



# 4012

## VITA/TCE Volunteer Resource Guide **2011 RETURNS**

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






**EXCERPTS FOR TRAINING PURPOSES ONLY**



Take your VITA/TCE training online at [www.irs.gov](http://www.irs.gov) (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.

## Scope of Service

Volunteers are trained to assist in the filing of Form 1040 and certain schedules and forms. This chart covers limitations or expansion of scope of service for each certification level. The check mark indicates within scope for that level of certification. The light gray areas indicate tax law topics not covered under that certification level. Form 1040 line items omitted from this chart are out of scope. Within each line item, there are specific elements that are out of scope for the VITA/TCE program as indicated in the training. This list is not all-inclusive. To be covered under the Volunteer Protection Act, volunteers must stay within the scope of the VITA/TCE program and prepare returns for which they achieved certification.

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Intermediate	 Advanced	 Military	 International
<b>Filing Status</b>			See Note 1	See Note 1	See Note 1	See Note 1	See Note 1
1	Single		✓	✓	✓	✓	✓
2	Married filing jointly		✓	✓	✓	✓	✓
3	Married filing separately		✓	✓	✓	✓	✓
4	Head of household		✓	✓	✓	✓	✓
5	Qualifying widow(er)		✓	✓	✓	✓	✓
<b>Exemptions</b>							
6a - d	Exemptions		✓	✓	✓	✓	✓
<b>Income</b>			See Note 2	See Note 2	See Note 2	See Note 2	See Note 2
7	Wages, salaries, tips, etc.	W-2	✓	✓	✓	✓	✓
8a - b	Taxable interest, tax-exempt interest	1099-INT	✓	✓	✓	✓	✓
9a - b	Ordinary dividends, qualified dividends	1099-DIV	✓	✓	✓	✓	✓
10	Taxable refunds, etc	1099-G		✓	✓	✓	✓
11	Alimony received			✓	✓	✓	✓
12	Business income or (loss)	1099 MISC, Box 7		See Note 3	See Note 3	See Note 3	See Note 3
13	Capital gain or (loss)	1099-B			✓	✓	✓
15a - b	IRA distributions, taxable amount	1099-R		✓	✓	✓	✓
16a - b	Pensions and annuities, taxable amount	1099-R, RRB 1099-R		See Note 4	✓	✓	✓
17	Rental real estate					✓	✓
17	Royalties, etc	1099 INT, 1099 DIV or Sch K-1			✓	✓	✓
19	Unemployment compensation	1099-G	✓	✓	✓	✓	✓
20a - b	Social Security benefits, taxable amount	SSA-1099, RRB-1099	✓	✓	✓	✓	✓

Note 1 • Limitation: Foreign Student Certification only for taxpayers with F, J, M & Q visas






Note 2 • Limitation: Military Certification only – Combat Zone, Incentive Pay, Re-Enlistment, Education Repayment, Recruitment Bonus

• Limitation: International Certification only – Foreign Pay

Note 3 • Limitation: Schedule C






– Follow the Schedule C-EZ guidelines : **expenses of up to \$5,000 allowed**

Note 4 • Limitation: Intermediate Certification only – If taxable amount has been determined

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Intermediate	 Advanced	 Military	 International
21	Other income - varies	1099-MISC, Box 3		✓ See Note 5	✓ See Note 5	✓ See Note 5	✓ See Note 5
<b>Adjusted Gross Income</b>							
23	Reserved						
24	Certain business expenses of reservists					✓	
25	Health savings account deduction, HSA certifica- tion only	5498-SA, 1099-SA, W-2		✓	✓	✓	✓
26	Moving expenses					✓	
27	Deductible part of self- employment tax			✓	✓	✓	✓
30	Penalty on early withdrawal of savings	1099-INT	✓	✓	✓	✓	✓
31a - b	Alimony paid, recipient's SSN			✓	✓	✓	✓
32	IRA deduction	1099-R		✓	✓	✓	✓
33	Student loan interest deduction	1098-E		✓	✓	✓	✓
34	Reserved						
<b>Tax and Credits</b>							
39a	Check if: / Total boxes checked		✓	✓	✓	✓	✓
39b	If your spouse itemizes on a separate return			✓	✓	✓	✓
40	Standard deduction		✓	✓	✓	✓	✓
40	Itemized deductions			✓	✓	✓	✓
42-44	Exemptions, Taxable income, Tax		✓	✓	✓	✓	✓
47	Foreign tax credit	1099-INT or 1099-DIV		✓ See Note 6	✓ See Note 6	✓ See Note 6	✓
48	Credit for child and depen- dent care expenses	W-2 and/or Provider Statement	✓	✓	✓	✓	✓
49	Education credits	1098-T		✓	✓	✓	✓
50	Retirement savings contributions credit	W-2 Box 12	✓	✓	✓	✓	✓
51	Child tax credit		✓	✓	✓	✓	✓
53	Credit for the elderly or the disabled		✓	✓	✓	✓	✓

Note 5 • Limitation: HSA Certification only (requires Intermediate certification or higher) – HSA Distributions  
• Limitation: COD Certification only (requires Advanced certification or higher) – Cancellation of debt  
• Limitation: International Certification only – Foreign earned income exclusion

Note 6 • Limitation: International Certification only – Form 1116

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Intermediate	 Advanced	 Military	 International
<b>Other Taxes</b>							
56	Self-employment tax			✓	✓	✓	✓
57a	Unreported social security and Medicare tax from Form 4137 only		✓	✓	✓	✓	✓
58	Additional tax on IRAs, other qualified retirement plans, etc.	1099-R		✓	✓	✓	✓
59b	First time homebuyer credit repayment			✓	✓	✓	✓
<b>Payments</b>							
62	Federal income tax withheld from	W-2 and 1099	✓	✓	✓	✓	✓
63	2012 estimated tax payments and amount applied from 2011		✓	✓	✓	✓	✓
64a	Earned income credit (EIC)		✓	✓	✓	✓	✓
64b	Nontaxable combat pay election	W-2, box 12 code Q				✓	
65	Additional child tax credit		✓	✓	✓	✓	✓
66	American opportunity credit	1098-T		✓	✓	✓	✓
67	Reserved						
68	Amount paid with request for extension		✓	✓	✓	✓	✓
69	Excess social security and tier 1 RRTA	SSA-1099, RRB-1099	✓	✓	✓	✓	✓
<b>Refund</b>							
73	Amount overpaid		✓	✓	✓	✓	✓
74a-d	Bank account information		✓	✓	✓	✓	✓
75	Amount you want applied to 2013 estimated tax		✓	✓	✓	✓	✓
<b>Amount You Owe</b>							
76	Amount you owe		✓	✓	✓	✓	✓
	Third Party Designee		✓	✓	✓	✓	✓
	Identity Protection PIN section		✓	✓	✓	✓	✓



# 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 on Form 13614-C.**

- Verify that all questions on (Form 13614-C) 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 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 on (page 4 of Form 13614-C).**

- 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.



## Chart A – For Most People Who Must File

If your filing status is...	AND at the end of 2011 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$ 9,500
	65 or older	\$10,950
Married filing jointly***	under 65 (both spouses)	\$19,000
	65 or older (one spouse)	\$20,150
	65 or older (both spouses)	\$21,300
Married filing separately (see the instructions for line 3)	any age	\$ 3,700
Head of household (see the instructions for line 4)	under 65	\$12,200
	65 or older	\$13,650
Qualifying widow(er) with dependent child (see the instructions for line 5)	under 65	\$15,300
	65 or older	\$16,450

\* If you were born on January 1, 1947, you are considered to be age 65 at the end of 2011.

\*\* **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 or from the sale of your main home (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 in 2011 or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 ( \$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for lines 20a and 20b to figure the taxable part of social security benefits you must include in gross income. Gross income includes gains, but not losses, reported on Form 8949. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

\*\*\* If you did not live with your spouse at the end of 2011 (or on the date your spouse died) and your gross income was at least \$3,700, you must file a return regardless of your age.

Individuals who do not have a filing requirement based on this chart should also check Chart C, Other Situations When You Must File, and Chart D, Who Should File. Individuals with earned income but who do not have a filing requirement may be eligible for the Earned Income Credit.



## Chart B – For Children and Other Dependents

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

In this chart, **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 salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

**Single dependants.** 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 over \$950.
  2. Your earned income was over \$5,800.
  3. Your gross income was more than the larger of —
    - a. \$950, or
    - b. Your earned income (up to \$5,500) plus \$300.
  
- Yes.** You must file a return if **any** of the following apply.
  1. Your unearned income was over \$2,400 (\$3,850 if 65 or older **and** blind).
  2. Your earned income was over \$7,250 (\$8,700 if 65 or older **and** blind).
  3. Your gross income was more than the larger of —
    - a. \$2,400 (\$3,850 if 65 or older **and** blind) or
    - b. Your earned income (up to \$5,500) plus \$1,750 (\$3,200 if 65 or older **and** blind).

**Married dependants.** 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 over \$950.
  2. Your earned income was over \$5,800.
  3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
  4. Your gross income was more than the **larger** of —
    - a. \$950, or
    - b. Your earned income (up to \$5,500) plus \$300.
  
- Yes.** You must file a return if **any** of the following apply.
  1. Your unearned income was over \$2,100 (\$3,250 if 65 or older **and** blind).
  2. Your earned income was over \$6,950 (\$8,100 if 65 or older **and** blind).
  3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
  4. Your gross income was more than the **larger** of —
    - a. \$2,100 (\$3,250 if 65 or older **and** blind), or
    - b. Your earned income (up to \$5,500) plus \$1,450 (\$2,600 if 65 or older **and** blind).



## Chart C – Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2011.

1. You owe any special taxes, including any of the following.
  - a. Alternative minimum tax.
  - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
  - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file **Schedule H** by itself.
  - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
  - e. Recapture of first-time homebuyer credit. See the instructions for line 59b.
  - f. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the instructions for line 60.
  - g. Recapture taxes. See the instructions for line 44 and line 60.
2. You (or your spouse, if filing jointly) received Archer MSA or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least \$400.
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.

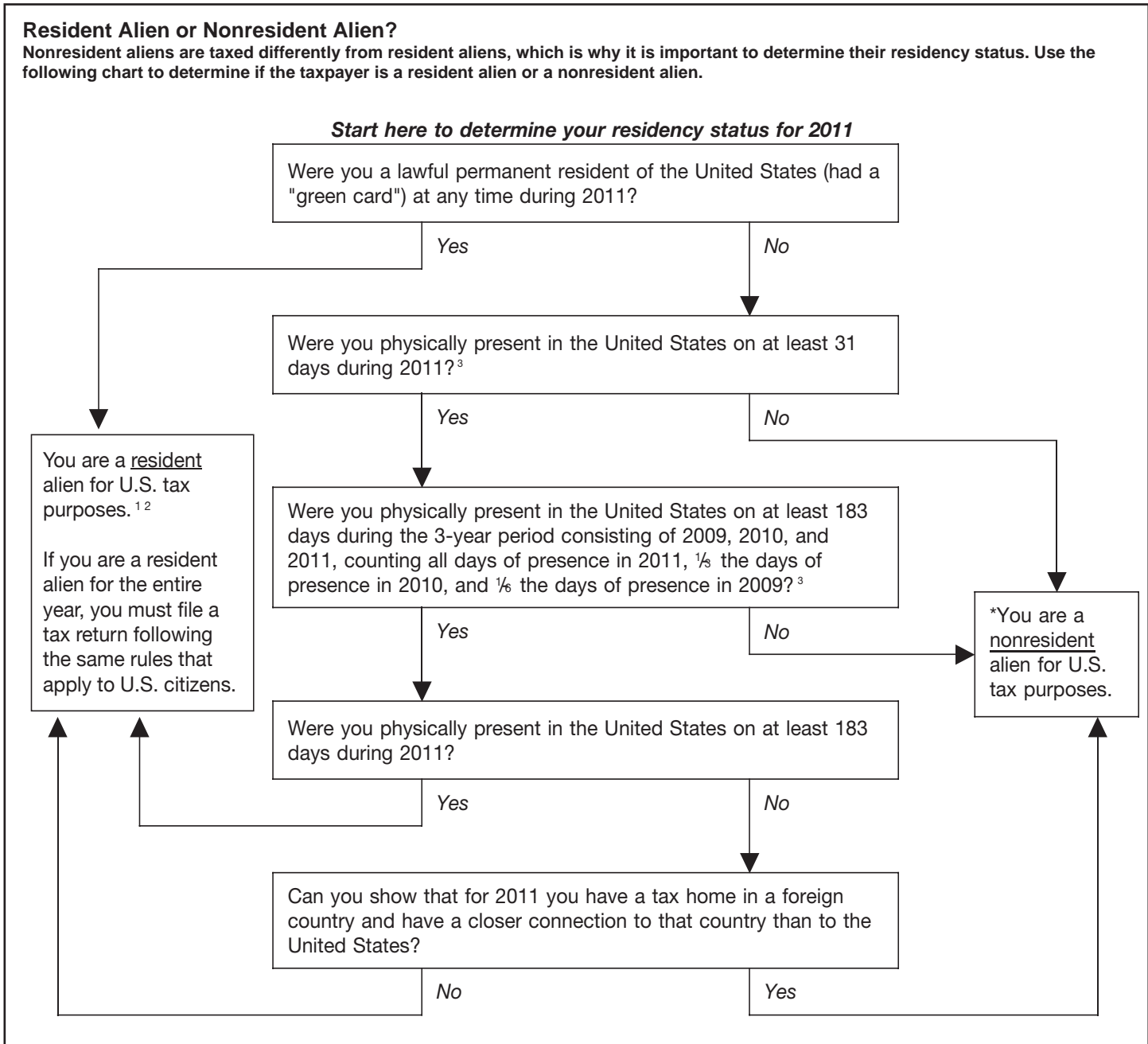


## Chart D – Who Should File

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 Form 1040 Instructions 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 an American Opportunity Credit.
8. You qualify for the Adoption Credit.



# Determining Residency Status – Decision Tree



<sup>1</sup> If this is the first or last year of their residency, taxpayers may have a dual status for the year. Refer dual status aliens to a professional tax preparer.

<sup>2</sup> In some circumstances taxpayers may still be considered nonresident aliens under an income tax treaty between the United States and the foreign country. Check the provisions of the treaty carefully.

<sup>3</sup> Do not count days a person regularly commutes to work in the United States from their home in Canada or Mexico, or days the person is an exempt individual. Such individuals may not choose residency status.

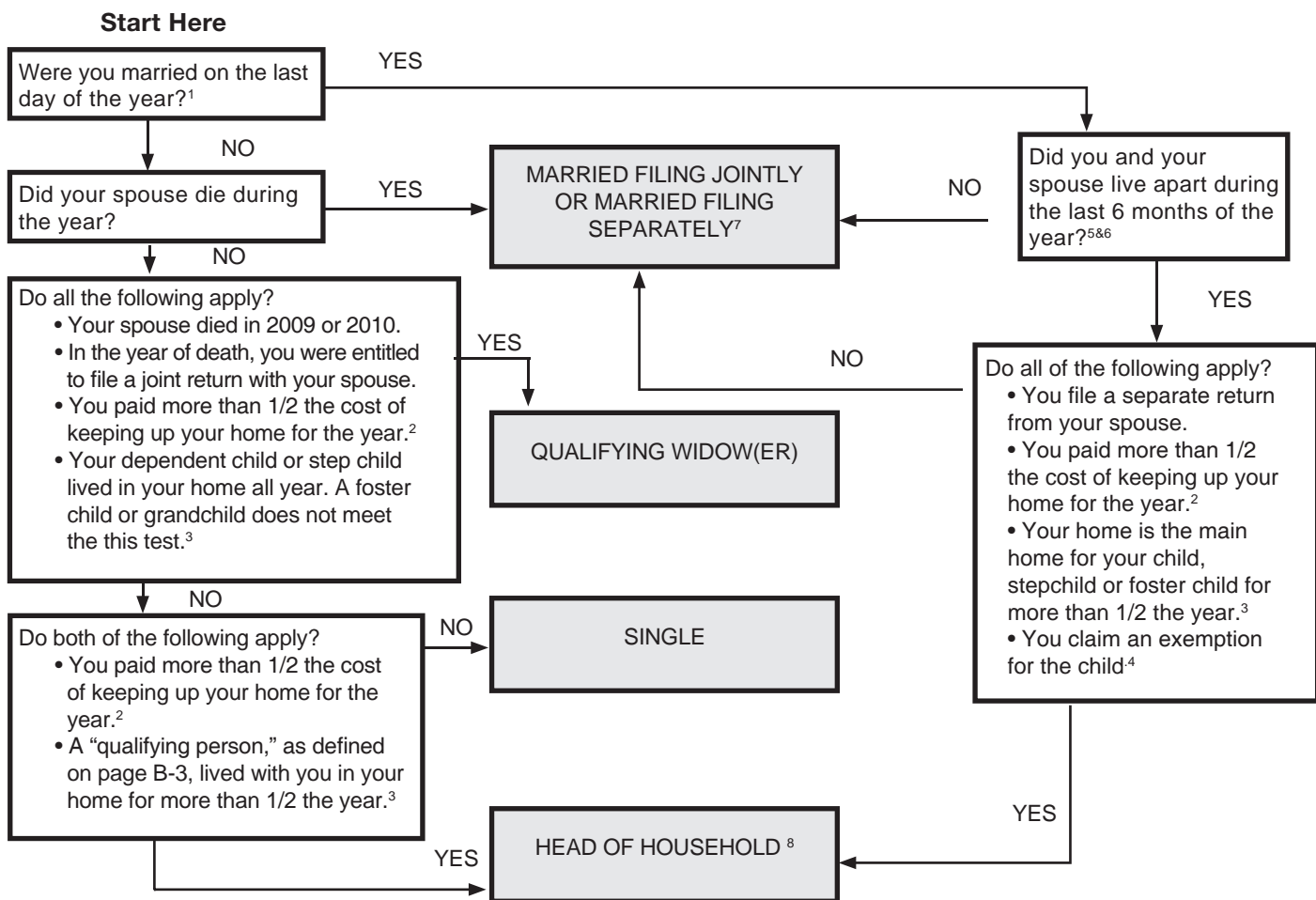
Exempt individuals include:

- Foreign government-related individual
- Teacher or trainee who is temporarily present under a J or Q visa
- Student who is temporarily present under an F, J, M, or Q visa
- Professional athlete who is temporarily in the United States to complete in a charitable sports event

See *Days of Presence in the United States* in Publication 519 for additional information.

\* Volunteers with foreign student certification may prepare tax forms and returns (Forms 8843, 1040NR, or 1040NR-EZ) for nonresident aliens within the scope of their training. Otherwise, refer taxpayers who are considered nonresident aliens to a professional tax preparer.

# Determination of Filing Status – Decision Tree



**Footnotes:**

1. Answer "NO" to this question if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree.
2. Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home.
  - Payments received under TANF or other public assistance programs used to pay costs of keeping up the home cannot be counted as money you paid. These payments must be included in the total cost of keeping up the home to figure if you paid over 1/2 the cost.
  - Amounts paid out of funds received as governmental assistance or SSA in the child's name are considered paid by others (not the taxpayer).
3. See Publication 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year.
4. Unless the child's other parent claims him or her under rules for children of divorced or separated parents or parents who lived apart.
5. 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.
6. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
7. 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.
8. 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 have a separate "household" for this filing status purpose.



# Filing Status

interview tips

Probe/Action: Ask the taxpayer:

<p>step <b>1</b></p>	<p>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 and you did not remarry by the end of the year.)</p>	<p>If YES, go to Step 2. If NO, go to Step 4.</p>
<p>step <b>2</b></p>	<p>Do you and your spouse wish to file a joint return?</p>	<p>If YES, STOP. Your filing status is <b>married filing jointly</b>. If NO, go to Step 3.</p>
<p>step <b>3</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You file a separate return</li> <li>■ You paid more than half the cost of keeping up your home for the year</li> <li>■ Your spouse did not live in your home during the last 6 months of the tax year <sup>1,2</sup></li> <li>■ Your home was the main home of your child, stepchild, or foster child for more than half the year</li> <li>■ You claim an exemption for the child (unless the noncustodial parent claims the child under rules for divorced or separated parents or parents who live apart)</li> </ul>	<p>If YES, STOP. You are considered unmarried and your filing status is <b>head of household</b>. If NO, STOP. Your filing status is <b>married filing separately</b>.</p>
<p>step <b>4</b></p>	<p>Did your spouse die in 2009 or 2010?</p>	<p>If YES, go to Step 5. If NO, go to Step 6.</p>
<p>step <b>5</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You were entitled to file a joint return with your spouse for the year your spouse died</li> <li>■ You did not remarry before the end of this tax year</li> <li>■ You have a child or stepchild for whom you can claim an exemption and who lived with you all year, except for temporary absences. Do not include a grandchild or foster child</li> <li>■ You paid more than half the cost of keeping up the home for the year</li> </ul>	<p>If YES, STOP. Your filing status is <b>qualifying widow(er) with dependent child</b>. If NO, go to Step 6.</p>
<p>step <b>6</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You paid more than half the cost of keeping up the home for the year</li> <li>■ A “qualifying person,” as defined on page B-3, lived with you in your home for more than 1/2 the year.<sup>3</sup></li> </ul>	<p>If YES, STOP. Your filing status is <b>head of household</b>. If NO, STOP. Your filing status is <b>single</b>.</p>

### Footnotes

- 1** 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.
- 2** Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
- 3** 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 the entire year (for example, a companion or a friend).



## Who Is a Qualifying Person Qualifying You To File as Head of Household?<sup>1</sup>

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) <sup>2</sup>	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. <sup>3</sup>
qualifying relative <sup>4</sup> who is your father or mother	you can claim an exemption for him or her <sup>5</sup>	a qualifying person. <sup>6</sup>
	you cannot claim an exemption for him or her	not a qualifying person.
qualifying relative <sup>4</sup> 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 <sup>5</sup>	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</u> in Pub 17 <u>and</u> is your qualifying relative only because he or she lived with you all year as a member of your household (for example, a companion or a friend)	not a qualifying person.
	you cannot claim an exemption for him or her	not a qualifying person.

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

<sup>2</sup> The term “qualifying child” is defined under Exemptions for Dependents, in Pub 17. **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.

<sup>3</sup> 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.

<sup>4</sup> The term “qualifying relative” is defined under Exemptions for Dependents, in Pub 17.

<sup>5</sup> 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.

<sup>6</sup> You are eligible to file as head of household even if your parent does not live with you. You must pay more than half the cost of keeping up a home that was the main home for the entire year for your parent. This test is met if you pay more than half the cost of keeping your parent in a rest home or home for the elderly.



interview  
tips

## Personal Exemptions

Probe/Action: Ask the taxpayer:

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

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

**Step 5:** Answer YES to this question 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.

**Step 6:** If married filing separately, the taxpayer can take his or her own exemption if no other taxpayer is 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.

**Step 7:** If married filing jointly (other than to claim a refund of withholding), the taxpayer cannot be 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.<sup>1</sup>
- 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 your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.	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: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled.	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 <sup>2</sup> (and your relationship must not violate local law).
3. The child must have lived with you for more than half of the year. <sup>2</sup>	3. The person's gross income for the year must be less than \$3,700. <sup>3</sup>
4. The child must not have provided more than half of his or her own support for the year. <sup>5</sup>	4. You must provide more than half of the person's total support for the year. <sup>5</sup>
5. The child is not filing a joint return for the year (unless that joint return is filed only as a claim for refund).	
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.	

<sup>1</sup>There is an exception for certain adopted children.

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

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

<sup>4</sup>There are exceptions for multiple support agreements, children of divorced or separated parents or parents who live apart, and kidnapped children.

<sup>5</sup>If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.



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

**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 during the year. 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 the year.

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 the year.

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 the year, 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.

**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.



# Table 1: Dependency Exemption for Qualifying Child

interview tips

Probe/Action: Ask the taxpayer:

step <b>1</b>	Can you or your spouse (if filing jointly) be claimed as a dependent on someone else's tax return this year?	If <b>YES</b> : If you can be claimed as a dependent by another person, you may not claim anyone else as your dependent. If <b>NO</b> : Go to STEP 2
step <b>2</b>	Was the child married as of December 31, 2011?	If <b>YES</b> : Go to STEP 3 If <b>NO</b> : Go to STEP 4
step <b>3</b>	Is the child filing a joint return for this tax year? <i>(Answer "NO" if the child is filing a joint return only to claim a refund and no tax liability would exist for either spouse if they had filed separate returns.)</i>	If <b>YES</b> : You cannot claim this child as a dependent. If <b>NO</b> : Go to STEP 4
step <b>4</b>	Was the child a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico? <i>(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 all year.)</i>	If <b>YES</b> : Go to STEP 5 If <b>NO</b> : You cannot claim this child as a dependent.
step <b>5</b>	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 <b>YES</b> : Go to STEP 6 If <b>NO</b> : This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>6</b>	Was the child: -under age 19 at the end of the year and younger than you <i>(or your spouse, if filing jointly)</i> OR -a full-time student under age 24 at the end of the year and younger than you <i>(or your spouse, if filing jointly)</i> OR -permanently and totally disabled* at any time during the year?	If <b>YES</b> : Go to STEP 7 If <b>NO</b> : This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>7</b>	Did the child live with you as a member of your household, except for temporary absences*, for more than half the year? <i>(Answer "YES" if the child was born or died during the year.)</i>	If <b>YES</b> : Go to STEP 8 (Use table 3 to see if the exemption for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b> : This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>8</b>	Did the child provide more than half of his or her own support* for the year?	If <b>YES</b> : You cannot claim this child as a dependent If <b>NO</b> : Go to STEP 9
step <b>9</b>	Is the child a qualifying child of any other person?	If <b>YES</b> : If the child is the qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. Go to the chart: Qualifying Child of More Than One Person If <b>NO</b> : You can claim this child as a dependent

### Footnotes:

**Step 6:** A person is permanently and totally disabled if he or she cannot engage in any substantial gainful activity because of a physical or mental condition, AND a doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

**Step 7:** A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to special circumstances such as illness, education, business, vacation or military service. In most cases a child of divorced or separated parents is the qualifying child of the custodial parent. See Table 3: Children of Divorced

or Separated Parents or Parents Who Live Apart to see if an exception applies. There is an exception for kidnapped children. See Publication 17, Personal Exemptions and Dependents

**Step 8:** A worksheet for determining support is included at the end of this section. If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.

## Table 2: Dependency Exemption for Qualifying Relative



interview tips

**You must start with Table 1.** (To claim a qualifying relative dependent, you must first meet the Dependent Taxpayer, Joint Return and Citizen or Resident Tests in steps 1-4 of table 1)

Probe/Action: Ask the taxpayer:

<p>step <b>1</b></p>	<p>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 a U.S. income tax return or files an income tax return only to get a refund of income tax withheld.</p>	<p>If <b>YES</b>, the person is not a qualifying relative. (See Qualifying Child Interview Tips.) If <b>NO</b>, go to Step 2.</p>
<p>step <b>2</b></p>	<p>Was the person your son, daughter, stepchild, foster child, or a descendant of any of them (i.e., your grandchild)? OR Was the person your brother, 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 half brother, half sister, stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law?*</p>	<p>If <b>NO</b>, go to Step 3. If <b>YES</b>, go to Step 4. <b>Note:</b> The relatives listed in Step 2 are considered "Relatives who do not have to live with you"</p>
<p>step <b>3</b></p>	<p>Was the person any other person (other than your spouse) who lived with you all year as a member of your household?</p>	<p>If <b>NO</b>, you cannot claim this person as a dependent. If <b>YES</b>, see footnote for Step 3, then go to Step 4. <b>Note:</b> There are exceptions for kidnapped children; a child who was born or died during the year; certain temporary absences—school, vacation, medical care, etc.</p>
<p>step <b>4</b></p>	<p>Did the person have gross taxable income of less than \$3,700 in 2011?*</p>	<p>If <b>NO</b>, you cannot claim this person as a dependent. If <b>YES</b>, go to Step 5.</p>
<p>step <b>5</b></p>	<p>Did you provide more than half the person's total support for the year?*</p>	<p>If <b>YES</b>, you can claim this person as your qualifying relative dependent. (Use Table 3 to see if the exception for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b>, go to Step 6.</p>

continued on next page

**Footnotes:**

**Step 2:** Any of these relationships that were established by marriage are not ended by death or divorce.

**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.

**Step 4:** 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:** A worksheet for determining support is included at the end of this section

See Table 3 for the exception to the support test for children of divorced or separated parents or parents who live apart.

If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.





## Table 2: Dependency Exemption for Qualifying Relative

interview  
tips

Continued  
Probe/Action: Ask the taxpayer:

step 6	Did another person provide more than half the person's total support?	If <b>YES</b> , you cannot claim an exemption for this person. If <b>NO</b> , go to Step 7.
step 7	Did two or more people together provide more than half the person's total support?	If <b>YES</b> , go to Step 8. If <b>NO</b> , you cannot claim this person as a dependent.
step 8	Did you provide more than 10% of the person's total support for the year?	If <b>YES</b> , go to Step 9. If <b>NO</b> , you cannot claim this person as a dependent.
step 9	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 <b>YES</b> , you can claim an exemption for this person. If <b>NO</b> , you cannot claim this person as a dependent.

## Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart



(Use this table when directed from Table 1 or Table 2 to determine if the exception applies to the qualifying child residency test or the qualifying relative support test)

Probe/Action: Ask the taxpayer:

interview  
tips

step <b>1</b>	<p>Did the child receive over half of his or her support from the parents who are:</p> <ul style="list-style-type: none"> <li>Divorced OR</li> <li>Legally separated under a decree of divorce or separate maintenance OR</li> <li>Separated under a written separation agreement OR</li> <li>Lived apart at all times during the last 6 months of the year?</li> </ul>	<p>If <b>YES</b>, go to Step 2. If <b>NO</b>, Table 3 does not apply.</p>
step <b>2</b>	<p>Was the child in the custody of one or both parents for more than half the year?</p>	<p>If <b>YES</b>, go to Step 3. If <b>NO</b>, Table 3 does not apply.</p>
step <b>3</b>	<p>Did the custodial parent (parent with whom the child lived for the greater number of nights during the year) provide the taxpayer a signed written declaration (Form 8332, a copy of Form 8332, or similar document) releasing his or her claim to the exemption for the child?</p>	<p>If <b>YES</b>, the Table 3 exception applies. See the footnote for Step 3 below then return to the appropriate step in Table 1 or Table 2. If <b>NO</b>, go to Step 4.</p>
step <b>4</b>	<p>Are either of the following statements true?</p> <p>The taxpayer has a Post-1984 and Pre-2009 decree or agreement that is applicable for 2011 and states <b>all three of the following?</b></p> <ol style="list-style-type: none"> <li>1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.</li> <li>2. The other parent will not claim the child as a dependent for the year.</li> <li>3. The years for which the noncustodial parent can claim the child as a dependent.</li> </ol> <p>(See Step 4 footnote for the items the noncustodial parent must attach to his/her tax return.)</p> <p style="text-align: center;">OR</p> <p>The taxpayer has 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 2011?</p>	<p>If <b>YES</b>, the Table 3 exception applies. Return to the appropriate step in Table 1 or Table 2. If <b>NO</b>, Table 3 does not apply.</p>

### Footnotes:

**Step 2:** If the child is emancipated under state law, either by reaching age of majority or other means, child is treated as not living with either parent (see Pub 17).

**Step 3: 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.

### Step 4: 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)

**Other decrees or agreements that do not meet step 4:** Non-custodial parents must attach the Form 8332, or a copy of Form 8332 or similar statement to their return.

# Income Quick Reference Guide



This list is a quick reference and volunteers should refer to Publication 17 for more information. Do not rely on this list alone. Some of the income items on this chart are out of scope for the VITA/TCE program. Refer taxpayers with out of scope income to a professional tax preparer. 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 Alimony Annuities Awards Back pay Breach of contract Business income/Self-employment income Compensation for personal services Debts forgiven <sup>1</sup> Director's fees Disability benefits (employer-funded) Discounts Dividends Employee awards Employee bonuses Estate and trust income Farm income Fees Gains from sale of property or securities Gambling winnings Hobby income Interest Interest on life insurance dividends	IRA distributions Jury duty fees Military pay (not exempt from taxation) Military pension Notary fees Partnership, Estate and S-Corporation income <i>(Schedule K-1s, Taxpayer's share)</i> Pensions Prizes Punitive damage Railroad retirement—Tier I (portion may be taxable) Railroad retirement—Tier II Refund of state taxes <sup>2</sup> Rents (gross rent) Rewards Royalties Severance pay Self-employment Non-employee compensation 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> Supplemental unemployment benefits Taxable scholarships and grants Tips and gratuities Unemployment compensation
---	---

## 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) Child support Damages for physical injury (other than punitive) Death payments Dividends on life insurance Federal Employees' Compensation Act payments Federal income tax refunds Gifts, bequests, and inheritances <sup>3</sup> Insurance proceeds <ul style="list-style-type: none"> <li>• Accident</li> <li>• Casualty</li> <li>• Health</li> <li>• Life</li> </ul> Interest on tax-free securities Interest on EE/I bonds redeemed for qualified higher education expenses	Meals and lodging for the convenience of employer Payments to the beneficiary of a deceased employee Relocation payments or payments in lieu of worker's compensation Rental allowance of clergyman Sickness and injury 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> Supplemental Security Income (SSI) Temporary Assistance for Needy Families (TANF) Veterans' benefits Welfare payments (including TANF) and food stamps Worker's compensation and similar payments
---	---

**Footnotes:** <sup>1</sup>If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable (see D-4)

<sup>2</sup>If itemized in year paid and taxes were reduced because of deduction

<sup>3</sup>An inheritance is not reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.



# Tax Treatment of Scholarship and Fellowship Payments<sup>1</sup>

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 <sup>2</sup>	Taxable
Tuition	X		X	
		X		X
Fees	X		X <sup>3</sup>	
		X		X
Books	X		X <sup>3</sup>	
		X		X
Supplies	X		X <sup>3</sup>	
		X		X
Equipment Computers must be required for enrollment or attendance.	X		X <sup>3</sup>	
		X		X
Room	X	X		X
Board	X	X		X
Travel	X	X		X
Research	X	X		X
Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution.	X	X		X

<sup>1</sup>To determine the net taxable portion of the scholarship or grant, subtract the allowable tax-free items (see Form 1098T for information regarding tuition paid and scholarships received). In TaxWise, link from the appropriate box below line 7 to the worksheet to report the net amount. The net amount is taxable to the person in whose name the scholarship was received.

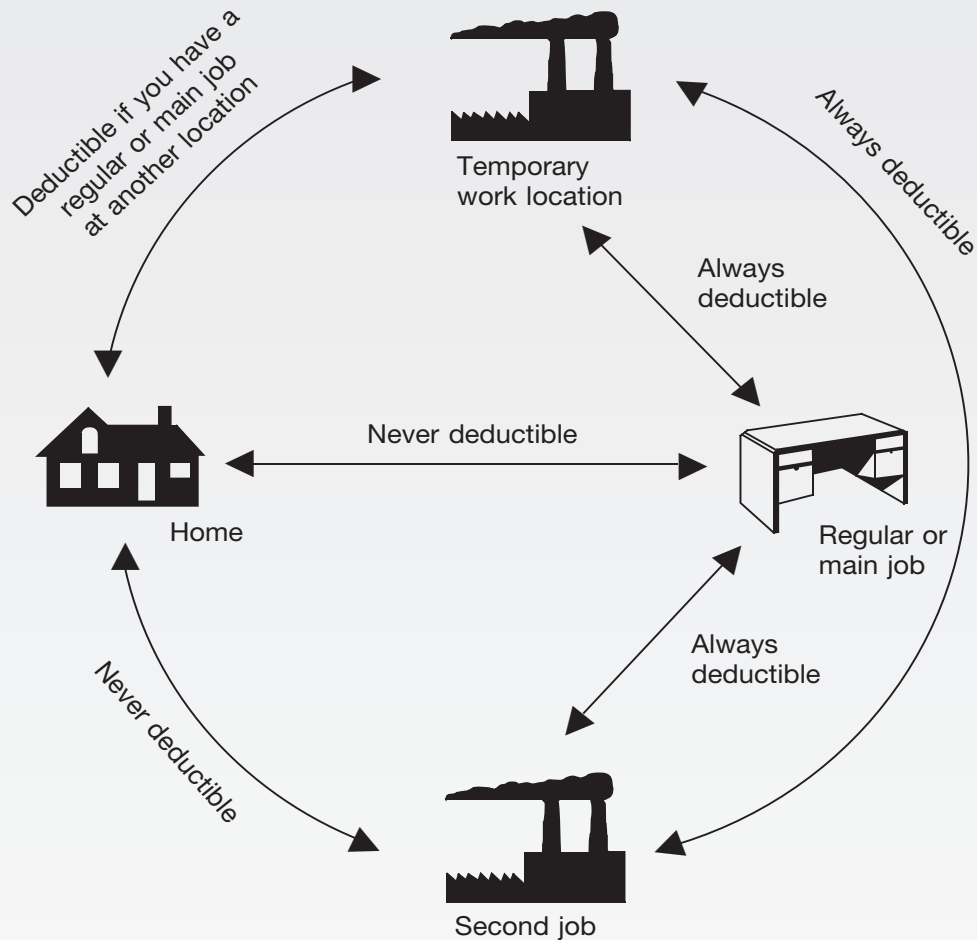
<sup>2</sup>Payments used for any expenses indicated in this column are tax free only if the terms of the scholarship or fellowship do not prohibit the expense.

<sup>3</sup>If required of all students in the course.



## 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.



## 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 generally do not qualify for the standard deduction. See Publication 519, U.S. Tax Guide for Aliens, for more information



## Exhibit 1 – Standard Deduction for Most People\*

This table provides the standard deduction amounts for tax year 2011.

If the taxpayer's filing status is...	Your standard deduction is ...
Single or married filing separate return	\$5,800
Married filing joint return or qualifying widow(er) with dependent child	\$11,600
Head of household	\$8,500

\*Do not use this chart if the taxpayer was born before January 2, 1947, is blind, 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, 1947 or Who Are Blind\*

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

You Born before January 2, 1947  Blind

Your spouse, if claiming spouse's exemption Born before January 2, 1947  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	\$7,250
	2	\$8,700
Married filing joint return or Qualifying widow(er) with dependent child	1	\$12,750
	2	\$13,900
	3	\$15,050
	4	\$16,200
Married filing separate return	1	\$6,950
	2	\$8,100
	3	\$9,250
	4	\$10,400
Head of household	1	\$9,950
	2	\$11,400

Do not use this chart if someone can claim you, or your spouse if filling jointly, as a dependent.



## 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 qualifying 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 whom the taxpayer can claim as a dependent or could have claimed as a dependent except that the person had gross income of more than \$3,700 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 2011 return.
- A spouse who is physically or mentally incapable of self-care and lived with the taxpayer for more than half the year.

See Publication 17, **Child and Dependent Care Credit** for special rules regarding divorced or separated parents or parents who live apart.

### 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.

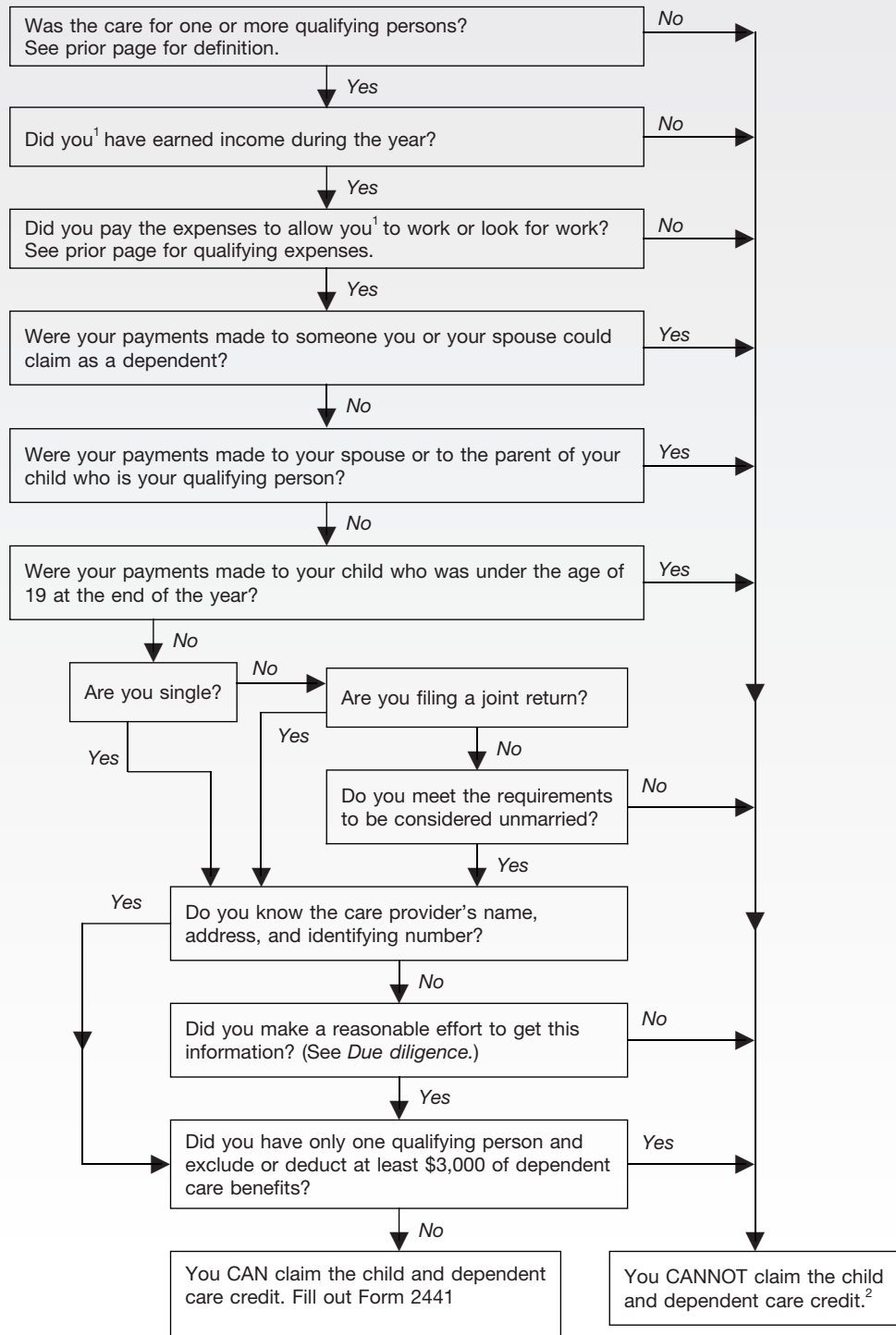
Caution: If Dependent Care Benefits are listed in Box 10 of a W2, then the taxpayer **MUST** complete Form 2441. If Form 2441 is not completed, the Box 10 amount is entered on Line 7 of the 1040 as taxable income.



# Credit for Child & Dependent Care Expenses – Decision Tree

## Can You Claim the Child and Dependent Care Credit

**Start Here**



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

<sup>2</sup> If you had expenses that met the requirements for 2010, except that you did not pay them until 2011, you may be able to claim those expenses in 2011.



# 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, 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 <sup>1</sup> (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 \$61,000 (\$100,000 and \$122,000 if married filing jointly)

### Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution. (to determine if eligible, see <http://ope.ed.gov/accreditation>)
- 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. If a student is **NOT** claimed as a dependent (even if eligible to be claimed), only the student can claim an education credit no matter who paid the expenses. Anyone paying the expenses (even directly to the institution) are considered to have given a gift to the student who in turn is treated as having paid the expenses.

<sup>1</sup> None of the credit is refundable if (1) the taxpayer claiming the credit is (a) under age 18 or (b) age 18 at the end of the year, and their earned income was less than one-half of their own support or (c) a full time student over 18 and under 24 and their earned income was less than one-half of their own support; and (2) the taxpayer has at least one living parent, and; (3) the taxpayer 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 2011 or the first 3 months of 2012
- 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 only 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. However, whether an expenditure for a computer qualifies for the credit depends on the facts. An expenditure for a computer would qualify for the credit if the computer is needed as a condition of enrollment or attendance at the educational institution.

### 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.



## Child Tax Credit

Use the worksheet in Form 1040 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 <b>1</b>	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 <b>YES</b> , go to Step 2. If <b>NO</b> , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children.
step <b>2</b>	Is this child under age 17 at the end of the tax year?	If <b>YES</b> , go to Step 3. If <b>NO</b> , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children.
step <b>3</b>	Did the child provide over half of his or her own support for the tax year?	If <b>NO</b> , go to Step 4. If <b>YES</b> , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children.
step <b>4</b>	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"> <li>• Exception to Time Lived with You</li> <li>• Kidnapped Child</li> <li>• Children of Divorced or Separated or Parents who live apart.</li> </ul>	If <b>YES</b> , go to Step 5. If <b>NO</b> , you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children.
step <b>5</b>	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 <b>YES</b> , go to Step 6. If <b>NO</b> , 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 <b>6</b>	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 <b>NO</b> , go to Step 7. If <b>YES</b> , you must use Publication 972 to figure the credit.
step <b>7</b>	Are you claiming any of the following credits? <ul style="list-style-type: none"> <li>• Residential energy efficient property credit, Form 5695, Part II; Mortgage Interest credit, Form 8396; District of Columbia first-time homebuyer credit, Form 8859.</li> </ul>	If <b>NO</b> , use the Child Tax Credit Worksheet to figure the credit. If <b>YES</b> , 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 2011 if the child was born or died in 2011 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 2011 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.

#### Modified Adjusted Gross Income Limits

- Married filing jointly - \$110,000
- Single, head of household, or qualifying widow(er) - \$75,000
- Married filing separately - \$55,000

#### 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 2011.
- The child received over half of his or her support for 2011 from the parents.
- The child was in custody of one or both of the parents for more than half of 2011.
- A decree of divorce or separate maintenance or written separation agreement that applies to 2011 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 2011.
- The custodial parent signs Form 8332 or similar statement that he or she will not claim the child as a dependent in 2011. 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.



## Earned Income Table

Earned Income	
Includes	Does not include
<ul style="list-style-type: none"> <li>■ Taxable wages, salaries, and tips</li> <li>■ Union strike benefits</li> <li>■ Taxable long-term disability benefits received prior to minimum retirement age</li> <li>■ Net earnings from self-employment</li> <li>■ Gross income of a statutory employee</li> <li>■ Household employee income</li> <li>■ Nontaxable combat pay election</li> <li>■ Non-Employee compensation</li> <li>■ The rental value of a home or a housing allowance provided to a minister as part of the minister's pay <b>(Out of Scope)</b></li> </ul>	<ul style="list-style-type: none"> <li>■ Interest and dividends</li> <li>■ Social security and railroad retirement benefits</li> <li>■ Welfare benefits</li> <li>■ Workfare payments</li> <li>■ Pensions and annuities</li> <li>■ Veteran's benefits (including VA rehabilitation payments)</li> <li>■ Workers' compensation benefits</li> <li>■ Alimony</li> <li>■ Child support</li> <li>■ Nontaxable foster-care payments</li> <li>■ Unemployment compensation</li> <li>■ Taxable scholarship or fellowship grants that are not reported on Form W-2</li> <li>■ Earnings for work performed while an inmate at a penal institution*</li> <li>■ Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal Thrift Savings Plan)</li> <li>■ The value of meals or lodging provided by an employer for the convenience of the employer</li> <li>■ Disability Insurance payments</li> <li>■ Excludable dependent care benefits (line 24 of Form 2441)</li> <li>■ Salary reductions such as under a cafeteria plan</li> <li>■ Excludable employer-provided educational assistance benefits (may be shown in box 13 of Form W-2)</li> <li>■ Anything else of value received from someone for services performed, if it is not currently taxable</li> </ul>



## 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, residency test and joint return 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 \$3,150 or less.		
Cannot be a qualifying child of another person.		

### Part D

#### Earned Income and AGI Limitations

You must have earned income to qualify for this credit.

Your earned income and AGI must be less than:

- \$43,998 (\$49,078 for married filing jointly) if you have three or more qualifying children,
- \$40,964 (\$46,044 for married filing jointly) if you have two qualifying children,
- \$36,052 (\$41,132 for married filing jointly) if you have one qualifying child, or
- \$13,660 (\$18,740 for married filing jointly) if you do not have a qualifying child.



## 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.

If the IRS determined a taxpayer claimed the EIC due to reckless or intentional disregard of the EIC rules the taxpayer 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.

\*Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

**Note:** Taxpayers meeting this criteria should file a paper return to avoid a potential rejected electronic filed return.



## EIC General Eligibility Rules

interview  
tips

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:

- \$43,998 (\$49,078 married filing jointly) with three or more qualifying children;
- \$40,964 (\$46,044 married filing jointly) with two qualifying children;
- \$36,052 (\$41,132 married filing jointly) with one qualifying child; or
- \$13,660 (\$18,740 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 \$3,150?

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.





interview  
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 (or spouse, if filing jointly)
- Under age 24 and a full-time student and younger than the taxpayer (or spouse, if filing jointly), 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**

Did the child file a joint return for the year?<sup>1</sup>

**Note:** Answer NO if the child and his or her spouse filed a joint return only as a claim for a refund.

If NO, go to Step 5.

If YES, STOP. This child is not your qualifying child (failed the joint return 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 2011) 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.

<sup>1</sup> If your child was married at the end of the year, he or she does not meet the joint return 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

interview  
tips

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? Taxpayers born on January 1st are considered to be of age as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

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 183<sup>1</sup> days) of the tax year?

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

<sup>1</sup> 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 2011. 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 2011.
- 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 2011.
- 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 2011, 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.

# 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 (Box 7)	Miscellaneous Income (Self Employment Income) (See Note 2)	12	Link from appropriate 1040 line to 1099-MISC (eg, line 21 for Other Income) or to any required schedule (C, C-EZ, E) and then to 1099-MISC. DO NOT start with the 1099-MISC. See Note 2 regarding Nonemployee Compensation
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	15	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
1099-MISC (Box 3)	Prizes, Awards, Jury Duty	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 nonemployee compensation, it is important to link to Schedule C or C-EZ and then from "Gross Receipts" to the 1099-MISC before completing the rest of Schedule (exception is earnings of the newspaper carrier, <18 years of age - in this case, the 1099-MISC is linked from line 21 because earnings are not subject to self-employment tax).

**Note 3:** Enter K-1 information directly without using K-1 worksheet: use Interest or Dividend Stmt and list Payer as Name of Company; enter net capital gain/loss on Schedule D, line 5 for short-term and line 12 for long-term; and for royalties use Schedule E. Enter address and code 6 in the space provided.

**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 "RegExp" 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.

# 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
- Other Income, Form 1099-Misc
- 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 (Remember to check BOTH federal and state returns).
- 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.

# 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. On the sample check below, the account number is 20202086.
- 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 [www.IRS.gov](http://www.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 Savings 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).

TONY MAPLE  
JENNIFER MAPLE  
123 Pear Lane  
Anyplace, GA 00000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

ANYPLACE BANK  
Anyplace, GA 00000

For \_\_\_\_\_

1: (250250025) | 20202086 | 1234

1234  
15-00000000

**Routing number** (line 74b)

**Account number** (line 74d)

**Do not include the check number.**

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 12-5

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 “2011 Form 1040” 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):
  - Explain estimated taxes to the taxpayer. If possible, download Form 1040-ES, Estimated Tax for Individuals, and provide assistance in completing the form.
  - Advise the taxpayer to review Publication 505, Tax Withholding and Estimated Tax.

Forms or Publications can be obtained from [www.irs.gov](http://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 signed 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

**Important Note:** Tax packages are no longer being mailed out to individuals by IRS. Forms and publications may be accessed via the Internet at [www.irs.gov/formspubs](http://www.irs.gov/formspubs).

### Mail the following to:

IRS Processing Center (for e-filed return—after acknowledgement received)

- Form 8453, if applicable, along with the following:
  - Copy of Form 8332, if applicable
  - Copy of Power of Attorney, if applicable
  - Any other required attachments

## Contact Information for Volunteers

### TaxWise

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)
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
VolTax	1-877-330-1205

### 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