

BASIC C: INCOME & ADJUSTMENTS TAX YEAR 2024

TELL US IN THE CHAT:

- **What was your first job?**
- **Or what's the strangest job you've had?**



WELCOME BACK!

Tell us in the chat...

What was your first job?

OR

What's the strangest job you've had?





BASIC C OVERVIEW



Income



Adjustments and subtractions



Deductions



Taxable income and tax



Special forms and situations



GOALS: AT THE END YOU WILL

- Know common types of income that must be reported on a tax return
- Grasp the federal adjustments and MN subtractions available to taxpayers
- Understand standard and itemized deductions
 - and identify when a taxpayer should consider itemizing
- See how taxable income and other taxes are figured



GROUP ACTIVITY: DEAR IRIS REVIEW





Basic C Review – Scenario 1

Dear Iris,

I'm a confirmed bachelor. Never married; no kids. For three years, I went to a tax preparer who always let me file as head of household. After all, I live alone, so I am the head of my household. Last year, my good tax preparer was out of the business, so I tried one of those volunteer sites where they file your taxes for free. I guess you get what you pay for. They told me that I couldn't file as head of household. They filed my return as single, and my refund was less than it had ever been with my old preparer. I was not happy, but they insisted they were doing the return correctly. I have my doubts.

Please settle this debate for me, Iris. Can I file as head of household or not? If I can, I want to know how to explain it to that volunteer service, because they need to learn how to do taxes the right way. If I can't, I'd like to know why I can't. Like I said, I'm the head of my household. What do you say?

Thank you,

Wearing The Pants Around Here

PREPARE + PROSPER



Basic C Review – Scenario 2

Dear Iris,

My husband and I are still married, but he moved out of our home in April of 2024. He has an apartment, and I have the house. About the only thing we can agree on is that we will not file a joint return. Not happening. I'm keeping up what was our home, and I'm raising our seven-year-old grandson. Our son got into some trouble with the law, and we've had our grandson for the past three years.

My question is this: Since we won't file jointly, does that mean I have to file Married Filing Separately? I've heard that Married Filing Separately is a bad way to go. What else can I do about it, if anything?

Sincerely,

Second Chance At Motherhood



Basic C Review – Scenario 3

Dear Iris,

I'm 51, and I live alone in Minneapolis. My mother is 75, and she lives alone in Florida. Although she lives in her own home, which is paid for, I have had to pay her utility bills, and I buy most of her groceries. Mom ends up sending most of her Social Security money to charities who solicit her through the mail, and what she doesn't give away she spends on lottery tickets. Please don't get me started, Iris. In short, I'm supporting my mother. Can I claim her as a dependent, even though we don't live together? For that matter, does she qualify me to file as Head of Household?

Best wishes,

Long Distance Supporter



Basic C Review – Scenario 4

Dear Iris,

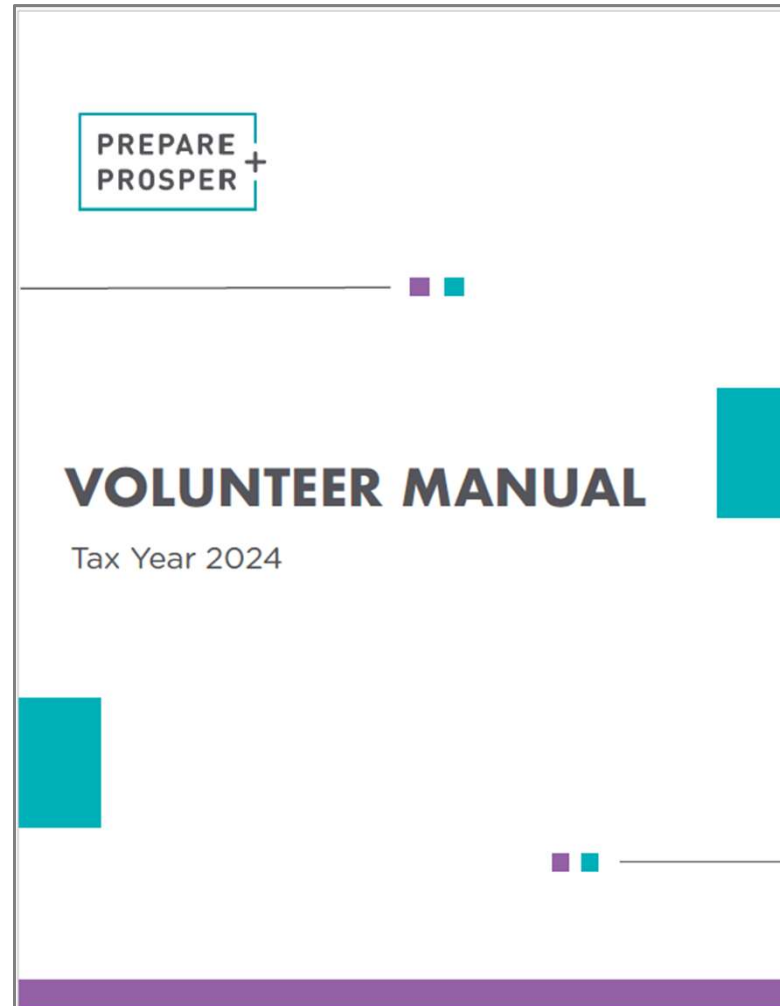
I am 17 years old, and a junior in high school. I have a son who was born in September of 2023. We live with my Mom. I work at the Chicken Shack to try to bring in some extra money, but Mom pays most of the expenses. I think I made enough that I'm going to have to file taxes though--about \$6,850.

Mom and I are fighting over who can claim my son. I say I can claim him because he's my son. Mom says she can claim him because she's supporting both of us, and he's her grandson. I'm really not trying to take anything away from my Mom, but if I can increase my refund by claiming him, I want to do that. Can we both claim him?

Sincerely,

Fighting Over a 4-month-old

FOLLOW ALONG IN YOUR P+P VOLUNTEER TAX MANUAL



REPORTING INCOME

PREPARE + PROSPER



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
 - **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

Income: Answer the following questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Received money from any of the following in 2024:

| | |
|---|---|
| <input type="checkbox"/> (B) Wages as a part-time or full-time employee How many jobs _____ | <input type="checkbox"/> (B) W-2s # _____ |
| <input type="checkbox"/> (B/A) Tips | <input type="checkbox"/> (B/A) Tips (Basic when reported on W2) |
| <input type="checkbox"/> (B/A) Retirement account, pension or annuity proceeds | <input type="checkbox"/> (B/A) 1099-R (Basic when taxable amount is reported) # _____ |
| <input type="checkbox"/> (B) Disability benefits (such as payments from insurance or worker's compensation) | |

IRS Form 13614-C

- 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

HOMEOWNERS/MOBILE HOME OWNERS ONLY

1. Did you or your spouse receive any nontaxable income not listed elsewhere? Do not include child support, SNAP/food assistance, energy assistance or income from a dependent.

| | |
|---|----------------------------|
| <input type="checkbox"/> No, I did not receive any additional income | |
| <input type="checkbox"/> SSI (Supplemental Security Income) | \$ _____ per month or year |
| <input type="checkbox"/> State benefits (such as MFIP, MSA, GA or Emergency Assistance) | |
| <input type="checkbox"/> Workers' compensation | |
| <input type="checkbox"/> Scholarship or grants | \$ _____ per month or year |

P+P Tax Intake

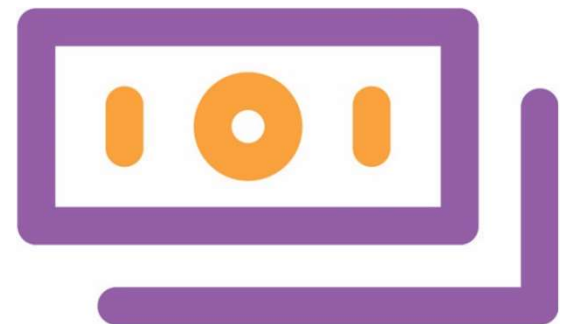
Be aware of the VITA **certification level** required for different types of income!

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

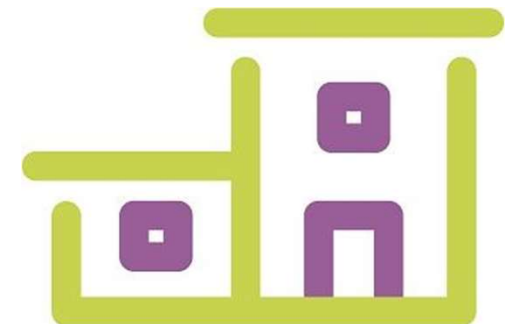


WAGE INCOME



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 | | | | | |
| | | | | 14 Other | | 12c | | | | | |
| | | | | | | 12d | | | | | |
| 15 State MN 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:

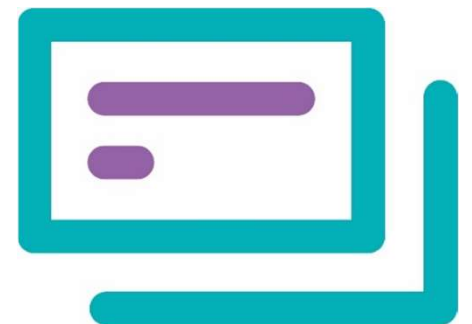
(D) 401(k) contribution deducted from income

(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 Form 1099-R | | 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 | | 2b Taxable amount not determined <input type="checkbox"/> Total distribution <input checked="" type="checkbox"/> | |
| PAYER'S federal identification number 38-2XXXXXX | | RECIPIENT'S identification number 259-XX-XXXX | | | | | |
| RECIPIENT'S name TERESA MARTIN | | 3 Capital gain (included in box 2a) \$ | | 4 Federal income tax withheld \$ 260.00 | | 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. 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) 1 <input type="checkbox"/> IRA/SEP/SIMPLE | | 8 Other \$ % | | | |
| 10 Amount allocable to IRR within 5 years \$ | | 11 1st year of desig. Roth contrib. | | 9a Your percentage of total distribution % | | 9b Total employee contributions \$ | |
| Account number (see instructions) | | 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

Income: Answer the following questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Received money from any of the following in 2024:

(B) Wages as a part-time or full-time employee

How many jobs _____

(B/A) Tips

(B/A) Retirement account, pension or annuity proceeds

(To be completed by certified volunteer) Income to be reported on 1099-R

(B) W-2s

(B/A) Tips (Basic when reported on W2)

(B/A) 1099-R (Basic when taxable amount is reported)

(A) Qualified Charitable Distribution From 1099-R

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.



TAX MANUAL UPDATE ALERT!

- In the printed P+P tax manual page 68, the second bullet on Emergency personal expense distributions, should read
 - Up to \$1,000
 - NOT up to \$10,000

EXAMPLES: EARLY DISTRIBUTIONS

Exception: advanced topic

Rod is 42 years old. He had a major emergency 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. He can use an exemption on \$1,000 of the distribution. A penalty of \$200 is applied.

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 | | |
|---|---|--|
| 2024 • 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

Slide 28

TK0

Where do these numbers come from?

Tara Kieffer, 2024-12-02T19:17:16.219



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 M1PR

| 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 \$943 in 2024 |

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



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 | | |

Form **1099-G** www.irs.gov/Form1099G Department of the Treasury - Internal Revenue Service

10 MINUTE BREAK



PREPARE + PROSPER

EVEN MORE INCOME

PREPARE + PROSPER



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

m 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

- Itemized deduction limitation for taxpayers with an adjusted gross income which exceeds \$186,350 (\$93,175 if married filing separate) 1 ■ _____
- Personal exemption phase out for taxpayers with an adjusted gross income that exceeds the applicable three times the amount of the exemption 2 ■ _____
- Interest from municipal bonds or other interest included on line 8b of federal Form 1040 3 ■ _____
- Federally tax-exempt dividends or its governmental units included on line 9b of federal Form 1040 4 ■ _____
- Federal bonus depreciation added back to Minnesota taxable income 5 ■ _____
- Federal section 179 expensing added back to Minnesota taxable income 6 ■ _____
- State income taxes passed through to a shareholder of an S corporation 7 ■ _____

Subtractions From Income

- Net interest or mutual fund dividends from U.S. bonds (see instructions) 18 ■ _____
- 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 ■ _____
- If you did not itemize deductions on your federal return and your charitable contributions were more than \$500, see instructions 20 ■ _____
- Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2012 through 2016 (determine from worksheet in the instructions) 21 ■ _____
- 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+ |
|------------------------|-------------------|
| \$7,000 | \$8,000 |

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

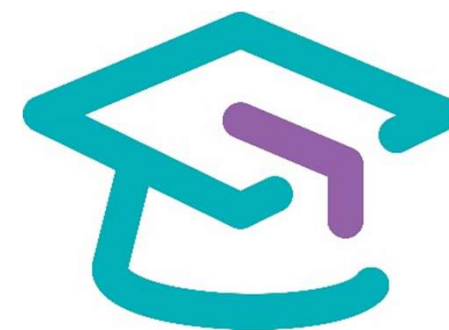
- Tyrai opened a Traditional IRA at her bank in 2022 to start saving for retirement
- Tyrai contributed \$50 to her IRA every month
- She works fulltime, but her employer doesn't have a retirement account option

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 2022 and she's making payments on her student loans
- Mai's total 2024 income was wages of \$33,000
- She made payments of \$4,800 and \$2,750 of those payments went toward interest





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.

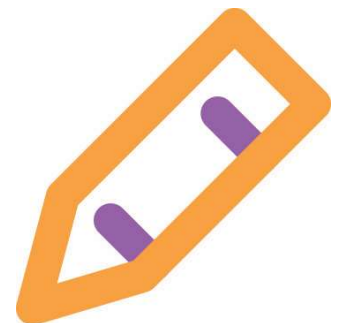
$$(\$700 - \$500) \times 50\% = \$100 \text{ subtraction}$$



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



EVEN MORE MN 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)

AGI is 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 | 2024 |
|--|-----------------|
| Single | \$14,600 |
| Married filing joint | \$29,200 |
| Married filing separate | \$14,600 |
| Head of household | \$21,900 |
| Qualifying surviving spouse | \$29,200 |
| <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 2024.

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 = \$14,600

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 |
|--------------|----------|----------------------|----------------------|---------------------|----------------------|
| 2024 Federal | 10% | Up to \$11,600 | Up to \$23,200 | Up to \$11,600 | Up to \$16,550 |
| | 12% | \$11,601 - \$47,150 | \$23,201 - \$94,300 | \$11,601 - \$47,150 | \$16,550 - \$63,100 |
| 2024 MN | 5.35% | Up to \$31,690 | Up to \$46,330 | Up to \$23,165 | Up to \$39,010 |
| | 6.80% | \$31,691 - \$104,090 | \$46,331 - \$184,040 | \$23,166 - \$92,020 | \$39,011 - \$156,760 |

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 (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 |
| 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

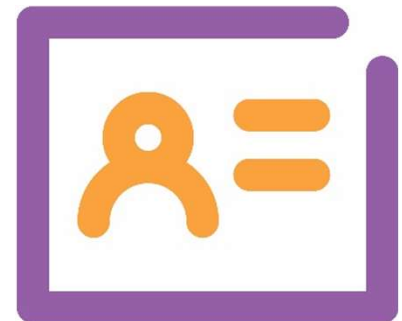


POA FORMS

- 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

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 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
 - prepareandprosper.moodlecloud.com
- Continue working on your certification tests!
- Attend Basic D: Tax Credits



THANK YOU!

PREPARE + PROSPER

