



ADVANCED PREPARER TRAINING

TAX YEAR 2023

PREPARE + PROSPER

This training is approximately 3 hours. We will have a break about half-way through.

INTRODUCTIONS

- Introduce yourself! Please share:
 - Your name and pronouns (if you want to share them)
 - How long you have been volunteering
 - Your volunteer location



TRAINING OVERVIEW

Advanced VITA certification

Self-employment income

Retirement income

Capital gains

Itemized deductions

More advanced topics



WHY DO THE ADVANCED CERTIFICATION?

- Help more customers
- Learn more about taxes
- Help keep the tax clinic moving
- Most advanced topics are not hard
- Challenge yourself

BASIC VS ADVANCED TOPICS

Basic

- Filing status and dependents
- W2, interest and dividend incomes
- Some retirement income
- Education credits
- Minnesota topics

Advanced

- Self-employment
- Capital gains and stock sales
- Some retirement income
- Premium tax credit
- Health Savings Accounts

THE CERTIFICATION TEST

- Skip straight to the advanced test, you do not have to take the basic first
- Covers a range of topics that are both advanced and basic
- Test covers some topics that are rare to see at tax sites



SELF EMPLOYMENT

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SELF EMPLOYMENT BASICS

- If someone has income that is considered self-employment for tax purposes they will
 - Need to report all income
 - Be able to utilize business-related expenses to lower tax bill
 - Will be assessed self-employment taxes if SE income is over \$400

P+P SELF-EMPLOYMENT CLINIC

- Focus on taxpayers with significant amounts of self-employment income
- Income Guidelines
 - Follows same income guidelines as regular program
- Self-employed clients we serve
 - Sole-proprietor
 - Independent contractor
 - Single member LLCs
- Common business types we serve:
 - Massage therapists, artists, musicians, barbers/stylists, daycare providers, tutors, janitorial/cleaning, construction, a psychic or two and lots of ride share drivers

THE SETO AND MINI SETO

MINI SELF-EMPLOYMENT TAX ORGANIZER TAX YEAR 2023

PREPARE
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The MINI Self-Employment Tax Organizer (MINI-SETO) is a tool to record your income and expenses from self-employment. The MINI-SETO collects the information needed to prepare Schedule C, which is used to report self-employment income and expenses on your tax return. Fill out each section of the SETO that is relevant to your business. Not all sections will apply to you.

If you have a business use of home or inventory, you cannot use the MINI-SETO and must schedule with the P+P self-employment clinic by calling 651-262-2169.

BASIC INFORMATION

Your name _____

Business name
(If no separate name, leave blank.) _____

Business address
(If no separate address, leave blank.) _____

Business or profession
(What do you do?) _____

INCOME FROM SELF-EMPLOYMENT

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RECORDKEEPING

- Taxpayers need to keep records of income and expenses
- Some questions to help (re)create records
 - About how much were you paid each week? For how many weeks?
 - Did you have to buy any tools or equipment? Other expenses, supplies?
 - Did you drive your car for this business?



SE INCOME SOURCES

- Payments for services
- Sales of goods
- Commissions
- Grants
- Royalties
- Online funding
 - Patreon
 - GoFundMe
- Other income
 - Selling blood/plasma
 - Selling scrap
 - Advertisements on a vehicle



SE INCOME RECORDS



- Cash receipts
- Checks
- Bank records
- Tax forms
 - 1099-NEC
 - 1099-MISC
 - 1099-K
 - Schedule K-1

1099-NEC

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		Nonemployee Compensation	
		Form 1099-NEC (Rev. January 2022)			
		For calendar year 20 ____			
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$ _____		Copy 1 For State Tax Department	
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.)		3 _____			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$ _____			
Account number (see instructions)		5 State tax withheld \$ _____	6 State/Payer's state no. _____		7 State income \$ _____
		\$ _____			\$ _____
		\$ _____			\$ _____

Form **1099-NEC** (Rev. 1-2022)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

1099-MISC

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED				OMB No. 1545-0115 Form 1099-MISC (Rev. January 2022) For calendar year 20__		Miscellaneous Information	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$ _____	4 Federal income tax withheld \$ _____		Copy 1 For State Tax Department		
		2 Royalties \$ _____					
		3 Other income \$ _____					
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds \$ _____	6 Medical and health care payments \$ _____				
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest \$ _____				
Street address (including apt. no.)		9 Crop insurance proceeds \$ _____	10 Gross proceeds paid to an attorney \$ _____				
City or town, state or province, country, and ZIP or foreign postal code		11 Fish purchased for resale \$ _____	12 Section 409A deferrals \$ _____				
		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments \$ _____	15 Nonqualified deferred compensation \$ _____			
Account number (see instructions)		16 State tax withheld \$ _____	17 State/Payer's state no.	18 State income \$ _____			
		\$ _____		\$ _____			

Form **1099-MISC** (Rev. 1-2022) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

1099-K

VOID CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		FILER'S TIN		OMB No. 1545-2205	
		PAYEE'S TIN		Form 1099-K (Rev. January 2022) For calendar year 20 ____	
		1a Gross amount of payment card/third party network transactions \$ _____			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>		Payment Card and Third Party Network Transactions Copy 1 For State Tax Department	
		1b Card Not Present transactions \$ _____			
PAYEE'S name _____ Street address (including apt. no.) _____ City or town, state or province, country, and ZIP or foreign postal code _____		3 Number of payment transactions _____		4 Federal income tax withheld \$ _____	
		5a January \$ _____		5b February \$ _____	
PSE'S name and telephone number _____		5c March \$ _____		5d April \$ _____	
		5e May \$ _____		5f June \$ _____	
Account number (see instructions) _____		5g July \$ _____		5h August \$ _____	
		5i September \$ _____		5j October \$ _____	
_____		5k November \$ _____		5l December \$ _____	
		6 State _____		7 State identification no. _____	
				8 State income tax withheld \$ _____ \$ _____	

Form **1099-K** (Rev. 1-2022) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

- Rideshare
 - Uber
 - Lyft
- Online stores
 - Shopify
 - eBay
- Payment processors
 - PayPal
 - Venmo
 - Stripe

MAEPD

- Medical Assistance for Employed Persons with Disabilities
- Must earn at least \$65/month (\$780/year)
- Returns usually have no expenses
- Common examples of MAEPD businesses:
 - Cleaning service
 - House sitting
 - Dog walking
 - Gardening/lawncare
 - Babysitting

SE TAX BASICS

- Self-Employment Tax covers Social Security and Medicare payroll taxes
- Employee/Employer
 - Each pays half the taxes and employer withholds the employee's share
 - 7.65% each
- Self-employed person
 - Pays both halves of the tax
 - 15.3% total

SE TAX CONTINUED

- Taxpayers owe SE Tax on profit from their self-employment earnings and reconcile the tax on their return (Schedule SE)
- Anyone who owes SE tax can deduct half the amount owed from their taxable income (Form 1040, Sch 1)
- Not uncommon to owe SE tax but have no taxable income

SE HEALTH INSURANCE



Self-employed taxpayers may deduct up to 100% of their medical insurance premiums from taxable income.

- Must have profit from SE business
- Cannot be eligible for employer subsidized plan
- Not a business expense

ESTIMATED TAX PAYMENTS

Taxpayers may voluntarily make payments to the IRS (and MDOR)

- Payments typically made quarterly
- Reduces tax bill and potential underpayment penalties at tax time



Rule of Thumb:

New business owners should reserve 25% of income to make estimated payments during the year

BUSINESS EXPENSES

A deductible expense must be **Ordinary** and **Necessary** in the business

- **Ordinary:** Expense that is normal and accepted for the industry
- **Necessary:** Expense that is helpful and appropriate for the business

COMMON EXPENSES

- Advertising
- Car and truck expenses (mileage)
- Contract labor
- Commissions
- Dues and publications
- Professional education
- Insurance
- Loan interest
- Legal fees
- Taxes and licenses
- Phone/Internet
- Office expenses
- Business use of home
- Rent
- Repairs
- Supplies
- Equipment
- Meals 50% (restaurant)
- Travel expenses
- Safety Equipment
- Uniforms

VEHICLE EXPENSES

Taxpayers have two options for deducting vehicle expenses for a business: **Standard Mileage Rate** or **Actual Expenses**

- **Standard Mileage Rate**
 - Track the miles driven for business
 - Deduction is a flat dollar amount per business mile
 - In-scope
- **Actual Expenses**
 - Track all mileage and must categorize each mile as personal or business
 - Keep receipts for every expense to maintain or operate the vehicle
 - Deduct the business portion of actual expenses
 - Out-of-scope



STANDARD MILEAGE DEDUCTION

- P+P can and will only use mileage deduction
- Mileage based deduction
 - 65.5 cents per mile
- Additional vehicle expenses allowed with standard mileage deduction:
 - Parking and tolls while used for business
 - Vehicle loan interest: prorated to percentage of business use
 - Personal property taxes on vehicle: prorated to percentage of business use

CALCULATING BUSINESS MILEAGE

- Business related trips from business location to business location
 - Includes trips from W-2 work to SE work
- Trips to and from home are considered commuting (personal) miles
 - Exception if the taxpayer claims a business use of home deduction



TRAVEL

- Business travel expenses are deductible when a taxpayer travels out of their regular business area for work
- Regular business area:
 - Area it is common for workers to commute to and from
- Example of deductible expenses:
 - Transportation costs (including mileage)
 - Meals
 - Lodging

BUSINESS USE OF HOME

Taxpayers have two ways to calculate a business use of home: **Simplified** and **Traditional**

- **Simplified**
 - A flat dollar amount per square foot used for business
- **Traditional**
 - Prorate actual costs of the home based on percentage used for business
- Regardless of method, the area must be exclusively used for business



REGULAR CLINICS VS SE CLINICS

P+P regular clinics

- SE income up to \$10,000
- No NOLs
- No depreciation
- No inventory
- No employees
- 1 Schedule C (per taxpayer)
- No business use of home
- COD nonbusiness credit card only

P+P SE clinics

- SE income up to \$60,000
- NOLs carried forward
- Depreciation (ex: 179, MACRS)
- Inventory
- No employees
- 1+ Schedule C
- Business use of home is common
- COD on main home

OUT-OF-SCOPE (EVEN FOR P+P SE CLINICS)

- Businesses with employees
- Bartering
- Accrual accounting
- Sale of a business
- Bankruptcy
- Actual car/truck expenses
- Partnerships or entity returns
- Non-profit returns
- Other state returns
- Crypto currencies
- Day Traders
- Actual Taxis
- Clergy
- Rental property income
- Hobbies



BUSINESS EXPENSES ACTIVITY!

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RETIREMENT INCOME

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RETIREMENT INCOME

BASIC VS ADVANCED

- Retirement income is occasionally an advanced topic
- Advanced when:
 - Taxable amount in box 2a is blank and taxable amount is marked not determined
 - Taxpayer is eligible to exclude early distribution penalties
 - Pension or annuities require the simplified method

TYPES OF RETIREMENT INCOME DISTRIBUTIONS

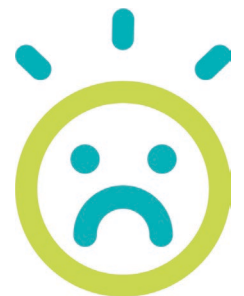
- Distributions may come from a retirement plan offered by an employer or one the taxpayer opened on their own
- Form 1099-R distribution codes in box 7 identify the type of distribution
 - Some codes are out of scope for VITA
- Codes allow TaxSlayer to transfer distribution amounts to other parts of the software if needed

DISTRIBUTION CODES

- Look at the distribution code on a 1099-R early in the preparation process
- Most common code is 7 for a regular distribution
- Many codes are out of scope
 - Watch out for J, T, and U
- Codes 1 and 2 indicate an early distribution and may cause a penalty

EARLY DISTRIBUTION OF RETIREMENT INCOME

- Distributions are intended to come out after the taxpayer reaches retirement age
- Form 1099-R will have an early distribution code if
 - the taxpayer is under 59 ½ years old and
 - The financial institution has no known exception
- Early distributions are subject to a 10% additional tax
 - Taxpayers may qualify for an exception the additional tax, but the early distribution income is still taxable
 - Exceptions listed on page H-7 of Pub 4012



EXAMPLES: EARLY DISTRIBUTIONS

Let's look at two examples:

Rod is 42 years old. He had a major car repair in August and took \$3,000 out of his 401k account to pay for it.

The \$3,000 early distribution is included in Rod's income to figure his income tax. An additional tax \$300 is also added. There is no general hardship exception.

Cal is 38 years old. He is in grad school and took \$5,100 out of his IRA to pay tuition.

The \$5,100 early distribution is included in Cal's income to figure his income tax. There is no 10% additional tax, because an exception applies for higher education paid for with early IRA distributions.

CODE 3 AND DISABILITY

- Code 3 in box 7 on a 1099-R indicates a distribution related to a disability
- Income can be considered earned income if the taxpayer has not reached minimum retirement age
 - Specific age is determined by the employer plan guidelines
 - Ask taxpayer what minimum retirement age is at this employer

CODE G AND ROLLOVERS

- Distribution code G in box 7 indicates a direct rollover
 - Money goes from one financial institution directly to another
 - None of the distribution is taxable
- Taxpayers can rollover distributions on their own within 60 days
 - These rollovers will not have Code G listed
 - Takes extra data entry in TaxSlayer

USING THE SIMPLIFIED METHOD

- If the “taxable amount not determined” box is checked
 - Is the amount in box 2a entered, and is it the same as box 1 for gross income?
 - If taxable amount is blank, what is the distribution code: If G that is a rollover.
 - Is there an amount in box 9b? If taxable amount is blank, taxable amount not determined is checked, and an amount in 9b then simplified method is needed.

SIMPLIFIED METHOD

- P+P tax manual provides guidance for the simplified method on Page 66 and 67
 - Pub 4012 page D-46 also provides instructions
- Information needed:
 - Start date for receiving pension
 - All other details can be determined from the 1099-R or from calculations
- Having info from previous years is helpful

LUMP SUM SOCIAL SECURITY BENEFITS

- Some individuals receive a lump sum when starting to receive SSA benefits
- Form SSA-1099 shows a total in box 5, and the bottom left corner lists the amounts applicable to previous years
- Lump sums can be reported as income in the current tax year or taxed as if they had been distributed in a prior year
 - Need income information from previous years
 - Does not require an amendment
 - Total from box 5 will be included on M1PR

BREAK



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CAPITAL GAINS AND LOSSES

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CAPITAL GAINS BASICS

- Sales of capital assets such as stocks, bonds and real estate result in capital gains or losses
- Reported on Schedule D and Form 8949
- Need to know cost basis, proceeds from sale, and holding period
 - Short-term investments: held less than a year
 - Long-term investments: held more than a year

FORM 1099-B AND OTHER DOCUMENTATION

- Most capital gains information comes from stock sales reported on Form 1099-B
 - Type of stock
 - Holding period
 - Cost and proceeds
- Best practice: Enter all transactions into TaxSlayer individually
 - Exception: With many transactions, enter summary information – data entry errors are more common when entering more data
 - Short-term and long-term transactions must be entered separately – tax is calculated at different tax rates

DETERMINING COST BASIS

- Cost basis is original purchase price
- Can also include dividend reinvestments or improvements to properties
- Generally reported on Form 1099-B
 - If not, taxpayer must provide the date of purchase and the cost
- Inherited stocks
 - Fair market value at the time of the owner's death*
 - Holding period is considered long-term*

*There are exceptions, but they are extremely uncommon at P+P.

CAPITAL LOSS CARRYOVER

- When transactions totaled together result in a loss, only \$3,000 can be utilized per tax year
- Losses of over \$3,000 can be carried over to future tax years until the amount is fully used
 - Each subsequent year up to \$3,000 can be reported as a loss
 - The maximum loss allowable per year includes losses acquired in the current tax year
- A worksheet from a previous year's tax return or other loss documentation is required to report a capital loss carryover

OUT OF SCOPE CAPITAL GAINS

- All virtual currency transactions
- Gains from the sale of personal property
 - Personal property sold at a loss does not need to be reported



SALE OF A MAIN HOME

- Gains from the sale of a main home usually do not need to be reported for Federal or Minnesota income taxes
- Gains from the sale of a main home are considered household income on Form M1PR
- Exclude gains from taxable income if:
 - Gain is \$250,000 or less (\$500,000 or less if MFJ)
 - Taxpayer owned and lived in the home for at least two years

FORECLOSURE REFERRALS

- Refer taxpayers with a foreclosure to the self-employment clinic
- Impact on the tax return comes when the foreclosure is finalized and debt is forgiven
- Form 1099-A and 1099-C are common for foreclosures



ITEMIZED DEDUCTIONS

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STANDARD OR ITEMIZED DEDUCTION?

- Deductions are subtracted from AGI to calculate taxable income
- Taxpayers should use the best tax benefit

STANDARD DEDUCTION	ITEMIZED DEDUCTIONS
<ul style="list-style-type: none">• Deduction based on filing status	<ul style="list-style-type: none">• Actual deductible expenses recorded on Schedule A
<ul style="list-style-type: none">• Increased deduction for taxpayers who are blind or age 65+	<ul style="list-style-type: none">• Must itemize if MFS and spouse itemizes

STANDARD DEDUCTION

Filing status	2023
Single	\$13,850
Married filing joint	\$27,700
Married filing separate	\$13,850
Head of household	\$20,800
Qualifying surviving spouse	\$27,700
<i>Different standard deduction amounts are calculated for dependents, taxpayers age 65+, and taxpayers who are blind.</i>	

The Minnesota standard deduction is slightly different in 2023.

ITEMIZED DEDUCTIONS (SCHEDULE A)

- Allows taxpayer to reduce taxable income based on specific personal expenses
 - Mortgage interest, personal property tax, high unreimbursed medical expenses, or large charitable donations.
- Deductible expenses must be higher than the standard deduction for the taxpayer to benefit

WHAT IS INCLUDED

- Medical expenses
 - Must reach a minimum of 7.5% of AGI to start using as a deduction
- Mortgage interest and property taxes
- Charitable donations: cash or donated items
 - Over \$500 of non-cash is out of scope
- Gambling losses (only up to the amount of winnings reported)

TAX SITE REALITIES

- Itemized deductions are very rarely used
- Customers often answer yes to the question on IRS intake sheet and bring in documentation of deductions
- At P+P, taxpayers most likely to itemize:
 - Have high gambling winnings and losses
 - Have high medical expenses



ITEMIZED DEDUCTIONS ACTIVITY!

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HEALTH SAVINGS ACCOUNTS

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HEALTH SAVINGS ACCOUNT


- Medical savings account to pay for current medical expenses and save for future medical expenses on a tax-free basis
- Account is owned by an individual
- Contributions made by an individual, employer, or any other person
- Distributions are amounts withdrawn from HSA account for medical purposes

HSA BENEFITS

- Contributions are tax free
 - Payroll deduction and employer contributions are not included in gross income
 - Contributions made with post-tax dollars are eligible for an adjustment to income on Form 1040
- Unused funds remain in the account from year to year and do not expire
- Interest and earnings on the assets in the account grow tax-free
- Distributions are tax-free if used to pay for unreimbursed, qualified medical expenses

WHAT TO LOOK FOR?

Yes	No	Unsure	Part V – Life Events – Last Year, Did You (or Your Spouse)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (A) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Have credit card, student loan or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A)

a Employee's social security number 521-XX-XXXX		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 53-1XXXXX		1 Wages, tips, other compensation \$15,327.54	2 Federal income tax withheld \$1,033.57
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld

HARRIMAN E
1250 OHIO BL
INDIANAPOLI

d Control number

e Employee's first name
DIANA G. CAL
1679 ROBERT
YOUR CITY, S

f Employee's address
15 State Employer's s
YS 53-1XXXX

Form **W-2** W
Copy B – To Be Filed
This information is be

CORRECTED (if checked)

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number USA TRUST BANK 123 MAIN ST YOUR C	1 Employee or self-employed person's Archer MSA contributions made in 2014 and 2015 for 2014 \$	OMB No. 1545-1518
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HSA, Archer MSA, or Medicare Advantage MSA Information

CORRECTED (if checked)

TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number JACKSON BANK & TRUST 14907 S.W. GRAND ST INDIANAPOLIS, IN 46205	OMB No. 1545-1517	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
PAYER'S federal identification number 54-2XXXXXX	Form 1099-SA	
RECIPIENT'S name DIANA G CALHOUN	1 Gross distribution \$ 1,900.00	Copy B For Recipient
Street address (including apt. no.) 1679 ROBERTS ST	2 Earnings on excess cont. \$	
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE, ZIP	3 Distribution code 1	This information is being furnished to the Internal Revenue Service.
Account number (see instructions)	4 FMV on date of death \$	
	5 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA <input type="checkbox"/> MSA <input type="checkbox"/>	

ELIGIBLE INDIVIDUAL

- Covered by a high-deductible health plan
- Not covered by other health insurance
- Not enrolled in Medicare
- Not claimed on someone else's tax return

RULES FOR MARRIED INDIVIDUALS

- Each spouse must be an eligible individual
- Each spouse must open a separate HSA
- Cannot have a joint HSA
- Distributions can cover the qualified expenses of the other spouse

CONTRIBUTIONS

- Contributions are limited

Self Only	Family Coverage	Age 55 or older
\$3,850	\$7,750	+\$1,000

- Individual, family members, employers, or any other person on behalf of the individual
- Taxpayer with excess contributions must withdraw the excess
 - This is out of scope for VITA

DISTRIBUTIONS

- To pay for unreimbursed qualified medical expenses
 - Expenses incurred before establishing an HSA are not qualified medical expenses
- Not required to take annual distribution
- Can be made to pay expenses for:
 - Taxpayer
 - Spouse
 - Dependents

QUALIFIED EXPENSES

- Doctor or hospital visits
- Dental visits
- Medical equipment
- Prescription and over-the-counter medicines



Gym memberships and sports expenses are not qualifying expenses.



PREMIUM TAX CREDIT

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PREMIUM TAX CREDIT (PTC)

- Taxpayers must have Form 1095-A
- The PTC is refundable and lowers the cost of health coverage purchased through MNsure
- MNsure coverage is available as a metal level plan (bronze, silver, gold or platinum)
- MinnesotaCare and Medical Assistance plans do not qualify for the credit
 - Application for these state sponsored plans is completed on the MNsure website

FORM 1095-A

Form 1095-A		Health Insurance Marketplace Statement		<input type="checkbox"/> VOID	OMB No. 1545-2232
Department of the Treasury Internal Revenue Service		► Do not attach to your tax return. Keep for your records. ► Go to www.irs.gov/Form1095A for instructions and the latest information.		<input type="checkbox"/> CORRECTED	
Part I Recipient Information					
1 Marketplace identifier		2 Marketplace-assigned policy number		3 Policy issuer's name	
4 Recipient's name			5 Recipient's SSN		6 Recipient's date of birth
7 Recipient's spouse's name			8 Recipient's spouse's SSN		9 Recipient's spouse's date of birth
10 Policy start date		11 Policy termination date		12 Street address (including apartment no.)	
13 City or town		14 State or province		15 Country and ZIP or foreign postal code	
Part II Covered Individuals					
A. Covered individual name		B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16					
17					
18					
19					
20					
Part III Coverage Information					
Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium		C. Monthly advance payment of premium tax credit	
21 January					
22 February					

MINNESOTA HEALTH CARE PLANS (MHCP)

- MinnesotaCare and Medical Assistance (MA)
- Eligibility at or below 200% of federal poverty level
- Application completed through MNsure
 - applicants *do not purchase* a metal level plan
- Low or no monthly insurance premiums

Over 20%

of Minnesotans, more than 1.1 million people,
are covered by MCHP

MNSURE COVERAGE AND THE PREMIUM TAX CREDIT

- MNsure coverage is available to people without an affordable coverage offer
 - Purchase a metal level plan (bronze, silver, gold or platinum), this does not include state health care programs
- The Premium Tax Credit (PTC) lowers the cost of coverage purchased through MNsure
 - Credit can go directly to the insurer and/or be a refundable credit on the tax return

Under 1%

of P+P customers file returns with the Premium Tax Credit.

RECONCILING ADVANCE PTC

- Form 1095-A used to fill out Form 8962
- Advance PTC is calculated on *predicted* income
- PTC is calculated on *actual* income
- Overpayment of advance PTC is repaid
- Net PTC is refunded as a refundable tax credit

PREMIUM TAX CREDIT ON FORM 8962

Form 8962 Department of the Treasury Internal Revenue Service	Premium Tax Credit (PTC) Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form8962 for instructions and the latest information.	OMB No. 1545-0074 2022 Attachment Sequence No. 73				
Name shown on your return		Your social security number				
A. You cannot take the PTC if your filing status is married filing separately unless you qualify for an exception. See instructions. If you qualify, check the box <input type="checkbox"/>						
Part I Annual and Monthly Contribution Amount						
1	Tax family size. Enter your tax family size. See instructions	1				
2a	Modified AGI. Enter your modified AGI. See instructions	2a				
b	Enter the total of your dependents' modified AGI. See instructions	2b				
3	Household income. Add the amounts on lines 2a and 2b. See instructions	3				
4	Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3. See instructions. Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input type="checkbox"/> Other 48 states and DC	4				
5	Household income as a percentage of federal poverty line (see instructions)	5 %				
6	Reserved for future use					
7	Applicable figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7				
8a	Annual contribution amount. Multiply line 3 by line 7. Round to nearest whole dollar amount 8a	8a				
b	Monthly contribution amount. Divide line 8a by 12. Round to nearest whole dollar amount 8b	8b				
Part II Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit						
9	Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? See instructions. <input type="checkbox"/> Yes. Skip to Part IV, Allocation of Policy Amounts, or Part V, Alternative Calculation for Year of Marriage. <input type="checkbox"/> No. Continue to line 10.					
10	See the instructions to determine if you can use line 11 or must complete lines 12 through 23. <input type="checkbox"/> Yes. Continue to line 11. Compute your annual PTC. Then skip lines 12-23 <input type="checkbox"/> No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.					
Annual Calculation	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSPP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)	(d) Annual maximum premium assistance (subtract (c) from (b); if zero or less, enter -0-)	(e) Annual premium tax credit allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21-32, column A)	(b) Monthly applicable SLCSPP premium (Form(s) 1095-A, lines 21-32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly calculation)	(d) Monthly maximum premium assistance (subtract (c) from (b); if zero or less, enter -0-)	(e) Monthly premium tax credit allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form(s) 1095-A, lines 21-32, column C)
12 January						
13 February						
14 March						
15 April						
16 May						
17 June						

VITA SCOPE: PREMIUM TAX CREDIT

- Shared policy allocations are out-of-scope
 - This is the case when anyone is listed on the 1095-A that is not on the tax return
- Self-Employed Health insurance Deduction is out of scope if taxpayer receives PTC



CANCELLATION OF DEBT

CANCELLATION OF DEBT (COD)

- COD in scope is for cancelled personal credit card debt
- Auto loans and most other COD are out of scope
- Form 1099-C reports discharged/cancelled debt
- Generally, cancelled debt is reported as income on the tax return

INSOLVENCY

- Taxpayers may be insolvent when:
 - The value of assets is lower than total debt owed at the time the debt is cancelled
- Determination of insolvency is out of scope, however:
 - Insolvency allows a taxpayer to exclude COD from income
 - Pub 4012 includes a worksheet to do a rough estimate
- Insolvent taxpayers must be referred to a paid tax preparer

Insolvency Determination Worksheet

Determining insolvency is Out of Scope for the volunteer. This sample worksheet is for reference only.

Insolvency Determination Worksheet

Assets (FMV)		Liabilities	
Homes	\$	Mortgages	\$
Cars		Home equity loans	
Recreational vehicles, etc.		Vehicle loans	
Bank accounts		Personal signature loans	
IRAs, 401Ks, etc.		Credit card debts	
Jewelry		Past-due mortgage interest, real estate taxes, utilities, and child care costs	
Furniture			
Clothes			
Misc.		Student loans	
Other assets		Other liabilities	
Total Assets:	\$	Total Liabilities:	\$

Total Assets minus Total Liabilities = \$
(Negative amount equals insolvency)

Positive amount equals solvency

CANCELED STUDENT LOANS

- Canceled student loan debt is in-scope
- Not included in *taxable income* on the federal or state return
- Must be included as *household income* on Form M1PR

FORECLOSURES

- Refer foreclosures to the P+P self-employment clinic
- Taxpayers often must include some or all canceled debt from a foreclosure as income

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Date of identifiable event	OMB No. 1545-1424	Cancellation of Debt
		2 Amount of debt discharged \$	Form 1099-C (Rev. January 2022)	
		3 Interest, if included in box 2 \$	For calendar year 20__	
CREDITOR'S TIN	DEBTOR'S TIN	4 Debt description		Copy B For Debtor <small>This is important tax information and is being furnished to the IRS. If 1545-1424-1000-1099-C.pdf, 416, 4.</small>
DEBTOR'S name				
Street address		<input type="checkbox"/> CORRECTED (if checked)		
City or town		LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Acquisition or Abandonment of Secured Property
Account number				
Form 1099				Copy B For Borrower <small>This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.</small>
LENDER'S TIN	BORROWER'S TIN	1 Date of lender's acquisition or knowledge of abandonment	2 Balance of principal outstanding \$	
BORROWER'S name		3	4 Fair market value of property \$	
Street address (including apt. no.)		5 If checked, the borrower was personally liable for repayment of the debt <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		6 Description of property		
Account number (see instructions)				
Form 1099-A (Rev. 1-2022)		(keep for your records)		www.irs.gov/Form1099A Department of the Treasury - Internal Revenue Service



OTHER ADVANCED TAX TOPICS

TIP INCOME

- Tip income is only an advanced topic if it is not included as income on Form W2
- Taxpayer must have tracked the total tips received that were not reported to the employer
 - If needed, a tip log can be recreated based on the taxpayer's best estimates
- Tips are reported on Form 4137 after entering them in TaxSlayer in the W2 section
 - Social Security and Medicare taxes must be calculated on these tips



Tip income for self-employment work is included as income on Schedule C.

INCOME ON SCHEDULE K-1

- Many K-1 items are out of scope
- In scope for when these items are reported:
 - Interest (taxable or tax exempt)
 - Qualified and regular dividends
 - Short-term or long-term capital gains or losses
 - Royalties



Consult the P+P manual or Pub 4012 if a taxpayer has a Schedule K-1!

RESIDENTIAL ENERGY CREDITS

- Purchase of certain energy efficiency home improvements can qualify taxpayers for a nonrefundable credit
 - Can include cost of item and installation
 - Common items include windows, doors, and insulation
- Each item or category has an annual limit
 - Prior to 2023, the credit had a lifetime limit
- Identify taxpayers who may be eligible using the IRS intake sheet
 - Use the P+P manual and Pub 4012 to verify basic qualifications
 - Use the IRS website to confirm items meet the required energy efficiency standards

VITA SCOPE: RESIDENTIAL ENERGY CREDITS

- Credit is divided into two parts
 - Part I: Residential Clean Energy
 - Part II: Energy Efficient Home Improvement
- The Part I portion of the credit is out of scope and covers things like:
 - Solar panels
 - Wind turbines
 - Battery storage expenditures
- The Part II portion of the credit is in scope



BASIC, ADVANCED, OR OUT OF SCOPE ACTIVITY!



WRAP-UP AND THANKS

PREPARE + PROSPER



RESOURCES

- Resources to use for advanced topics
 - P+P volunteer tax manual
 - Pub 4012, *VITA/TCE Volunteer Resource Guide*
 - Pub 4491, *VITA/TCE Training Guide*
 - IRS publications
- P+P staff and other volunteers

IRS CERTIFICATION TEST

- Take your ADVANCED certification test!
- New website to certify for tax year 2023
 - Expected launch date is December 12
 - linklearntaxescertification.com
 - Need to reset your password, but login using your existing username
- Advanced test has a test and retest option
 - Reminder: no need to take the basic test first!

THANK YOU!



PREPARE + PROSPER