are taxed at 25% instead of 10%. Distribution from SIMPLE plans shown on Forms 1099R | 0 | 0 |
| Part II: Additional Tax on Certain Distributions From Education Accounts | | |
| 5 Distributions included in income from Coverdell ESAs and QTPs. Transferred from 1040 Worksheet 2 | | 0 |

Enter exception code and amount not subject to additional tax

Exception Codes and explanations for Premature Distributions from IRA or Retirement Plans:

No. Exception

| | |
|----|---|
| 01 | Qualified retirement plan distributions (does not apply to IRAs) if you separated from service in or after the year you reach age 55 (age 50 for qualified public safety employees). |
| 02 | Distributions made as part of a series of substantially equal periodic payments (made at least annually) for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary (if from an employer plan, payments must begin after separation from service). |
| 03 | Distributions due to total and permanent disability. |
| 04 | Distributions due to death (does not apply to modified endowment contracts). |
| 05 | Qualified retirement plan distributions up to (1) the amount you paid for unreimbursed medical expenses during the year minus (2) 7.5% of your adjusted gross income for the year. |
| 06 | Qualified retirement plan distributions made to an alternate payee under a qualified domestic relations order (does not apply to IRAs). |
| 07 | IRA distributions made to unemployed individuals for health insurance premiums. |
| 08 | IRA distributions made for higher education expenses. |
| 09 | IRA distributions made for purchase of a first home, up to \$10,000. |
| 10 | Distributions due to an IRS levy on the qualified retirement plan. |
| 11 | Qualified distributions to reservists while serving on active duty for at least 180 days. |
| 12 | Other (see <i>Other</i> , below). Also, enter this code if more than one exception applies. * |

*Other: Distributions incorrectly indicated as early distributions by code 1, J, or S in box 7 of Form 1099-R. Include on line 2 the amount you received when you were age 59½ or older. See Form 5329 Instructions for additional exceptions.

For additional exceptions that apply to annuities, see Pub. 575.


Schedule EIC

| US Schedule EIC | | Earned Income Credit | | | | | | |
|--|--|---|--|---|--|---|--|---|
| Name: JOHN SAMPLE | | SSN: 111-11-1111 | | | | | | |
| <p>Before you begin See the requirements and answer the questions on the Schedule EIC worksheet. If you qualify for the credit and have at least one qualifying child, mark the EIC box on the Main Information Sheet for each qualifying child.</p> <p>If the taxpayer seems to qualify for EIC, but does not, check here for "No" <input type="checkbox"/></p> | | | | | | | | |
| <p>A qualifying child</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: 1px solid black; padding: 5px; vertical-align: top;"> Is YOUR son, daughter adopted child, stepchild, grandchild sister, brother, niece, nephew * or foster child </td> <td style="width: 5%; text-align: center; vertical-align: middle;"> A II D ^ ^ </td> <td style="width: 40%; border: 1px solid black; padding: 5px; text-align: center; vertical-align: top;"> was (on December 31, 2009) under age 19 or under age 24 and a full-time student or any age and permanently and totally disabled </td> <td style="width: 5%; text-align: center; vertical-align: middle;"> A II D ^ ^ </td> <td style="width: 25%; border: 1px solid black; padding: 5px; vertical-align: top;"> who lived with you in your home in the United States for more than 6 months in 2009 </td> </tr> </table> <p>* A foster child is a child placed with you by an authorized placement agency.</p> <p>Note: If the child lived with you for more than half of 2009 but less than 7 months, enter 7 on line 6. If your child was born or died during the year, and your home was the child's home, enter 12 for the number of months lived with you.</p> <p>If you have at least one qualifying child, go to line 1. But if the child was married or is also a qualifying child of another person, see instructions.</p> | | | | Is YOUR son, daughter adopted child, stepchild, grandchild sister, brother, niece, nephew * or foster child | A II D ^ ^ | was (on December 31, 2009) under age 19 or under age 24 and a full-time student or any age and permanently and totally disabled | A II D ^ ^ | who lived with you in your home in the United States for more than 6 months in 2009 |
| Is YOUR son, daughter adopted child, stepchild, grandchild sister, brother, niece, nephew * or foster child | A II D ^ ^ | was (on December 31, 2009) under age 19 or under age 24 and a full-time student or any age and permanently and totally disabled | A II D ^ ^ | who lived with you in your home in the United States for more than 6 months in 2009 | | | | |
| Qualifying Child Information | | | | | | | | |
| | Child 1 | Child 2 | Child 3 | | | | | |
| 1 Child's first name | | | | | | | | |
| Child's last name | | | | | | | | |
| 2 Child's SSN | | | | | | | | |
| 3 Child's year of birth | 0 | 0 | 0 | | | | | |
| <p>If the child(ren) was born after 1990 and the child(ren) was YOUNGER THAN YOU (OR YOUR SPOUSE IF FILING JOINTLY), skip lines 4a and 4b; go to line 5.</p> | | | | | | | | |
| 4a Was the child under age 24 at the end of 2009 a student, and younger than you (or your spouse if filing jointly)? If "Yes", go to line 5. | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
| b Was the child permanently and totally disabled during 2009? ... | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
| 5 Child's relationship to you | | | | | | | | |
| 6 Number of months the child lived with you in the U.S. during 2009 | .. | .. | .. | | | | | |

Caution: Only answer 4a or 4b. DO NOT ANSWER BOTH QUESTIONS.

Schedule EIC – Worksheet

COMPLETE ONLY THOSE QUESTIONS IN RED

| US Schedule EIC | | Earned Income Credit Worksheet | | | | | | | | | |
|--|---|--|--|--|---|---|---|---|--|--|--|
| Name: JOHN SAMPLE |  | SSN: 111-11-1111 | | | | | | | | | |
| Questions to see if you can claim the earned income credit | | | | | | | | | | | |
| <p>1 Is the taxpayer's filing status married filing separately? <input type="checkbox"/> Yes - STOP. You cannot take the credit <input checked="" type="checkbox"/> No - Go to question 2.</p> <p>2 Does the taxpayer, and the taxpayer's spouse if filing jointly, have a social security number that allows him or her to work or is valid for EIC purposes? For purposes of taking the EIC, an SSN issued by the Social Security Administration is not valid if "Not Valid for Employment" is printed on the social security card and the number was issued solely to apply for or receive a federally funded benefit. Any other SSN issued by the SSA is valid for EIC purposes. <input type="checkbox"/> No - STOP. You cannot take the credit <input type="checkbox"/> Yes - Go to question 3.</p> <p>3 Is the taxpayer filing Form 2555 or Form 2555-EZ or excluding foreign income? <input type="checkbox"/> Yes - STOP. You cannot take the credit <input checked="" type="checkbox"/> No - Go to question 4a.</p> <p>4a Was the taxpayer a nonresident alien for any part of the year? Check "Yes" if filing as head of household and claiming an exemption for your nonresident alien spouse. <input type="checkbox"/> Yes - go to question 4b <input type="checkbox"/> No - Go to question 5.</p> <p>b Is the taxpayer's filing status married filing jointly? <input type="checkbox"/> No - STOP. You cannot take the credit <input type="checkbox"/> Yes - Go to question 5. If you checked "Yes" on line 4a and "No" on line 4b, STOP; the taxpayer cannot take the EIC.</p> <p>5 Is the taxpayer's investment income . . . 65,725. more than \$3,100? <input checked="" type="checkbox"/> Yes - STOP. You cannot take the credit <input type="checkbox"/> No - Go to question 6.</p> <p>6 Could the taxpayer, or the taxpayer's spouse if filing jointly, be a qualifying child of another person? <input type="checkbox"/> Yes - STOP. You cannot take the credit <input type="checkbox"/> No - Continue.</p> | | | | | | | | | | | |
| If any of the children listed do not qualify based on the answers to 7 through 10, the EIC will not calculate. You will need to go to the Main Information Sheet and uncheck the box for the child(ren) that do not qualify. | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Qualifying children listed on Schedule EIC . . .</th> <th style="width: 15%; text-align: center;">1</th> <th style="width: 15%; text-align: center;">2</th> <th style="width: 15%; text-align: center;">3</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">7 Is either of the following true? ■ The child is unmarried ■ The child is married and can be claimed as the taxpayer's dependent and is not filing a 2009 joint return (or is filing it only as a claim for refund)</td> <td style="padding: 5px; vertical-align: bottom;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </td> <td style="padding: 5px; vertical-align: bottom;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </td> <td style="padding: 5px; vertical-align: bottom;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </td> </tr> </tbody> </table> | | | | Qualifying children listed on Schedule EIC . . . | 1 | 2 | 3 | 7 Is either of the following true? ■ The child is unmarried ■ The child is married and can be claimed as the taxpayer's dependent and is not filing a 2009 joint return (or is filing it only as a claim for refund) | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Qualifying children listed on Schedule EIC . . . | 1 | 2 | 3 | | | | | | | | |
| 7 Is either of the following true? ■ The child is unmarried ■ The child is married and can be claimed as the taxpayer's dependent and is not filing a 2009 joint return (or is filing it only as a claim for refund) | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | |

Hint: TaxWise will automatically compute EIC with and without non-taxable combat pay and choose the method that is best for the taxpayer.

Hint: Enter income earned while an inmate in a penal institution on the TaxWise EIC Worksheet in the section titled Figuring the Credit. TaxWise will subtract this amount from other earned income.

Note 1: If the taxpayer has had their EIC previously denied, you will need to complete Form 8862.

Note 2: As with any form, read and answer the questions carefully. Make sure there are no red check marks on Schedule EIC or the Schedule EIC worksheet.

Split Refund Option

When the taxpayer elects to direct deposit his or her refund into two or three accounts or to purchase saving bonds, you will need to complete Form 8888, *Allocation of Refund (Including Bond Purchases)*. Add the Form 8888 to the forms tree.

| US 8888 | | Direct Deposit of Refund in Two or More Accounts | |
|---|-------------|--|-------------|
| Name: | JOHN SAMPLE | SSN: | 111-11-1111 |
| <p>Do not use this form if you want the Federal refund directly deposited in to just ONE account. Account information below is not verified by Taxwise.</p> | | | |
| <p>You can request a portion of your refund to buy up to \$5,000 in U.S. Series I Savings Bonds. The amount you request must be a multiple of \$50. If you file a joint return, the bonds will be issued in the names of both you and your spouse. You cannot designate a beneficiary under this option.</p> <p>To select this option, do the following. Enter in line 1a, 2a, or 3a with a dollar amount that is a multiple of \$50, but not more than \$5,000. Enter 043736881 as the routing number, check the "Savings" box, and enter "BONDS" in the account number field.</p> | | | |
| 1a Amount to be deposited to first account | | 0. | |
| b Routing number | | c Checking: <input type="checkbox"/> Savings: <input type="checkbox"/> | |
| d Account number | | | |
| 2a Amount to be deposited to second account | | 0. | |
| b Routing number | | c Checking: <input type="checkbox"/> Savings: <input type="checkbox"/> | |
| d Account number | | | |
| 3a Amount to be deposited to third account | | 0. | |
| b Routing number | | c Checking: <input type="checkbox"/> Savings: <input type="checkbox"/> | |
| d Account number | | | |
| 4 Total amount to be directly deposited | | 0. | |
| The amount above MUST equal the Federal refund amount here | | 0. | |
| <p>This facsimile form is not approved for filing directly to the IRS. Print IRS form using "Print Return" or "Print Current Form".</p> | | | |

Caution: Do not enter the routing or account number on the TaxWise Main Information Screen if using the Form 8888 *Allocation of Refund (Including Bond Purchases)*.

| | |
|---|--|
| Bank account information for | Direct deposit: E-filing, paper returns, RAL/ERC direct deposit refund, or Electronic Funds Transfer (ACH Debit) available for E-filing only |
| Routing transit number (RTN) of financial institution | |
| Account number (DAN) including hyphens | |

Filing for an Extension Using TaxWise®?

You can help taxpayers file for an extension using TaxWise®, as long as their payment will not include Direct Debit. This option does not require a taxpayer PIN. The steps are outlined below.

1. Complete the client's return as accurately as possible.
2. Go to the PIN section on the TaxWise® *Main Information Sheet*, near the bottom of the form.
3. In the PIN section, select "Form 4868 without direct debit."
4. Open Form 4868 and select for the box at the top of the form labeled "Check here if using this form." TaxWise® overrides and locks lines 4 and 5, "Estimate of total tax liability" and "Total payments."
5. Enter the amount being paid with Form 4868, if any.
6. Close the return.
7. From the Tools menu, select "Make extension e-files."
8. Select the return and click OK. TaxWise® runs Diagnostics and creates the extension e-file.
9. Close the diagnostic screen.

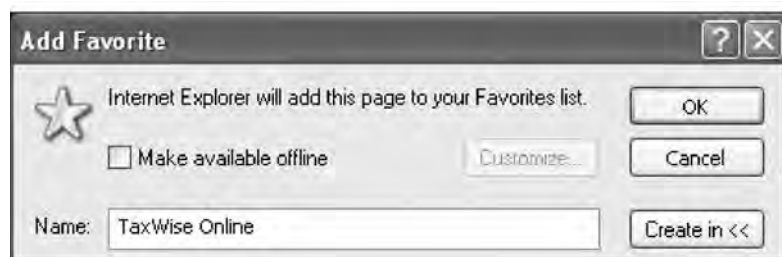
Setting up TWO

To set up TaxWise® Online as a Favorite in Internet Explorer, use the following steps:

1. Open Internet Explorer.
2. Type <https://twonline.taxwise.com> in the address line.

| | |
|---------|---|
| Address | https://twonline.taxwise.com |
|---------|---|

3. Click on the **Favorites** icon.
4. Click **Add**.
5. In Name:, type the name you want the favorites to display.



6. Click **OK**.

Logging on to TWO the first time

- From your Favorites, select **TWO**.

The user name is case sensitive.

To log on to TaxWise® Online, do the following:

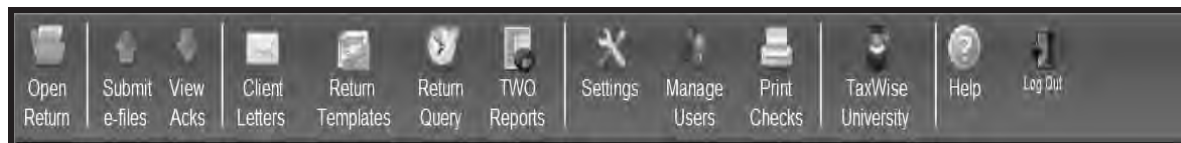
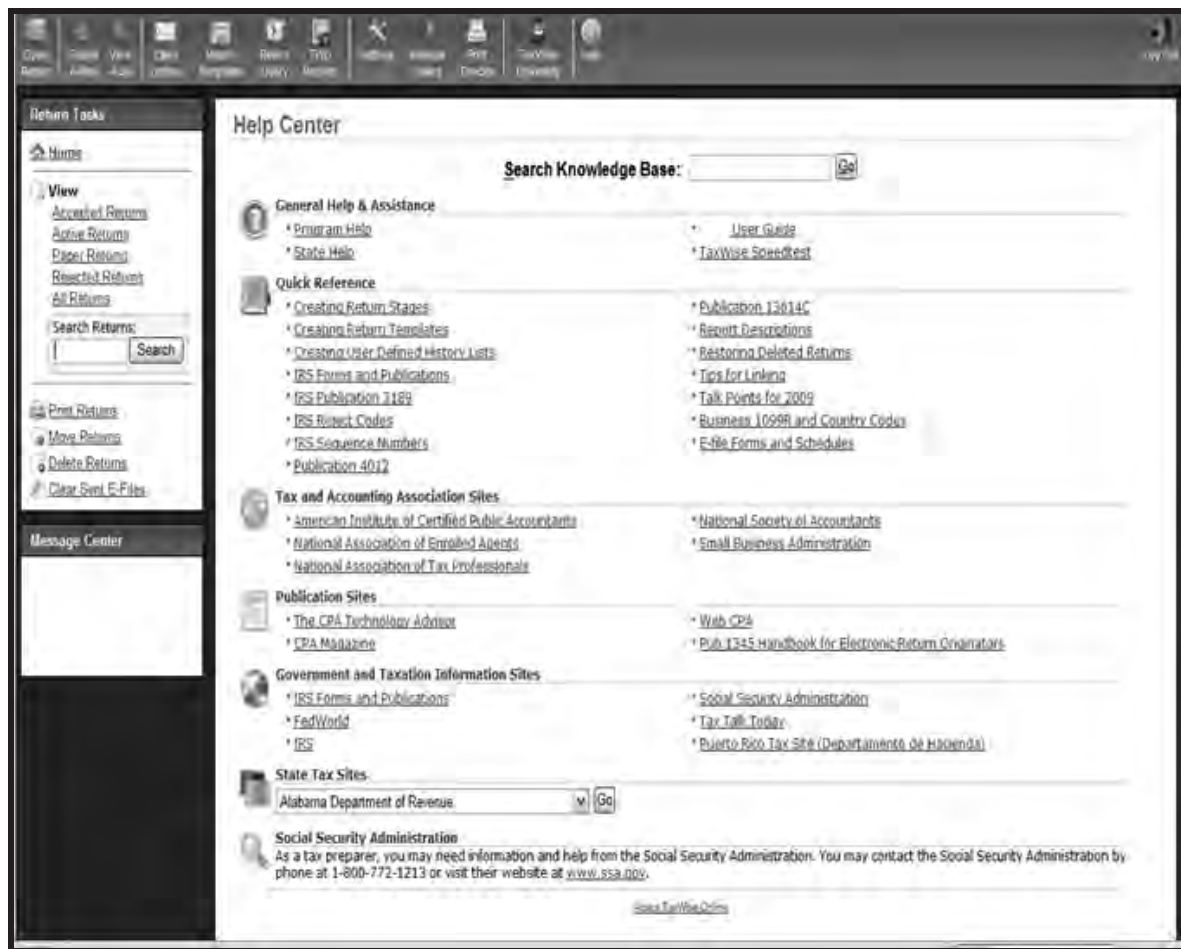
- Enter your **client ID**, **User Name**, and **Password**.



Except for the ADMIN user, your User Name and Password will be the same during this process.

TWO Homepage

The following illustration depicts the TaxWise® Online **Homepage** while logged in as a created user. The user will have access to all returns created by the user.



New Return—Select to start a new return.

Open Return—Select to open existing return.

Return Query—Select to check the status of any tax return.

Settings—Select to set your options for users and administrators.

TaxWise® University—Select to log into TaxWise® University.

Help—Select when in a return to access the Help Center.

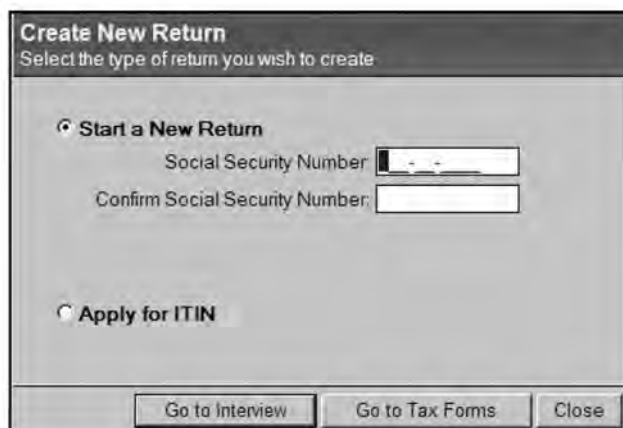
Shortcuts available in TWO

| Shortcut | Function |
|------------|---|
| Ctrl-Enter | (un) Override |
| Ctrl-Space | (un) Estimate (Removes “Red”) |
| Ctrl-R | Refreshes the return |
| Ctrl-F | Search for an entry on the page |
| F11 | Minimizes the Internet Explorer toolbar |

Creating a New Return

To start a new return, use the following steps:

1. Click on the **New Return** icon on the toolbar and the following dialog box is displayed:



The dialog box is titled "Create New Return" with the subtitle "Select the type of return you wish to create". It contains two radio button options: "Start a New Return" (selected) and "Apply for ITIN". Under "Start a New Return", there are two text input fields: "Social Security Number" and "Confirm Social Security Number". The "Social Security Number" field has a small icon of a Social Security card to its left. At the bottom of the dialog box are three buttons: "Go to Interview", "Go to Tax Forms", and "Close".

2. Enter the taxpayer's SSN in the Social Security Number box.
3. Re-key the taxpayer's SSN in the Confirm Social Security Number box.

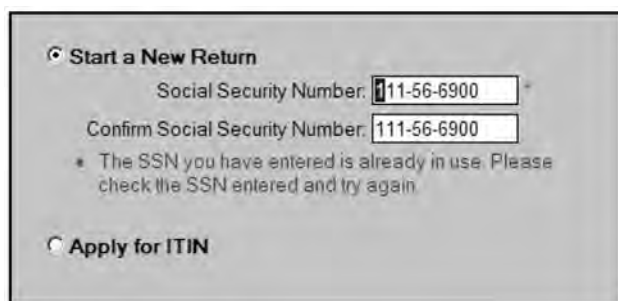
TWO has two methods for input of the tax return, Interview and Forms based.

- The TaxWise Online Interview allows you to gather information that determines which tax forms must be included in each return. Based on the answers to the questions, the program will load needed tax forms and will determine when some additional information is needed. Many questions require the user to make decisions using information already collected from the client through the Intake and Interview Process.
- The "Go to Tax Forms" method is similar to TaxWise® Desktop. The preparer completes the Main Information Sheet, opens Form 1040, page 1 and adds the appropriate forms as the Form 1040 is completed.

Note: The user may toggle between interview completion and forms completion at any time.

- Click the **Close** button to cancel the process and return to the **TaxWise® Online Homepage**.

If the SSN is already in use, TWO displays the following:



The dialog box shows the "Start a New Return" option selected. The "Social Security Number" field contains "111-56-6900" and the "Confirm Social Security Number" field also contains "111-56-6900". Below these fields, a red asterisk icon is followed by the text: "The SSN you have entered is already in use. Please check the SSN entered and try again." The "Apply for ITIN" option is not selected.

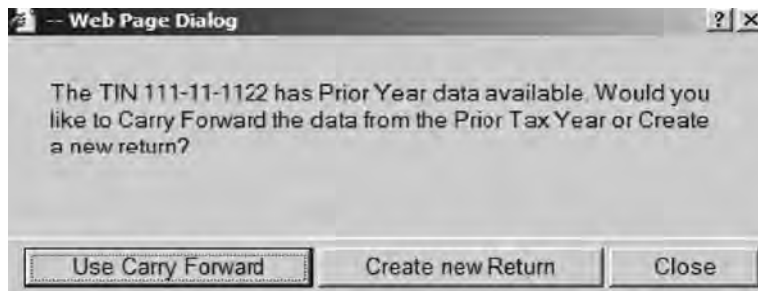
If the SSN does not match, TWO displays the following:



The dialog box shows the "Start a New Return" option selected. The "Social Security Number" field contains a series of dots "....." and the "Confirm Social Security Number" field contains "444-56-6900". Below these fields, a red asterisk icon is followed by the text: "SSNs must match." The "Apply for ITIN" option is not selected.

Using the Carry Forward Function

In TWO Online there are no preliminary steps needed to perform the Carry Forward function. Click on the **New Return** button and enter the SSN for the taxpayer you wish to carry forward the information. You will receive the message below with the option to use carry forward, create a new return, or close this window.



If you select to use the Carry Forward function, the return will open with the prior year's information, and there are no further steps to take. Information to be verified will be underlined in red, simply verify, remove the red and complete the return as normal.

The TaxWise® Online Interview

- On each page you have the options of **Next** to continue or **Previous** to go back one page.
- The **Help Me** button displays a PDF of Publication 17, *Filing Status Decision Tree*.

After collecting necessary information from Form 13614-C, Intake/Interview & Quality Review Sheet and properly applying the tax law, you should choose your client's filing status.

A screenshot of the "The TaxWise Online Interview" web application. On the left is a vertical navigation menu with the following items: Filing Status, Personal Info, Location, Address, Special Processing, General Questions, Dependents, Types Of Income, Assets, Adjustments, Deductions, Extra Questions, State Return, Select States, and Finish. The "Filing Status" item is highlighted. The main content area on the right has the heading "Please choose your client's filing status:" followed by five radio button options: Single, Married Filing Separately, Married Filing Jointly, Head of Household, and Qualifying Widow(er) with Dependent Child. Below these options is a "Help Me" button. At the bottom right of the main content area is a "Next" button.

After filing status the next screen is an input screen that gathers client's personal information.

The TaxWise Online Interview

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
Dependents
Types Of Income
Assets
Adjustments
Deductions
Extra Questions
State Return
Select States
Finish

Now let's collect your client's personal information.

Taxpayers Name?
First Name MI Last Name

Taxpayer's Social Security Number

Taxpayer's Date of Birth

Taxpayer's Occupation

Taxpayer's date of death

Email Address:

Is the taxpayer a US Citizen or Resident Alien? ☐ Yes ☐ No

Was EITC previously disallowed? ☐ Yes ☒ No

Some interview screens have preset answers that may need to be changed. For example, if this customer were permanently disabled, you would need to select the **Yes** option.

The TaxWise Online Interview

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
Dependents
Types Of Income
Assets

Now let's look at dependents. Generally a dependent is someone whom you support.

Not sure whether someone qualifies as a dependent?

Are there any dependents? ☐ Yes ☒ No

Some interview screens have questions that require additional information. For example, answering Yes to this question about dependents causes a new screen to appear asking for more information about the dependent(s).

The TaxWise Online Interview

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
Dependents
Dependent List
Types Of Income
Assets
Adjustments
Deductions
Extra Questions
State Return

In the interview process you can enter up to 4 dependents. [Help Me](#)

| Action | First name | Last name | Date of birth | Social security number |
|----------------------|----------------------|----------------------|----------------------|------------------------|
| Edit | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Edit | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Edit | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Edit | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

* Click on "EDIT" button to add/modify dependent information

This screen requires you to click an Edit button and input additional information about each dependent.

Clicking the Edit button causes this screen to appear. After collecting the Intake and Interview information from the client, it is imperative that you input all the required information correctly.

The TaxWise Online Interview

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
Dependents
Dependent List
Types Of Income
Assets
Adjustments
Deductions
Extra Questions
State Return
Select States
Finish

Dependent Details
Enter dependent and non dependent (for purposes of EIC or the Child Care Credit) information here. See the instructions below for column explanations

First Name: Last Name: Date of Birth:

Social Security Number: Relationship to taxpayer:

How many months did this dependent live in the home during 2008?
(If this dependent was born in 2008, enter 12)

Code:

Check if the taxpayer paid for child or dependent care for this dependent in order to work. ☐

Check if this child qualifies for EIC. ☐

This dependent qualifies for Child Tax Credit. ☐

Was the individual a US Citizen, Resident of US, Canada or Mexico? ☐ Yes ☐ No

Is the individual under 19 years of age; a student under 24 years of age; or permanently and totally disabled? ☐ Yes ☐ No

Did you provide more than 50% of the support for the dependent claimed? ☐ Yes ☐ No

Can anyone else claim this dependent on their income tax return? ☐ Yes ☐ No

Did the dependent file a joint return for 2008? ☐ Yes ☐ No

[Cancel](#) [Delete](#) [Save](#)

For example, the “Check if this child qualifies for EIC” box should be checked only after carefully reviewing the applicable tax laws.

Click **Finish** to continue. Complete the return by inputting any additional information directly into the tax return. Your screen will look something like the following:

Navigating the Tax Return

Color coding:

| Underline Color | Function |
|-----------------|---|
| • Red | • Required Entry or Required Verification |
| • Yellow | • Calculated Entry |
| • Black | • Direct Entry |
| • Blue | • Overridden Entry |

Linking to a Form

To link to a supporting or additional form, you will click on the **Link** icon to access the window where you can select the form you need. For an example if your cursor is on Form 1040, line 7, click the Link icon to open the window to show any forms that will carry income to this line.

In the screen shot below, the **New** button is the active window (lighter gray). Clicking on the **Existing** button will list any forms that are already associated with the active field (Form 1040, line 7).

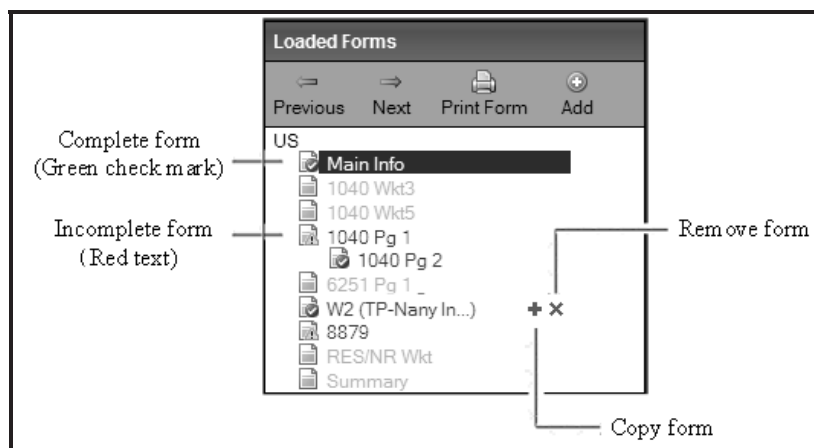
You can also use the **Link** icon to link worksheets or scratch pads to entries. For example, while on Schedule A, line 1, the **Link** icon will open the window where you can select the *Itemized Deduction Detail Worksheet*.

The TaxWise® Online Tax Forms

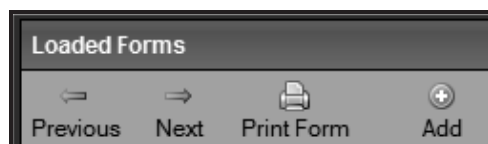
Go to Tax Forms allows the preparer to complete the tax return using the forms-based method.

This option is very similar to TaxWise® Desktop. Preparers complete the Main Information Sheet, open Form 1040, page 1, and add the appropriate forms as they go down Form 1040.

The Forms Tree to the left of the return shows all the forms that are currently loaded for the active return. The icons next to the forms indicate whether a form has been loaded, is complete, needs completion, or is not used.

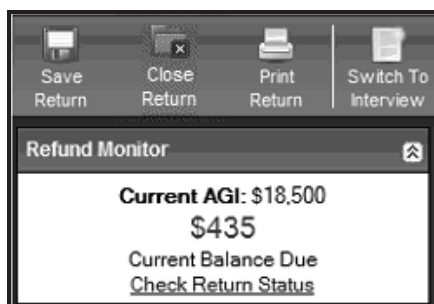


To navigate the tax return, it is better to use the navigational buttons located above the Loaded Forms tree. The following describes these buttons when completing a return:

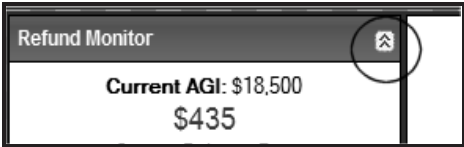


| Previous | Opens the previous form on the active screen. |
|-------------------|---|
| Next | Opens the next form on the active screen. |
| Print Form | Prints the active tax form. |
| Add | Adds a single form to the active return. |

The Refund Monitor, shown to the left of the return, displays the current AGI and the refund amount or balance due for the active return. These figures change as return data is added.







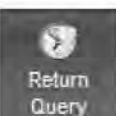





The Refund Monitor can be hidden from display by clicking the Show/Hide Details button:



TaxWise® Online Toolbar Icons

The following illustration shows the available toolbar icons when completing a return:

| Icon | Description |
|---|---|
|  | Saves the active return |
|  | Closes the active return |
|  | Prints the active return |
|  | Changes to the interview process |
|  | Checks the return for electronic errors prior to creating the electronic file |
|  | Checks the status of the active return |
|  | Checks the status of any return |
|  | Displays the list of available forms to be added to the active tax return |
|  | Provides a link to the Homepage and the Help functions |
|  | Closes the software and all returns |

Basic Steps in Preparing a Tax Return Using TaxWise® Online

Start the Return

- Click New Return link on the Homepage.
- Enter the primary taxpayer's SSN.
- Retype the SSN for validation.
- Go to Tax Forms.

Main Information Sheet

- Complete Main Information Sheet.
- Verify and enter in the "Dependents/Nondependents" section any dependents. Ensure that the Child and Dependent Care Credit, Earned Income Credit, or Child Tax Credit, are checked, as appropriate.
- Refresh (Ctrl + R) or Save the information.
- Direct Deposit information, if any, is also entered on the Main Information Sheet.

Add Form W-2 Information

- Link to Form W-2 from Line 7 of the Form 1040.
- Click the box next to Taxpayer or Spouse, whichever applies.
- Complete all entries exactly as printed on the paper copy of Form W-2.
- Verify that the electronic W-2 matches exactly with the taxpayer's paper copy.
- Enter other Forms W-2, if applicable.

Add Other Types of Supporting Documents

- Pension, Form 1099-R
- Interest, Form 1099-INT
- Dividends, Form 1099-DIV
- Unemployment, Form 1099-G
- Gambling, Form W-2G
- Dependent Care, Form 2441
- All tax documents from taxpayer should be entered before working the tree.

Working the Tree/Completing the Return

- Review the return tree for incomplete forms.
- Each incomplete form will have a yellow exclamation mark and print will be in red.
- Click on the incomplete form and complete only the remaining red entries.
- Refresh (Ctrl + R) or Save the information.
- Repeat this process until no forms in the tree are red or have exclamation marks.
- Run Diagnostics.

Finishing the Return

- Review by clicking Return Summary on Toolbar.
- Correct any errors from Quality Review process.
- You must verify each overridden entry.
- Click link to enter PIN for taxpayer(s).
- Run Diagnostics.
- Click create Efiles button.
- Change Return Status to Ready to Transmit.

Printing the Return

- Click Print Return Button.
- Open PDF File and Print Return.
- Taxpayer must sign both copies of Form 8879.

Assembling Tax Return (File Copy)

- Form 8879, Signature Document (should be the top document)
- Form 13614-C, Intake/Interview & Quality Review Sheet
- Forms W-2
- Forms 1099 (with withholding)

Following steps are for ERO or Site Coordinator Only

Submitting Returns to IRS

-
- Click Submit E-files icon on toolbar.
 - Print DCR.

Viewing Acknowledgements

- Click View Acks icon on toolbar.
- Click, "Get Ack" box at bottom.
- Print ACK file.
- File Accepted returns.
- Work Rejected returns within 24 hours.

Adding Forms to a Return

There are two ways to **Add a Form** to the active tax return:

- From the Loaded Forms tree, click the **Add a Form** icon, or
- Select the **Forms List** icon.

The following illustration shows the Add a Form window for “Show All Forms”:

| | Form | Type | Description |
|---------------------|------------|---------|---|
| Add | Interview | Federal | Interview Sheet |
| Add | 1040 Wkt1 | Federal | Social Security, Other Income Worksheet |
| Add | 1040 Wkt2 | Federal | Student Loan Education Worksheet |
| Add | 1040 Wkt4 | Federal | Look-Back Rule for EIC and Form 8812 |
| Add | 1040A Pg1 | Federal | US Individual Income Tax 1040A Pg1 |
| Add | 1040ES Pg1 | Federal | 2006 Estimated Tax Vouchers Pg1 |
| Add | 1040EZ | Federal | US Individual Income Tax 1040EZ |
| Add | 1040NR Pg1 | Federal | Nonresident Alien Income Tax Pg1 |
| Add | NREZ Pg1 | Federal | Nonresident Alien Tax 1040NR-EZ Pg1 |
| Add | 1040V | Federal | Balance Due Payment Voucher |
| Add | 1040X Pg1 | Federal | Amended Individual Income Tax Pg1 |
| Add | 1045 | Federal | Application for Tentative Refund |
| Add | 1045 Sch A | Federal | Current Year Net Operating Loss Comp |
| Add | 1045 Wkt1 | Federal | NOL Carryover Pg1 |

- Enter the Form Name, Form Number, or part of the form description in the **Search For** box:

Search For:

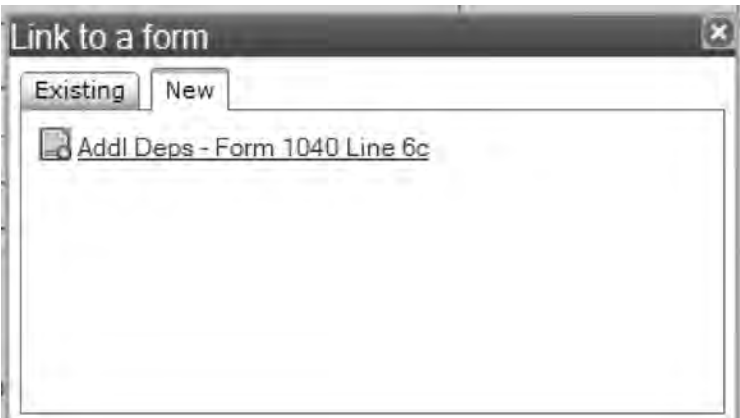
- Select **Clear** to remove your search criteria.
- Click the **Add** link next to the appropriate form.

Additional Dependent Worksheet

If there are more than four dependents to list, enter the first four dependents on the Main Information and the remaining dependents on the Additional Dependent Statement by **linking from the first dependent on page 1 of Form 1040**.

- Nondependents must be listed on the Main Information Sheet—they cannot be listed on the statement.
 - Children who are qualifying children for EIC or Dependent Care must be listed on the Main Information Sheet.
1. Click on the first name in the list.
 2. Click on the Link icon.

The following illustration shows the Entry Links window:



- Click on the New tab.
- The Entry Links window defaults to Existing forms.
- Click on the Add icon next to “Addl Deps – Form 1040 Line 6c”

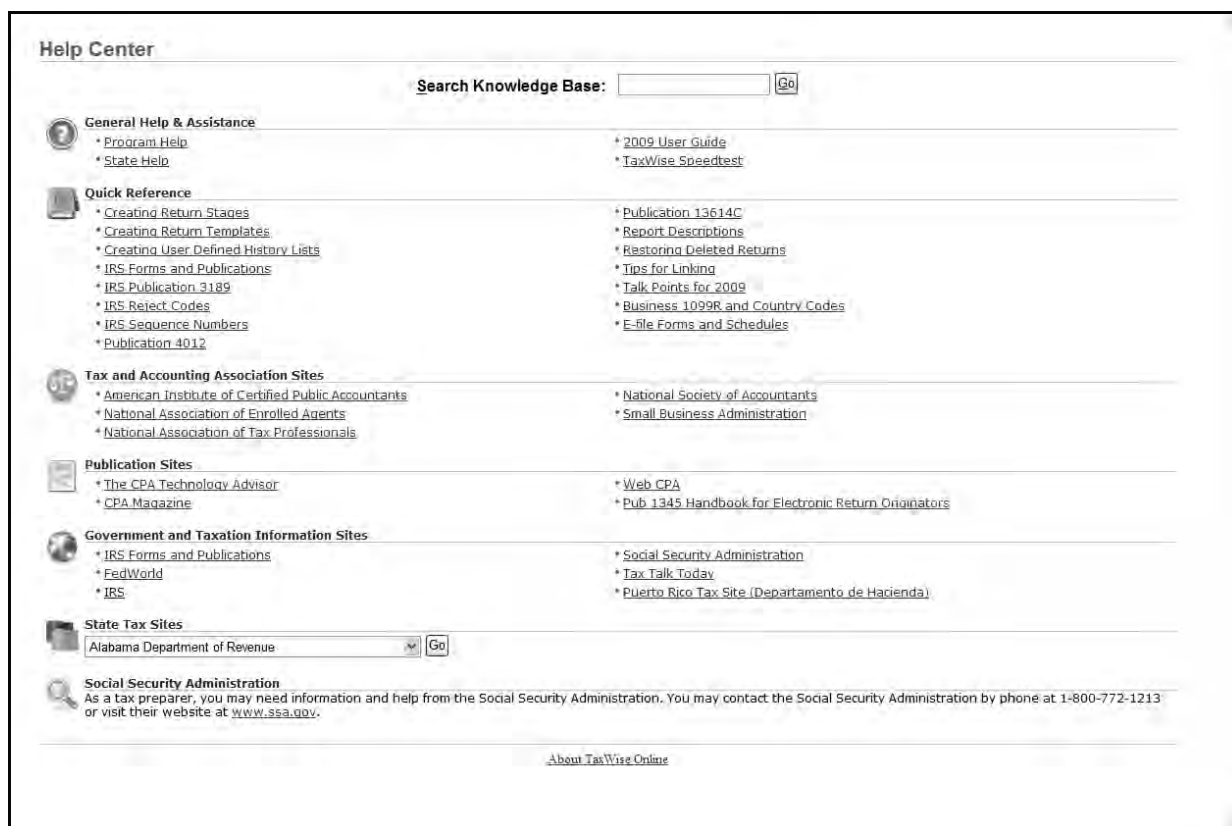
The following illustration shows the Additional Dependent Worksheet:

| US 1040 | | Line 6c: Additional Dependents | | | | | | | | | |
|---|----------|--------------------------------|---------------|-----|------------------------|---------------------|----------|---------|---|---|-------------------------------------|
| Do not skip lines. Delete blank lines by using the ALT and DELETE keys. | | | | | | | | | | | |
| Code = Dependent code. Enter 1, 2, or 3. | | | | | | | | | | | |
| Dependent Information | | Name code | Date of birth | Age | Social security number | Relationship to you | Mo in Hm | C o d e | C | T | C |
| Firstname | Lastname | | | | | | | | | | |
| FIRST | CHILD | CHIL | 02/20/1999 | 6 | | SON | 12 | 1 | | | <input checked="" type="checkbox"/> |
| SECOND | CHILD | CHIL | 04/18/2002 | 3 | | DAUGHTER | 12 | 1 | | | <input checked="" type="checkbox"/> |
| THIRD | CHILD | CHIL | 04/18/1999 | 6 | | DAUGHTER | 12 | 1 | | | <input checked="" type="checkbox"/> |
| FOURTH | CHILD | CHIL | 04/18/2002 | 3 | | DAUGHTER | 12 | 1 | | | <input checked="" type="checkbox"/> |
| FIFTH | CHILD | CHIL | 04/18/2002 | 3 | | SON | 12 | 1 | | | <input checked="" type="checkbox"/> |
| SIXTH | CHILD | CHIL | 04/18/2002 | 3 | | DAUGHTER | 12 | 1 | | | <input checked="" type="checkbox"/> |
| | | | | 0 | | | | | | | <input type="checkbox"/> |
| | | | | 0 | | | | | | | <input type="checkbox"/> |

Note: There is no column for Dependent Care or Earned Income Credit.

TaxWise® Online Help

The following illustration shows the TaxWise® Online Help window:



- Enter keyword(s) in the Search box and click Go. This will display a list of choices that are in the Help file.

Notes

Setting the Return Stage

Setting the return stage from inside the tax return:

1. Open the return.
2. Select the **Return Summary** icon.
3. Select the stage from the drop down box in the Efile Status section.

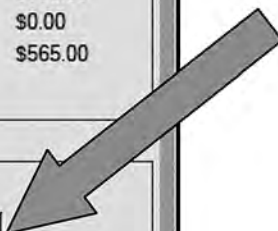
Return Status
This will be the definition of the return status dialog

| Demographic Information | | | |
|-------------------------|----------------|--------|--|
| MERCIE BATES | Filing Status: | SINGLE | |
| 3300 BOWIE DRIVE | Dependents: | 0 | |
| GREENSBORO, NC 27401- | | | |

| Federal Income Information | | | |
|----------------------------|------------|----------------|----------|
| Earned Income: | \$9,651.00 | Computed Tax: | \$433.00 |
| AGI: | \$9,651.00 | Tax Withheld: | \$998.00 |
| Taxable Income: | \$4,301.00 | Est. Tax paid: | \$0.00 |
| Payments/Credits: | \$0.00 | Refund(Due): | \$565.00 |
| EIC: | \$0.00 | | |

| Efile Status | | |
|---------------|--------------|--|
| Date Created | Status | No IRS efile made |
| Date Sent | Return Stage | <input type="text" value="No IRS efile made"/> |
| Date Rejected | DCN | |
| Date Accepted | | |

COMPLETE
PAPER RETURN
READY TO REVIEW
READY TO TRANSMIT
WAITING ON SIGNATU



Running Diagnostics and Creating an Electronic File

- Select the **Run Diagnostics** icon for the active return.

The following illustration shows the diagnostics details:

The screenshot shows a window titled "Diagnostics" with a "Refresh" button in the top right corner. The window is divided into sections for "Errors", "Warnings", "SSNs", and "SSN Warnings".

Errors
is not registered. Please check the EFIN on the return and confirm that it represents the EFIN that will transmit the return. If you transmit for multiple EFINS, each EFIN must be registered using a transmit code assigned by Customer Support. Please contact Customer Support if you need assistance.

Warnings
None

SSNs
None

SSN Warnings
None

- Correct all e-file errors.
- Select the **Run Diagnostics** icon again.

The following illustration shows the diagnostics details after all e-file errors have been corrected:

The screenshot shows the "Diagnostics" window after errors have been corrected. The "Errors" section now shows "None". The "Warnings" section contains two messages: "The DCN will not print on the 8879 prior to creating the electronic file. (W57)" and "There is a refund on the tax return and no direct deposit information has been filled in. Is this correct? (W66)". The "SSNs" section displays a table with two rows of data.

Errors
None

Warnings
The DCN will not print on the 8879 prior to creating the electronic file. (W57)
There is a refund on the tax return and no direct deposit information has been filled in. Is this correct? (W66)

SSNs

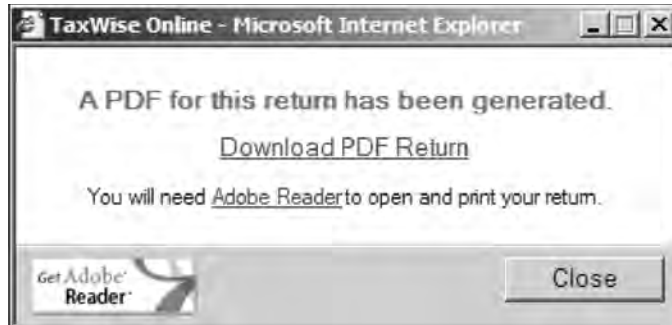
| Name | SSN | Year Born | Year Issued | State Issued |
|-----------|-------------|-----------|-------------|--------------|
| Jane John | 411-11-1111 | 1961 | 1973 | Tennessee |
| sam john | 211-11-1111 | 2005 | 2006 | Pennsylvania |

- Select the **Create Efiles** checkbox.
- Close the return.
- Complete this step prior to printing the return. This will print the DCN on Form 8879.

Printing the Active Tax Return

- The pop-up blocker must be disabled.
- Adobe Reader 7.0 or higher is required to print returns.

To print a return while you have the return open, you can click the task bar's **Print Return** button. In the pop-up box, click on the **Download PDF Return** link.



When you click on this link, you will see the File Download box shown below. Click the **Open** button on this box.



Note: Be sure to select **Open** and not **Save**. Selecting **Save** will copy to the computer the PDF which has sensitive taxpayer information that is difficult to completely erase. Also, see **TWO Printing Security Requirements** in Publication 3189 for important information.

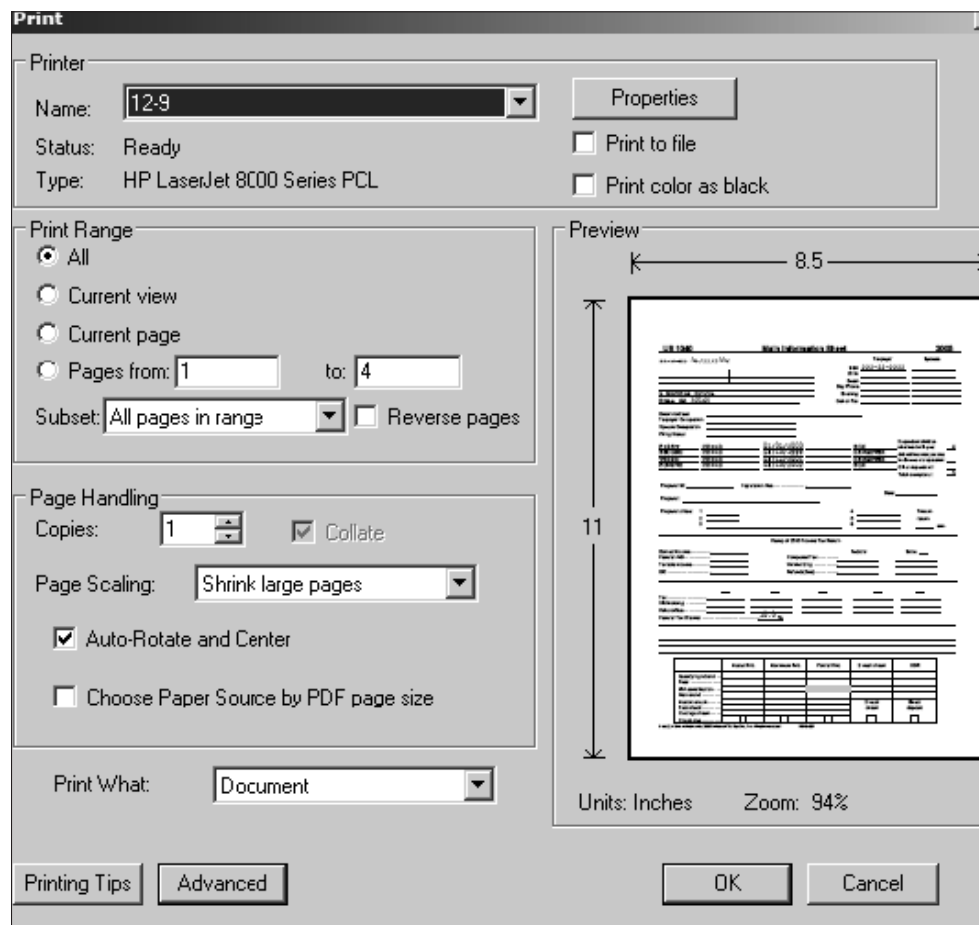
Once the PDF file opens, you can select To Print by clicking on the **Print Return** icon on the task bar or Open the file menu and select Print.



Note: This will print the entire return. To print a specific page, identify the page number, change the print range, and increase the number of copies for that page.

- Select **Cancel** to cancel the printing process.

The following illustration shows the Adobe Reader Print dialog box:



Defaults to your Windows default printer.

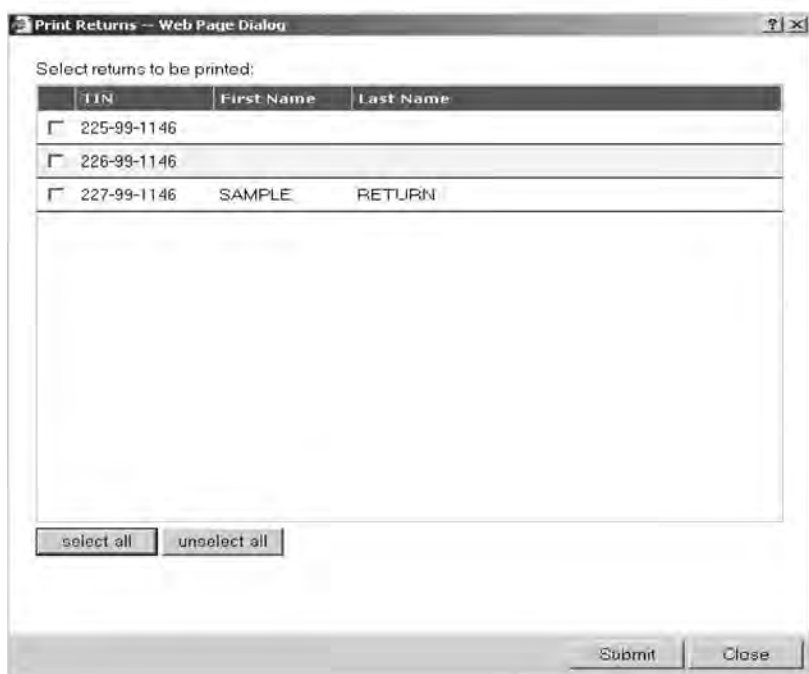
Scenario: Print 1 copy of the return and 2 copies of Form 8879, if applicable.

- The first print will provide a copy of the tax return and a copy of Form 8879. All the pages of the first print should be given to the taxpayer as a record copy.
- Print the second copy of Form 8879 by printing the specific page. This is your file copy. The taxpayer(s) should sign this copy. This copy must be retained for 3 years, if using the Practitioner PIN Signature Method.

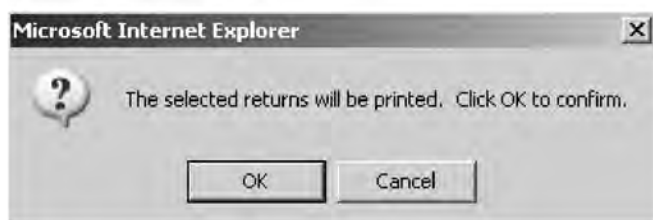
Printing from the User Homepage

- Select the **Print Return** icon found on left Return Task box.

The following illustration shows the **Print Returns** dialog box:



- Select the appropriate returns to print.
- Click on the **Submit** button.
- Click **OK** to confirm the selected returns to print.



Notes

13. Finishing the Return

Completing a Return in TaxWise® Desktop (For Taxwise Online instructions see Page 8-8.)

1. Complete the applicable state forms.
2. Look in the tree for forms with red exclamation marks.
 - Open the form and look for red entries, then correct or complete.
 - A red block with a zero in it does not necessarily prevent a return's being e-filed. If the diagnostic does not indicate error, then it will not be a problem. Press F3 on the red block to remove the red.
3. Check return. Press F7 to see the Tax Return Summary.
 - Review with the taxpayer. Click **OK** to close the summary.
 - See balance-due issues and payments later in this section.
4. If e-filing, the taxpayer must select the PIN method. Return to the Main Information Screen to complete the PIN information.
5. If the return is for paper filing, check that the Main Information Screen has **Paper** selected for Type of return. Check that the state form reflects the taxpayer choice as well.
6. Run Diagnostics.
 - Hit F10 twice or right click "Diagnostics" or CTRL+D
 - Review warnings to see if any changes are needed.
 - If there are any filing errors, click the **Next Entry** button in mid-screen (the form to correct will be in the lower screen and cursor will be on error) and make the necessary correction. When there is an error on a Form W-2, clicking **Next Entry** will display only the first Form W-2; if the return has multiple Form(s) W-2, you may have to open them from the tree to find the error. Continue until all errors are corrected. Rerun diagnostics.
 - When there are no electronic errors, if you want to e-file the return, click the **e-file** button (mid-screen), click **OK** (e-file created). Click **Close** to go back to tax return.
 - Quality Review. (The quality review can be done either here or after printing.) If errors are found, correct, rerun diagnostics, and recreate e-file.
7. For e-file return, see PIN Guidelines on next page.

If the return is a joint return, advise the taxpayer that it will not be electronically transmitted until both signatures or PINs, as applicable, are entered.
8. Print return, for e-file returns:
 - For Practitioner PIN, 2 copies of Form 8879 are required.
 - For Self-Select PIN, no additional form is required.
 - If Form 8453 is used, 3 copies are required.
9. Collate return and review with the taxpayer.
10. For a paper return, advise the taxpayer to:
 - Sign and date the return (federal and state, if applicable).
 - Also have the spouse sign the return, if a joint return.
 - Attach copies of Form(s) W-2 and any Form(s) 1099 with withholding.
 - Attach a copy of the federal form(s), if applicable, to the state return.
11. If a child cannot sign his or her name, the parent or guardian can sign the child's name in the space provided followed by the words: By (parent or guardian signature) parent or guardian for minor child.
12. Follow Distributing Copies of Return shown later in this section.
13. Complete site log, if applicable.

PIN Guidelines

There are two signature methods for *e-file* returns: Practitioner PIN and Self-Select PIN. The Practitioner PIN method is the preferred electronic signature method for taxpayers.

Practitioner PIN Guidelines

What? The PIN can be any five numbers except all zeros. If filing a joint return, a PIN is needed for the taxpayer and their spouse. The Practitioner PIN option requires the completion of Form 8879, *IRS e-file Signature Authorization* or Form 8878 if filing Form 4868 with electronic funds withdrawal. The taxpayers may authorize the volunteer to enter their PIN on their behalf using Form 8879.

How to use the Practitioner PIN option in TaxWise®

- Go to “Main Information Sheet.”
- Scroll to the “Self-Select and Practitioner PIN(s)” section.
- Enter the ERO PIN “98765” (this is the designated ERO PIN for all volunteer *e-file* sites and can be set as a default).
- Check the box below the PIN field to select the Practitioner PIN method.
- Tab to “The Income Tax Return” and place an “X” in the box. (This should be set as a default.)
- In Part III, of Form 8879, the EROs signature should be defaulted with the site name, address, and SIDN.

When the following has been accomplished, PIN(s) can be entered by the tax preparer.

- Return has been quality reviewed.
- The customer(s) agrees with the return.
- Go to the “Taxpayer/Spouse PIN” section and enter PIN(s) for the taxpayer(s). Check the “I authorize box” for each taxpayer and enter the date.
- Print the return and two copies of Form 8879 (Form 8878, if filing Form 4868 with electronic funds withdrawal). Provide one copy to the taxpayer for their record and have the taxpayer(s) sign the second copy. Attach a copy of any Forms W-2, W-2G and 1099R, to the signed copy of Form 8879 and hold at the site.
- If the spouse is not available for signature, Form 8879 may be taken home by the taxpayer for signature by the spouse.

Self-Select PIN Guidelines

The Self-Select PIN method is an additional electronic signature method for taxpayers.

Why? It eliminates the requirement for Form 8879, *IRS e-file Signature Authorization*.

What? The Self-Select PIN method allows taxpayers to electronically sign their *e-filed* return by entering **their own** five-digit PIN. The PIN can be any five numbers except all zeros. If filing a joint return, a PIN is needed for the taxpayer and his or her spouse. The taxpayer does not need to register the PIN with the IRS before filing or contact the IRS to get a PIN. If this confuses the taxpayer, suggest that they consider entering their Zip code as their PIN.

What are the guidelines for entering the original adjusted gross income (AGI)?

When taxpayers sign their electronic tax return using the Self-Select PIN method, they must provide their original prior year AGI or prior year PIN for the IRS to validate their identity. The prior year AGI is the amount from the taxpayer’s prior year originally filed return as accepted by the IRS; it is not the amount from an amended return or a math error correction made by the IRS. In some cases the prior year AGI may have unique features as follows:

- If the prior year return was filed as married filing jointly with the same spouse, enter the same prior year total AGI amount for each taxpayer. Do not divide the amount between the taxpayers.
- If the prior year return was filed as married filing jointly with a different spouse, enter the prior year total AGI amount from the joint return filed with the ex-spouse.
- If the taxpayer did not file a prior year tax return, the prior year return was filed after December 9, 2009, the prior year AGI was zero, or the taxpayer **did not need to file a prior year tax return but filed a return anyway**, the taxpayer must enter “Zero” for the original prior year AGI amount. **Do not leave this field blank**; the return will be rejected if the field is left blank for a zero amount.
- If the taxpayer’s AGI is negative, the negative amount should be entered.

PIN Guidelines (continued)

- If the taxpayer is unsure of his or her original prior year AGI, he or she may call IRS Customer Service at 1-800-829-1040.

How to Use the Self-Select PIN Option in TaxWise®

- Go to the “Main Information Sheet.”
- Scroll to the “Self-Select and Practitioner PIN(s)” section. For ERO PIN, enter “98765.” (This is the designated ERO PIN for volunteer sites and can be set as a default.) **Do not** check the box below it.
- Tab to “Income Tax Return” and place an “X” in the box. (This can be set as a default.)
- After the return is completed and reviewed, return to the “Main Information Sheet.”
- If the taxpayer(s) chooses to use the Self-Select PIN, let the taxpayer(s) enter their PIN. Enter the date and the taxpayer(s) prior year AGI or PIN.
- Copies of any Form(s) W-2, W-2G, and 1099R must be retained until December 31 of the processing year. Suggestion: since you should remove Form 8879 from your “Print Packet” for the Self-Select PIN process, these forms may be attached to the printed copy of the Main Information Sheet that prints from TaxWise®.

Removal of Form 8879 from the Print Packets:

The following procedures should be taken only when the Self-Select PIN option is used. TaxWise® software is programmed to print Form 8879 each time the Self-Select PIN or Practitioner PIN method is used. To eliminate the automatic print of Form 8879 when the Self-Select PIN is used, edit Print Packets by taking the following steps:

1. Go to **Tools**.
2. Select **Utilities/Setup Options**.
3. Select **Setup**.
4. Select **View/Edit Print Packets**.
5. Highlight the “Pin Auth form” on the right side under “Selected Forms to Use.”
6. Right-click and choose **Remove**.

Note: TaxWise® software users—Do not delete Form 8879 from your TaxWise® Tree. The information contained in this form must be included in the *e-file*.

Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return

Beginning with the 2008 filing season, the Form 8453 is no longer used as a signature document to *e-file* a return. A newly designed Form 8453 will be used to transmit specific supporting documents that cannot be *e-filed*. Those paper forms, schedules and supporting documents include:

- Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes (or acceptable documentation/required Donor Documentation);
- Form 2848, Power of Attorney and Declaration of Representative (only for an electronic return signed by an agent);
- Form 3115, Application for Change in Accounting Method;
- Form 3468, Investment Credit (if Historic Structure Certificate is required);
- Form 4136, Credit for Federal Tax Paid on Fuels (if certificate and/or reseller statement is required);
- Form 5713, International Boycott Report;
- Form 8283, Noncash Charitable Contributions, Section A (if statements required) or
- Section B, Donated Property;
- Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents (or similar statement);
- Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities;
- Form 8864, Biodiesel and Renewable Diesel Fuels Credit (if certificate and/or reseller statement is required);
- Form 8885, Health Coverage Tax Credit;
- Schedule D-1, Continuation Sheet for Schedule D (Form 1040) (or acceptable substitute) if the taxpayer elects not to include their transactions on the electronic STCGL/LTCGL Records;

PIN Guidelines (continued)

- Worksheets 1 through 4 from Pub. 517, Social Security and Other Information For Members of the Clergy and Religious Workers

The Form 8453 is only to be used when the additional forms or supporting documents are required to be attached to the return. Form 8453 is to be mailed to the Austin Submission Processing Center within three business days. The Declaration Control Number (DCN) must be entered on the Form 8453. The IRS requires

that the DCN on the Form 8453 match the DCN on the electronic file. Once a return has been assigned a DCN, it will keep that DCN, even if it is re-transmitted

State Return

State rules may differ; contact your state Volunteer *e-file* Coordinator for instructions on the handling of any state signature documents for record keeping requirements, or contact your local SPEC office.

Return Signature

A return is not considered valid unless it is signed. Both spouses must sign if the return is filed jointly. The return should be dated and the occupation lines should be completed.

Child's Return

If a child cannot sign his or her name, the parent, guardian, or another legally responsible person must sign the child's name in the space provided followed by the words "By (parent or guardian signature), parent or guardian for minor child."

Deceased Taxpayer

If a taxpayer died before filing the return, the taxpayer's spouse or personal representative may have to file and sign a return for the person who died. A personal representative can be an executor, administrator, or anyone who is in charge of the decedent's property.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

Filing Returns of Deceased Taxpayers

If filing a paper return, write "Deceased," the decedent's name, and the date of death across the top of the tax return.

If the spouse died during the year and the surviving spouse did not remarry, a joint return can be filed. If the spouse died before signing the return, the executor or administrator must

sign the return for the deceased spouse. If the surviving spouse or anyone else has not yet been appointed as executor or administrator, the surviving spouse can sign the return for the deceased spouse and enter "Filing as surviving spouse" in the area where the return is signed.

Filing Returns for Deceased Taxpayers—Using TaxWise®

If the taxpayer or spouse died in 2010 or 2011, the "Name line 2" must be completed on the Main Information Sheet. Type the name of the person filing the return for the deceased person. Do **not** type the percent (%) sign; type only the name. This may be the surviving spouse if the filing status is married filing jointly, or a personal representative such as an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

In the Taxpayer Information section of the Main Information Screen, the date of death for the taxpayer must be entered.

Claiming a Refund for a Deceased Person

If a surviving spouse is filing a joint return with the decedent, file the tax return to claim the refund. Court-appointed representatives should file the return and attach a copy of the certificate that shows their appointment. All other filers requesting the decedent's refund should file the return and attach Form 1310.

Pointers for Direct Deposit of Refunds

- Using a check as proof of account, verify:
 - Routing Transit Number (RTN). The RTN must contain 9 digits and begin with 01 through 12 or 21 through 32.
 - Depositor Account Number (DAN). The DAN can be up to 17 characters. Include hyphens but omit spaces and special symbols. Do not include the check number or the dollar amount on canceled checks.
- For direct deposit into savings accounts: Routing numbers and account numbers for savings accounts may not be the numbers on the deposit slip or the monthly statement. Obtain a statement from the financial institution to verify the routing number and account number for savings accounts used for direct deposits.
- Entering the incorrect RTN and/or DAN will result in a 4–6 week delay of the refund. If the direct deposit is voided, a paper check will automatically be mailed to the address on the electronic tax form.
- Double-check the RTN of the financial institution before the return is transmitted if:
 - You are unfamiliar with the financial institution. (Some types of accounts that exist through brokerage firms cannot accept direct deposits.)
 - The RTN is for a credit union, which is payable through another financial institution. The taxpayer should contact his or her credit union for the correct RTN.
- Savings Bonds - Taxpayers can buy U.S. savings bonds with their federal tax refund. Even if the taxpayer does not have a bank account or a Treasury account they can elect this option. Taxpayers can make bond purchases for themselves, add beneficiaries or co-owners, and make bond purchases for someone other than themselves. Refer to Form 8888 or IRS.gov for more details.
- Remember the split refund option: If a taxpayer chooses to direct deposit his or her refund into two or three accounts, you will need to complete Form 8888, *Allocation of Refund (Including Bond Purchases)*.



Caution: Financial institutions generally do not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a direct deposit.



Caution: Direct deposit of a taxpayer's refund is to be made to an account (or accounts) only in the taxpayer's name. Advise taxpayers their refund may only be deposited directly into his/her own account(s).

Paul Maple
Deborah Maple
 1234 Windy Oaks Drive
 Anytown, MD 20000

PAY TO THE ORDER OF _____ \$ _____

ANYTOWN BANK
 Anytown, MD 20000

For _____

Routing Number: 250250025
 Account Number: 20202086
 Do Not include the check number: 1234

1234
 15-0000-0000

19

DOLLARS

Note: The routing and account numbers may be in different places on the check.

Tax Software Hint: For direct deposit for **only** one account the information is entered on the Main Information Sheet **and** the Refund section of page 2 of Form 1040. If the taxpayer chooses to split the refund into more than one account, the information is entered only on the Form 8888. In addition enter the

information on the applicable line on state forms.

Note: Do not use a checking account deposit slip as proof of account because the routing number may be different than on a check.

Balance Due Returns (amount owed on return)

(See Form 1040, 1040A, or 1040EZ Instructions for additional information)

General Information

- Taxpayers do not have to pay if balance due is less than \$1.
- Payment in full is due by the April filing due date, to avoid interest and penalties.
- Taxpayer should file his or her return by the April filing due date, to avoid a failure-to-file penalty.
- There are separate penalties for filing late and paying late. The late filing penalty is higher.
- Advise taxpayers to file the return on time, even if they cannot pay the full amount owed. They should pay as much as they can with the return to reduce penalties and interest.

Payment Methods

1. Check or money order payments

- Do not attach the payment to the return.
- Make check or money order **payable to "United States Treasury."**
- On checks, write "2010 Form 1040, 1040A, or 1040EZ" in the memo or "For" section.
- Write name, address, daytime phone number, and SSN/ITIN on the payment.
- If filing a joint return, enter the SSN/ITIN shown first on the return.
- Submit the payment with a properly completed Form 1040V, *Payment Voucher*.
- No cash payments

2. Credit card payments

- American Express, Discover, Mastercard, or Visa cards are accepted.
- A convenience fee will be charged by the service providers:

Official Payments Corporation
1-888-UPAY-TAX™ (1-888-872-9829)
1-877-754-4413 (Customer Service)
www.officialpayments.com/fed

Link2Gov Corporation
1-888-PAY-1040™ (1-888-729-1040)
1-888-658-5465 (Customer Service)
www.PAY1040.com

RBS WorldPay, Inc.

1-888-9-PAY-TAX™ (1-888-972-9829)

1-877-517-4881 (Customer Service)

www.payUSAtax.com

- Visit IRS.gov or call service provider for details.

3. Electronic Funds Withdrawal

E-filing allows taxpayers to file their return early and schedule their payment for withdrawal from their **checking** or **savings** account on a future date up to the **April filing due date**. (See Tab 6, **Other Taxes and Payments** in the Volunteer Resource Guide for details.)

4. EFTPS (Electronic Federal Tax Payment System)

Taxpayers can use EFTPS to pay their federal taxes, but they must **enroll** first. EFTPS is a fast, easy, convenient and secure service provided free by the Department of Treasury. For more information you can visit IRS.gov. Click on the e-file logo and look for "Electronic Payment Options" and the EFTPS logo. To enroll, visit EFTPS.gov or call EFTPS Customer Service at 1-800-316-6541 (for individual payments). TTY/TDD help is available by calling 1-800-733-4829.

What if the taxpayer cannot pay?

- The taxpayer can request a **Full Pay Within 60 or 120 day Agreement**. There is no user fee, but penalty and interest are charged for any amount paid after the April filing due date.
- The taxpayer may ask to make monthly installment payments by completing Form 9465, **Installment Agreement Request**. Penalty and interest are charged on any amount paid after the April filing due date. A fee is charged if the request for an installment agreement is granted. Form 9465 can be e-filed with the tax return. For more information taxpayers can go online to the IRS website at www.irs.gov for the Online Payment Agreement (OPA), Enter keyword search: OPA.

Balance Due Returns (amount owed on return) (continued from previous page)

- The taxpayer can request an extension of time to pay if paying the tax by the due date will be an undue hardship. For details see Form 1127.

How can a taxpayer avoid a balance due in the future?

- If the taxpayer did not have enough withheld from his/her paycheck or pension income and there is amount owed on the current return:
 - Advise the taxpayer to review Publication 919, How Do I Adjust My Tax Withholding? or on the internet the taxpayer can access the Withholding Calculator at IRS.gov.
 - On the **Form W-4/Form W-4P**, the taxpayer can reduce the number of allowances or request an additional amount to be withheld.

- Advise the taxpayer to submit a revised **Form W-4** to the employer. For pension income taxpayers should submit a revised **Form W-4P** to the pension payer.
- If the taxpayer had income that was not subject to withholding (such as self employment, interest income, dividend income, or capital gain income):
 - Advise the taxpayer to review Publication 505, Tax Withholding and Estimated Tax.
 - Advise the taxpayer to obtain Form 1040ES, Estimated Tax for Individuals in order to make estimated tax payments for the next year.

Forms or Publications can be obtained from www.irs.gov or by calling the IRS at 1-800-829-3676.

Distributing Copies of Returns

Taxpayer

- Form 1040 with all forms/schedules including Form 8879 and Form 8453 if applicable
- Form 8332, if applicable
- Original Power of Attorney, if applicable
- State forms/schedules, as applicable
- All other taxpayer documents including Form(s) W-2 and Form(s) 1099
- If Self-Select PIN is used, no other distribution of forms is needed.

IRS SPEC Territory Office (as directed; generally at the end of the season)

- Form 8453, if applicable
- Form 8879 with original signature, if applicable
- Form 8332, if applicable
- Copy of Power of Attorney, if applicable
- Copy of Form(s) 1099 R, Form(s) W-2 and Form(s) W-2G
- Any other required attachments

Mail the following to:

IRS Processing Center (for e-filed return—after acknowledgement received)

- Form 8453, if applicable
- Copy of Form 8332, if applicable
- Copy of Power of Attorney, if applicable
- Any other required attachments

Refer to PIN guidelines earlier in this section for more information.

Important Note: Please advise your sites that they must inform all taxpayers who e-file their return that they will not receive a tax package in the mail the following year. Forms and publications may be accessed via the Internet at www.irs.gov/formspubs.



Check Your Work – The Quality Review

- Ensure that each return you file is accurate prior to obtaining the taxpayer's signature.
 - Each site should have their own review process which may include the following:
-

The Volunteer Preparer

1. **Advise** the taxpayer of the importance of this final step and their role in the process.
2. **Compile** the taxpayer supporting documents and their intake and interview sheet (including notes taken during the intake and interview process).
3. **Introduce** the taxpayer to your site's quality reviewer and provide him/her the items in Number 2 above.

(NOTE: You may put the source document in the taxpayer's record keeping envelope, Publication 730.)

The Quality Reviewer

1. **Introduce** yourself to the taxpayer.
2. **Remind** them of the importance of this process and what to expect.
3. **Answer** any questions the taxpayer may have and make sure all your questions are answered.
4. **Review** the taxpayer's document and tax return (**with the taxpayer while completing one of the following forms**):
 - Form 13614-C
 - An IRS approved partner developed intake and quality review sheet
5. **Conduct** the review by reviewing (at a minimum):
 - Identification documents
 - Social Security Number/Individual Tax Identification Number
 - Banking information for direct deposits or debits
 - Forms W-2
 - Forms 1099 income statements (types of income include miscellaneous, interest, dividend, retirement, real estate transactions, state refunds, etc.)
 - Any earned income not reported on W-2
 - Form 1098 Mortgage Interest/Taxes Paid
 - Childcare statement from the provider which includes the provider's EIN or SSN
 - Charitable Contribution statements
 - Student loan interest statements
 - Education/tuition payments
 - If EIC checked "NO" on the Form 1040, page 2, confirm that this is correct.

If there are errors:

- Make other information on income and expenses the correction(s) on Form 13614-C or IRS approved partner form
- Correct the return and (if applicable) review again with the taxpayer.
- Obtain the appropriate taxpayer's signature(s) and e-file the return. (See closeout below.)

If there are no errors:

- Obtain the appropriate taxpayer's signature(s) and e-file the return. (See closeout below.)

The Closeout:

- Place the copy of the taxpayer's return and supporting documents (including Form 8879, IRS e-file Signature Authorization, if applicable) in Publication 730 (Record Keeping Envelope), if available.
- Advise the taxpayer to bring his/her completed tax return with schedules and worksheets back next year.

Amended Returns

This information presumes you have the original return in TaxWise®. Amended returns cannot be electronically filed.

- Open the original return in TaxWise®. If the return was previously adjusted by the IRS, to modify the original return to match the changes the IRS made before opening Form 1040X.
- Using the process for adding a form, select 1040X Pg 1 from the list. Add the state amended return forms if the taxpayer is required to correct that return as well..
- On the Form 1040X and the state's amended return form, if applicable, check the box at the top to override the original refund or balance due before making changes to any forms.
- Starting with the Main Information Sheet, confirm the address, filing status and exemptions from the original return and make any appropriate changes such as adding or removing dependents. Add additional Forms W-2, other income documents or credit information as if you are preparing the original return.
- TaxWise® will complete the Form 1040X Part I based on changes to the tax return. In Part III, provide an explanation for filing Form 1040X such as receiving another Form W-2 after filing the original return or forgetting to claim the child tax credit. Identify the line numbers that changed in Part I as well.
- Review the forms tree on the left for any red marks and fix them.
- Secure the taxpayer's signature and provide the mailing address from the instructions for the form.

TaxWise® Hint: To determine the correct Form 1040X mailing address, access the program help for page 2 of the form and follow the instructions at the bottom of the screen. The mailing addresses can also be found in the Form 1040X instructions.

Note: At the time this publication went to print, Form 1040X was being revised. Please go to the updated form in TaxWise and use the help features to complete the form.

Scope of Service - Form 1040 Line Entries by Certification Level

Certification Level Indicators/Legend



Basic - **A**



Intermediate - **B**



Advanced - **C**



Military - **D**



International - **E**

Out of
Scope
OFS

Link & Learn
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| Form 1040 | | Department of the Treasury - Internal Revenue Service | | 2010 | | (99) IRS Use Only - Do not write or staple in this space. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Label Entire Section All Use the IRS label. Otherwise, please print or type. | L | For the year Jan. 1-Dec. 31, 2010, or other tax year beginning | | , 2010, ending | | , 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | A | Your first name and initial | | Last name | | Your social security number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | B | If a joint return, spouse's first name and initial | | Last name | | Spouse's social security number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | E | Home address (number and street). If you have a P.O. box, see page 14. | | Apt. no. | | Make sure the SSN(s) above and on line 6c are correct. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | City, town or post office, state, and ZIP code. If you have a foreign address, see page 14. | | | | Checking a box below will not change your tax or refund. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Presidential Election Campaign | | Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) <input type="checkbox"/> You <input type="checkbox"/> Spouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Filing Status Entire Section All | | 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here: _____ 4 <input type="checkbox"/> Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here: _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child (see page 16) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemptions All | | 6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a. b <input type="checkbox"/> Spouse c Dependents: <table border="1"> <thead> <tr> <th>(1) First name</th> <th>Last name</th> <th>(2) Dependent's social security number</th> <th>(3) Dependent's relationship to you</th> <th>(4) <input type="checkbox"/> If qualifying child for child tax credit (see page 17)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table> If more than four dependents, see page 17 and check here <input type="checkbox"/> | | | | | | (1) First name | Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) <input type="checkbox"/> If qualifying child for child tax credit (see page 17) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) First name | Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) <input type="checkbox"/> If qualifying child for child tax credit (see page 17) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | d Total number of exemptions claimed _____ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income | | <table border="1"> <thead> <tr> <th>Line</th> <th>Description</th> <th>Amount</th> <th>Label</th> </tr> </thead> <tbody> <tr><td>7</td><td>Wages, salaries, tips, etc. Attach Form(s) W-2</td><td></td><td>All</td></tr> <tr><td>8a</td><td>Taxable interest. Attach Schedule B if required</td><td></td><td>All</td></tr> <tr><td>8b</td><td>Tax-exempt interest. Do not include on line 8a</td><td></td><td>All</td></tr> <tr><td>9a</td><td>Ordinary dividends. Attach Schedule B if required</td><td></td><td>All</td></tr> <tr><td>9b</td><td>Qualified dividends (see page 22)</td><td></td><td>All</td></tr> <tr><td>10</td><td>Taxable refunds, credits, or offsets of state and local income taxes (see page 23)</td><td></td><td>B-E</td></tr> <tr><td>11</td><td>Alimony received</td><td></td><td>B-E</td></tr> <tr><td>12</td><td>Business income or (loss). Attach Schedule C or C-EZ</td><td></td><td>B-E</td></tr> <tr><td>13</td><td>Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/></td><td></td><td>C-E</td></tr> <tr><td>14</td><td>Other gains or (losses). Attach Form 4797</td><td></td><td>OFS</td></tr> <tr><td>15a</td><td>IRA distributions</td><td></td><td>B-E</td></tr> <tr><td>15b</td><td>Taxable amount (see page 24)</td><td></td><td>B-E</td></tr> <tr><td>16a</td><td>Pensions and annuities</td><td></td><td>B-E</td></tr> <tr><td>16b</td><td>Taxable amount (see page 25)</td><td></td><td>B-E</td></tr> <tr><td>17</td><td>Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E</td><td></td><td>C-E</td></tr> <tr><td>18</td><td>Farm income or (loss). Attach Schedule F</td><td></td><td>OFS</td></tr> <tr><td>19</td><td>Unemployment compensation (see page 27)</td><td></td><td>All</td></tr> <tr><td>20a</td><td>Social security benefits</td><td></td><td>All</td></tr> <tr><td>20b</td><td>Taxable amount (see page 27)</td><td></td><td>All</td></tr> <tr><td>21</td><td>Other income. List type and amount (see page 29)</td><td></td><td>All</td></tr> <tr><td>22</td><td>Combine the amounts in the far right column for lines 7 through 21. This is your total income</td><td></td><td></td></tr> </tbody> </table> | | | | | | Line | Description | Amount | Label | 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | | All | 8a | Taxable interest. Attach Schedule B if required | | All | 8b | Tax-exempt interest. Do not include on line 8a | | All | 9a | Ordinary dividends. Attach Schedule B if required | | All | 9b | Qualified dividends (see page 22) | | All | 10 | Taxable refunds, credits, or offsets of state and local income taxes (see page 23) | | B-E | 11 | Alimony received | | B-E | 12 | Business income or (loss). Attach Schedule C or C-EZ | | B-E | 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | | C-E | 14 | Other gains or (losses). Attach Form 4797 | | OFS | 15a | IRA distributions | | B-E | 15b | Taxable amount (see page 24) | | B-E | 16a | Pensions and annuities | | B-E | 16b | Taxable amount (see page 25) | | B-E | 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | | C-E | 18 | Farm income or (loss). Attach Schedule F | | OFS | 19 | Unemployment compensation (see page 27) | | All | 20a | Social security benefits | | All | 20b | Taxable amount (see page 27) | | All | 21 | Other income. List type and amount (see page 29) | | All | 22 | Combine the amounts in the far right column for lines 7 through 21. This is your total income | | |
| Line | Description | Amount | Label | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8a | Taxable interest. Attach Schedule B if required | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8b | Tax-exempt interest. Do not include on line 8a | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9a | Ordinary dividends. Attach Schedule B if required | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9b | Qualified dividends (see page 22) | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes (see page 23) | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Alimony received | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | | C-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14 | Other gains or (losses). Attach Form 4797 | | OFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15a | IRA distributions | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15b | Taxable amount (see page 24) | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16a | Pensions and annuities | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16b | Taxable amount (see page 25) | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | | C-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18 | Farm income or (loss). Attach Schedule F | | OFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 | Unemployment compensation (see page 27) | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20a | Social security benefits | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20b | Taxable amount (see page 27) | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 | Other income. List type and amount (see page 29) | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 | Combine the amounts in the far right column for lines 7 through 21. This is your total income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted Gross Income | | <table border="1"> <thead> <tr> <th>Line</th> <th>Description</th> <th>Amount</th> <th>Label</th> </tr> </thead> <tbody> <tr><td>23</td><td>RESERVED (see page 29)</td><td></td><td></td></tr> <tr><td>24</td><td>Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ</td><td></td><td>D</td></tr> <tr><td>25</td><td>Health savings account deduction. Attach Form 8889</td><td></td><td>C-E</td></tr> <tr><td>26</td><td>Moving expenses. Attach Form 3903</td><td></td><td>D</td></tr> <tr><td>27</td><td>One-half of self-employment tax. Attach Schedule SE</td><td></td><td>B-E</td></tr> <tr><td>28</td><td>Self-employed SEP, SIMPLE, and qualified plans</td><td></td><td>OFS</td></tr> <tr><td>29</td><td>Self-employed health insurance deduction (see page 30)</td><td></td><td>OFS</td></tr> <tr><td>30</td><td>Penalty on early withdrawal of savings</td><td></td><td>All</td></tr> <tr><td>31a</td><td>Alimony paid</td><td></td><td>B-E</td></tr> <tr><td>31b</td><td>Recipient's SSN</td><td></td><td></td></tr> <tr><td>32</td><td>IRA deduction (see page 31)</td><td></td><td>B-E</td></tr> <tr><td>33</td><td>Student loan interest deduction (see page 34)</td><td></td><td>B-E</td></tr> <tr><td>34</td><td>RESERVED (see page 35)</td><td></td><td></td></tr> <tr><td>35</td><td>Domestic production activities deduction. Attach Form 8903</td><td></td><td>OFS</td></tr> <tr><td>36</td><td>Add lines 23 through 31a and 32 through 35</td><td></td><td></td></tr> <tr><td>37</td><td>Subtract line 36 from line 22. This is your adjusted gross income</td><td></td><td></td></tr> </tbody> </table> | | | | | | Line | Description | Amount | Label | 23 | RESERVED (see page 29) | | | 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | | D | 25 | Health savings account deduction. Attach Form 8889 | | C-E | 26 | Moving expenses. Attach Form 3903 | | D | 27 | One-half of self-employment tax. Attach Schedule SE | | B-E | 28 | Self-employed SEP, SIMPLE, and qualified plans | | OFS | 29 | Self-employed health insurance deduction (see page 30) | | OFS | 30 | Penalty on early withdrawal of savings | | All | 31a | Alimony paid | | B-E | 31b | Recipient's SSN | | | 32 | IRA deduction (see page 31) | | B-E | 33 | Student loan interest deduction (see page 34) | | B-E | 34 | RESERVED (see page 35) | | | 35 | Domestic production activities deduction. Attach Form 8903 | | OFS | 36 | Add lines 23 through 31a and 32 through 35 | | | 37 | Subtract line 36 from line 22. This is your adjusted gross income | | | | | | | | | | | | | | | | | | | | | | |
| Line | Description | Amount | Label | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 23 | RESERVED (see page 29) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | | D | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 25 | Health savings account deduction. Attach Form 8889 | | C-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 26 | Moving expenses. Attach Form 3903 | | D | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 27 | One-half of self-employment tax. Attach Schedule SE | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | | OFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 29 | Self-employed health insurance deduction (see page 30) | | OFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | Penalty on early withdrawal of savings | | All | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31a | Alimony paid | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31b | Recipient's SSN | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 32 | IRA deduction (see page 31) | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 33 | Student loan interest deduction (see page 34) | | B-E | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 34 | RESERVED (see page 35) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 35 | Domestic production activities deduction. Attach Form 8903 | | OFS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 36 | Add lines 23 through 31a and 32 through 35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 37 | Subtract line 36 from line 22. This is your adjusted gross income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 97.

Cat. No. 11320B

Form **1040** (2010)

Scope of Service - Form 1040 Line Entries by Certification Level

Certification Level Indicators/Legend



Basic - **A**



Intermediate - **B**



Advanced - **C**



Military - **D**



International - **E**

Out of
Scope
OFS

Link & Learn
Taxes
L<

Form 1040 (2010)

Page **2**

Tax and Credits

| | | | |
|-----|---|----|------------|
| 38 | Amount from line 37 (adjusted gross income) | 38 | |
| 39a | Check <input type="checkbox"/> You were born before January 2, 1946, <input type="checkbox"/> Blind. Total boxes checked 39a All | | B-E |
| | if: <input type="checkbox"/> Spouse was born before January 2, 1946, <input type="checkbox"/> Blind. | | |
| b | If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here 39b <input type="checkbox"/> | | |
| 40 | Itemized deductions (from Schedule A) or your standard deduction (see page 35) | 40 | All |
| 41 | Subtract line 40 from line 38 | 41 | |
| 42 | Exemptions. Multiply \$3,650 by the number on line 6d. | 42 | All |
| 43 | Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 | |
| 44 | Tax (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 44 | |
| 45 | Alternative minimum tax (see page 40). Attach Form 6251 | 45 | OFS |
| 46 | Add lines 44 and 45 | 46 | |
| 47 | Foreign tax credit. Attach Form 1116 if required | 47 | B-E |
| 48 | Credit for child and dependent care expenses. Attach Form 2441 | 48 | All |
| 49 | Education credits from Form 8863, line 23 | 49 | B-E |
| 50 | Retirement savings contributions credit. Attach Form 8880 | 50 | All |
| 51 | Child tax credit (see page 42) | 51 | All |
| 52 | Residential energy credits. Attach Form 5695 | 52 | B-E |
| 53 | Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> 8801 | 53 | All |
| 54 | Add lines 47 through 53. These are your total credits | 54 | |
| 55 | Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- | 55 | |
| 56 | Self-employment tax. Attach Schedule SE | 56 | B-E |
| 57 | Unreported social security and Medicare tax from Form: a <input type="checkbox"/> All b <input type="checkbox"/> OFS | 57 | |
| 58 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | 58 | B-E |
| 59 | a <input type="checkbox"/> All W-2, box 9 b <input type="checkbox"/> OFS H, line 27 c <input type="checkbox"/> B-E 05, line 16 | 59 | |
| 60 | Add lines 55 through 59. This is your total tax | 60 | |

Other Taxes

Payments

If you have a qualifying child, attach Schedule EIC.

| | | | |
|-----|--|-----|------------|
| 61 | Federal income tax withheld from Forms W-2 and 1099 | 61 | All |
| 62 | 2010 estimated tax payments and amount applied from 2009 return | 62 | All |
| 63 | Making work pay credit. Attach Schedule M | 63 | All |
| 64a | Earned income credit (EIC) | 64a | All |
| b | Nontaxable combat pay election 64b All | | |
| 65 | Additional child tax credit. Attach Form 8812 | 65 | All |
| 66 | American opportunity credit from Form 8863, line 14 | 66 | B-E |
| 67 | First-time homebuyer credit from Form 5405, line 10 | 67 | B-E |
| 68 | Amount paid with request for extension to file (see page 72) | 68 | All |
| 69 | Excess social security and tier 1 RRTA tax withheld (see page 72) | 69 | All |
| 70 | Credit for federal tax on fuels. Attach Form 4136 | 70 | |
| 71 | Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885 | 71 | |
| 72 | Add lines 61, 62, 63, 64a, and 65 through 71. These are your total payments | 72 | All |
| 73 | If line 72 is more than line 60, subtract line 60 from line 72. This is the amount you overpaid | 73 | All |
| 74a | Amount of line 73 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/> | 74a | |
| b | Routing number | | |
| c | Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| d | Account number | | |
| 75 | Amount of line 73 you want applied to your 2011 estimated tax | 75 | All |
| 76 | Amount you owe. Subtract line 72 from line 60. For details on how to pay, see page 74 | 76 | All |
| 77 | Estimated tax penalty (see page 74) | 77 | |

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 75)? ☐ Yes. Complete the following. ☐ No

| | | |
|-----------------|-----------|--------------------------------------|
| Designee's name | Phone no. | Personal identification number (PIN) |
| All | | |

Sign Here

Joint return? See page 15. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

| | | | |
|--|------|---------------------|----------------------|
| Your signature | Date | Your occupation | Daytime phone number |
| All | | | |
| Spouse's signature. If a joint return, both must sign. | Date | Spouse's occupation | |
| | | | |

Paid Preparer Use Only

| | | | | |
|----------------------------|----------------------|-----------|---|------|
| Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| All | | | | |
| Firm's name | Firm's EIN | Phone no. | | |
| | | | | |

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Useful Publications and Forms

Tax Publications for Individual Taxpayers

General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax For Individuals
- 334 Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
- 509 Tax Calendars for 2010
- 910 IRS Guide to Free Tax Services

Specialized Publications

- 3 Armed Forces' Tax Guide
- 54 Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 225 Farmer's Tax Guide
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses (Including the Health Coverage Tax Credit)
- 503 Child and Dependent Care Expenses
- 504 Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 514 Foreign Tax Credit for Individuals
- 516 U.S. Government Civilian Employees Stationed Abroad
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 U.S. Tax Guide for Aliens
- 521 Moving Expenses
- 523 Selling Your Home
- 524 Credit for the Elderly or the Disabled
- 525 Taxable and Nontaxable Income
- 526 Charitable Contributions
- 527 Residential Rental Property (Including Rental of Vacation Homes)
- 529 Miscellaneous Deductions
- 530 Tax Information for Homeowners
- 531 Reporting Tip Income

- 535 Business Expenses
- 536 Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- 537 Installment Sales
- 541 Partnerships
- 544 Sales and Other Dispositions of Assets
- 547 Casualties, Disasters, and Thefts
- 550 Investment Income and Expenses (Including Capital Gains and Losses)
- 551 Basis of Assets
- 552 Recordkeeping for Individuals
- 554 Tax Guide for Seniors
- 555 Community Property
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 559 Survivors, Executors, and Administrators
- 561 Determining the Value of Donated Property
- 564 Mutual Fund Distributions
- 570 Tax Guide for Individuals With Income From U.S. Possessions
- 571 Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations
- 575 Pension and Annuity Income
- 584 Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
- 587 Business Use of Your Home (Including Use by Daycare Providers)
- 590 Individual Retirement Arrangements (IRAs)
- 593 Tax Highlights for U.S. Citizens and Residents Going Abroad
- 594 The IRS Collection Process
- 596 Earned Income Credit (EIC)
- 721 Tax Guide to U.S. Civil Service Retirement Benefits
- 901 U.S. Tax Treaties
- 907 Tax Highlights for Persons with Disabilities

- 908 Bankruptcy Tax Guide
- 915 Social Security and Equivalent Railroad Retirement Benefits
- 919 How Do I Adjust My Tax Withholding?
- 925 Passive Activity and At-Risk Rules
- 926 Household Employer's Tax Guide For Wages Paid in 2010
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 950 Introduction to Estate and Gift Taxes
- 967 The IRS Will Figure Your Tax
- 969 Health Savings Accounts and Other Tax-Favored Health Plans
- 970 Tax Benefits for Education
- 971 Innocent Spouse Relief
- 972 Child Tax Credit
- 1542 Per Diem Rates (For Travel Within the Continental United States)
- 1544 Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business)
- 1546 Taxpayer Advocate Service – Your Voice at the IRS

Spanish Language Publications

- 1SP Derechos del Contribuyente
- 17SP El Impuesto Federal sobre los Ingresos Para Personas Físicas
- 547SP Hechos Fortuitos Desastres y Robos
- 594SP El Proceso de Cobro del IRS
- 596SP Crédito por Ingreso del Trabajo
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

Form Number and Title

- 1040 U.S. Individual Income Tax Return
- Sch A Itemized Deductions
- Sch B Interest and Ordinary Dividends
- Sch C Profit or Loss From Business
- Sch C-EZ Net Profit From Business
- Sch D Capital Gains and Losses
- Sch D-1 Continuation Sheet for Schedule D
- Sch E Supplemental Income and Loss
- Sch EIC Earned Income Credit
- Sch F Profit or Loss From Farming
- Sch H Household Employment Taxes
- Sch J Income Averaging for Farmers and Fishermen
- Sch L Standard Deduction for Certain Filers
- Sch M Making Work Pay and Government Retiree Credits
- Sch R Credit for the Elderly or the Disabled
- Sch SE Self-Employment Tax
- 1040A U.S. Individual Income Tax Return
- 1040EZ Income Tax Return for Single and Joint Filers With No Dependents
- 1040-ES Estimated Tax for Individuals
- 1040X Amended U.S. Individual Income Tax Return
- 2106 Employee Business Expenses
- 2106-EZ Unreimbursed Employee Business Expenses

Form Number and Title

- 2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts
- 2441 Child and Dependent Care Expenses
- 2848 Power of Attorney and Declaration of Representative
- 3903 Moving Expenses
- 4562 Depreciation and Amortization
- 4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- 4952 Investment Interest Expense Deduction
- 5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
- 6251 Alternative Minimum Tax—Individuals
- 8283 Noncash Charitable Contributions
- 8582 Passive Activity Loss Limitations
- 8606 Nondeductible IRAs
- 8812 Additional Child Tax Credit
- 8822 Change of Address
- 8829 Expenses for Business Use of Your Home
- 8863 Education Credits (American Opportunity, Hope, and Lifetime Learning Credits)
- 9465 Installment Agreement Request

Frequent Taxpayer Inquiries

Taxpayers normally ask questions during the interview process about the topics covered in this section. Visit www.irs.gov-keyword: 1040 Central or see Publication 17 for additional topics and information.

Peel-Off Label

Taxpayers who e-file their return are normally removed from the IRS tax return package mailing list. If the taxpayer did not receive a tax return package and a paper return is being filed, print or type their name and address in the space provided.

Installment Payment

Publication 594, The IRS Collection Process, explains taxpayers' rights and responsibilities regarding payment of federal taxes.

Copies of Prior-Years' Returns

Taxpayers should complete Form 4506, Request for Copy of Tax Return, and mail it, with the required fee, to the IRS campus where the return was filed.

A transcript of a prior-year return may be obtained, also using Form 4506-T. There is no charge for the transcript which shows most line items from the original return, including accompanying forms and schedules.

Amended Returns

Form 1040X, Amended U.S. Individual Income Tax Return should be used by taxpayers to amend their return. Many mistakes are corrected in processing by the IRS and a letter of explanation is mailed at the time an error is identified or when a refund is issued. In these cases, taxpayers are not required to file an Amended Return as the corrections have already been made.

Preparation of amended returns has a narrow scope in the VITA/TCE program. Volunteers can assist taxpayers with an amended return if both of these statements are true.

1. The 1040X is for the current year.
2. The original return was prepared at that same site.

Taxpayer Address Changes

Taxpayers should use Form 8822, Change of Address, to notify the IRS of any change of address. If taxpayers move after filing the return and before a refund is received, they should notify their old post office and the IRS of their new address.

Recordkeeping

Taxpayers should keep their tax documents until the statute of limitations runs out for the return. Usually, this is three years from the date the return was due or filed, or two years from the date the tax was paid, whichever is later. Refer taxpayers to Publication 552, Recordkeeping for Individuals or at www.irs.gov-keyword: Recordkeeping.

FREE Tax Preparation Locations

Consult your Site Coordinator for information about the location of other VITA/TCE sites in your area. Taxpayers may call 1-800-829-1040 or visit AARP's website at

www.aarp.org/taxaide or call 1-888-227-7669 for this information.

Problems Navigating the IRS

Taxpayers may contact the Taxpayer Advocate if their attempts to deal with an IRS problem are unsuccessful.

Taxpayers can visit www.irs.gov/advocate or see Publication 1546, for details on what the Taxpayer Advocate Service provides. Also suggest Publication 910, Guide to Free Tax Services.

Refund Information

Taxpayers should be directed to www.irs.gov to obtain information about their refund. Specific information is available by clicking on "Where's My Refund?"

Innocent Spouse Relief

Taxpayers who file a joint tax return are jointly and individually responsible for the tax and any interest or penalty due on the joint return even if they later divorce. In some cases, a spouse (or former spouse) will be relieved of the tax, interest, and penalties on a joint tax return. Spousal relief is granted in certain situations when a taxpayer can prove he/she is not liable for amounts due in joint filing situations.

Taxpayers should see Publication 971, Innocent Spouse Relief which explains the types of relief, who may qualify for them, and how to get them. Married persons who did not file joint returns, but who live in community property states, may also qualify for relief.

Injured Spouse Relief

An injured spouse claim is different from an innocent spouse relief request. An injured spouse can request the division of tax overpayment attributed to each spouse. The injured spouse must file Form 8379, Injured Spouse Allocation, to request his or her portion of a joint refund.

Married Filing Separately Advantages

Unless required to file separately, married taxpayers may want their tax figured on a joint return and on separate returns, to make sure they are receiving the most advantageous filing status. Generally, however married taxpayers pay more combined tax on separate returns than they would on a joint return. See Publication 17, Filing Status for Special Rules.

What is ARRA?

The American Recovery and Reinvestment Act of 2009 (ARRA) changed many tax provisions. For more information on these changes go to irs.gov and search "ARRA".

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Contact Information for Volunteers

TaxWise

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|--------------------------------|--|
| TaxWise Volunteer Support | 1-800-411-6391 (do not give to the public) |
| TaxWise Toll-Free Transmission | 1-800-829-5945 |
| TaxWise via E-Mail | customer.support@taxwise.com |
| TaxWise Website | www.taxwise.com |

Internal Revenue Service

| | |
|---|--|
| VITA/TCE Hotline (for volunteer use only) | 1-800-829-8482 (800-TAX-VITA) |
| IRS e-file Help Desk | 1-866-255-0654 |
| Foreign Student/Scholar Issues or to e-mail a question | 1-800-829-1040 www.irs.gov/taxlaw – select Alien issues |
| IRS SPEC Territory Office | _____ |
| Enterprise Service Desk (Help Desk) | 1-866-7HELP4U (1-866-743-5748) |
| Identity Theft | 1-800-908-4490 |

State Department of Revenue

| | |
|-------------------------------------|-------|
| State Volunteer Hotline | _____ |
| State e-file Help Desk | _____ |
| State General Information | _____ |
| State Tax Forms Distribution Center | _____ |
| State Website | _____ |
| Partner Point of Contact | _____ |

Contact Information for Taxpayers

| | |
|--|----------------|
| IRS Tax-Help | 1-800-829-1040 |
| IRS Refund Hotline | 1-800-829-1954 |
| Where's My Refund Website | www.irs.gov |
| IRS Forms and Publications | 1-800-829-3676 |
| IRS Taxpayer Advocate | 1-877-777-4778 |
| IRS Tax-Help for Deaf (TDD) | 1-800-829-4059 |
| Social Security Administration | 1-800-772-1213 |
| Refund Offset Inquiry (Financial Management System) | 1-800-304-3107 |



www.irs.gov/efile

2011 IRS e-file Refund Cycle Chart

| Transmitted and accepted (by 11:00 am) between... | Direct Deposit Sent* | Paper Check Mailed* |
|---|----------------------|---------------------|
| Jan 14 and Jan 20, 2011 | Jan 28, 2011 | Feb 4, 2011 |
| Jan 20 and Jan 27, 2011 | Feb 4, 2011 | Feb 11, 2011 |
| Jan 27 and Feb 3, 2011 | Feb 11, 2011 | Feb 18, 2011 |
| Feb 3 and Feb 10, 2011 | Feb 18, 2011 | Feb 25, 2011 |
| Feb 10 and Feb 17, 2011 | Feb 25, 2011 | Mar 4, 2011 |
| Feb 17 and Feb 24, 2011 | Mar 4, 2011 | Mar 11, 2011 |
| Feb 24 and Mar 3, 2011 | Mar 11, 2011 | Mar 18, 2011 |
| Mar 3 and Mar 10, 2011 | Mar 18, 2011 | Mar 25, 2011 |
| Mar 10 and Mar 17, 2011 | Mar 25, 2011 | Apr 1, 2011 |
| Mar 17 and Mar 24, 2011 | Apr 1, 2011 | Apr 8, 2011 |
| Mar 24 and Mar 31, 2011 | Apr 8, 2011 | Apr 15, 2011 |
| Mar 31 and Apr 7, 2011 | Apr 15, 2011 | Apr 22, 2011 |
| Apr 7 and Apr 14, 2011 | Apr 22, 2011 | Apr 29, 2011 |
| Apr 14 and Apr 21, 2011 | Apr 29, 2011 | May 6, 2011 |
| Apr 21 and Apr 28, 2011 | May 6, 2011 | May 13, 2011 |
| Apr 28 and May 5, 2011 | May 13, 2011 | May 20, 2011 |
| May 5 and May 12, 2011 | May 20, 2011 | May 27, 2011 |
| May 12 and May 19, 2011 | May 27, 2011 | May 27, 2011 |
| May 19 and May 26, 2011 | Jun 3, 2011 | Jun 10, 2011 |
| May 26 and Jun 2, 2011 | Jun 10, 2011 | Jun 17, 2011 |

| Transmitted and accepted (by 11:00 am) between... | Direct Deposit Sent* | Paper Check Mailed* |
|---|----------------------|---------------------|
| Jun 2 and Jun 9, 2011 | Jun 17, 2011 | Jun 24, 2011 |
| Jun 9 and Jun 16, 2011 | Jun 24, 2011 | Jul 1, 2011 |
| Jun 16 and Jun 23, 2011 | Jul 1, 2011 | Jul 8, 2011 |
| Jun 23 and Jun 30, 2011 | Jul 8, 2011 | Jul 15, 2011 |
| Jun 30 and Jul 7, 2011 | Jul 15, 2011 | Jul 22, 2011 |
| Jul 7 and Jul 14, 2011 | Jul 22, 2011 | Jul 29, 2011 |
| Jul 14 and Jul 21, 2011 | Jul 29, 2011 | Aug 5, 2011 |
| Jul 21 and Jul 28, 2011 | Aug 5, 2011 | Aug 12, 2011 |
| Jul 28 and Aug 4, 2011 | Aug 12, 2011 | Aug 19, 2011 |
| Aug 4 and Aug 11, 2011 | Aug 19, 2011 | Aug 26, 2011 |
| Aug 11 and Aug 18, 2011 | Aug 26, 2011 | Sep 2, 2011 |
| Aug 18 and Aug 25, 2011 | Sep 2, 2011 | Sep 9, 2011 |
| Aug 25 and Sep 1, 2011 | Sep 9, 2011 | Sep 16, 2011 |
| Sep 1 and Sep 8, 2011 | Sep 16, 2011 | Sep 23, 2011 |
| Sep 8 and Sep 15, 2011 | Sep 23, 2011 | Sep 30, 2011 |
| Sep 15 and Sep 22, 2011 | Sep 30, 2011 | Oct 7, 2011 |
| Sep 22 and Sep 29, 2011 | Oct 7, 2011 | Oct 14, 2011 |
| Sep 29 and Oct 6, 2011 | Oct 14, 2011 | Oct 21, 2011 |
| Oct 6 and Oct 13, 2011 | Oct 21, 2011 | Oct 28, 2011 |
| Oct 13 and Oct 20, 2011 | Oct 28, 2011 | Nov 4, 2011 |

Refund Inquiries

Taxpayers who e-filed can generally get refund information 72 hours after the electronic return data is acknowledged as accepted by the IRS. To check the status of a refund go to www.irs.gov and click on *Where's My Refund?* Taxpayers without internet access can get refund information by calling 1-800-829-1954 or 1-800-829-4477.

* The IRS does not guarantee a specific date that a refund will be deposited into a taxpayer's financial institution account or mailed.

