

BASIC C: INCOME & ADJUSTMENTS

TAX YEAR 2023

PREPARE + PROSPER

This training is
approximately 2.5 hours.
We will have a break
about halfway through.



WELCOME BACK! SAY HI!

- (Re)introduce yourself to someone sitting near you
- Share your name
- Share something you're looking forward to when volunteering



BASIC C OVERVIEW



Income



Adjustments and subtractions



Deductions



Taxable income and tax



Special forms and situations

GOALS FOR TODAY

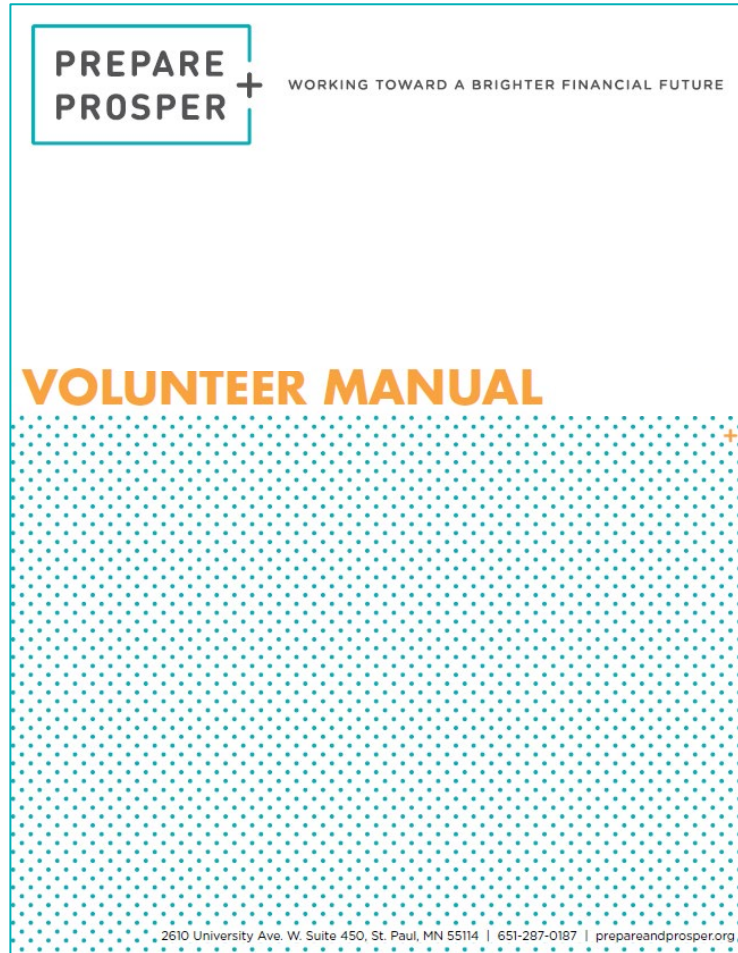
- You know common types of income that must be reported on a tax return.
- You are aware of federal adjustments and Minnesota subtractions available to taxpayers.
- You understand the difference between standard and itemized deductions and can identify when a taxpayer should consider itemizing.
- You are familiar with how taxable income and other taxes are figured.

**GROUP ACTIVITY:
DEAR IRIS REVIEW**



**USE SCENARIO SHEETS WITH
YOUR GROUP**

FOLLOW ALONG IN YOUR P+P VOLUNTEER TAX MANUAL



REPORTING INCOME

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WHAT IS INCOME?

- Income can be received from money, services, investments, or property
- Generally, all income is taxable
 - **Taxable income examples:** wages from a job, payments from a retirement account, and cash payments for self-employed taxpayers are
 - **Nontaxable income examples:** Public benefits (like food support), gifts, and most foster care payments
- Taxable income is reported on Form 1040 and Form M1 to calculate income tax

IDENTIFYING INCOME

Check appropriate box for each question in each section			
Yes	No	Unsure	Part III – Income – Last Year, Did You (or Your Spouse) Receive
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. (B) Alimony income or separation allowance?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. (A) Cash/check payments for services performed?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. (A) Income (or loss) from the sale of property?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. (B) Disability income? (such as Social Security Disability Insurance)

IRS Form 13614-C

RENTERS AND HOMEOWNERS ONLY

ⓘ Answer the questions below if you are a renter or homeowner. Stop here if you are not a renter or homeowner.

1. Check boxes below if you or your spouse received any of the following nontaxable sources of income. Do not include income received by your child or any dependents.

I did not receive any nontaxable sources of income.

MSA (MN Supplemental Aid)

SSI (Supplemental Security Income)

P+P Tax Intake

- Taxpayer reports income on the IRS and P+P intake sheets
- Review tax documents and letters
- Use P+P manual and Pub 4012 to enter in TaxSlayer

Be aware of the VITA **certification level** required for different types of income!

INCOME SOURCE DOCUMENTS

- Almost all income has a source document
- Often issued by employers or financial institutions
- Replacement documents may be available online or requested from the issuing agency
- IRS transcripts are available
 - Collect all tax documents issued to the taxpayer
 - Not available until July



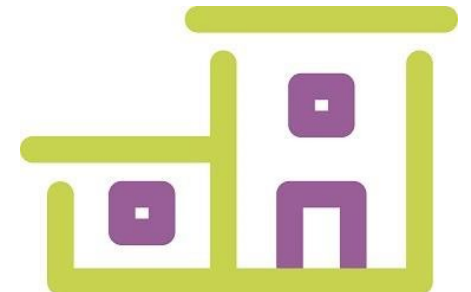
WAGE INCOME

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WAGES, SALARIES, AND TIPS

- Income earned as an employee
- Reported on Form W-2
- Employers should send Form W-2 by the end of January
- Taxpayers must have Form W-2 for each job before filing



FORM W-2

22222		a Employee's social security number 123-00-4567		OMB No. 1545-0008				
b Employer identification number (EIN) 41-7777777			1 Wages, tips, other compensation \$ 22,000		2 Federal income tax withheld \$ 2,002			
c Employer's name, address, and ZIP code Snow Day Snow Removal 3579 Odd Avenue Minneapolis, MN 55455			3 Social security wages \$ 22,000		4 Social security tax withheld \$ 1,804			
			5 Medicare wages and tips \$ 22,000		6 Medicare tax withheld \$ 362			
			7 Social security tips 0		8 Allocated tips 0			
d Control number			9		10 Dependent care benefits 0			
e Employee's first name and initial Cassandra Brown		Last name Brown		Suff.		11 Nonqualified plans		12a D \$ 263
2468 Even Street St. Paul, MN 55101		f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b DD \$4,420		12c
				14 Other		12d		
15 State MN	Employer's state ID number 1299999		16 State wages, tips, etc. \$ 22,000	17 State income tax \$1,008	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service

FORM W-2 - BOX 12

Common codes:

- (D) 401(k) contribution deducted from income
- (E) 403(b) contribution deducted from income
- (W) Employer contribution to employee's Health Savings Account (advanced tax topic)

A full list of codes is usually listed on the back of the W2 form.

RETIREMENT INCOME



PENSION AND ANNUITIES FORM 1099-R

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		
PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code KENT STATE BANK FOR MARICOPA MEDICAL SERVICES 401(K) 743 COLQUITT WAY YOUR CITY, STATE ZIP		1 Gross distribution \$ 1,300.00	2a Taxable amount \$ 1,300.00		Form 1099-R	
PAYER'S federal identification number 38-2XXXXXX		RECIPIENT'S identification number 259-XX-XXXX		Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.		
RECIPIENT'S name TERESA MARTIN		3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 260.00		This information is being furnished to the Internal Revenue Service.	
Street address (including apt. no.) 129 PENNINGTON PLACE		5 Employee contributions /Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$			
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		7 Distribution code(s) <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">IRA/SEP/SIMPLE</td> </tr> </table>	1			IRA/SEP/SIMPLE
1	IRA/SEP/SIMPLE					
10 Amount allocable to IRR within 5 years \$		9a Your percentage of total distribution %		9b Total employee contributions \$		
11 1st year of desig. Roth contrib.		12 State tax withheld \$	13 State/Payer's state no.	14 State distribution \$		
Account number (see instructions)		15 Local tax withheld \$	16 Name of locality	17 Local distribution \$		

Form **1099-R**
www.irs.gov/form1099r
Department of the Treasury - Internal Revenue Service

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 will 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

TAXABLE AMOUNT NOT DETERMINED

- 1099-R shows Taxable Amount Not Determined and Box 2 is empty
 - This is an advanced certification level topic
 - Taxpayers already paid tax on part of the distribution
 - Requires special calculations to determine taxable amount

Advanced certification required when the taxable amount is not determined.

Yes	No	Unsure	Part III – Income – Last Year, Did You (or Your Spouse) Receive
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Form 1099-INT)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. (B) Alimony income or separate maintenance payments?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income? (Form 1099-MISC, cash, virtual currency, or other property)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. (A) Cash/check/virtual currency payments, or other property or services for any work
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. (A) Income (or loss) from the sale or exchange of Stocks, Bonds, Virtual Currency or Real Estate (Form 1099-S, 1099-B)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Form 1099-R, W-2)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. (A) Retirement income or payments from Pensions, Annuities, and or IRA? (Form 1099-R)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. (B) Unemployment Compensation? (Form 1099G)

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



If a taxpayer has an early distribution, work with a manager or experienced volunteer to determine if an exception applies to the additional tax. Exceptions are an advanced tax topic.

EXAMPLES: EARLY DISTRIBUTIONS

No exception: basic topic

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.

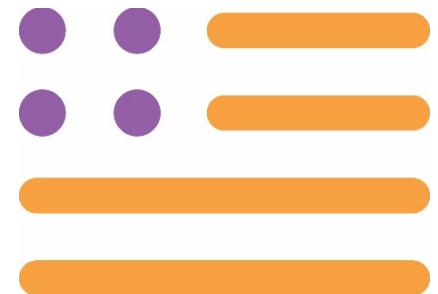
The \$3,000 early distribution is included in Rod's income to figure his income tax. An additional tax \$300 is also added. There is no general hardship exception.

Exception: advanced topic

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.

INCOME FROM THE SOCIAL SECURITY ADMINISTRATION



SOCIAL SECURITY BENEFITS

- Reported on Form SSA-1099
- Benefits may be for:
 - Retirees
 - Survivors (spouse or dependent)
 - Persons with a disability

Form SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT		
2023 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name KELLY BLACKBURN	Box 2. Beneficiary's Social Security Number 251-00-XXXX	
Box 3. Benefits Paid in 2018 \$9,600.00	Box 4. Benefits Repaid to SSA in 2018	Box 5 Net Benefits \$9,600
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit: \$9,024.00 Medicare Part B premiums deducted from your benefits: \$576.00 Medicare Prescription Drug premiums (Part D) deducted from your benefits: \$0 Total Additions: Benefits for 2018: \$9,600		DESCRIPTION OF AMOUNT IN BOX 4 Box 6. Voluntary Federal Income Tax Withholding Box 7. Address 902 ALLEN STREET Your City, State Zip Box 8. Claim Number (Use this number if you need to contact SSA.)
Draft as of June 21, 2018 - Subject to Change		
Form SSA-1099-SM (6-2018)		DO NOT RETURN THIS FORM TO SSA OR IRS

TAXABLE VS NONTAXABLE RSDI BENEFITS

Nontaxable benefits

- SSA benefits are the only income
 - Unless married filing separately
- Taxable income plus SSA benefits is very low

Taxable benefits

- Taxpayer is MFS and lived with spouse at any time during the tax year
- Taxable income plus half of SSA benefits is above:
 - \$25,000 for single
 - \$32,000 for joint



SOCIAL SECURITY: RSDI VS SSI



- **RSDI** (retirement, survivors, or disability insurance) payments are reported on the federal return
- **SSI** (supplemental security income) is only reported on the Minnesota return for certain credit calculations

RSDI Benefits	SSI Benefits
Reported on Form SSA-1099	No official tax form; may request a letter from the Social Security Administration
Benefit amount based on work history (personal, spouse, or parent)	Maximum benefit amount for a single taxpayer is \$914 in 2023

SOCIAL SECURITY BENEFIT SITUATIONS

- Do not include any benefits paid to the taxpayer's child or other dependent
- Railroad Retirement benefits include a Social Security payment and a retirement plan benefit
 - Forms are different for the Social Security portion, but treated the same for tax purposes
- Lump sum distributions include SSA benefit payments for multiple years
 - Refer to the P+P administrative staff if benefits are taxable; special calculations can be done to minimize tax

SELF-EMPLOYMENT AND SMALL BUSINESS INCOME

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SELF-EMPLOYMENT INCOME

- Self-employment income includes people who:
 - Are independent contractors,
 - Do work for cash
 - Freelance
 - Work as consultants
- Most people will report income and expenses



SE income is an **advanced certification topic**. Get the customer to an advanced certified preparer.

P+P SELF-EMPLOYMENT PROGRAM

- Self-employed taxpayers should be referred if:
 - SE income is more than \$10,000
 - Taxpayer has: a daycare, direct sales, inventory, business use of the home, depreciation of assets
- Out-of-scope returns: cab drivers, clergy members, corporations, partnerships, rental income, or businesses with employees



Drivers for Uber or Lyft are in scope if they meet the other SE income guidelines.



UNEMPLOYMENT INCOME



UNEMPLOYMENT INCOME

- Income for taxpayers who are out of work
- Based on a percentage of earned wages prior to unemployment

<input type="checkbox"/> VOID		<input type="checkbox"/> CORRECTED				
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. MN Dept. of Employment & Economic 332 MN St., Suite E-200 St. Paul, MN 55101		1 Unemployment compensation \$ 8,500	OMB No. 1545-0120 Form 1099-G			Certain Government Payments
		2 State or local income tax refunds, credits, or offsets \$				
PAYER'S TIN 41-6008888	RECIPIENT'S TIN 222-00-2222	3 Box 2 amount is for tax year	4 Federal income tax withheld \$ 400			Copy 1 For State Tax Department
RECIPIENT'S name Ramon Aberto Street address (including apt. no.) 2485 Grand Ave. S City or town, state or province, country, and ZIP or foreign postal code Minneapolis, MN 55404		5 RTAA payments \$	6 Taxable grants \$			
		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>			
Account number (see instructions)		9 Market gain \$				
		10a State MN	10b State identification no. 7896541	11 State income tax withheld \$ 75		

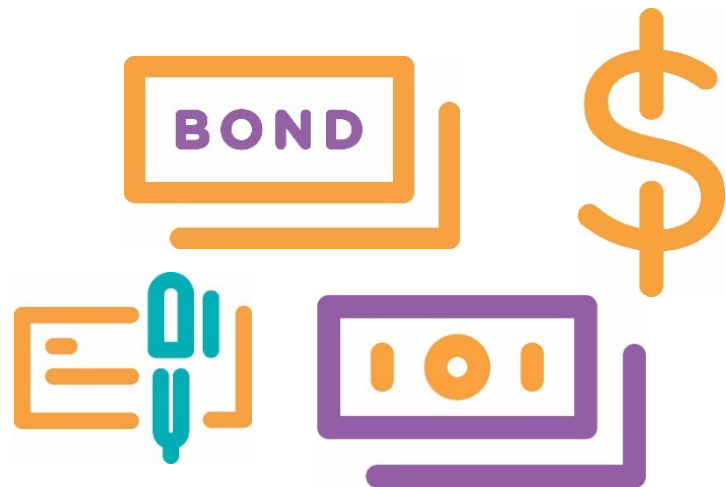
10 MINUTE BREAK



PREPARE + PROSPER

EVEN MORE INCOME

PREPARE + PROSPER



2023 MINNESOTA REBATE

- Minnesota sent rebates to many families in 2023
 - Payments went to low-to-moderate income families
 - Only people who filed their 2021 return in 2022 were eligible
- \$260 per person; maximum payment of \$1,300
- Amount is reported on Form 1099-MISC
 - If form is not available, follow Tax Tip instructions
- Payments are taxable on the federal tax return and NOT taxable on the state returns

EVEN MORE TAXABLE INCOME

- Scholarships
- Interest
- Dividends
- Refunds of state taxes
- Alimony
- Capital gains or losses
 - Sale of stocks or bond
 - Sale of a home
- Other income
 - Gambling winnings
 - Cancellation of debt
 - Tribal payments
 - Jury duty pay
 - Settlement payments
 - Prizes and awards
- Shareholder or partnership income
- And more!

**ACTIVITY:
ALL THE INCOME**



USE THE ACTIVITY HANDOUT

ADJUSTMENTS AND SUBTRACTIONS



WHAT IS A FEDERAL ADJUSTMENT?

Tax favored accounts, expenses, life events allow taxpayers to reduce income and lower the tax they owe.

Total
income

Adjustments

Adjusted
Gross
Income

MINNESOTA ADJUSTMENTS: SCHEDULE M1M

m1 DEPARTMENT OF REVENUE

Schedule M1M, Income Additions and Subtractions

Complete this schedule to determine line 3 and line 6 of Form M1.

Your First Name and Initial _____ Last Name _____ Your Social Security Number _____

Additions to Income

- 1 Itemized deduction limitation for taxpayers with an adjusted gross income which exceeds \$186,350 (\$93,175 if married filing separate) 1 ■ _____
- 2 Personal exemption phase out for taxpayers with an adjusted gross income that exceeds the applicable threshold 2 ■ _____
- 3 Interest from municipal bonds or other tax-exempt securities included on line 8b of federal Form 1040 3 ■ _____
- 4 Federally tax-exempt dividends or its governmental units included on line 7 of federal Form 1040 4 ■ _____
- 5 Federal bonus depreciation added back to Minnesota taxable income 5 ■ _____
- 6 Federal section 179 expensing added back to Minnesota taxable income 6 ■ _____
- 7 State income taxes passed through to a shareholder of an S corporation 7 ■ _____

Subtractions From Income

- 18 Net interest or mutual fund dividends from U.S. bonds (see instructions) 18 ■ _____
- 19 Education expenses you paid for your qualifying children in grades K-12 (see instructions) Enter the name and grade of each child on the line below: 19 ■ _____
- 20 If you did not itemize deductions on your federal return and your charitable contributions were more than \$500, see instructions 20 ■ _____
- 21 Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2012 through 2016 (determine from worksheet in the instructions) 21 ■ _____
- 22 Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2012 through 2016 (see instructions) 22 ■ _____

9995

Additions:
Not taxable at the federal level, but taxable to Minnesota.

Subtractions:
Taxable at the federal level, but not taxable to Minnesota.



IRA DEDUCTION

- Contributions to a Traditional IRA
- Roth IRA contributions *do not* qualify
- Maximum deduction is equal to a taxpayer's contribution limit

IRA Contribution Limits

Taxpayers under age 50	Taxpayers age 50+
\$6,500	\$7,500

A taxpayer's taxable compensation is the contribution limit if it is lower than the annual contribution limit listed above.



EXAMPLE: TYRAI'S IRA CONTRIBUTIONS

- Tyrai opened a Traditional IRA at her bank in 2022 to start saving for retirement
- Tyrai contributed \$50 to her IRA every month
- She works fulltime, but her employer doesn't have a retirement account option

Tyrai can take a \$600 adjustment for her contributions.
 $\$600 \text{ adjustment} = \$50 \text{ monthly contributions} \times 12 \text{ months}$



STUDENT LOAN INTEREST DEDUCTION

- Interest paid for the taxpayer, spouse, or a dependent
 - Someone who was the taxpayer's dependent when the loan was obtained also qualifies
- Interest is reported on Form 1098-E or a statement from the lender
- Eligible deduction up to \$2,500
- MFS filing status is not eligible



EXAMPLE:

MAI'S STUDENT LOAN INTEREST

- Mai finished her degree in 2021 and she's making payments on her student loans
- Mai's total 2023 income was wages of \$33,000
- She made payments of \$4,800 and \$2,750 of those payments went toward interest

\$33,000



\$2,500



AGI of
\$30,500



CHARITABLE CONTRIBUTION SUBTRACTION

- Charitable contributions over \$500 for taxpayers not itemizing their deductions
- Contributions include cash contributions and non-cash contributions
- Subtraction equal to 50% of the amount over than \$500

Mary made charitable contributions of \$700.

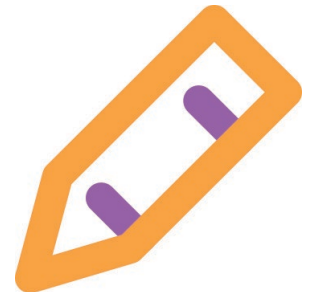
She is taking the standard deduction.

$$(\$700 - \$500) \times 50\% = \$100 \text{ subtraction}$$



K-12 EDUCATION SUBTRACTION

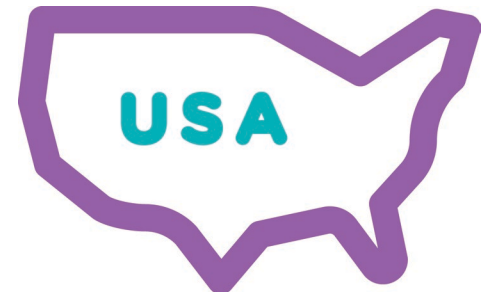
- K-12 Education Credit is more valuable if the taxpayer qualifies
- Must have a qualifying child in grades K-12
- Must have qualifying expenses
 - Ex: required supplies, educational courses, tutoring
- Maximum subtraction is:
 - \$1,625 per child in grades K-6
 - \$2,500 per child in grades 7 - 12





EVEN MORE FEDERAL ADJUSTMENTS

- Educator expenses
- Health Savings Account contributions
- Deductions for self-employed taxpayers
- Alimony paid



2023 MINNESOTA REBATE

- Rebates sent in 2023 are taxable on the federal tax return, but NOT taxable to Minnesota
- Amount received by the taxpayer will need to be entered in two places in TaxSlayer
 - As income on the federal return
 - As a subtraction on the Minnesota return
 - Subtraction entry removes the rebate amount from taxable Minnesota income and income on Form M1PR



EVEN MORE MINNESOTA ADDITIONS AND SUBTRACTIONS

Additions

- Interest and dividends on municipal bonds

Subtractions

- Interest on U.S. bonds
- Age 65+ or disabled
- Railroad retirement income
- Income earned on a reservation
- Unreimbursed organ donor expenses
- Military pension or retirement pay
- AmeriCorps education awards
- 529 plan contributions
- Taxable Social Security Benefits
- Taxable public service pensions

TAXABLE INCOME AND TAX



ADJUSTED GROSS INCOME (AGI)

- All taxable income **minus adjustments** but **before deductions**
- Used for many purposes on and off the tax return
 - Starting place for many credit calculations
 - Used by many agencies as a benchmark for a family's income

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

- 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
- Qualified expenses are tracked on federal Schedule A or Minnesota Schedule M1SA

HAVE EXPENSES TO ITEMIZE

- IRS intake sheet question about itemized deductions is very general
- Asks if a taxpayer paid:
 - Medical and dental expenses?
 - Mortgage interest?
 - State taxes, real estate taxes, sales taxes, or personal property taxes?
 - For contributions to charitable organizations?
- Many taxpayers will answer yes, but most will not itemize



NEED TO ITEMIZE?

- Compare the taxpayer's standard deduction with their potential itemized deductions
- If itemizing benefits the taxpayer, the return requires advanced tax certification
 - Less than 1% of P+P customers itemize

Example:

Abbie is using the single filing status. She paid mortgage interest of \$4,200, charitable contributions of \$400, personal property taxes of \$100, and state taxes of \$2,300.

Total itemized deductions = \$7,000

Standard deduction = \$13,850

FIGURING INCOME TAX



- Income tax is calculated based on the taxpayer's taxable income
- The tax rate is based on filing status and tax brackets
 - TaxSlayer calculates this automatically

INCOME TAX BRACKETS

Tax year	Tax rate	Single	MFJ or QW	MFS	HH
2023 Federal	10%	Up to \$11,000	Up to \$22,000	Up to \$11,000	Up to \$15,700
	12%	\$11,001 - \$44,725	\$22,001 - \$89,450	\$11,001 - \$44,725	\$15,701 - \$59,850
2023 MN	5.35%	Up to \$30,070	Up to \$43,950	Up to \$21,975	Up to \$37,010
	6.80%	\$30,071 - \$98,760	\$43,951 - \$174,610	\$21,976 - \$87,305	\$37,011 - \$148,730

OTHER TAXES

- **Self-employment tax:** figured based on a self-employed taxpayer's net income from the business
- **Additional tax on IRAs, other qualified retirement plans:** early distributions subject to 10% penalty
- **First-time homebuyer credit repayment:** for taxpayers who received this credit in 2008



MISCELLANEOUS FORMS: SOME UNCOMMON SCENARIOS



NONRESIDENT FOR TAX PURPOSES

- Nonresidents for tax purposes must file Form 1040NR
 - Nonresident returns are out of scope at P+P
 - Many international students need to file nonresident returns
- Taxpayers who are not U.S. citizens may be considered a resident for tax purposes
 - Individuals with a “green card”
 - Individuals who meet the substantial presence test (including most ITIN holders)

Form 13614-C (October 2021)	Department of the Treasury - Internal Revenue Service Intake/Interview & Quality Review Sheet		OMB Number 1545-1964
You will need: <ul style="list-style-type: none"> • Tax Information such as Forms W-2, 1099, 1098, 1095. • Social security cards or ITIN letters for all persons on your tax return. • Picture ID (such as valid driver's license) for you and your spouse. 		<ul style="list-style-type: none"> • Please complete pages 1-4 of this form. • You are responsible for the information on your return. Please provide complete and accurate information. • If you have questions, please ask the IRS-certified volunteer preparer. 	
Volunteers are trained to provide high quality service and uphold the highest ethical standards. To report unethical behavior to the IRS, email us at wi.voltax@irs.gov			
Part I – Your Personal Information <i>(If you are filing a joint return, enter your names in the same order as last year's return)</i>			
1. Your first name	M.I.	Last name	Best contact number
2. Your spouse's first name	M.I.	Last name	Best contact number
			Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
			Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No

MN PART-YEAR RESIDENTS & NONRESIDENTS

- Minnesota tax is based on income earned while living or working in Minnesota
- Taxpayers who lived or worked in another state often need to file multiple state returns
 - Returns for other states are out of scope at P+P
- P+P can prepare federal returns taxpayers filing non-Minnesota state returns
 - Having all returns done elsewhere is generally better

MINNESOTA TAX INFORMATION

1. Were you a resident of Minnesota the entire year? Yes No

2. Did you make Minnesota estimated income tax payments in 2023? Yes No

If yes, how much did you pay? \$_____

3. Did any of the following situations apply to you or your spouse in 2023? Check boxes below.

POWER OF ATTORNEY (POA)

- Power of Attorney authorizes a representative to act on a taxpayer's behalf for tax matters
- Family members are common POAs
 - A taxpayer with a spouse who lives abroad
 - A child filing for an elderly parent



POA FORMS

- The representative must have a valid POA form
 - IRS Form 2848 is required for federal return filing
 - Form 2848 authorizes the POA for MN returns
 - Minnesota Rev184 offers state only POA if the taxpayer is only filing an M1PR
- P+P manual provides tips on what to look for on Form 2848
- No POA completed yet?
 - Provide Form 2848 and instructions
 - Representative must return with the completed form

IDENTITY PROTECTION PIN

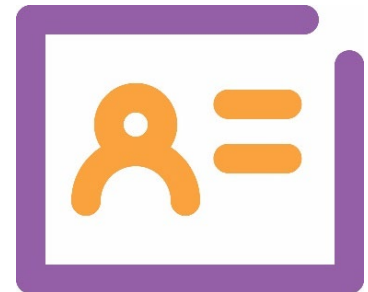
- IRS issues IP PINs to taxpayers who experienced tax-related identity theft
 - Taxpayer, spouse, or a dependent may have an IP PIN
 - Often due to a fraudulently filed a return using taxpayer's social security number
- Taxpayers can opt-in to the IP PIN program even if ID theft has not occurred

Part I – Your Personal Information *(If you are filing a joint return, enter your names in the same order as last year's return)*

1. Your first name		M.I.	Last name		Best contact number		Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No	
2. Your spouse's first name		M.I.	Last name		Best contact number		Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No	
3. Mailing address				Apt #	City		State	ZIP code
4. Your Date of Birth	5. Your job title		6. Last year, were you:			a. Full-time student		<input type="checkbox"/> Yes <input type="checkbox"/> No
			b. Totally and permanently disabled			c. Legally blind		<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Your spouse's Date of Birth	8. Your spouse's job title		9. Last year, was your spouse:			a. Full-time student		<input type="checkbox"/> Yes <input type="checkbox"/> No
			b. Totally and permanently disabled			c. Legally blind		<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure								
11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? <input type="checkbox"/> Yes <input type="checkbox"/> No								

IP PIN FORMS

- IP PIN letters are mailed to taxpayers in December or January by the IRS
- Lost IP PINs may be looked up online
 - Calling the IRS for further instructions is an option for taxpayers without online access
- IP PIN must be included on the return when for any year it has been issued
 - Returns filed without the IP PIN will be rejected
 - Paper filed returns without an IP PIN will delay return processing



FILING FOR A DECEASED TAXPAYER

- A deceased taxpayer may be required to file a return
- Personal representatives or a surviving spouse will often file the return
 - Reminder: a surviving spouse can often file jointly in the year of the spouse's death
- Be compassionate in the tax interview
 - A person's passing may be very emotional for the representative

FORMS FOR THE DECEASED

- A representative may need guidance on where to get missing tax information
- Complete additional forms to claim a refund if the surviving spouse is not the filer
 - Form 1310 with the federal return
 - Form M23 for the Minnesota income tax return
- Special rules for claiming a property tax refund
 - Only a surviving spouse or dependent of the decedent may claim the refund



WRAP UP

PREPARE + PROSPER



NEXT STEPS AFTER BASIC C

- View self-paced online courses
 - preapareandprosper.moodlecloud.com
- Continue working on your certification tests!
- Attend Basic D: Tax Credits



THANK YOU!

PREPARE + PROSPER

