PREPARE + PROSPER

WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

VOLUNTEER MANUAL tax year 2023

2610 University Ave. W. Suite 450, St. Paul, MN 55114, 651-287-0187, prepareandprosper.org

TABLE OF CONTENTS

* starred items in the Table of Contents indicate that this section has been updated significantly from last year.

Disclaimer

The Prepare + Prosper Volunteer Tax Manual is an instructional guide intended to familiarize volunteers with basic tax laws and procedures needed to complete individual federal and Minnesota income tax returns. The information contained in this manual may be subject to change. For in-depth tax law and procedures, volunteers should refer to IRS Publication 17, *Your Federal Income Tax*; Publication 4491, *VITA/TCE Training Guide;* Publication 4012, *Volunteer Resource Guide*; Minnesota Individual Income Tax booklet; and Minnesota Homestead Credit Refund (for Homeowners) and Renters Property Tax Refund booklet.

VOLUNTEER INFORMATION

NEW THIS YEAR

Tax year 2023 brings significant changes for low-to-moderate income taxpayers in Minnesota. This page contains an overview, and updates have been made throughout this manual. Pub 4491, *VITA/TCE Training Guide,* provides a more in-depth look at federal updates in the sections **Important Changes for 2023** and **Temporary Provisions**. The instruction booklet for Minnesota Form M1 provides a summary of Minnesota updates and more detailed instructions. Pub 4012, *VITA/TCE Volunteer Resource Guide,* is updated to incorporate federal tax law changes.

Tax law for 2023 returns may change after this manual is published. Changes may extend expired tax law provisions or create new provisions. Stay informed throughout the season with Tax Alerts, Pub 4491X, and onsite announcements.

Federal tax updates

Energy Efficent Home Improvement Credit: expanded to allow a credit for energy efficency home improvements each year rather than having a lifetime limit. See details on page 112.

Exceptions to additional tax on early retirement distributions: expanded to cover distributions to people who are terminally ill, certain distributions for public safety employees, and corrective distributions taken to remove excess contributions to an IRA.

Required Minimum Distributions (RMD): taxpayers who reach age 72 after December 31, 2022, can take their first RMD by April 1 of the year following the year in which they turn 73. Additionally, the tax on distributions that are lower than the RMD is reduced.

Minnesota tax updates

- **NEW + Expanded Child and Working Family Tax Credits:** the new Minnesota Child Tax Credit (MNCTC) is an expanded portion of the Working Family Credit (WFC). Qualifying children under age 18 qualify taxpayers for a credit of up to $1,750 per child. The credit is fully refundable and does not require earned income. The WFC has been restructured to offer both an amount based on earned income and a per child amount for children who do not qualify for the new MNCTC. See more details on page 154.
- **Expanded K-12 Education Credit:** this credit has much higher income thresholds starting in tax year 2023. The maximum credit has increased to $1,500. The credit is no longer figured using Household Income; instead, it is figured using AGI. Qualifying expenses have not changed. See more details on page 156.
- **ITIN homestead status:** homeowners using an ITIN now qualify for homestead status on their home and, after it is obtained, qualify for the homestead credit refund on Form M1PR.
- **Expanded Child and Dependent Care Credit (CDCC):** all taxpayers who have a baby born in the tax year now qualify for the newborn credit portion of the Minnesota CDCC (previously, only MFJ filers qualified). See more details on page 153.
- **Social Security and qualified retirement subtractions:** the subtraction for taxable Social Security benefits has been increased and simplified (see page 142). Additionally, some public service pensions are eligible for a subtraction (see page 147).

Looking ahead - Minnesota Renter's Credit changes

For tax year 2024 (during the 2025 tax filing season) the Renter's Credit will become a refundable income tax credit on Form M1 rather than being claimed on Form M1PR.

Prepare + Prosper has more than 50 years of experience serving in our community, influencing our field, and making an impact.

About 66% of the U.S. population struggles to spend, save, borrow, and plan financially.

These same households contribute 84% of total spending on interest and fees for everyday financial services, and spend a greater share of their income compared with those who are financially healthy. (Source: Financial News Network.)

Prepare + Prosper, a nonprofit organization, works to build financial well-being and create economic opportunity.

In partnership with our volunteers, P+P works with low- to moderate-income people to build financial well-being through free tax preparation and financial services, products, and coaching, and by changing systems to create economic opportunity.

We're working locally and nationally to reshape the financial landscape to offer innovative programs, products, and resources that build wealth—not strip it—for individuals + families to build brighter financial futures.

We work in partnership with people, communities, and systems to break down barriers and develop solutions for financial opportunity and success.

We have 52 years of experience serving our community, influencing our field, and making an impact.

We know real change change requires work at every level. We move this work forward nationally by:

- **Building and honing programs, practices, and approaches**
- **Sharing what we know and learn with colleagues and policy makers**
- **Playing leadership roles that help move our field and collective work forward**

PREPARE + PROSPER

WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

Programs and Services

Free tax preparation + financial services: A holistic approach to tax filing that leverages the time and talent of **IRS-certified volunteers** to help taxpayers and **small business owners** navigate the tax code, claim all credits they've earned, and maximize tax time's impact on their financial future. We serve individuals making <$40,000 and families or sole-proprietors making <$60,000 annually. All volunteers go through up to 20 hours of training.

Money Mentors financial coaching: Support for people working to reach their financial goals in the form of **one-on-one coaching** from a trained volunteer paired with **peer sharing and learning**. Participants in coaching are significantly reducing debt, increasing savings, improving credit scores, growing their income, and finding a partner in their finances.

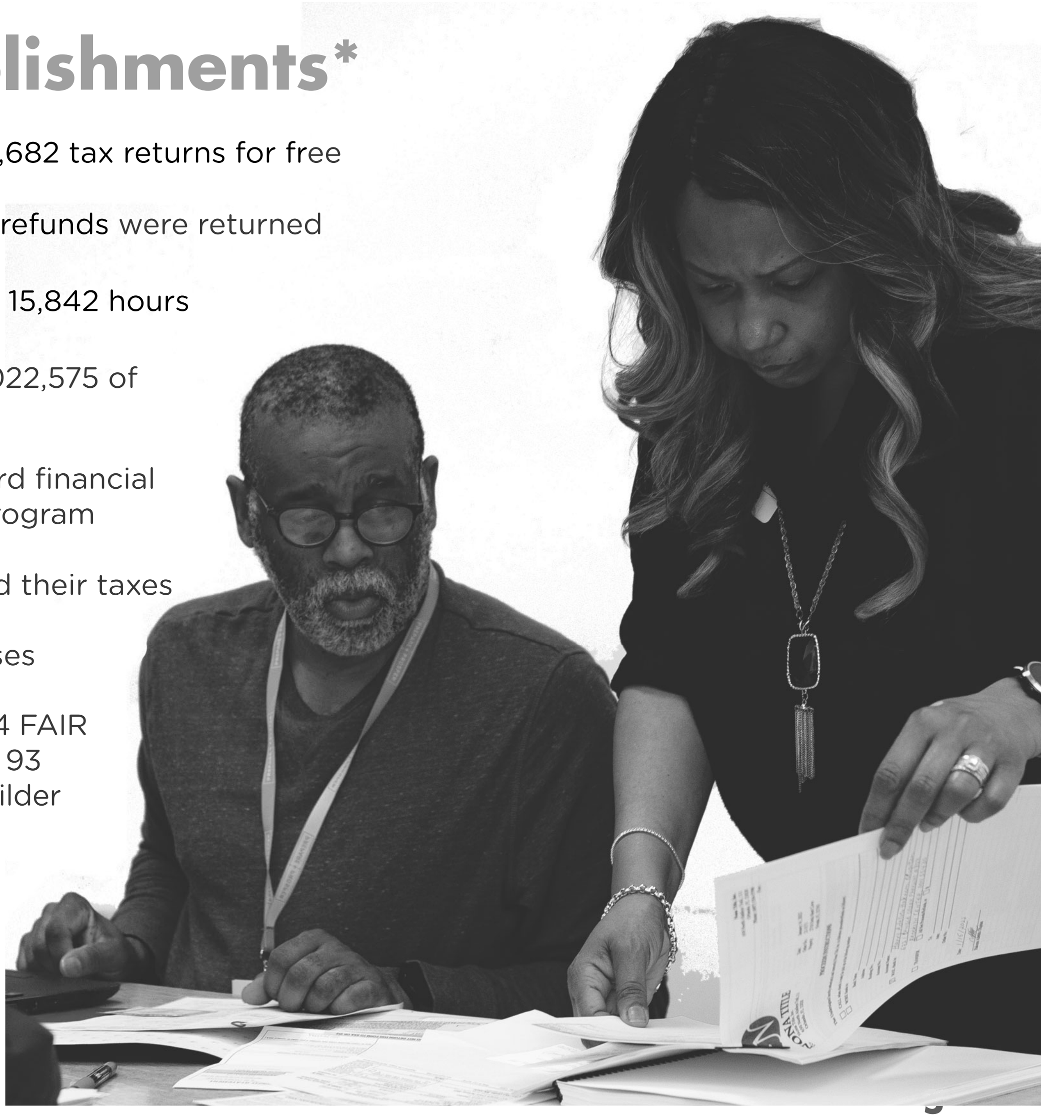
FAIR Banking Program: Accounts for households who are **financially marginalized** and spend too much of their time and money operating in a financial world not designed to meet their financial needs. FAIR consists of **checking, savings, and credit builder accounts**, provided by Sunrise Banks and distributed through community organizations.

Changing systems: We advance and strengthen policies and practices to support **a more equitable tax code and wealth building** for low- to-moderate-income households. We mobilize people we work with to support this work. When the MN legislature is in session, P+P partners with the **MN Budget Project** and **MN Asset Building Coalition** to protect and expand low-income tax credits like **Minnesota's Working Family Credit**, advocating for increases in state funding for free tax prep and **securing funding for FAIR**.

2023 Accomplishments*

- 8,234 taxpayers filed 22,682 tax returns for free
- Over $17.7 million in tax refunds were returned
- 360 volunteers donated 15,842 hours
- 517 taxpayers saved $1,022,575 of their tax refunds
- 121 people worked toward financial goals in our coaching program
- 319 sole-proprietors filed their taxes and many received help managing their businesses
- 119 people enrolled in 184 FAIR accounts— 60 checking, 93 savings, and 31 credit builder accounts

*As of July 1, 2023



Learn more at prepareandprosper.org

CONTACT INFORMATION

Volunteer hotlines

Please do not provide these numbers to taxpayers for tax assistance; these resources are available to volunteers only. When using the hotlines, identify yourself as a VITA volunteer.

IRS volunteer hotline **Available mid-January through April 15**	1-800-829-8482 (1-800-TAX-VITA) Monday - Friday: 7 a.m. - 7 p.m.
MN Department of Revenue hotline **Available year-round**	651-556-3050 or 1-800-657-3829 Monday - Friday: 8 a.m. - 4:30 p.m. individual.incometax@state.mn.us

Free legal assistance for tax problems

University of Minnesota Law School Tax Clinic	612-625-5515	Low-Income Taxpayer Clinics: Provide advice and representation on federal and associated Minnesota tax issues.
Mid-MN Legal Aid Tax Law Project	Twin Cities: 612-334-5970 Statewide: 1-877-696-6529	
LawHelpMN.org	www.lawhelpmn.org	Offer legal resources and information on tax credits, scams, and refund recapture.
MN Taxpayer Rights Advocate Office	Twin Cities: 651-556-6013 Statewide: 855-452-0767	Help resolve tax issues after attempts to resolve them directly with Minnesota Revenue or the IRS fail.
IRS Taxpayer Advocate Office in MN	Twin Cities: 651-312-7999 Statewide: 877-777-4778	

Taxpayer assistance centers

CITY	ADDRESS	PHONE
IRS taxpayer assistance centers		
Bloomington	1550 American Blvd East, Ste 800	All IRS centers operate by appointment only. Call 844-545-5640 to schedule an appointment.
Duluth	515 West First Street	
Fargo	657 Second Avenue North	
Mankato	1921 Excel Drive	
St. Cloud	1010 West Saint Germain Street, Ste 310	
St. Paul	430 North Wabasha Street	
Rochester	310 South Broadway, Ste 202	
Minnesota Department of Revenue assistance center		
St. Paul	600 North Robert Street Walk-in Monday - Friday 8 a.m. - 4:30 p.m.	651-296-3781

VOLUNTEER STANDARDS OF CONDUCT (VSC)

All volunteers are required to ensure the integrity of the national IRS Volunteer Income Tax Assistance (VITA) program. The VSC set a benchmark for VITA volunteer actions as a safeguard for taxpayers. Pub 4961 covers the VSC in detail. The following section is a summary.

Violation or non-compliance with the VSC

Volunteers not complying with the VSC may be removed from the VITA program and placed on the IRS-SPEC Volunteer Registry listing those barred indefinitely from participating in VITA. In addition, if the VSC are violated, P+P could be terminated from the program, lose IRS grant funds, and have electronic filing numbers (EFINs) deactivated.

1. Follow the Quality Site Requirements (QSRs)

QSR 1: All volunteers must pass the VSC certification test. Volunteers who answer tax law questions, teach tax law, or prepare/review tax returns must successfully pass tax law certification tests and the Intake/Interview and Quality Review test. Quality reviewers are encouraged to review Pub 5101, *Quality Review Training,* as a refresher.

QSR 2: All sites must use Form 13614-C, *Intake/Interview & Quality Review Sheet*, for every return prepared. All returns must be quality reviewed and discussed with taxpayers. Form 13614-C indicates Basic (B) or Advanced (A) next to each tax issue to indicate the tax law certification a volunteer must have to work on the return.

QSR 3: All sites must have a process for confirming taxpayer identities, including reviewing photo identification for primary and secondary taxpayers, and verifying Social Security numbers or Individual Taxpayer Identification Numbers for everyone on the return.

QSR 4: All sites must make available (paper or electronic) Pub 4012, *Volunteer Resource Guide*; Pub 17, *Your Federal Income Tax for Individuals*; Pub 4299, *Privacy, Confidentiality, and Civil Rights;* Volunteer Tax Alerts (VTAs); and Quality Site Requirement Alerts (QSRAs). VTAs and QSRAs must be discussed with volunteers within five days of issuance.

QSR 5: After passing all required certification tests, volunteers must sign Form 13615 agreeing to the VSC. This is done each year prior to working with customers or teaching tax law.

QSR 6 – 9: The following requirements are the responsibility of P+P: (6) timely filing of tax returns, (7) display of Title VI of the Civil Rights Act of 1964 poster, (8) provision of correct Site Identification Numbers (SIDNs), and (9) provision of correct Electronic Filing Identification Numbers (EFINs) on all returns.

QSR 10: The guidelines in Pub 4299, *Privacy, Confidentiality, and Civil Rights,* demand a high level of data security. Volunteers must safeguard computers and equipment that store taxpayer data as well as physical copies of taxpayer information. This QSR also includes the requirement that volunteers display their first name and first initial of their last name while volunteering. This may take the form of a nametag in person or displayed name in a virtual meeting.

2. Not accept payment, solicit donations, or accept refunds as payment for federal or state tax return preparation

VITA programs are not allowed to have a donation jar at the tax site, and volunteers cannot accept tips. Taxpayers who want to donate to P+P can make donations online at prepareandprosper.org, but cannot do so at the site.

3. Not solicit business from taxpayers they assist or use the knowledge they gained about them for any direct or indirect personal benefit for themselves or any other specific individual

No solicitation of any kind is permitted at P+P tax sites.

Example: An accountant volunteering at the tax site cannot solicit business from a taxpayer who needs accounting services – even if the service is provided at a discounted rate.

Example: A volunteer's child cannot raise money for a school or club activity by selling candy to other volunteers or taxpayers.

4. Not knowingly prepare false returns

Trust in the IRS VITA program and P+P is jeopardized when ethical standards are not followed. Fraudulent returns can result in taxpayers paying additional taxes plus interest and penalties and spending many years interfacing with the IRS. The IRS defines "unethical" as "not conforming to agreed standards of moral conduct, especially within a particular profession". In most cases, unethical behavior involves intent to disregard the established laws, procedures or set policies.

Example: If a volunteer preparer tells a taxpayer that cash income from self-employment does not need to be reported on the return or a volunteer knowingly prepares a return claiming an ineligible dependent. Such actions are considered unethical and violations of the VSC. However, a volunteer who performs the quality review on the returns described above **does not** violate this standard if the reviewer does not knowingly process a fraudulent return. *Don't confuse an unethical action with a lack of knowledge or a simple mistake.*

Example: What if a preparer senses the taxpayer is not telling the truth? If, after conducting a thorough interview, the preparer still doubts the taxpayer's information, the taxpayer should be referred to a site manager. If preparers are not comfortable with the information provided by a taxpayer, there is no obligation to prepare the return.

5. Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA program

This standard may sound over the top, but became necessary due to a few unscrupulous volunteers in the national VITA program committing acts such as: stealing refunds or committing other financial crimes. There has never been cause to be concerned about the integrity of P+P volunteers!

This standard also requires that P+P verify the identity of all participating volunteers and that all volunteers reside legally in the United States.

6. Treat all taxpayers in a professional, courteous, and respectful manner

P+P strives to maintain the confidence and esteem of the people we serve by providing tax and financial services in a manner that is professional, courteous, businesslike, and diplomatic. Understandably, the tax site atmosphere can, at times, contain high levels of stress, with taxpayers waiting extended periods of time, and volunteers dealing with the complexity of tax laws and software issues.

This environment can make anyone's patience run short! Remember to take a deep breath and remain calm to create a peaceful and friendly atmosphere. Reach out to a site manager for help dealing with a stressful situation or when a break is needed!

IRS CERTIFICATION INFORMATION

Volunteers must pass the required IRS certification tests prior to their first volunteer shift. At P+P, required tests vary by volunteer role.

Enrolled agents or certified public accountants:

- If enrolled agents volunteer as tax return preparers, quality reviewers, or instructors of specialty tax law courses, they may be eligible to receive continuing education (CE) credits for their volunteer service.
- Certified public accountants may be eligible for CE credits for attending live tax training.
- If interested in receiving CE credits, talk to the Volunteer Resources Department before testing, because special rules and procedures apply.

IRS CERTIFICATION TESTS AND PASSING SCORES

All test questions and scenarios are in Form 6744, *Volunteer Assistor's Test/Retest*. Other resources are available on IRS.gov to assist with studying for and taking the certification tests: Pub 4961, *Volunteer Standards of Conduct;* Pub 5101, *Intake/Interview & Quality Review Training*; Pub 4012, *Volunteer Resource Guide;* and Pub 4491, *VITA/TCE Training Guide.*

Volunteer Standards of Conduct (VSC): This test is required of all volunteers to ensure awareness of and understanding of the VSC requirements.

Passing score: 8 out of 10 correct.

P+P volunteers required to take test: All volunteers.

Intake/Interview and Quality Review: This test is required of all volunteers who will answer tax questions. New tax volunteers are required to view IRS Pub 5101 in addition to passing the test (access on irs.gov).

Passing score: 8 out of 10 correct.

P+P volunteers required to take test: Volunteers preparing/reviewing tax returns or answering tax questions.

Basic Certification: A passing score on this test is required of volunteers certifying to prepare basic level returns. The scope chart in Pub 4012 shows the basic tax topics.

Passing score: 24 out of 30 correct.

P+P volunteers required to take test: Volunteers preparing/reviewing tax returns or answering tax questions who have fewer than 80 hours of volunteer experience.

Advanced Certification: A passing score on this test is required of volunteers certifying to prepare advanced level returns. The scope chart in Pub 4012 shows the advanced tax topics.

Note: Advanced level preparers do not need to take the basic certification test.

Passing score: 28 out of 35 correct.

P+P volunteers required to take test: Volunteer interviewers and volunteers preparing/reviewing tax returns or answering tax questions who have more than 80 hours of volunteer experience.

Federal Tax Law Update Test for Circular 230 Professionals: Volunteers who are authorized under Circular 230 to practice before the IRS and have extensive experience with low-income tax law may take this test in lieu of the Advanced Certification test. P+P volunteers who choose this test must confirm their qualifying professional designation with the Volunteer Resources Department when submitting Form 13615.

Passing score: 12 out of 15 correct.

COMPLETING IRS CERTIFICATION TESTS

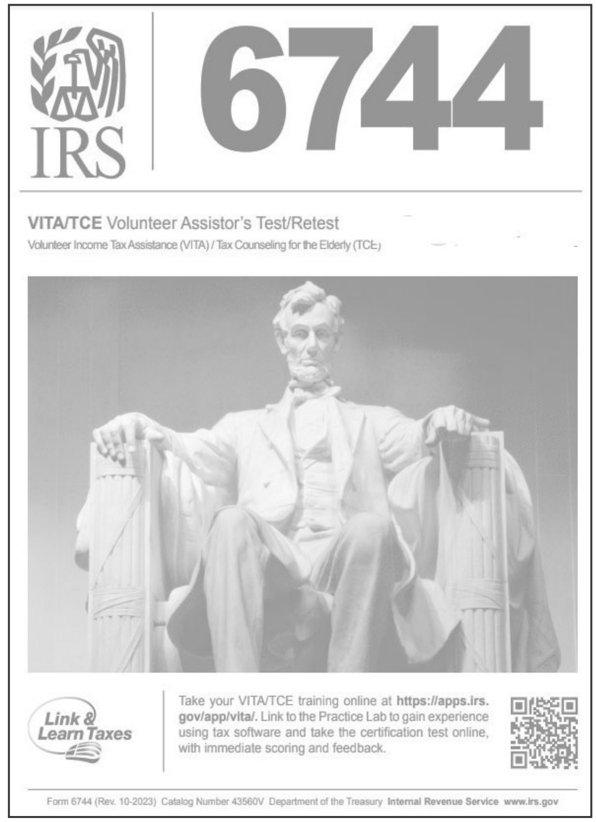
NEW IRS TESTING WEBSITE LAUNCH IN NOVEMBER 2023!
The online testing website is getting an update before the 2024 tax season. At the time this manual went to print it had not been launched.

How to complete the certification tests

Volunteers will receive Form 6744 (also available at IRS.gov) as a tool for taking the certification tests. Form 6744 contains the same questions and scenarios as the VITA/TCE Central test website. The final test submission must be done online at this website:

https://linklearntaxescertification.com

In addition to the VITA/TCE Central test website, it's necessary to **use TaxSlayer Practice Lab to prepare tax returns before answering some questions** (details on page 12).



Test tips and best practices

- It is best practice to take the test in the booklet first, then transfer answers into the website.
- Don't panic! Each test allows a retest if a passing score is not obtained on the first attempt.
- Take breaks. Tests generally take several hours to complete. Stop for a break any time and return later to finish.
- Use resources often. These are "open book" tests, so use this manual, Pub 4012, Pub 4491, and general internet searching as needed.

Register at VITA/TCE Central testing website

Volunteers must take the IRS certification tests online at the VITA/TCE Central testing website.

Returning volunteers
Volunteers with an account created in a prior year will need to reset their password on the updated website. IRS communications indicate that usernames for returning volunteers will remain the same. Remember, use the new URL to access the test! https://linklearntaxescertification.com

New volunteers
Volunteers that have not taken VITA certification tests in the past will need to create a new username and password. The new website was not available when this manual went to print; however, it is expected that volunteers will need to provide their legal name, email address, and some basic information about their volunteer training and service. P+P volunteers can email volunteer@prepareandprosper.org with registration or testing questions..

- **Continuing Education**: Volunteers who are pursuing continuing education (CE) credits should select their CE role when registering on the VITA/TCE Central website. P+P volunteers should contact the Volunteer Resources Department before testing if interested in CE credits.
- **PTIN**: Volunteers who have a PTIN should enter it.

FORM 13615, VOLUNTEER STANDARDS OF CONDUCT AGREEMENT

After completing certification tests, **volunteers must submit a signed copy of Form 13615**, *Volunteer Standard of Conduct Agreement-VITA Programs* to the site coordinator. Electronic signatures and electronic submission are encouraged. At P+P, volunteers send this to the Volunteer Resources Department at volunteer@prepareandprosper.org.

Volunteers will be able to generate Form 13615 after completing their tests. Return to the website if needed using this link: https://linklearntaxescertification.com. Due to the website updates, the exact process for exporting the form was unknown at the time this manual went to print. In prior years, volunteers checked a box to electronically sign the form, downloaded a PDF, and attached it to an email to submit.

Generated From Link & Learn Taxes

Volunteer:
By signing this form, I declare that I have completed Volunteer Standards of Conduct certification and have read, understand, and will comply with the standards of conduct. I also certify that I am a U.S. citizen, a legal resident, or otherwise reside in the U.S. legally.

Full name *(please print)* | Volunteer position(s) 01 - VITA Volunteer | ☐ IRS Employee

Home address *(street, city, state and ZIP code)*

Email address | Daytime telephone | Sponsoring partner name/site name

Number of years volunteered *(including this year)* | Signature *(electronic)* OR Signature *(type/print)* | Date

Volunteer Certification Levels *(Add the letter "P" for all passing test scores)*

Volunteer Standards of Conduct *(Required for ALL)*	Intake/Interview & Quality Review	Site Coordinator	Basic	Advanced	Military	International	Puerto Rico 1	Puerto Rico 2	Foreign Students
P	P								

Generated From Link & Learn Taxes

Form **13615** (October 2022) | Department of the Treasury - Internal Revenue Service

Volunteer Standards of Conduct Agreement – VITA/TCE Programs

The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing **free** tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

Use of Form 13615: This form provides information on a volunteer's certification. All VITA/TCE volunteers (whether paid or unpaid) must pass the Volunteer Standards of Conduct certification, and sign and date Form 13615, Volunteer Standards of Conduct Agreement - VITA/TCE Programs, prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, coordinators, and VITA/TCE tax law instructors must certify in Intake/Interview & Quality Review and tax law prior to signing this form. This form is not valid until the coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity, name and address with a government-issued photo ID, and signs and dates this form.

Standards of Conduct: As a volunteer in the VITA/TCE programs, you must adhere to the following Volunteer Standards of Conduct:

VSC #1 - Follow the Quality Site Requirements (QSR).

VSC #2 - Do not accept payment, ask for donations, or accept refund payments for federal or state tax return preparation from customers.

VSC #3 - Do not solicit business from taxpayers you help or use the information you gained about them (their information) for any direct or indirect personal benefit for yourself or any other specific individual.

VSC #4 - Do not knowingly prepare false returns.

VSC #5 - Do not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct considered to have a negative effect on the VITA/TCE programs.

VSC #6 - Treat all taxpayers in a professional, courteous, and respectful manner.

Failure to comply with these standards could result in, but is not limited to, the following:
- Removal from all VITA/TCE programs;
- Inclusion in the IRS Volunteer Registry to bar future VITA/TCE activity indefinitely;
- Deactivation of your sponsoring partner's site VITA/TCE EFIN (electronic filing ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site;
- Termination of your sponsoring organization's partnership with the IRS;
- Termination of grant funds from the IRS to your sponsoring partner; and
- Referral of your conduct for potential TIGTA and criminal investigations.

Taxpayer Impact: Taxpayer trust in the IRS and the local sponsoring partner organization is jeopardized when ethical standards are not followed. Fraudulent returns that report incorrect income, credits, or deductions can result in many years of interaction with the IRS as the taxpayer tries to pay the additional tax plus interest and penalties. This can result in an extreme burden for the taxpayer as the taxpayer tries to resolve the errors made on their return.

Volunteer Protection: The Volunteer Protection Act generally protects unpaid volunteers from liability for acts or omissions that occur while acting within the scope of their responsibilities at the time of the act or omission. It provides no protection for harm caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, blatant disregard of the rights or safety of the individual harmed by the volunteer.

For additional information on the volunteer standards of conduct, please refer to Publication 4961, Volunteer Standards of Conduct - Ethics Training.

Privacy Act Notice – The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory.

Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you in regards to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers. Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs. Please note: Sponsoring organizations may perform background checks on their volunteers.

IRC 7216(a) - Imposes criminal penalties on tax return preparers who knowingly or recklessly make unauthorized disclosures or uses of information furnished in connection with the preparation of an income tax return. A violation of IRC 7216(a) is a misdemeanor, with a maximum penalty of up to one year imprisonment or a fine of not more than $1,000, or both, together with the cost of prosecution.

Catalog Number 38847H | www.irs.gov | Form **13615** (Rev. 10-2022)

IRS guidelines require that volunteers submit Form 13615 listing their legal name. Update account information on the VITA/TCE Central website if needed. P+P will use a preferred name when IRS does not require a legal name. Contact the P+P Volunteer Resources Department with questions at volunteer@prepareandprosper.org.

THE TAXSLAYER PRACTICE LAB

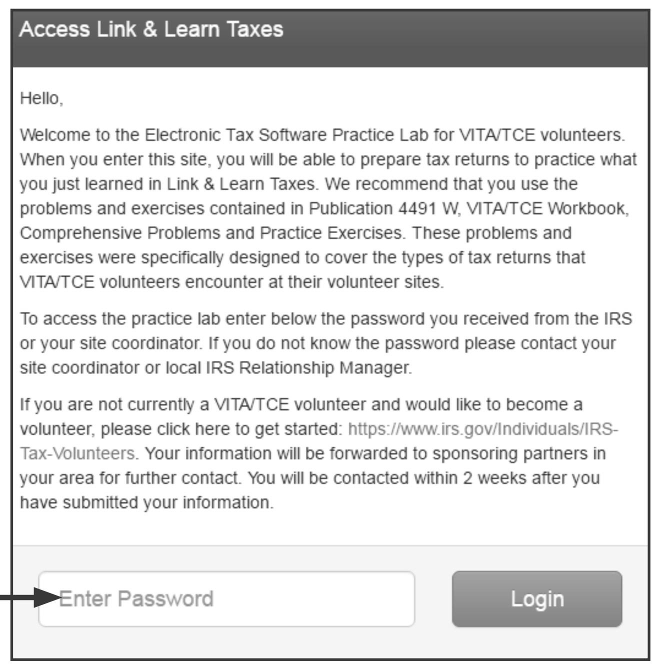
The TaxSlayer Practice Lab provides a simulated learning environment of the TaxSlayer Pro Online software to allow volunteers to practice using the software and to prepare the returns required for the certification tests.

1. Access the TaxSlayer Practice Lab software at the website: vita.taxslayerpro.com/IRSTraining
2. Use this generic password to get into the lab: TRAINPROWEB
3. Create a username and password (or use a previously created account).
4. When registering, select VITA as the program type, and skip the entry for SIDN. Set a password recovery question and answer.
5. Click the Go to Practice Lab button to start practice returns using TaxSlayer. See page 21 for information about starting a new return.

TaxSlayer Practice Lab

vita.taxslayerpro.com/IRSTraining

Enter TRAINPROWEB as the password.



After logging in to the Practice Lab, helpful information (including practice problems and training videos) is available on the Practice Lab home screen.

INTAKE + INTERVIEW PROCESS

IDENTITY AND SSN/ITIN VERIFICATION

The IRS requires that every taxpayer at a VITA site provide photo identification and verification of their Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN). Volunteers must view photo ID for the taxpayer and spouse (if applicable) and confirm that SSN/ITIN documentation is available for all people on the return.

Acceptable photo ID options:

- Driver's license
- Employer/school ID
- Passport
- State/national ID card

Acceptable SSN/ITIN documentation:

- Social Security card
- Prior-year tax return
- Form SSA-1099
- SSA benefit letter/statement
- ITIN letter
- Letter from IRS or Minnesota Revenue

PREPARE + PROSPER INTAKE FORMS

A taxpayer's intake paperwork is an essential tool for preparing an accurate tax return. It also ensures that a taxpayer understands the process and is aware of all the service options available from Prepare + Prosper.

Making notes on the intake paperwork is essential. Add notes directly on the paper copies of the intake paperwork or in a digital format that is easy for another volunteer or staff member to review. Remember, every return will be looked at by several people, so note anything that might be helpful to the next person looking at the taxpayer's information.

2024 Prepare + Prosper intake paperwork

- **IRS Form 13614-C:** This Intake/Interview & Quality Review Sheet is required by the IRS for all VITA programs. Use Form 13614-C to conduct a tax interview. Make sure that all questions are answered and that any answers the customer marks "unsure" are corrected to a "yes" or "no". Additionally, tax preparers must answer the dependent eligibility questions in the shaded section of Part II during the tax interview.

  This intake form helps determine the IRS tax certification level needed to prepare the return and identifies some out of scope items as well. See page 17 for more information on scope of service.

  Voter registration information can be requested by taxpayers on Form 13614-C. Volunteers can encourage customers to register or get more Minnesota-specific information online at www.mnvotes.org. P+P will have paper registration forms onsite to provide to customers who cannot do online registration.
- **P+P Tax Intake Sheet:** This form is P+P-specific. It asks demographic questions and gives customers the option to sign up for updates from P+P. This form also collects signatures giving consent for limited data sharing (more on page 35), collects direct deposit/direct debit information, and asks for tax information needed to prepare a Minnesota tax return.
- **P+P Boost Your Money Form:** This form is P+P-specific. Customer support volunteers use it to connect customers to relevant financial products and referrals. These include P+P services, like the Save + Win contest, Money Mentors financial coaching, or FAIR banking. The form also screens for interest in services offered by trusted P+P partners (see more on page 15).

PREPARE + PROSPER FINANCIAL SERVICES

Tax time is a unique moment for taxpayers to get in touch with their financial goals. P+P customer support volunteers are equipped with resources to help taxpayers take action.

Tax preparers should make sure customer support volunteers receive each taxpayer's completed Boost Your Money form so they can connect the taxpayer to requested resources.

WHAT FINANCIAL SERVICES ARE AVAILABLE?

Financial referrals

Customer support volunteers are available to connect taxpayers with helpful referrals. Whether a taxpayer's goal is to increase savings, review or boost credit, or reduce debt, a customer support volunteer can help the taxpayer take the next step toward achieving their goals.

Next steps might include ordering a credit report or referrals to:

- Financial coaching with P+P's Money Mentors program
- Financial counseling with LSS of Minnesota
- Financial planning with P+P's Certified Financial Planner volunteers

A full list of referrals will be available on a referrals menu at each preparer station.

Refund savings and savings contest

Taxpayers can discuss options for splitting a federal refund into multiple accounts and purchasing a U.S. Savings Bond (see page 30) with a customer support volunteer or a preparer. Tax preparers will enter the account information and bond purchase details in TaxSlayer based on the information tracked on the P+P Tax Intake Sheet or source documents provided by the taxpayer.

Taxpayers who save at least $50 of their refund during the tax season can enter the P+P savings contest, Save + Win, for a chance to win $100. **Taxpayers must talk to a customer support volunteer to enter Save + Win.** Federal, Minnesota, and property tax refunds deposited into savings qualify for the contest. Taxpayers are eligible if they put their entire refund into savings, or if they split their refund and have at least $50 go into savings.

Direct deposit

Direct deposit is the fastest and safest way for taxpayers to receive their refunds. Ask taxpayers who do not provide routing and account numbers if they need a new direct deposit option or if it is possible to look up the information for an existing account.

Existing accounts

If a taxpayer needs to look up routing and account numbers, these are good places to look:

- Online banking website
- Bank statement or other account documents
- Last year's tax return (if no change to account)
- Taxpayer has their account number - use the routing number guide on page 31
- Taxpayer opened a prepaid debit card with P+P in a previous year - a manager or a customer support volunteer can look up the account information

New accounts

Taxpayers may open a new savings account, checking account, or prepaid debit card. A customer support volunteer or manager can open a new prepaid debit card onsite. A customer support volunteer can request an appointment for the taxpayer to sign up for a FAIR savings account or a FAIR checking account.

TAXPAYERS WITH ITINS

WHAT IS AN ITIN?

ITIN stands for Individual Taxpayer Identification Number. An ITIN is a nine-digit number issued by the IRS to individuals who do not have, and are not eligible for, a Social Security number (SSN). ITINs allow taxpayers to meet their tax filing requirements. **ITINs always begin with "9".**

ITINs may be issued for a taxpayer's dependent who resides in the U.S., Mexico, or Canada, and for a spouse residing in any country. IRS policy allows an ITIN to be issued to a dependent only when it results in a federal tax benefit (for example, a parent who qualifies the taxpayer for the Head of Household filing status).

To obtain an ITIN, a taxpayer must submit Form W-7, identity verification, and foreign status documentation by mail along with a federal tax return. P+P has Certified Acceptance Agents (CAAs) who can assist (see below).

PREPARING RETURNS FOR ITIN HOLDERS

Whether the taxpayer files with an ITIN or an SSN, the tax preparation process is the same except for these special situations:

Source documents: As verification of an ITIN number, taxpayers must have an ITIN letter from the IRS or a prior-year tax return. Use the ITIN and name listed on the source document to start the tax return and to enter spouse or dependent information.

Form W-2: ITIN holders who work as employees must have Form W-2. The form does not show the ITIN as the taxpayer identification number. Instead, it has a placeholder SSN. Enter the placeholder SSN only when inputting the W-2 information in TaxSlayer. If the SSN is masked/truncated on Form W-2, see instructions on page 59.

Credit eligibility: Taxpayers using an ITIN are ineligible for many tax credits. Families that include some members with ITINs and some with SSNs may qualify for credits that an ITIN holder is ineligible for when filing on their own. Verify specific eligibility criteria using the credit sections of this manual and Pub 4012.

ITIN APPLICATIONS AND RENEWALS AT PREPARE + PROSPER

If a taxpayer or dependent needs to apply for an ITIN or renew an expired ITIN, complete the tax return and advise them to call P+P at 651-262-2177 to schedule an ITIN application appointment to complete Form W-7.

ITIN holders must renew an ITIN if it has not been used on a federal return in the last three tax years (2020, 2021, or 2022). If the taxpayer does not renew before filing, it will delay return processing. If an ITIN is not renewed before the filing deadline, the taxpayer will not be eligible for certain credits.

Special preparation instructions for ITIN applications and renewals

- Form W-7 will be completed by the CAA. **Do not complete Form W-7 in TaxSlayer.**
- When the taxpayer is **applying for a new ITIN**, they will not have an ITIN source document. Use this placeholder number during preparation: 999-7X-XXXX. Fill in the X's with the last 5 digits of the taxpayer's phone number.
- When the taxpayer is **renewing an ITIN**, use the ITIN that is awaiting renewal. The taxpayer should provide a source document with the number.
- Returns with an ITIN application or an ITIN renewal **cannot be e-filed.** The taxpayer will mail the return with the Form W-7 that is completed at the appointment with a CAA.

SCOPE OF SERVICE

VITA sites nationwide have a shared scope of service. Preparing returns that are out of scope violates the VITA Volunteer Standards of Conduct. Use the scope charts, the taxpayer's intake forms, and the tax interview to verify that a return is in scope and matches the volunteer's certification level.

Pub 4012 (pages 6 through 21) has an extensive chart outlining VITA scope. **Always consult the chart in Pub 4012 if the P+P manual is unclear.** P+P has some specialized services that require an appointment with specific volunteers or staff. Those are outlined below.

P+P income guidelines	In scope at P+P	Special appointment required	Out of scope
Income is $40,000 or less for a single taxpayer with no dependents	x		
Income is $60,000 or less for a married or single taxpayer with dependents, or taxpayers with self-employment income (see next chart section)	x or	651-262-2169	
Income is over limits stated above (*check with manager for exceptions)*			x
Self-employment income	**In scope at P+P**	**Special appointment required**	**Out of scope**
Self-employment income is from: • Driving a taxi cab • Acting as a clergy member • Farming or hobbies • Rental property • Day trading • Participating in a corporation or partnership • Owning a business with employees			x
Self-employment gross income is $10,000 or more		651-262-2169	
Self-employment income of any amount (and still meeting P+P income guildelines) and taxpayer has: • Inventory • More than one business • Day care in the home • Direct sales (Tupperware, Avon, etc.) • Depreciation of assets • Deduction for business use of the home • Single member LLC		651-262-2169	
Self-employment gross income up to $10,000 including: • Paper carrier, Uber driver, Lyft driver, or other couriers • Income reported on 1099-K (including Uber and Lyft)	x		

Tax return amendments	In scope at P+P	Special appointment required	Out of scope
Needs an amendment for a return that <u>WAS</u> prepared earlier at a P+P tax site		651-262-2167	
Needs an amendment for a return that <u>WAS NOT</u> originally prepared at a P+P tax site		See note on page 183	

Minnesota property tax refund	In scope at P+P	Special appt required	Out of scope
Needs property tax return prepared, and federal or state return WAS prepared earlier at a P+P tax site		Provide Home-owner + Renter handout	
Needs property tax return prepared, and federal or state return WAS NOT prepared at a P+P tax site	See page 178		

Other tax issues	In scope at P+P	Special appt required	Out of scope
Form 1099-A, Abandonment of Property, or 1099-C, Cancellation of Debt from main home foreclosure		651-262-2159	
Form 1099-C, Cancellation of Debt for nonbusiness credit card	See page 90		
Forgiven student loan debt	See page 89		
IRS Form 1099-C, Cancellation of Debt for business credit card, repossessed vehicle, or other			x
Bankruptcy pending in or started in the tax year			x
Auto donation over $500 with or without Form 1098-C			x
Non-cash (clothing, furniture, etc.) donations over $500 (must be reported on Form 8283)			x
Form 1099-Q, payments from qualified education program			x
Lives in a group home facility or nursing home	x or	651-262-2176	
Lump-sum Social Security payments	See page 72		
Schedule K-1 reporting interest, dividends, capital gains/ losses, tax-exempt interest, or royalty income	See page 92		
Schedule K-1 with income other than listed above			x
Kiddie Tax on Form 8615			See page 136
Royalty income reported on Form 1099-MISC, box 2	x		
Form W-2 with income from states other than Minnesota	Federal & MN returns only		Non-MN state return
Moving expenses or adoption credit			x
Casualty or theft loss			x
Active military income (refer to MN Revenue website)			x
International student or nonresident alien, Form 1040-NR			See page 39
Form 1042-S for a foreign person's US source income			x
Divorced or legally separated, sharing health care premiums for a MNsure plan and filing separate returns			x
Married during the tax year and at least one person within the family received the advance PTC during the tax year			x
ITIN application or renewal		651-262-2177	

TAXSLAYER

LOGGING IN TO TAXSLAYER

TaxSlayer has both a Practice Lab and a live version called Pro Online. Pro Online is used to prepare and process returns for taxpayers. Many tips in this section are relevant only to the Pro Online version of the software.

The Practice Lab version is for preparing sample returns required for the IRS certification tests and practicing with the software. See page 12 for Practice Lab log-in instructions.

Access both versions of the software here: vita.taxslayerpro.com

Username: Site coordinators will provide a unique username that is connected to each volunteer's personal email address and a specific tax site location. At P+P, the Volunteer Resources Department will send this out to volunteers before the tax season begins. Volunteers will have more than one username if they volunteer at more than one tax site location.

Password: Passwords must be changed every 90 days. Volunteers set their own passwords and can use the "Forgot Password" feature to reset them if needed.

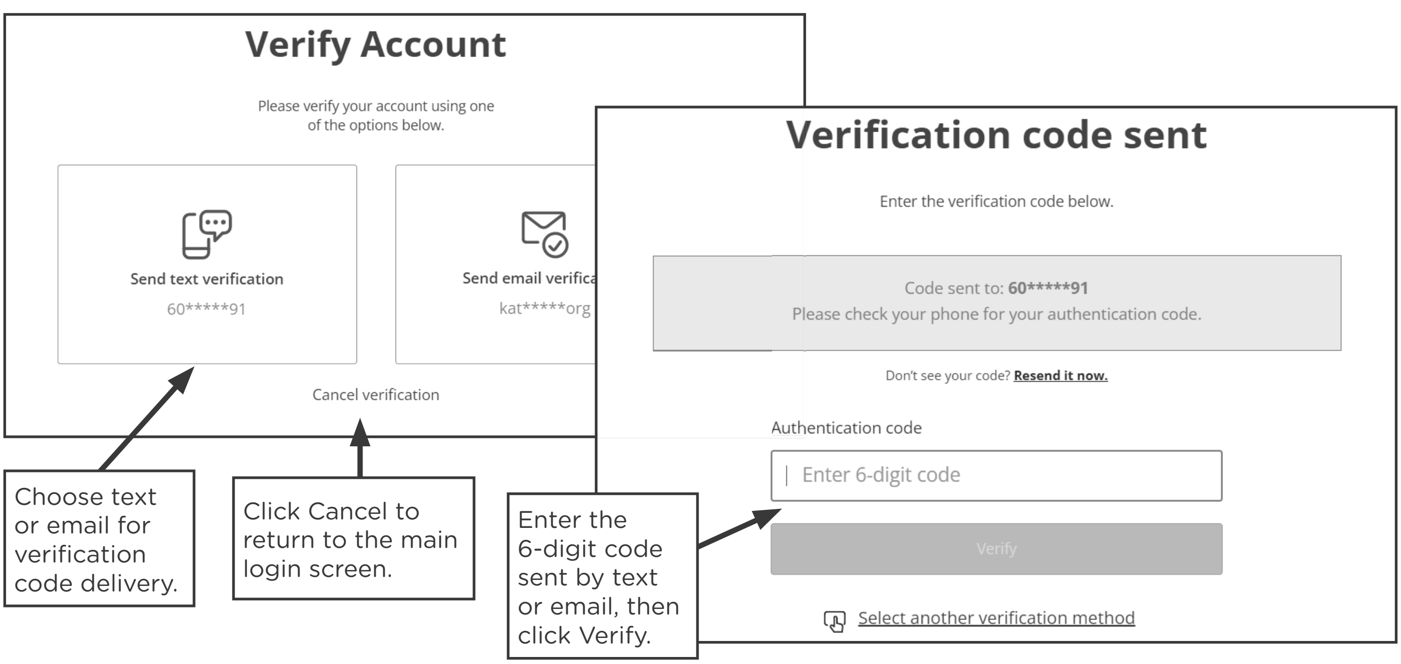
Keep usernames and passwords secure! Remember that taxpayer data can be stolen if an unauthorized user logs in to TaxSlayer. Do not share usernames or passwords, and do not keep them in a location that is easy to access.

Data security tip: Don't write down a password in full, unless it's kept in a very secure location. Instead, keep a password hint as a reminder.

Multi-factor authentication: Multi-factor authentication makes the TaxSlayer sign-in process more secure against cyber-security threats.

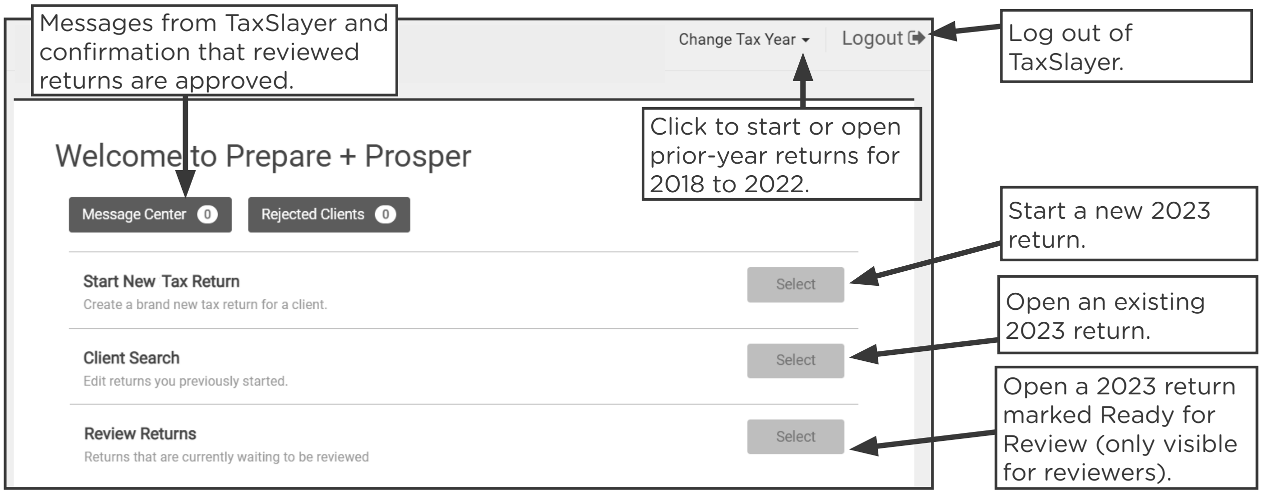
Volunteers will need a verification code to log in. The code can be sent via text message or by email. Text message is the most efficent method. Volunteers should notify their site coordinator of any changes in phone numbers or email addresses.

Time out: TaxSlayer times out after 15 minutes of inactivity. If this happens, log in again to continue tax preparation. No verification code will be required.



STARTING A RETURN

TaxSlayer office

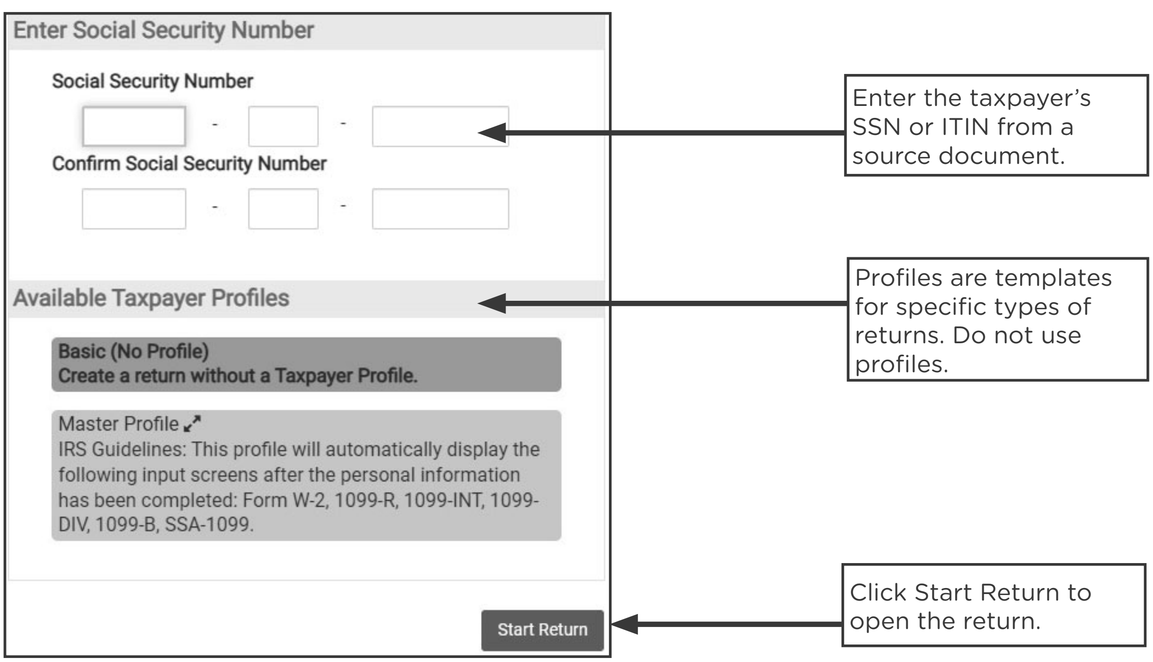


When preparing returns for multiple years, start with the oldest return and move forward in order. Carryforward data (see page 22) from the previous tax year, making preparation faster.

ENTERING A SOCIAL SECURITY NUMBER OR ITIN

To start a return, enter the taxpayer's Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN). Use a source document such as a Social Security card or ITIN letter. A copy or image of those documents is acceptable.

- If the taxpayer's number is entered incorrectly, correct the number in the Personal Information section.
- If a return has already been created with the SSN/ITIN, connect with a manager to reassign the return to the correct username.

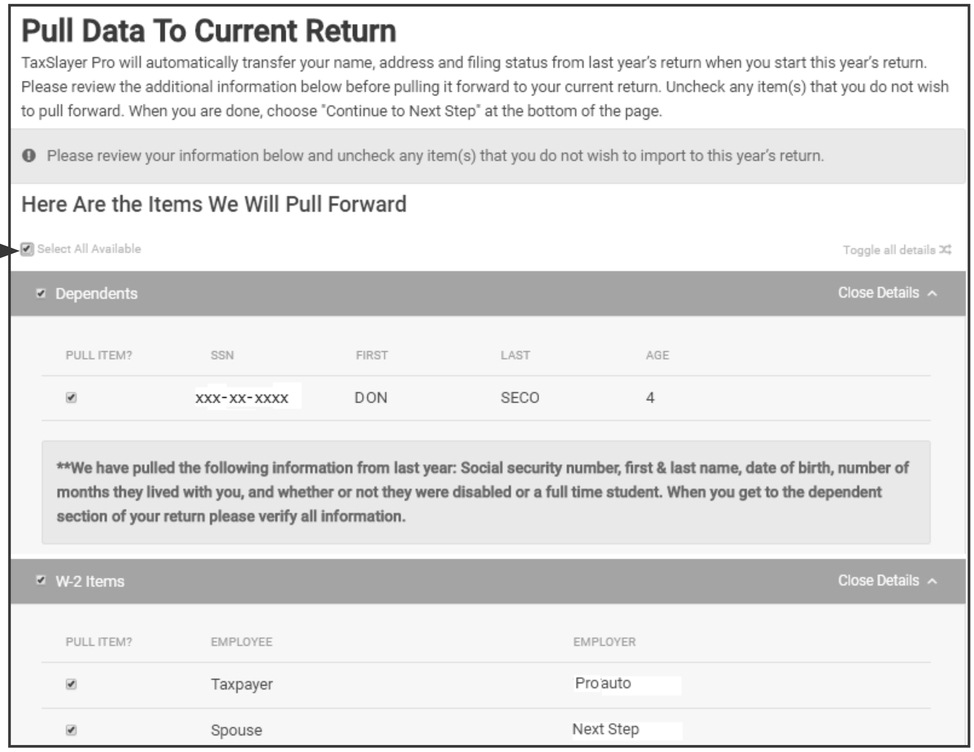


USING CARRYFORWARD DATA

Taxpayer data from a return prepared the year prior may be available. If so, a TaxSlayer screen will ask what data to pull forward into the new tax return. Review the information, and check the boxes for data that stayed the same from the prior year. Always verify the data using intake sheets and source documents, because taxpayers may have moved, changed jobs, etc.

Carryforward data

Keep this check box selected if the taxpayer's tax situation has not changed, or select items individually below.

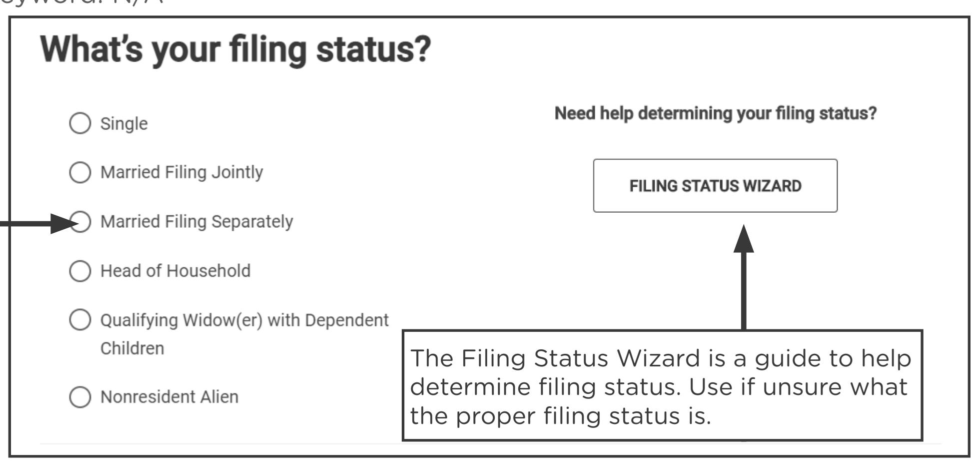


FILING STATUS

Determining taxpayer filing status

Basic Info » Filing Status
Search keyword: N/A

MFS: Must have spouse's name and SSN/ITIN to e-file. If spouse information is not available, the return must be paper-filed. Enter 111-00-1111 as a placeholder SSN for the spouse.



The Filing Status Wizard is a guide to help determine filing status. Use if unsure what the proper filing status is.

Determining the correct filing status can be complicated! Use the marital status and dependency questions on Form 13614-C and the information starting on page 46 to determine the correct status for each taxpayer.

PERSONAL INFORMATION

Turn on *Caps Lock* before starting the return. Most information in the Personal Information section comes from page 1 of Form 13614-C.

Enter the name of the taxpayer exactly as it appears on the source document. Include a hyphen or space between last names if shown on the source document.

If taxpayer SSN/ITIN was entered incorrectly when starting the return, correct it here.

Enter the date of birth and occupation from Form 13614-C.

Check boxes if applicable to the taxpayer. These situations impact other calculations.

These topics are out of scope for P+P. Specialized VITA certification and training are required.

These topics are out of scope for P+P.

Check if a language other than English or an accessible format (like large print or Braille) is better for the taxpayer. Additional options will appear when selected.

Enter address from Form 13614-C.

The city autopopulates from the zip code. If it is incorrect, change it. This is important for data collection.

Double check the residency state if the taxpayer recently moved to Minnesota.

If the taxpayer does not want to list a telephone number, use 800-000-0000.

Taxpayer Information

Primary taxpayer first name * ALEXANDER

MI

Last name * SAMSENT

Suffix (Jr, Sr, etc.) ---

SSN *The IRS requires your Social Security Number for e-filing.* * 889 - 00 - 8889

Date of Birth * 1 22 1997

Occupation ARTIST

☐ Taxpayer can be claimed as a dependent on someone else's return.

☐ Taxpayer was over age 18 and a full-time student at an eligible educational institution.

☐ Taxpayer is blind.

☐ Taxpayer is deceased.

☐ Taxpayer wishes to contribute $3 to the Presidential Election Campaign Fund.

☐ Taxpayer or Spouse served in a combat zone during the current tax year.

☐ Taxpayer was a nonresident alien for any part of the year.

☐ Taxpayer was affected by a natural disaster during the current tax year.

☐ Taxpayer has received, sold, sent, exchanged, or otherwise acquired financial interest in virtual currency during the current tax year.

☐ Taxpayer prefers to receive written communications from the IRS in a language other than English.

☐ Taxpayer prefers to receive written communications from the IRS in an accessible format.

Address and Phone Number

☐ I have a stateside military address.

☐ Check here if foreign address

Address (street number & name) * 2610 UNIVERSITY AVE W

Apartment (provide apartment number only) 450

ZIP code * 55114 -

City, town, or post office * Saint Paul

State * Minnesota

NAVIGATING A RETURN

TAXSLAYER ICONS

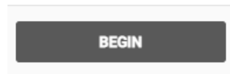
Continue: This button is used to move on to the next screen or section. Click Continue to save data entered on the screen.

Cancel: This button is used to move on from the screen you are on without saving any data entered.

Pencil: The blue pencil icon allows data to be entered into the item or section.

Trash: The red trash can will delete an item completely from the return.

Edit: The Edit button indicates that information has been entered. Click to change or update information.



Begin: The Begin button indicates that nothing has been entered.

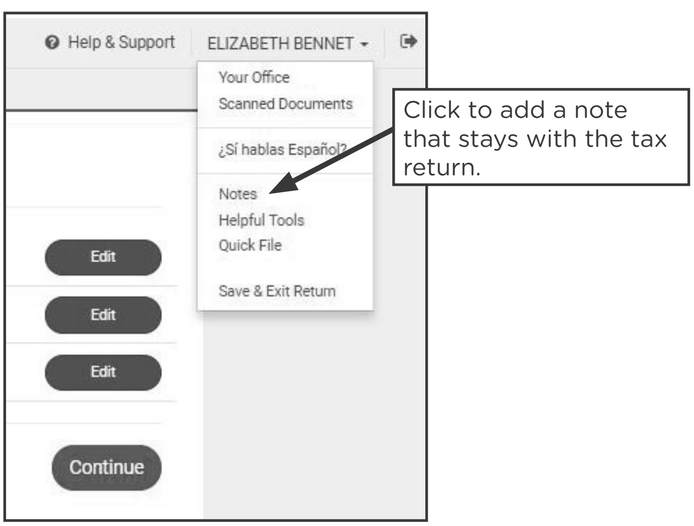
Refund + AGI monitor: The monitor shows AGI as well as federal and Minnesota refunds. The monitor will not show the M1PR refund.

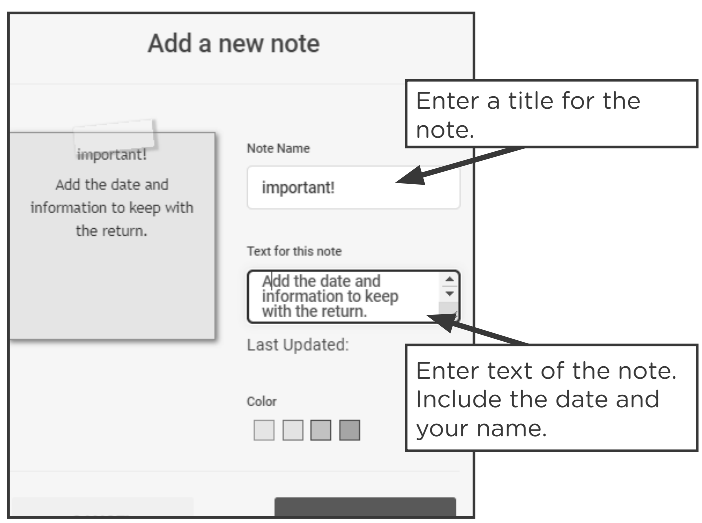
Refunds will fluctuate when new, relevant information is added.

ADD NOTES IN TAXSLAYER

Add notes about unique circumstances. Notes will carryforward with the tax return, so add the date to the note. Write notes when:

- Filing with Power of Attorney (POA). Include representative's name.
- Paper-filing. Include the reason the return will not be e-filed.
- The return is incomplete. Include why it is unfinished (e.g., list missing documents).





LEFT-HAND MENU

Left-hand menu: Returns should generally be prepared in menu order by moving from section to section in this order:

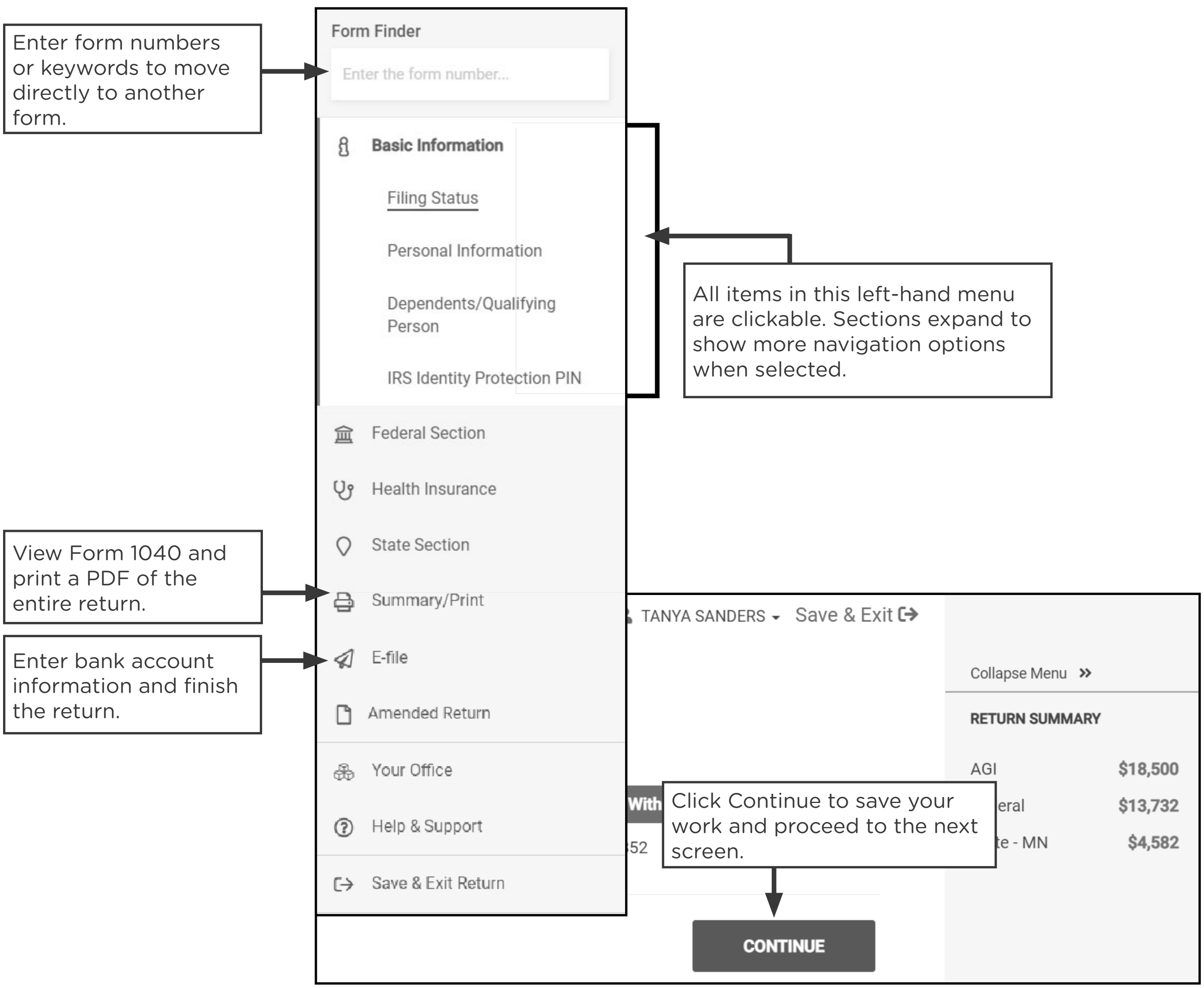
Basic Information » Federal » Health Insurance » State » Summary/Print » E-file

Instead of clicking the Continue button to move through every page of the return, skip to relevant sections by using the left-hand menu.

- After completing entries in the Federal Section, click on Health Insurance, and then click Continue to move on to the State Section.
- Click on Summary/Print at any time during the preparation process to see Form 1040 details or a PDF of the entire return.
- Click E-File when ready to finish return.

Search bar: Enter form numbers or keywords in the search box above the left-hand menu to jump directly to that form's section. Keywords are listed throughout the P+P Volunteer Tax Manual and in Pub 4012, Tab O.

- Use the search box when comparing different tax scenarios that require data entry in multiple sections, such as with education credits.
- When searching, enter the minimum number of letters or numbers needed to see a form in the drop-down menu.



SUMMARY/PRINT

The Summary/Print Section allows printing a PDF of the entire return by clicking the View/Print Return button. From this section, click the Go To Last Checkpoint button to jump directly to the last screen worked on before visiting this page.

The Summary/Print section has two view options, Summary View and 1040 View. Click on the green button in the upper-right corner to toggle between them.

In the **Summary View**, sections can be expanded to show each part of Form 1040 (e.g., income, adjustments, credits) by clicking on Show Details.

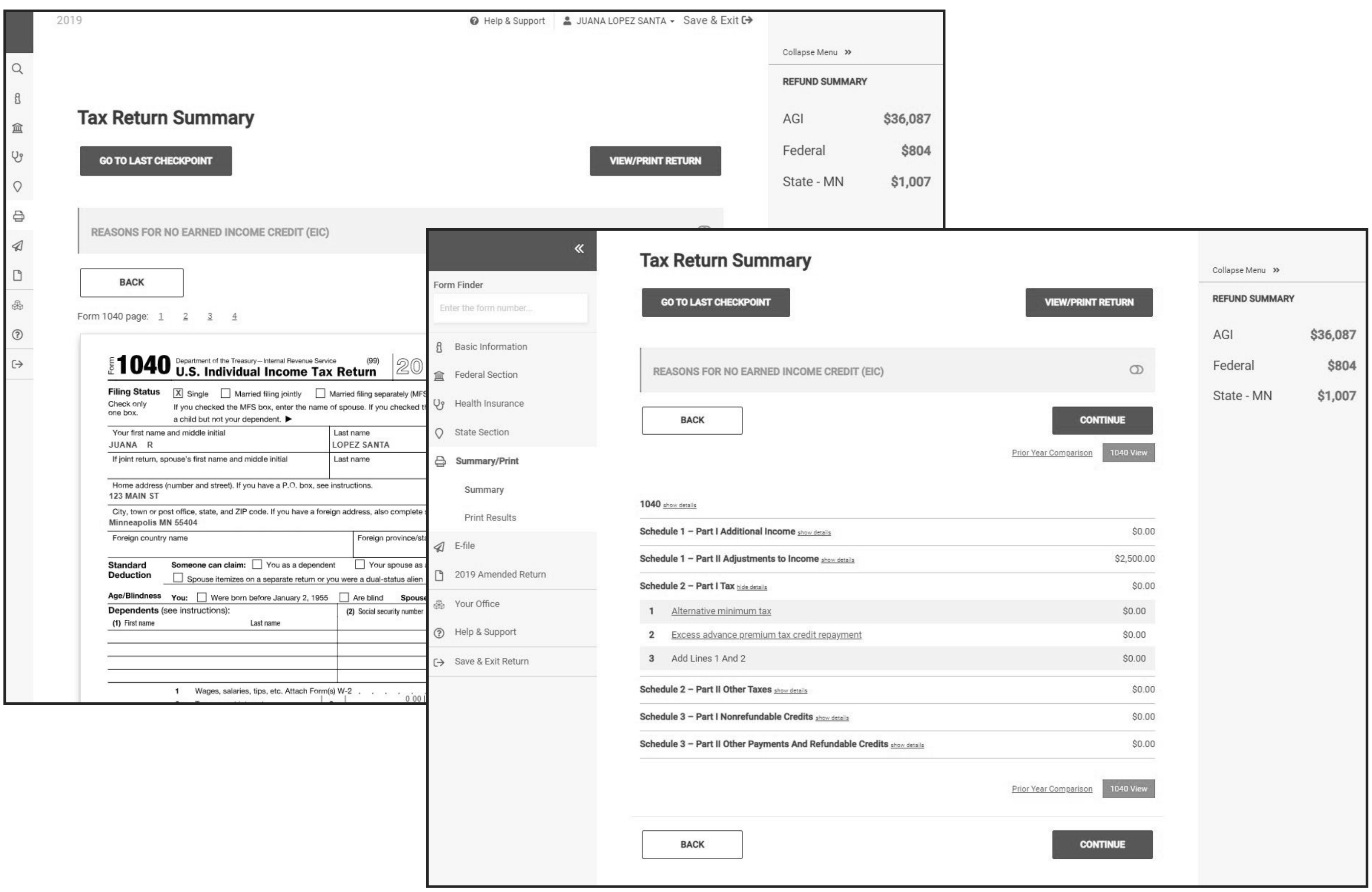
- Click on the blue text to go directly to entries for that form or section (e.g., click the text “Wages, salaries, tips, etc.” to jump to the W-2 section).

The **1040 View** displays the entire 1040. In this view, the left-hand menu collapses. Click anywhere on the minimized menu to expand it.

- Use page links above and below the 1040 image to display page 2 of the 1040 or to display Schedules 1, 2, or 3.
- Click on the blue text to jump directly to entries for that form or section.

Summary View and 1040 View

Summary/Print Section



FINISHING A RETURN

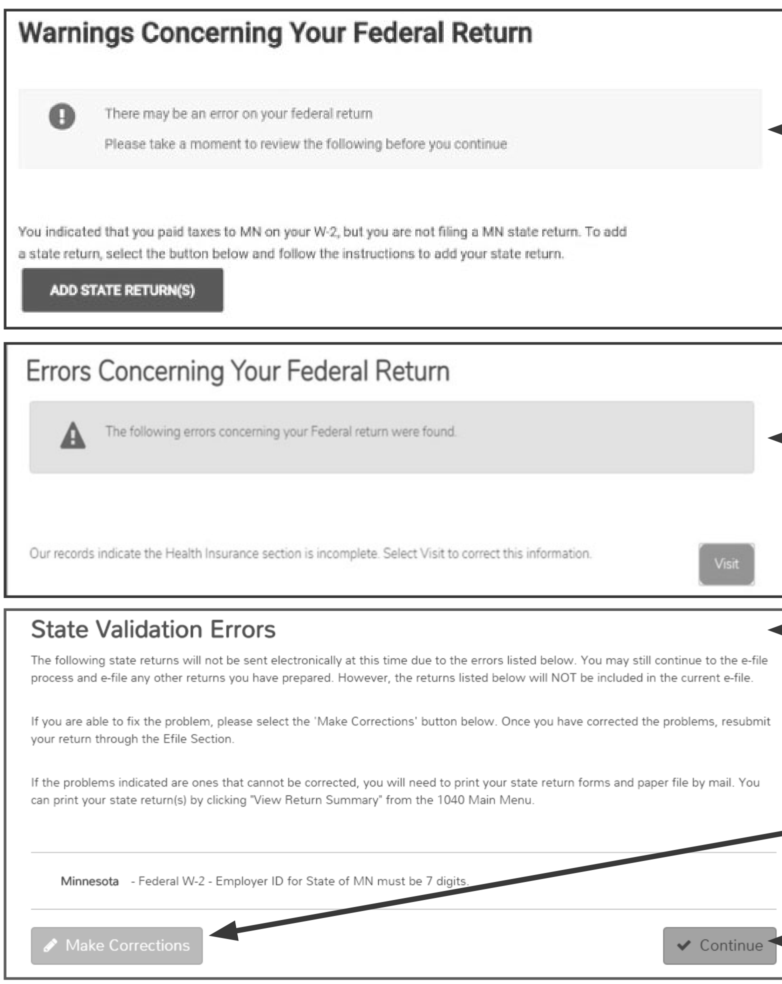
REVIEWING NOTES AND ERRORS

A federal return error or state validation error screen will appear, if applicable, in the E-file section in TaxSlayer. Preparers should correct all errors before sending the return to review. If errors cannot be resolved prior to review, add a note to the return with the date and an explanation. Return notes are also displayed in the E-file section in TaxSlayer.

- **Yellow alert warnings** should be considered but often do not require changes.
- **Red alert errors** must be fixed in order to continue or finish the return.
- **State validation errors** must be addressed because the state return(s) cannot be e-filed until they are resolved, even if the federal return is transmitted.

Return errors

E-file



Review the yellow warnings carefully. Some will not require changes. Use the Back button or the left-hand navigation menu to visit the areas that need corrections.

Red errors must be addressed before moving on to the E-file section. Click the Visit button or use the left-hand navigation menu to make the corrections.

State Validation Errors must be addressed to e-file state returns.

DON'T use the Make Corrections button. It does not link to the section with an error.

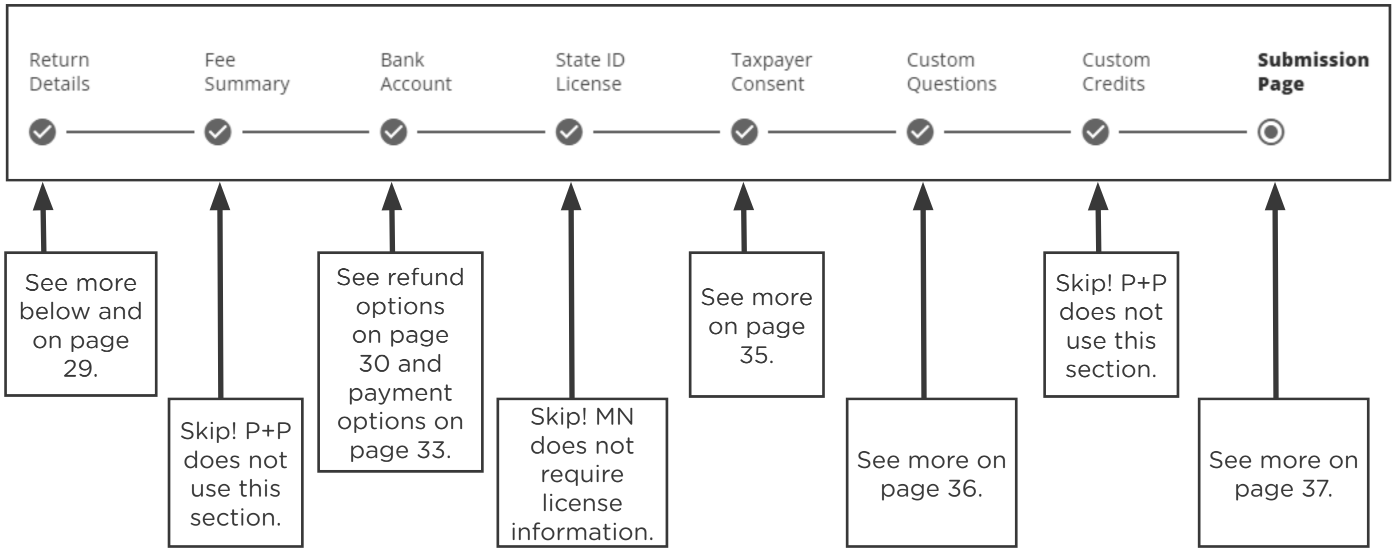
Navigate to the error using the left-hand navigation menu.

DON'T click the Continue button. This ignores the error and will prevent Minnesota returns from being e-filed.

State validation errors must be resolved before e-filing. Errors on either state return will prevent the M1 and M1PR from being transmitted.

E-FILE SECTION PROCESS

The process in the E-file section is tracked with a status bar across the top of the screen. P+P does not use some entries, and these can be skipped using the Continue button. More information is provided on the following pages about each section that P+P uses.



RETURN TYPE

Most tax returns can be electronically filed. E-filed returns are processed securely and faster than mailed returns. Returns with special circumstances must be mailed, most commonly:

- Prior-year returns from 2018 - 2020 must be paper-filed (2021 and 2022 can be e-filed).
- Returns for taxpayers using the Married Filing Separately filing status who do not have their spouse's Social Security Number or ITIN must be paper-filed.
- Returns that are being filed with an ITIN application or renewal must be paper-filed. See page 16 for more information about filing returns with ITINs.
- P+P returns for taxpayers who do not agree to the data sharing consents must be paper-filed (see page 35).

Returns with a refund or a balance due can be sent by mail or electronically. Discuss options for electronic filing and direct deposit/direct debit with the taxpayer (see pages 30-33).

When direct deposit selected for the Minnesota returns (M1 and M1PR), the refund will go to the first account listed in the federal direct deposit section.

$

Taxpayers won't know their *final* refund amounts until checkout, but start the savings conversation during preparation if someone expects a refund! These questions can help:

- How much of your refund would you like to save?
- Did you know you can split your federal refund? That makes it easy to save.
- Would you like a chance to win $100? If you deposit some of your refund into a savings account or buy a savings bond, you can enter the P+P Save + Win contest.

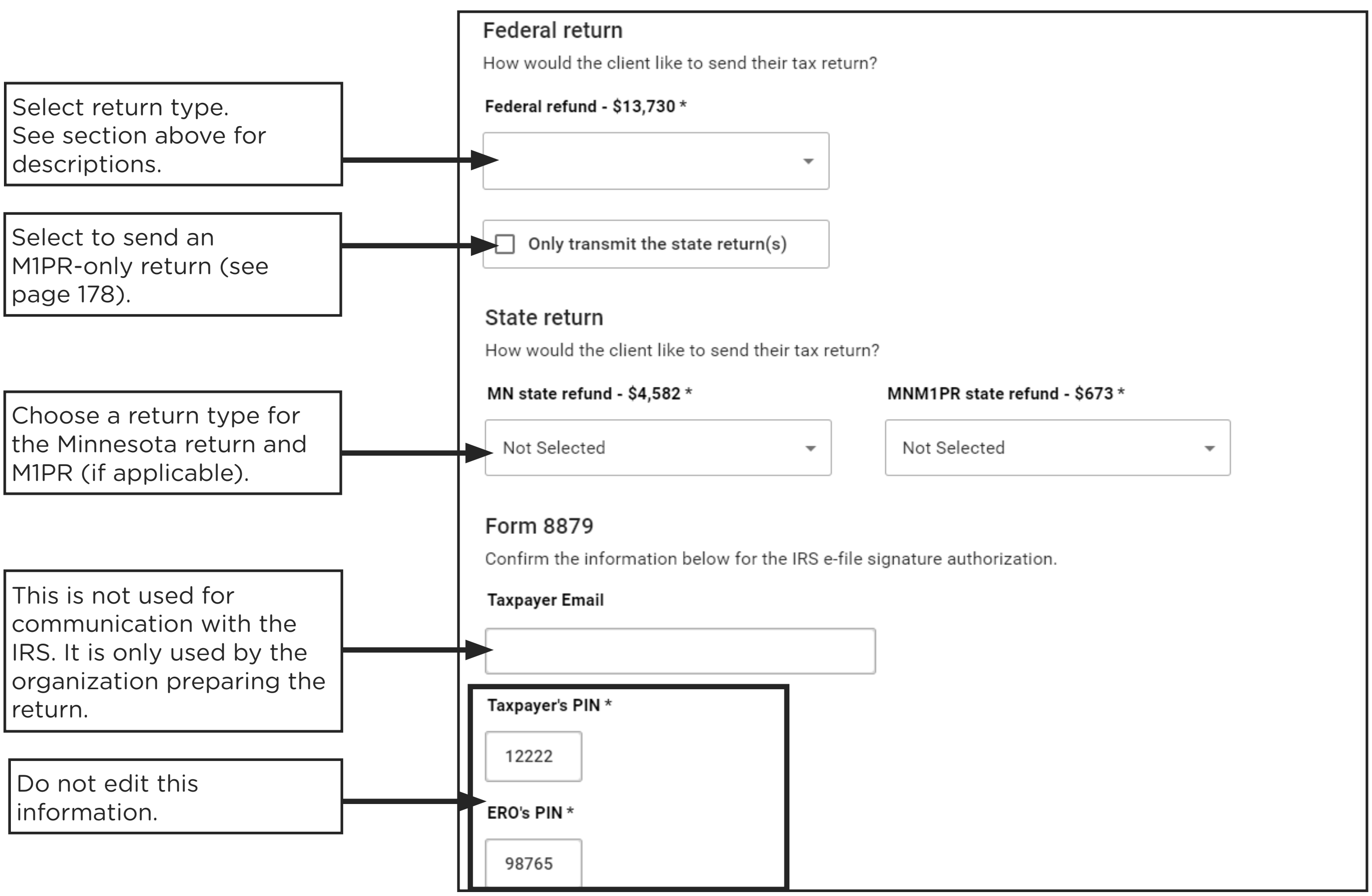
Return type options in TaxSlayer

Returns with a Refund
E-file: Paper Check: The return will be e-filed, and the taxpayer will receive their refund via check.
E-file: Direct Deposit: The return will be e-filed, and the taxpayer will receive their refund via the bank account information entered.
Paper Return with Direct Deposit: The return will NOT be e-filed. The taxpayer must mail the return. The preparer will be prompted to enter the bank information.
Paper Return: The return will NOT be e-filed. The taxpayer must mail the return and will receive their refund via check.

Returns with a zero refund or a balance due
E-file: Mail Payment: The return will be e-filed, and the taxpayer will mail payment. Use this type to e-file a return with $0 balance due. Reminder: returns with an AGI of $0 cannot be e-filed.
E-file: Direct Debit: The return will be e-filed, and the balance due will be withdrawn from a checking/savings account. Discuss the direct debit option carefully with the taxpayer to ensure it's okay for funds to come out of an account automatically on the date selected.
Paper Return: The return will NOT be e-filed. The taxpayer must mail the return.

Return Type

E-file



REFUND OPTIONS

Taxpayers due a refund have the following options:

1. **Direct deposit** into the taxpayer's account at a bank, credit union, or other financial institution or onto a prepaid card. Most refunds sent via direct deposit come within 21 days. Enter routing and account numbers into TaxSlayer.

   State refunds will go into the same account used for the federal refund. View common bank routing numbers on page 31.

2. **Split the federal refund** between bank accounts (up to three accounts).

3. **Purchase U.S. savings bonds on the federal return.** The taxpayer can use part or all of a federal refund to purchase Series I savings bonds (see page 32).

4. **Receive a paper check.** Refund checks are mailed to the address on the tax return and generally take longer to arrive than direct deposits.

5. **Apply all or a portion of the refund to 2024 taxes.** Enter in Payments section of TaxSlayer.

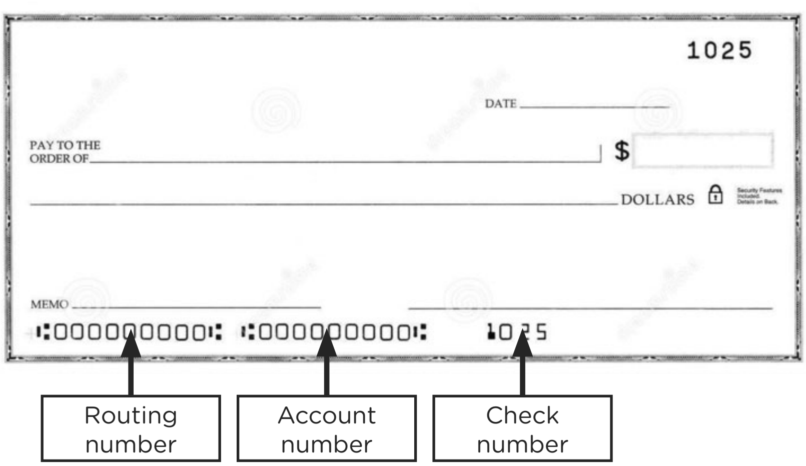
Taxpayers will receive a refund faster on a prepaid debit card than by paper check. Connect with a customer support volunteer or a manager if a taxpayer has no direct deposit option and is interested in a new prepaid debit card account.

Taxpayers can use prepaid debit cards obtained in a prior year at P+P; however, ensure that the taxpayer still has the card and that the account number is still active. A customer support volunteer or manager can assist or the taxpayer can text DD to 90831.

Direct deposit

Enter account and routing numbers in the Bank Account section of TaxSlayer. If the taxpayer does not have their routing number, reference the bank routing number guide on page 31.

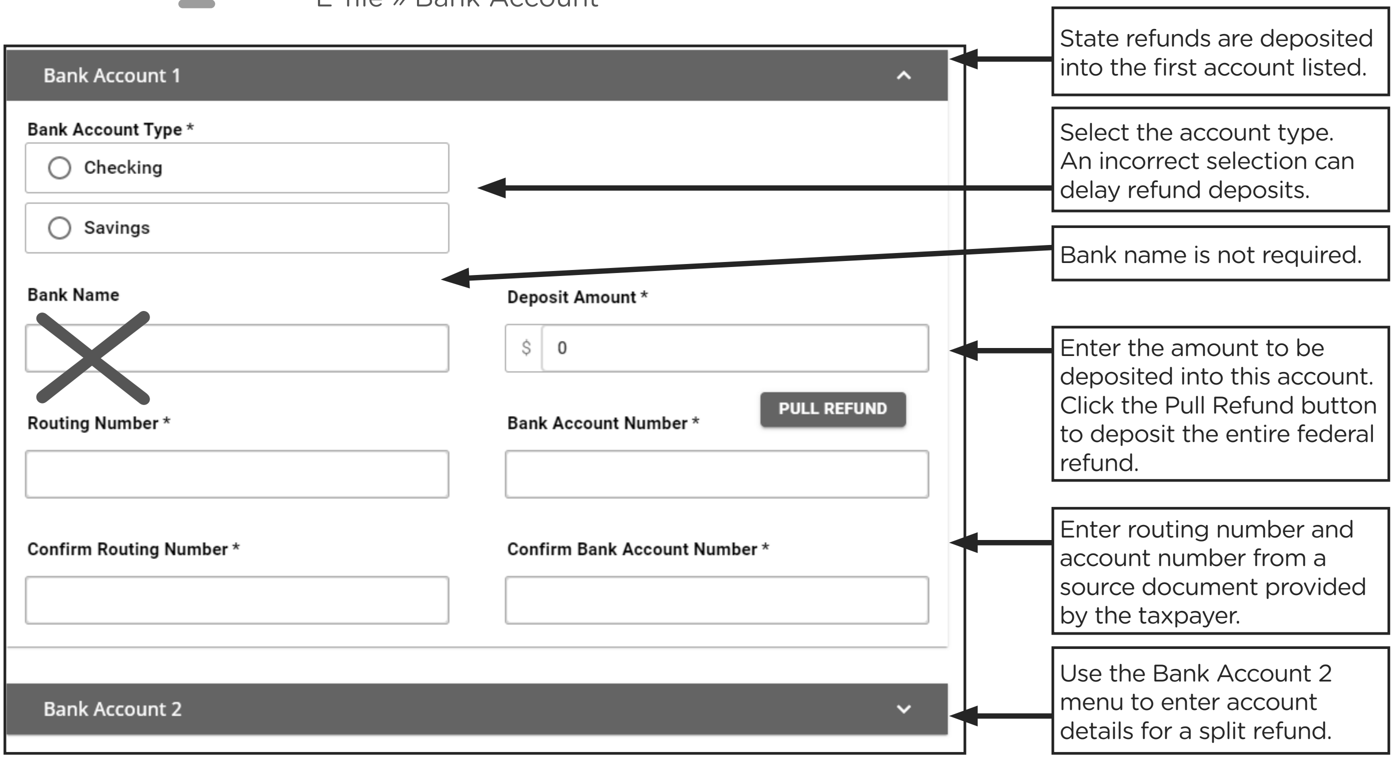
If the taxpayer wants to split a refund, add another account and routing number in the Bank Account section. When listing multiple accounts, the **state refund(s) will be deposited into the first account listed.**



Do not use a deposit slip for bank account information. The numbers are frequently different from the taxpayer's routing and account number. Use a canceled check or bank statement to enter the information.

Direct Deposit information

E-file » Bank Account



Incorrect routing or account numbers can delay the refund for many weeks and could cause a taxpayer's refund to be deposited into another person's account.

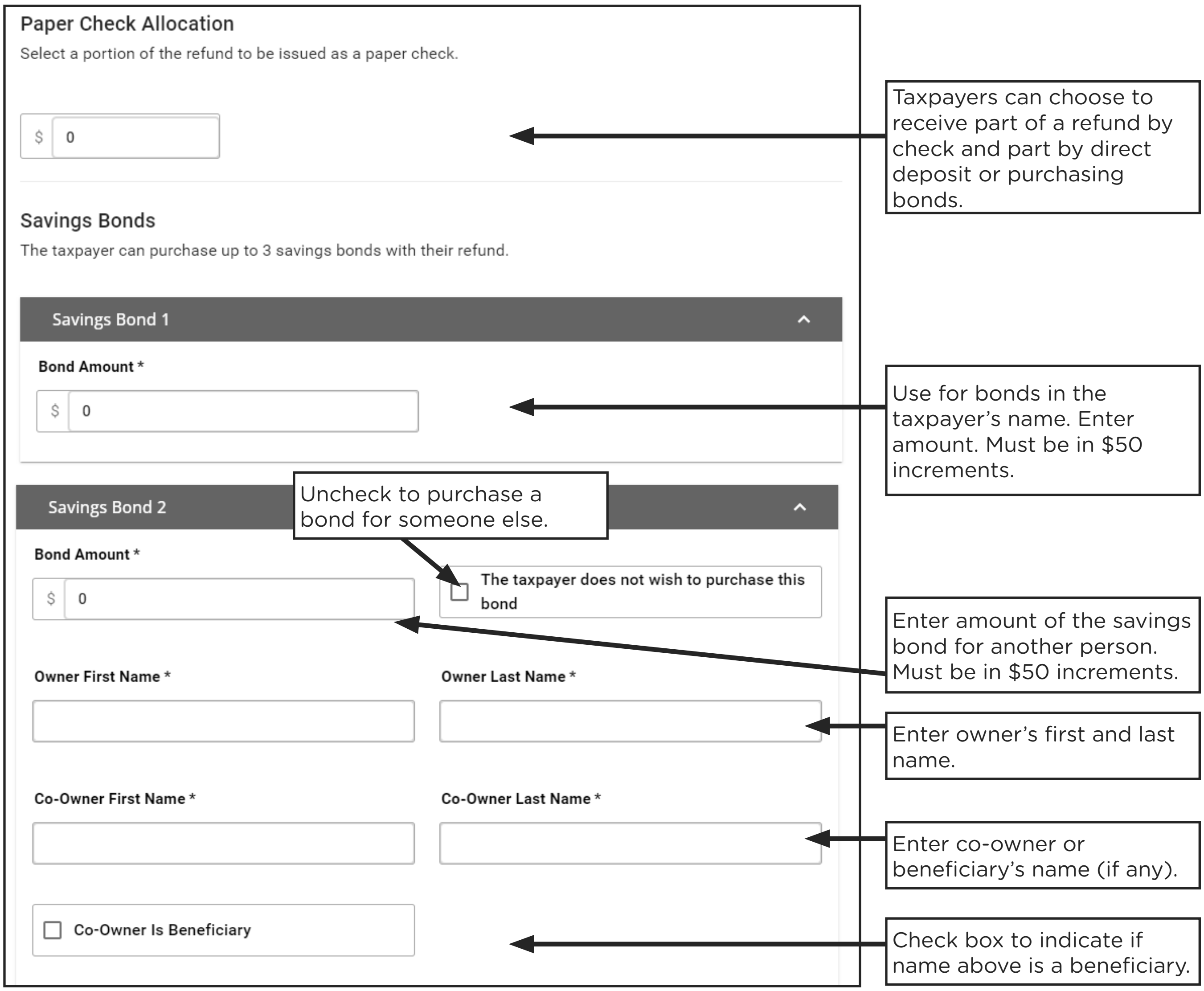
Bank routing number guide

Visit **routingnumber.aba.com** to search for routing numbers by financial institution, or do a Google search for the bank or credit union. If a taxpayer does not know their account number, they may be able to look it up on an account statement or in their online banking account.

296076301	Affinity Plus Federal Credit Union
296075933	Hiway Federal Credit Union, now Blaze Credit Union *(Merging with Spire Credit Union in January 2024. Taxpayers can use existing routing and account numbers unless notified otherwise by Hiway.)*
096001013	Sunrise Banks (including FAIR Financial Solution)
291074696	Topline Federal Credit Union
091000022	U.S. Bank (account opened in MN)
091000019	Wells Fargo (account opened in MN)
296076152	Wings Financial Credit Union

Purchase of U.S. savings bonds

E-file » Bank Account (scroll down)



Talking about US Series I savings bonds:

- **Bonds make great gifts.** Taxpayers can purchase up to two Series I U.S. savings bonds each tax season for loved ones (in addition to one for themselves). Taxpayers can help jump-start the savings of the people they care about.
- **Bonds are easy.** Taxpayers can split their federal tax refund by buying a bond. The rest can be directly deposited or mailed as a check. Taxpayers can purchase savings bonds regardless of credit or banking history.
- **Bonds are flexible.** Taxpayers can purchase bonds starting at $50 and up to $5,000 in increments of $50.
- **Bonds are safe.** Savings bonds are an investment backed by the U.S. Department of the Treasury with very low risk of default. They never lose value.

PAYING A BALANCE DUE

The reasons a taxpayer owes a balance due vary, but familiarity with common causes will help volunteers in explaining why a taxpayer owes and advising of ways to avoid owing in the future.

Common reasons for a balance due

Not enough tax withholding during the year

- When a taxpayer incorrectly fills out Form W-4 so too little tax comes out each pay period (often occurs when a taxpayer has several jobs or when married filers both work).
- Low withholding can also occur when a taxpayer is self-employed (income from Form 1099-NEC or cash), because tax withholding cannot be paid directly by the payer.

A change in income from the previous tax year

- Higher income or different kinds of income can result in entering a higher tax rate bracket, incurring self-employment tax, or reduced tax credits.
- Lower income or different kinds of income can impact calculations of tax credits l(e.g., Earned Income Credit (EIC) or the MN Child and Working Family Credits).

A change in dependents

- Dependents qualify taxpayers for many different tax benefits and credits. The loss of a dependent (because of their increased age or because someone else now claims them) can have a big impact on a taxpayer's refund or balance due.

A change in eligibility for tax credits

- Changes in income can lower or eliminate the EIC if there is higher income or more unearned income such as unemployment compensation or Social Security benefits.
- A child no longer qualifies the taxpayer for the Child Tax Credit.
- Taxpayer or dependent is no longer a student and no longer qualifies for education credits.

Common questions about having a balance due

What happens if I pay late?
Interest is added daily to the balance due amount until the full amount is paid. Additionally, a failure to pay penalty is charged for each month the payment is not received. If no payment plan is established, taxpayers will receive regular collections communications from the IRS or MDOR. Tax liens and wage garnishments are possible if the taxpayer does not respond in a timely manner.

Do I have to pay right away if I filed an extension?

An extension allows more time to file a return but not to pay a balance due. A taxpayer should be encouraged to estimate what they will owe and pay what they can by the original filing deadline. Interest and penalties will be added to any unpaid balances. If the taxpayer over-pays, any overpayment will be refunded.

What should I do if I can't afford to pay?

Taxpayers should file their tax return even if they cannot pay what is owed. Filing on time and paying as much and as soon as possible will keep penalties and interest to a minimum. The penalty for filing late is higher than the penalty for not paying on time.

There are short-term payment plans available to pay in full (within 180 days) by installments with no fees. There are longer-term installment agreements for minimal fees that are often based on income and the ability to pay.

If paying the full balance due will cause the taxpayer a financial hardship, provide a referral to a Low Income Taxpayer Clinic (LITC) for free legal advice and explanations of all available payment options for their particular situation.

PAYMENT OPTIONS

Tax payments are due by the filing deadline even if the taxpayer files for an extension. Interest and penalties apply if payment is late. The filing deadline for tax year 2023 is April 17, 2024.

Taxpayers who owe a balance due are often unsure how to make a payment or what to do if they are unable to pay. Assist taxpayers with choosing the best option for their situation.

Options for paying in full by the filing deadline:

A. Direct debit from a savings or checking account when filing. Routing and account numbers are entered in the TaxSlayer E-file section. A taxpayer can choose to have the payment withdrawn on the filing deadline or on any prior date. Once the return is e-filed, the withdrawal date cannot be changed. The date must be the same for both the federal and Minnesota return if a balance due is owed on both returns.

B. Online using routing and account numbers at www.irs.gov/payments for federal payments, or for Minnesota payments, at www.revenue.state.mn.us.

C. By mail with a check or money order payable to U.S. Treasury or Minnesota Revenue. These payments must be mailed with a payment voucher or dropped off in person.

D. Online with a credit or debit card at www.irs.gov/payments or www.payMNtax.com (or call 855-947-2966). A fee is charged for this service.

Options to pay in part or in full after the filing deadline:

A. Use options B, C, or D listed above.

B. Apply for a short-term payment plan if balance can be paid in full within 180 days. Applications can be completed online, by phone, via mail, and in person. There are no fees charged to set up this type of payment plan.

Options to pay over a long period of time:

A. For federal payments, file Form 9465, *Installment Agreement Request*, online at IRS.gov or on paper. For Minnesota tax payments, apply online or call the Minnesota Department of Revenue at 651-556-3003. Fees may be charged, but there is an income-based fee waiver if the taxpayer requests it.

Unable to pay:

A. Before making a payment, taxpayers with a large balance due, with balances for multiple years, or who cannot pay without experiencing financial hardship should seek help from a Low Income Taxpayer Clinic (LITC). The LITC staff can discuss all options available to taxpayers facing difficulty making payments (see page 6).

Filing or paying late may cause penalties. Taxpayers who have a large balance due (more than $1,000) may also have an additional penalty added. Calculating penalties is out of scope. The IRS and Minnesota Department of Revenue will do those calculations and send a final bill to the taxpayer by mail.

Direct debit is one of several payment options. If a taxpayer chooses direct debit, ensure the taxpayer fully understands the option.

The taxpayer can choose any date (up to the filing deadline) for the funds to be withdrawn, but once the return has been e-filed, this date cannot be changed.

If the taxpayer does not have sufficient funds in the account or does not expect the payment to be processed by direct debit, they may face overdraft fees or be unable to pay other important expenses.

TAXPAYER CONSENT

On the intake paperwork, P+P requests permission to use a taxpayer's personal information in several ways. Taxpayers do not need to agree to the consents to have their returns prepared.

The Permission to Use Your Personal Information handout will be available at tax site locations to provide more details to taxpayers about data use. Taxpayers must have the opportunity to review the full language of the consents, mark their responses, and sign. The taxpayer will receive a copy of each consent with their tax return copy.

If someone **declines a P+P consent to use or disclose information**, their returns must be paper-filed, and P+P cannot keep an electronic copy of the return. This is necessary to ensure the taxpayer's request is honored. Answer any questions the taxpayer has about the consents. Connect with a manager for help if needed. Paper-filed returns take much longer to process.

Share these points with taxpayers who are uncertain about sharing data:

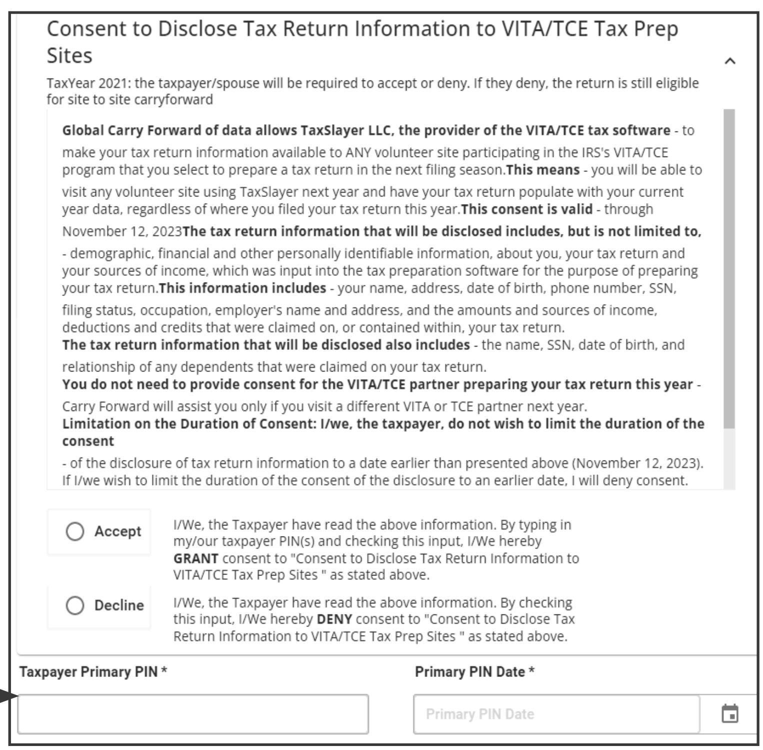
- P+P will not share any personal, identifying information. The consent statements refer to statistical data only.
- Agreement to these statements allows P+P to report total numbers of customers served and total refunds received. This shows our impact in the community and helps us continue to receive funding for our program.
- If they agree to the consent statements, P+P can e-file their return and keep it on file for 3 years. Then, if they have questions or need to make changes to their return later, P+P can more easily help. They can also get another copy of their return later, if needed.

If the taxpayer decides to accept a consent after learning more about the use of data, note the change in response on the intake paperwork.

TS Global Carryforward allows all free tax preparation sites to carryforward some basic tax return information for many taxpayers who used a free tax preparation service in the previous year. Participation is optional. Taxpayers opt in by signing the consent on page 4 of the IRS intake sheet. Taxpayers who do not respond are considered to have denied consent. Declining the consent to global carryforward does not impact whether or not P+P can e-file the return.

TS consents to disclose/use personal information

E-file » Consent to Disclose/Use Info



Consent to Disclose Tax Return Information to VITA/TCE Tax Prep Sites

TaxYear 2021: the taxpayer/spouse will be required to accept or deny. If they deny, the return is still eligible for site to site carryforward

Global Carry Forward of data allows TaxSlayer LLC, the provider of the VITA/TCE tax software - to make your tax return information available to ANY volunteer site participating in the IRS's VITA/TCE program that you select to prepare a tax return in the next filing season.**This means** - you will be able to visit any volunteer site using TaxSlayer next year and have your tax return populate with your current year data, regardless of where you filed your tax return this year.**This consent is valid** - through November 12, 2023**The tax return information that will be disclosed includes, but is not limited to,** - demographic, financial and other personally identifiable information, about you, your tax return and your sources of income, which was input into the tax preparation software for the purpose of preparing your tax return.**This information includes** - your name, address, date of birth, phone number, SSN, filing status, occupation, employer's name and address, and the amounts and sources of income, deductions and credits that were claimed on, or contained within, your tax return.

The tax return information that will be disclosed also includes - the name, SSN, date of birth, and relationship of any dependents that were claimed on your tax return.

You do not need to provide consent for the VITA/TCE partner preparing your tax return this year - Carry Forward will assist you only if you visit a different VITA or TCE partner next year.

Limitation on the Duration of Consent: I/we, the taxpayer, do not wish to limit the duration of the consent

- of the disclosure of tax return information to a date earlier than presented above (November 12, 2023). If I/we wish to limit the duration of the consent of the disclosure to an earlier date, I will deny consent.

Accept — I/We, the Taxpayer have read the above information. By typing in my/our taxpayer PIN(s) and checking this input, I/We hereby **GRANT** consent to "Consent to Disclose Tax Return Information to VITA/TCE Tax Prep Sites " as stated above.

Decline — I/We, the Taxpayer have read the above information. By checking this input, I/We hereby **DENY** consent to "Consent to Disclose Tax Return Information to VITA/TCE Tax Prep Sites " as stated above.

Taxpayer Primary PIN *

Primary PIN Date *

Primary PIN Date

Use the taxpayer's zip code.

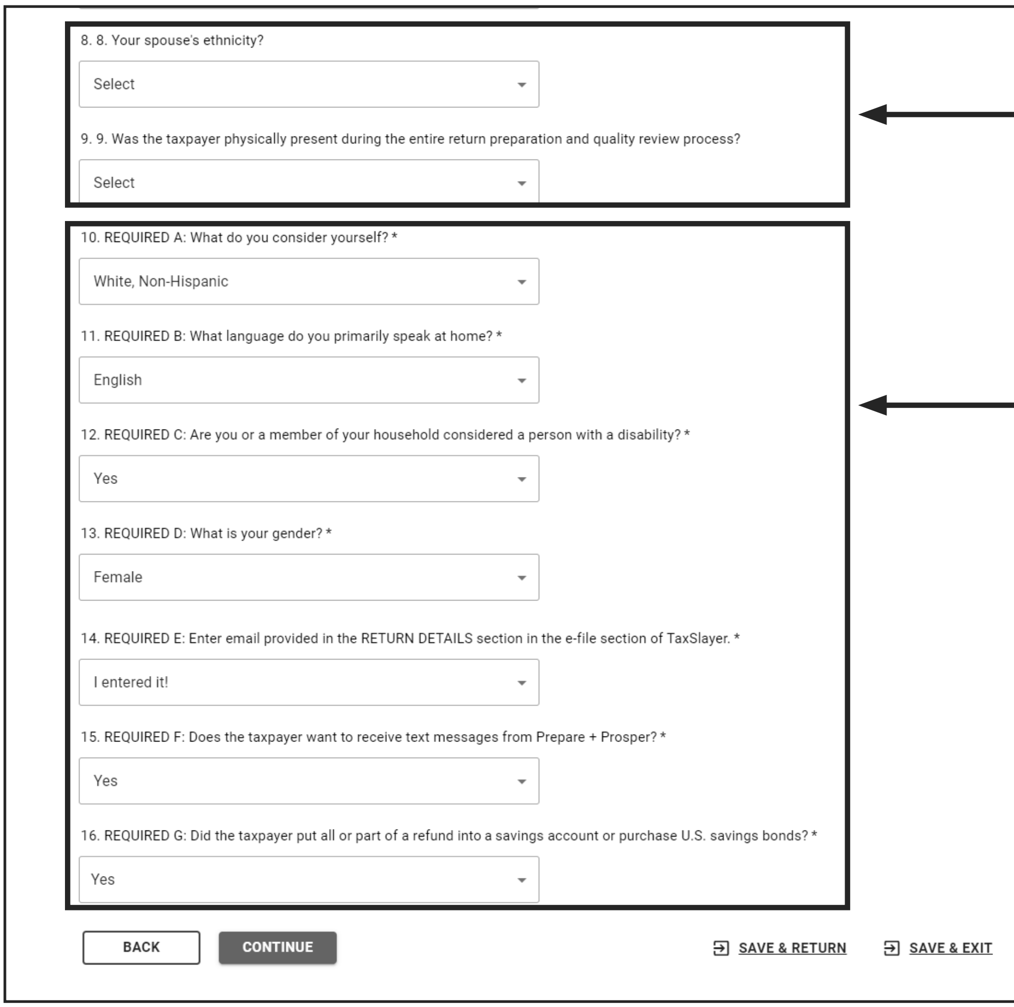
ENTERING TAXPAYER SURVEY RESPONSES

Enter Taxpayer Survey responses in the custom questions section. Responses are used for grant reporting, fundraising, and evaluating P+P programs. This survey is not required for tax preparation. If a taxpayer does not want to answer a question, select No Response.

Enter all taxpayer responses in the software. Only one response can be entered for each question. Only questions marked REQUIRED must be answered.

Taxpayer Survey

E-file » Custom Questions



P+P volunteers should skip the first several questions that are not marked REQUIRED.

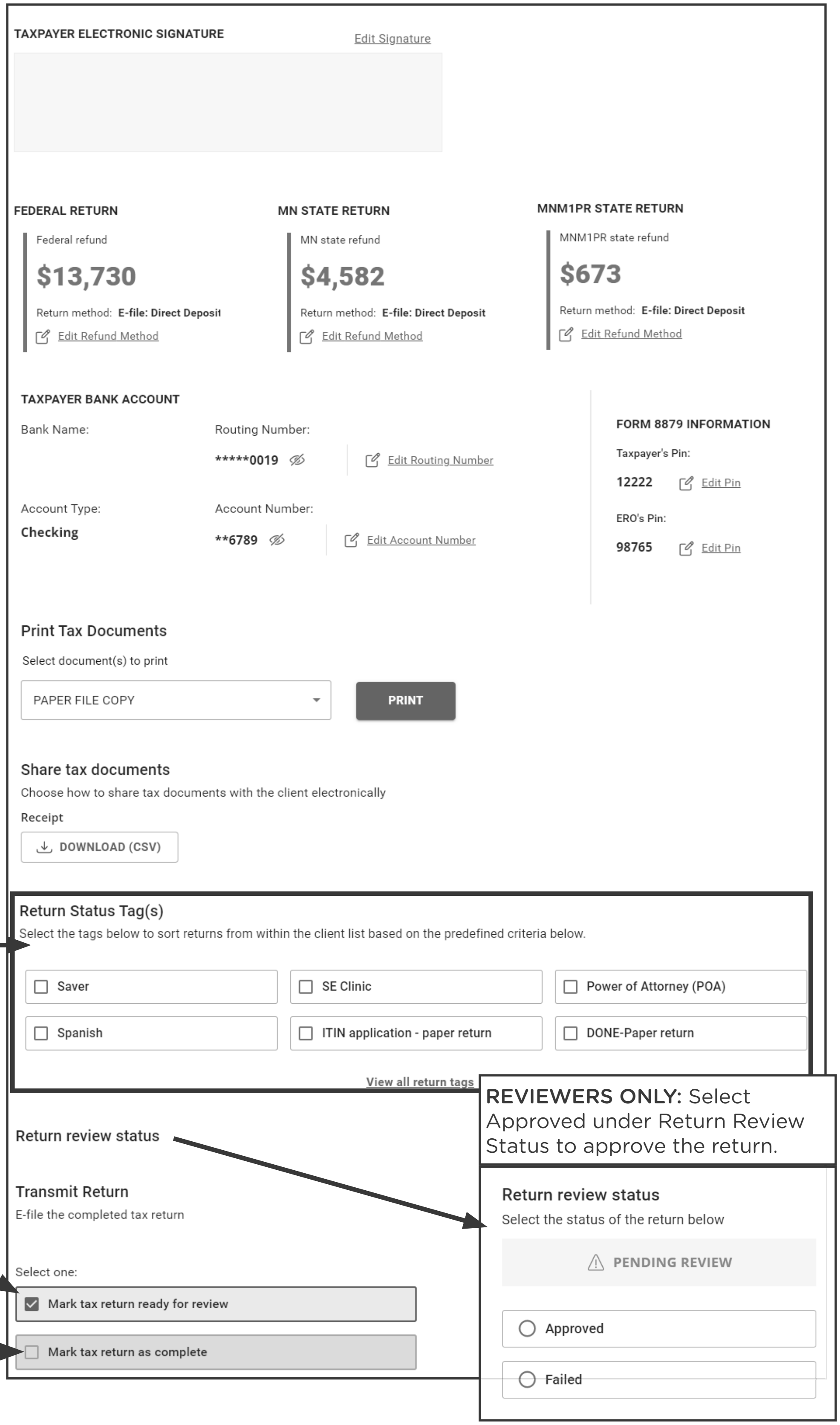
Select an answer from the drop-down menu for each required question.

E-FILE SUMMARY

E-file Summary

E-file » E-file Summary

A message stating you cannot e-file does not mean the return cannot be e-filed. The volunteer settings do not allow preparers or reviewers to transmit returns.

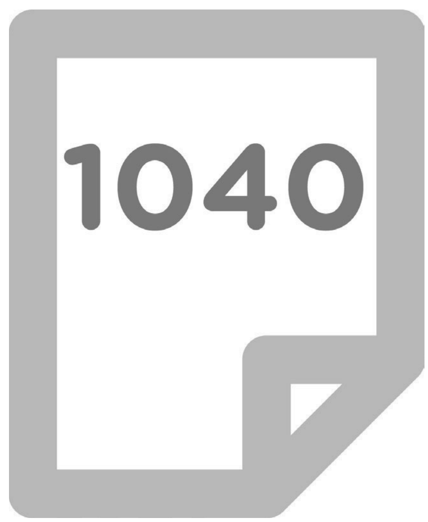


Tag the return with all relevant tags.

Select Ready for Review to send return to the reviewer queue.

REVIEWERS ONLY: Select to complete the review. The return must be marked Approved for this option to be available.

FEDERAL TAX INFORMATION



FILING REQUIREMENTS

The filing requirements for most people are listed in the table below. Self-employed taxpayers with net self-employment income of $400 or more must file. Lower requirements also often apply to dependents or taxpayers who may owe special taxes. See Pub 4012, Tab A.

Filing Status	Age at the end of 2023	Required to file a return if income is over these amounts:
Single	under 65	$13,850
	65 or older	$15,700
MFJ	under 65 (both spouses)	$27,700
	65 or older (one spouse)	$29,200
	65 or older (both spouses)	$30,700
MFS	any age	$5
HOH	under 65	$20,800
	65 or older	$22,650
QSS	under 65	$27,700
	65 or older	$29,200

RESIDENT ALIEN OR NONRESIDENT ALIEN (FORM 1040NR)

If the taxpayer/spouse checked the No box on line 1 or 2 on Form 13614-C, Part I, asking about U.S. citizenship, determine if the taxpayer should file a resident or nonresident return. Many non-citizens are considered resident aliens for tax purposes. Those who are nonresident aliens for tax purposes file taxes using Form 1040NR (rather than Form 1040), and it is extremely important to correctly determine residency status.

Use the ***Nonresident Alien or Resident Alien Decision Tree*** in Pub 4012, Tab L, page L-3, and if further information is needed, use Pub 519, *U.S. Tax Guide for Aliens*. Common situations triggering the need to check the decision tree include:

- **Resident:** A non-citizen who meets either the lawful permanent resident test or the substantial presence test. A lawful permanent resident will have an alien registration card (i.e., green card) and often have an SSN.
  - **ITIN holders:** Most will meet the substantial presence test and file a resident tax return.
- **Nonresident:** Person who is neither a U.S. citizen nor a lawful permanent resident of the U.S. and does not meet the substantial presence test. Tax returns for nonresidents are out of scope at P+P. P+P volunteers are not trained to prepare Form 1040NR.
- **International students:** Students or scholars in the U.S. with a visa often do not meet the substantial presence test and must file nonresident tax returns. Use the decision tree in Pub 4012 or the Nonresident Volunteer Tax Assistance Program tool on this website: https://tools.nrvtap.com/aminra

Nonresident returns (Form 1040NRs) are out of scope at P+P; however, some specialized VITA sites prepare or assist with self-preparation of nonresident returns.

Provide the *P+P Referrals handout* and share the Other Tax Preparation Resources section.

POWER OF ATTORNEY (POA) (FORM 2848)

A taxpayer may use a Power of Attorney (POA) to grant authority to a third party to file their federal and/or state tax returns. Taxpayers do this with IRS Form 2848, *Power of Attorney and Declaration of Representative.* Only certain people can be authorized to file and sign a tax return on behalf of another individual. The Form 2848 instructions include a full list. Common examples of representatives seen at P+P include:

- A married taxpayer filing on behalf of a spouse who lives in a nursing home, is sick or disabled, or temporarily resides in another country.
- Adult children filing returns for their elderly or ill parent.
- Court-appointed conservators for individuals unable to file on their own behalf.
- Married taxpayers wanting to file Form W-7 to apply for an Individual Taxpayer Identification Number (ITIN) for their spouse who resides outside of the U.S.

A POA is not required for representatives filing for a deceased taxpayer (see page 45).

Forms for a POA

The representative must have identity verification and a signed Form 2848 authorizing them to file the taxpayer's federal and state tax returns. Additionally, the representative must have all necessary income statements and SSN or ITIN verification for the taxpayer.

If the representative does not have an IRS POA, provide them with a blank IRS *Form 2848 and instructions* (print copies from the IRS website). Ask the representative to return with the completed form.

A **Minnesota statutory POA** granting appropriate authority ("records, reports, and statements") allows the representative to complete the IRS POA on behalf of the taxpayer..

IRS Form 2848 can authorize a representative to file Minnesota income tax or property tax refund returns if they are listed on the Form 2848. The Rev184, *Power of Attorney* form for Minnesota, can also authorize a representative to file Minnesota returns, but cannot authorize a representative to file a federal return.

What to look for on Form 2848

Lines 1-2: Names, addresses, and contact information for taxpayer and representative, as well as taxpayer SSN or ITIN (CAF no., PTIN, and Fax No. lines do not need to be completed in the representative section).

Line 3:

Description of Matter	Tax Form Number	Year(s)
Income *For state returns:* Minnesota Individual Income Tax and Minnesota Property Tax Refund	1040 *For state returns:* M1 and M1PR	Tax year being filed. Up to three future tax years may be listed along with any years that have ended as of the date signed.

Line 5a: The box should be checked to authorize the representative to sign the income tax return. If the box is not checked, but all other parts of the POA are correctly completed, prepare a paper return for the representative to bring to the taxpayer.

Line 7: Taxpayer signature and date.

Declaration of Representative: Representative must sign and date. Under "Licensing Jurisdiction," write in representative's relationship to taxpayer (must be member of taxpayer's immediate family or someone with a certification listed in Part II of Form 2848).

Preparing a return with POA

Prepare tax return using standard intake procedures to interview the authorized representative. Follow the instructions in TaxSlayer to enter Form 2848 information into the return. Include the Form 2848 in the customer envelope for the review process.

Power of Attorney Form 2848

Federal Section » Miscellaneous Forms » Form 2848
Search keyword: "2848" or "Power" or "Attorney"

TaxSlayer entry for Form 2848 happens over a series of screens.

The term Owner in the software refers to the taxpayer/spouse who is being represented (listed in box 1 of Form 2848 and not present at tax preparation).

The term Representative refers to the person with Power of Attorney (listed in box 2 of Form 2848 and present at tax preparation).

On the Acts Authorized page, click the + button to add Form M1 and Form M1PR if applicable.

Use Form 2848 provided by the representative as a guide for entries in TaxSlayer. Do not mark boxes or make entries that are not filled in on the original signed form.

If a representative has Power of Attorney for both a taxpayer and a spouse, add a second Form 2848 to the return in TaxSlayer.

Reviewing and finishing a return with POA

Review the tax return using the standard review process, and also:

1. Ensure POA is filled out completely and accurately using guidance on page 40.
2. Review Form 2848 entries in TaxSlayer.
3. In TaxSlayer, tag the return as Power of Attorney (POA).
4. Add a note in TaxSlayer stating that the return was filed using POA. Include the representative's name and confirm that the representative was provided with copies of the POA to mail to the IRS and Minnesota Revenue.
5. Make two copies of the original signed Form 2848 and print one copy of Form 8453, *Income Tax Transmittal for an IRS e-file.* TaxSlayer will generate Form 8453 (ensure the 2848 box is checked). Prepare forms for the representative to mail following the steps below. Mailing labels and envelopes may be available at the site—ask a manager.
    - **Federal POA**: Staple one copy of Form 2848 to Form 8453. The representative must send both forms to the IRS by fax at 855-214-7522 or mail the forms to:

      Internal Revenue Service
      Attn: Shipping and Receiving, 0254
      Receipt and Control Branch
      Austin, TX 73344-0254
    - **State POA:** The representative must mail one copy of Form 2848 (or REV184 if applicable) to:

      Minnesota Revenue
      Mail Station 4123
      St. Paul, MN 55146-4123.

INJURED SPOUSE ALLOCATION (FORM 8379)

If married taxpayers wish to file a joint return, but one spouse has outstanding debt, complete Form 8379. The injured spouse allocation allows the "injured spouse" (the spouse that does not have prior debt) to claim a portion of the refund.

Form 8379 allocates income, deductions, credits, and payments between spouses. **Allocate each item as if the taxpayers had filed separate returns** (e.g., split wages based on who earned the income). See Form 8379 instructions for Part III if clarification is necessary. TaxSlayer data entry is extensive; see page 43.

Important information for the taxpayer: It may take 11 to 14 weeks to process a refund with Form 8379, and taxpayers CANNOT use Form 8888 to split their refund into multiple accounts or purchase savings bonds.

Injured Spouse Qualifications

To qualify, the "injured spouse" must not be legally obligated to pay the debt AND must be due refundable credits or have made tax payments (such as tax withholding) during the tax year. Qualifying debt was often incurred before the taxpayers were married and may include past-due federal or state tax, child support, student loans, medical bills, or unemployment compensation repayments.

The Treasury Department's Offset Program phone line (1-800-304-3107) provides information on which debts will cause a federal refund to be taken.

Example: Taylor and Sam file MFJ with two dependent grandchildren. Taylor has unpaid federal tax debt from before they were married. Both had retirement distributions. Taylor's pension plan paid out $18,700 and Sam's paid out $1,400. Sam also worked and earned $18,000. Sam is the injured spouse, because Sam is not liable for Taylor's tax debt. Injured Spouse Allocation entries for Form 8379 in TaxSlayer would be:

- Wages: $18,000 (Sam's wages)
- Pensions and/or IRAs: $1,400 (Sam's pension distribution)
- Standard deduction: $13,850 (half the MFJ standard deduction)
- Credits: $3,200 (Additional Child Tax Credit allocated to Sam, because Sam would have claimed the two grandchildren if Taylor and Sam had filed separately.)
- Federal tax withheld: $550 (amount withheld from Sam's wages; neither had withholding from the pensions)

MN

Minnesota does not have an injured spouse program and handles requests differently depending on which agency captured the refund. Taxpayers may need to contact the collecting agency directly, and can receive more information from the Minnesota Revenue Collections Department after the refund has been collected by calling 651-556-3003.

Innocent Spouse Relief

Injured Spouse Allocation is different from Innocent Spouse Relief, which is out of scope at VITA sites. Innocent Spouse Relief allows a taxpayer to request relief from past joint tax liabilities for income a spouse (or former spouse) incorrectly reported on a joint return. Provide an eligible taxpayer with a referral to free tax legal assistance (see page 6).

Federal Section » Miscellaneous Forms » Injured Spouse Form
Search keyword: "8379" or "Spouse" or "Injured"

Check if the taxpayer listed first on the return is the injured spouse (spouse who does not owe the debt).

Check if the IRS will take all or part of the refund to pay a debt.

Check if the injured spouse is responsible for the debt. (If yes, spouse does not qualify as an injured spouse). STOP HERE.

Do not check for a Minnesota resident.

Check if the injured spouse had withholding or made estimated tax payments.

Check if the injured spouse had earned income.

Check if the injured spouse is entitled to claim any refundable credits, like EIC or Additional Child Tax Credit.

Enter half the standard deduction (see Form 8379 instructions if itemized or increased standard deduction).

Do not include Earned Income Credit amounts in this allocation.

Form 8379 Injured Spouse Form

- [ ] Is the Primary Taxpayer the Injured Spouse?
- [ ] If you are married to the spouse with whom you filed the joint return, do you want the refund check issued in both of your names? (if unchecked, refund check will be issued only to the injured spouse)
- [x] Did (or will) the IRS use the joint overpayment to pay any of the following legally enforceable past-due debt(s) owed only by the non-injured spouse?
  - Federal tax
  - State income tax
  - Child support
  - Spousal support
  - Federal nontax debt (such as a student loan)
- [ ] Is the injured spouse legally obligated to pay this past-due amount?
- [ ] Check here if you want any injured spouse refund mailed to an address different from the one on your joint return.
- [ ] Was the injured spouse's main home in a community property state (AZ, CA, ID, LA, NV, NM, TX, WA, or WI)?
- [x] Did the injured spouse make and report payments, such as federal income tax withholding or estimated tax payments?
- [x] Did the injured spouse have earned income, such as wages, salaries, or self-employment income?
- [x] Did (or will) the injured spouse claim a refundable tax credit, such as the health coverage tax credit, or refundable credit for prior year minimum tax?

Allocated Items	Amount Shown on Joint Return	Allocated to Injured Spouse
Wages	$18,000.00	$ 18000
Interest income or loss	$0.00	$
Business income or loss	$0.00	$
Farm income or loss	$0.00	$
Capital gain or loss	$0.00	$
Pensions and/or IRA's	$20,100.00	$ 1400
Other income or loss	$4,458.00	$
Adjustments to income	$0.00	$
Standard -or- itemized deductions	$27,700 -or- $0	$ 13850
Non Refundable Credits	$0.00	$
Refundable Credits	$3,200	$ 3200
Other taxes	$0.00	$
Federal tax withheld	$550.00	$ 550
Estimated tax payments	$0.00	$

Note: According to the IRS, there may be an 11-14 week delay in receiving your refund when filing Form 8379, Injured Spouse Allocation.

IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBER (IP PIN) PROGRAM

Tax-related identity theft occurs when someone uses a stolen Social Security number to file a tax return and claim a fraudulent refund. If the taxpayer reported identity theft to the IRS, they will receive Notice CP01A in January with a 6-digit Identity Protection PIN (IP PIN). Taxpayers will get a new IP PIN each year. The IRS rejects e-filed returns that do not include the current IP PIN. A taxpayer, spouse, and/or dependents may receive IP PINs.

Taxpayers can **opt in to the IP PIN program** even if they have not experienced identity theft. These taxpayers will receive their IP PIN at www.irs.gov/ippin. Taxpayers who wish to opt in but cannot apply online may do so via mail with Form 15227.

Lost IP PIN

The IP PIN must be entered into TaxSlayer or the return will be rejected. Filing a return without an IP PIN for someone who needs one can delay return processing for up to 9 months.

Taxpayers **who never received or who lost an IP PIN** can retrieve it by creating an account at www.irs.gov/getanippin. The IRS does not provide IP PINs over the phone, but taxpayers can call the IRS identity theft line at 1-800-908-4490 for instructions if they cannot retrieve it online. If the taxpayer needs an IP PIN but does not have it, choose one of these options:

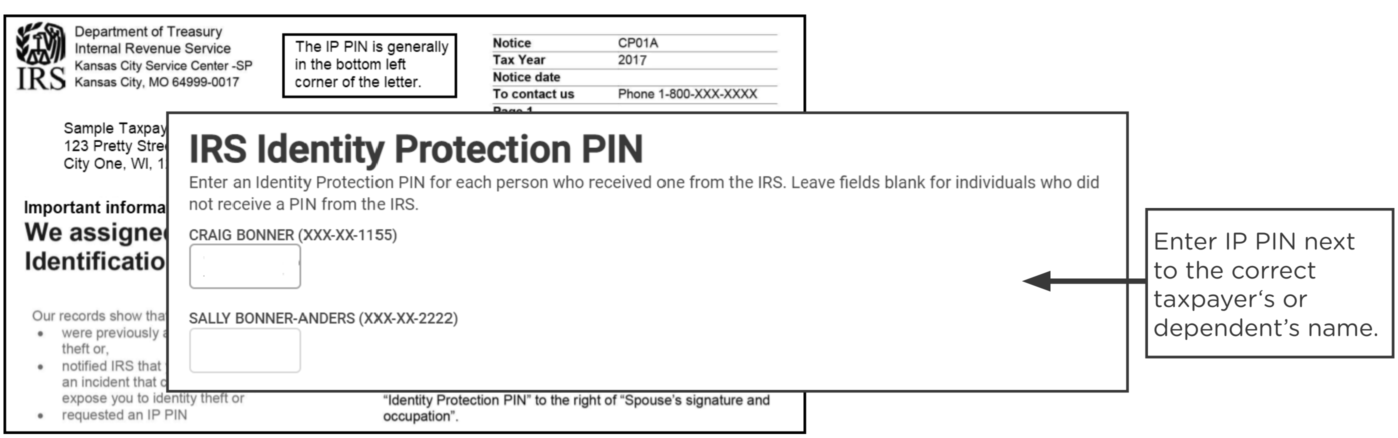
1. Taxpayer can return with the IP PIN, which will allow the return to be e-filed.
2. Taxpayer can file paper federal and state returns. Be certain that the taxpayer knows where to write in the IP PIN on the federal return before they mail it. The IP PIN applies to the federal return only.

Experienced tax identity theft but will not have a 2023 IP PIN

1. Prepare paper federal and state returns, and refer the taxpayer to the IRS identity theft line at 1-800-908-4490 to report the incident and receive instructions for submitting the return.
2. Taxpayer must complete Form 14039, Identity Theft Affidavit (available at www.IRS.gov). The taxpayer must send the affidavit to the IRS to place an identity theft indicator on the taxpayer's tax account.

Identity Protection PIN

Basic Information » IRS Identity Protection Pin
Search keyword: "Pin"



FILING A TAX RETURN FOR A DECEASED TAXPAYER

A surviving spouse or a personal representative may have to or want to file an income tax return for a deceased taxpayer. A surviving spouse who did not remarry before the end of the tax year may file MFJ.

Check the box and enter the date of death in the *Personal Information* section. Add federal Form 1310 and Minnesota Form M23 if anyone other than the surviving spouse is filing the return to claim a refund. Only a surviving spouse or a dependent of the decedent may file Form M1PR on behalf of a deceased person.

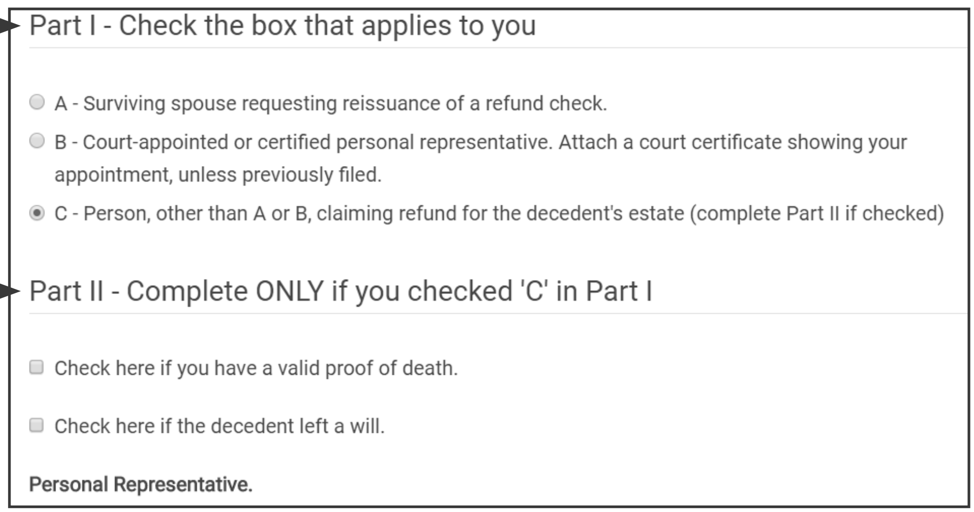
Paper file a return for a deceased taxpayer if it is not filed by a surviving spouse. Court appointment documents and a death certificate are often required along with the return. See Pub 4012, Tab K, page K-19, and Minnesota Income Tax Fact Sheet 9, *Filing on Behalf of a Deceased Taxpayer,* for more detailed requirements if needed. Additonally, prior-year tax returns for a deceased taxpayer must be paper-filed.

Filing for deceased taxpayer for Form 1310

Federal Section » Miscellaneous Forms »Claim a Refund Due to a Deceased Taxpayer **Search keyword:** "Deceased"

Select the option that applies to the claimant.

Answer according to claimant's situation.


Part I - Check the box that applies to you

A - Surviving spouse requesting reissuance of a refund check.
B - Court-appointed or certified personal representative. Attach a court certificate showing your appointment, unless previously filed.
C - Person, other than A or B, claiming refund for the decedent's estate (complete Part II if checked)

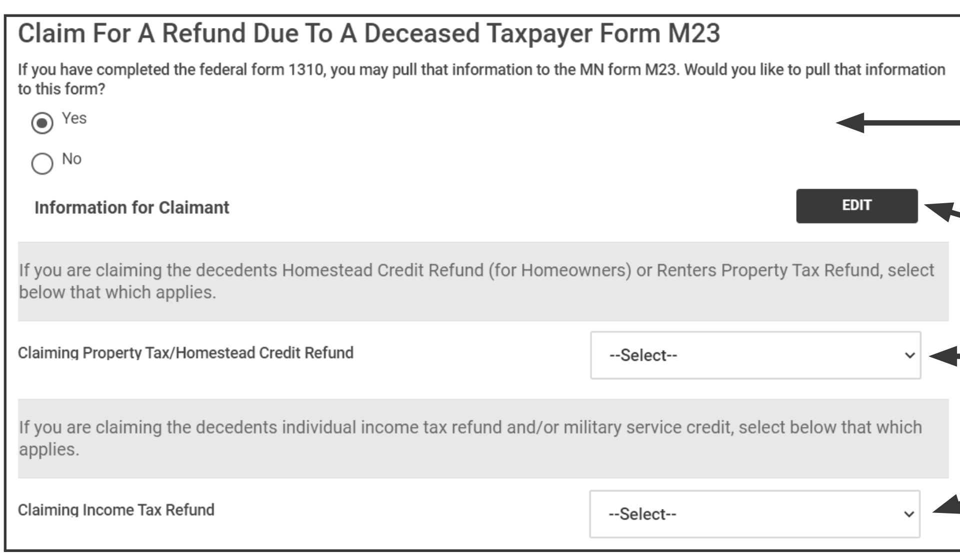
Part II - Complete ONLY if you checked 'C' in Part I

Check here if you have a valid proof of death.
Check here if the decedent left a will.

Personal Representative.

Deceased taxpayer refund Form M23

State Section » Miscellaneous Forms » Claim for a refund due to a deceased taxpayer **Search keyword:** N/A


Claim For A Refund Due To A Deceased Taxpayer Form M23

If you have completed the federal form 1310, you may pull that information to the MN form M23. Would you like to pull that information to this form?

Yes
No

Information for Claimant EDIT

If you are claiming the decedents Homestead Credit Refund (for Homeowners) or Renters Property Tax Refund, select below that which applies.

Claiming Property Tax/Homestead Credit Refund --Select--

If you are claiming the decedents individual income tax refund and/or military service credit, select below that which applies.

Claiming Income Tax Refund --Select--

As of the printing of this manual, this does not pull information, but Yes must be selected to avoid validation errors.

Click to add claimant information.

Select if claiming a renter or homeowner refund. Only a surviving spouse or dependent may claim.

Select appropriate options.

FILING STATUS

Determine the filing status based on an interview with the taxpayer and information written on Form 13614-C in Part II, *Marital Status and Household Information*. In TaxSlayer, use the filing status wizard as a guide if a taxpayer's filing status is unclear.

Filing status determines the standard deduction amount, tax rate, and calculations/eligibility for some tax benefits.

The marital status selected on the IRS intake sheet (Form 13614-C) is only one factor in determining the correct filing status. See page 47 for more information.

Filing status	Marital Status on 12/31/2023	Other Information Pub 4012, Tab B, B-12 Determination of Filing Status decision tree
Single	Unmarried, divorced, or legally separated	• Legal separation requires a decree by a court or a written separation agreement. • May qualify for HOH or QSS if claiming a dependent.
Married Filing Jointly (MFJ)	Married	• See definition of marriage on page 47. • Spouses qualify whether they live together or apart. • A taxpayer can file MFJ for the tax year in which a spouse dies.
Married Filing Separately (MFS)	Married and choose to file separate returns	• See definition of marriage on page 47. • Taxpayer may be "considered unmarried" and file HOH (see page 48). • See important notes about MFS on page 47.
Head of Household (HOH)	Unmarried or "considered unmarried"	• Taxpayer paid more than half the cost of keeping up a home for the tax year[1] and had a Qualifying Person living with them more than half the year. » If taxpayer's parent is the Qualifying Person, they do not have to live together.
Qualifying Surviving Spouse (QSS)	Spouse died in 2021 or 2022, and taxpayer did not remarry	• Taxpayer is entitled to use MFJ status for the tax year in which their spouse dies. • Taxpayer paid more than half the cost of keeping up the home for the tax year[1] and had a child or stepchild living with them all year. » Use interview questions in Pub 4012, Tab B, page B-13, to confirm taxpayer qualifies for QSS.

[1]*To determine if a taxpayer has provided more than half the cost of keeping up a home, see worksheet in Pub 4012, Tab B, page B-15.*

Determining taxpayer filing status

Basic Info » Filing Status
Search keyword: N/A

See filing status selection screen on page 22.

MARRIAGE

Marital status is determined for the entire year based on the taxpayer's situation on December 31 of the tax year. Married taxpayers must choose a married filing status unless they meet the rules to be considered unmarried.

Married before coming to Minnesota

If a couple was married outside the state, Minnesota recognizes the marriage if it was valid at the time of the contract – or validated by later law changes – in the place where the marriage occurred. It doesn't matter if a couple was married in another state or outside the U.S.

Minnesota does not have a common law marriage statute, so unmarried Minnesotans living together cannot file joint state or federal returns. However, a couple recognized as married under common law rules in another state is still married if they move to Minnesota.

MARRIED FILING SEPARATELY (MFS)

Talking points about MFS:

- Ask the taxpayer why they are choosing to file MFS. If the decision to file MFS is due the spouse's outstanding prior debt, such as past due child support, student loans, or other tax liability, suggest the taxpayer consider filing MFJ using Form 8379, *Injured Spouse Claim and Allocation* (see page 42).
- The MFS tax rate is generally higher than on a joint return, and Social Security benefits are taxable at a lower threshold.
- The MFS filing status make taxpayers ineligible for many tax credits (e.g., Earned Income Credit, Child and Working Family Credits, federal and state dependent care credits, education credits, student loan interest deduction, and K-12 Education Credit.
  - » Exception: Taxpayers filing MFS, who do not qualify for HOH, may be able to claim the Earned Income Credit and federal Child and Dependent Care Credit if they have a qualifying child and lived apart from their spouses for the last 6 months of the year.

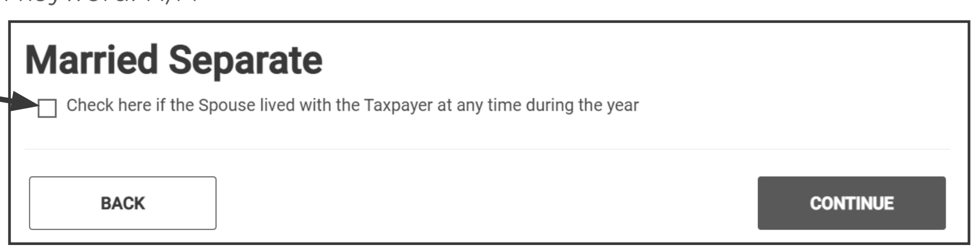
MFS considerations for the tax preparer:

- If one spouse filing MFS itemizes, the other spouse, if filing MFS, must itemize or take a standard deduction of zero.
- If the taxpayer has a Qualifying Child, consider using HOH status. Determine if the taxpayer meets the definition of "considered unmarried" (see page 48).
- If filing MFS, the spouse's Social Security number must be on the return in order e-file. Use the placeholder 111-00-1111 if it is not available. The return must be paper-filed.

MFS filing status

Basic Info » Filing Status » Married Filing Separate
Search keyword: N/A

Check if the taxpayer lived with the spouse in 2023.



HEAD OF HOUSEHOLD (HOH)

Taxpayers with a Qualifying Person who are unmarried or “considered unmarried” for tax purposes can claim the HOH filing status. The rules below define who is a Qualifying Person. This definition differs slightly from rules for who is a dependent. Additionally, the definition of who is Qualifying Person changes depending on whether the taxpayer unmarried or “considered unmarried”. The interview questions in Pub 4012, Tab B, page B-13, and the Filing Status Wizard in TaxSlayer can be very helpful.

Rules for unmarried taxpayers

Unmarried taxpayers (single, divorced, or legally separated at the end of the tax year) must meet these qualifications to claim HOH filing status:

1. Paid more than half the cost of keeping up the home for the year (see worksheet in Pub 4012, Tab B, page B-15).
2. Have a Qualifying Person such as a:
   - Qualifying Child (page 52) living in the taxpayer’s home for more than half the year, or a child who is not claimed by the custodial parent under the special rule for divorced or separated parents (page 54).
   - Parent who is a Qualifying Relative (page 55), whether living in the taxpayer’s home or in another residence. (In both cases, a taxpayer must pay more than half the cost of the parent’s home upkeep.)
   - Qualifying Relative (page 55) living in the taxpayer’s home for more than half the year who is a son, daughter, stepchild, foster child, or a descendant of any of them; a brother, sister, half-brother, half-sister, or a son or daughter of any of them; an ancestor or sibling of taxpayer’s father or mother; or a stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

Rules for married taxpayers who are considered unmarried

Married taxpayers can be “considered unmarried” and qualify for HOH filing status if all of the following apply:

- The taxpayer will file a separate return.
- The taxpayer paid more than half the cost of keeping up the home for the year (see worksheet in Pub 4012, Tab B, page B-15).
- The taxpayer’s spouse did not live in the taxpayer’s home at any time during the last six months of the tax year. The spouse is considered to live in the home while they are temporarily absent (e.g., being ill, going to school, or traveling).
- The taxpayer’s home was the main home of the taxpayer’s child, stepchild, or foster child for more than half the year.
  - » The definition of a qualifying person for HOH is very limited for married individuals.
  - » Grandchildren, parents, and siblings do not qualify.
- The taxpayer qualifies to claim an exemption for the child. (A custodial parent can qualify even if the child is being claimed as a dependent by the noncustodial parent under the special rule for divorced or separated parents, see page 54).

2023 TAX YEAR FILING STATUS QUIZ

1. **Carlos is single. He supported his parents and paid more than half the cost of keeping up their home in Mexico for the past two years. Carlos' parents meet the tests to be his dependents.**

   What filing status should Carlos use? ______

2. **Scott and Kathy separated in April 2023 and lived apart for the rest of the year. They are not divorced or legally separated. Their 15-year-old daughter, Bethany, lived with Scott all year. Scott and Kathy will not file a joint tax return. Scott paid more than half the cost of keeping up his home. Scott claims Bethany as a dependent because he is the custodial parent. Both Scott and Kathy are legally required to file tax returns.**

   Can Scott claim Head of Household filing status? ______

   What filing status is Kathy required to use on her return? ______

3. **Juan is divorced and his 20-year-old, unmarried son, Robert, lived with him all year. Juan earned $45,000 and paid for their rent, food, and over half of his son's total support. Robert earned $10,000 and is not disabled or a full-time student -- because of this he does not meet the tests to be a Qualifying Child or a Qualifying Relative.**

   Can Juan claim Head of Household filing status? ______

4. **Chris has lived with his girlfriend, Kim, and her daughter, Trinity, for three years. Chris is not related to Trinity, but Trinity meets all the tests to be Chris's Qualifying Relative. Chris paid the total cost of keeping up the home where they all live. No one else lived in the household.**

   Can Chris claim Head of Household filing status? ______

5. **Mae lived with her unemployed roommate, David, for the entire year. David meets the tests to be Mae's Qualifying Relative. Mae paid more than half the cost of keeping up their apartment. David had no income.**

   Can Mae claim Head of Household filing status? ______

6. **Abdullah lived with his 27-year-old niece, Amara, for the entire year. Amara meets the tests to be Abdullah's Qualifying Relative. Abdullah paid more than half the cost of keeping up their home. Amara worked a part-time job and earned $3,500 in income.**

   Can Abdullah claim Head of Household filing status? ______

7. **Mrs. Melville's spouse, Mr. Melville, passed away in June of 2023 after living in a nursing home for about a year. They have filed jointly for over 60 years of marriage, and Mrs. Melville did not remarry before the end of the year. Mrs. Melville does not have any dependents.**

   What filing status should Mrs. Melville use? ______

Answers are on page 184.

DEPENDENTS

Use the information on Form 13614-C to determine if the taxpayer can be claimed as a dependent or qualifies to claim a dependent. **Remember to complete the shaded dependent section on Form 13614-C.** Use these questions and the Qualifying Child rules on page 52 and Qualifying Relative rules on page 55 to determine dependency.

Prior to tax year 2018, taxpayers claimed a deduction for every **exemption** allowed on the return. Exemptions were allowed for the taxpayer, spouse, and each dependent. Taxpayers claimed as dependents could not claim exemptions. The federal exemption deduction amount is currently $0, but many tax rules still use the exemption definition.

MN

Taxpayers may still claim a deduction of $4,800 for each dependent claimed on the Minnesota return. There are no personal exemptions for the taxpayer/spouse.

CLAIMING A DEPENDENT

Claiming a dependent may make a taxpayer eligible to claim several tax benefits. Each benefit has additional rules. Most benefits are added to the return automatically by TaxSlayer based on the dependent information entered in the Basic Information section (see page 56).

Tax benefits for claiming a dependent may include:	
Head of Household filing status See page 48.	• Federal and Minnesota • Dependent is a Qualifying Person
Child Tax Credit See page 105.	• Federal • Dependent is a Qualifying Child under 17 and has an SSN
Credit for Other Dependents See page 106.	• Federal • Dependent meets relationship and residency tests
Child and Dependent Care Credit See pages 107 and 153.	• Federal and Minnesota • Dependent/spouse is under 13 or incapable of self-care
Earned Income Credit See page 117.	• Federal • Dependent is a Qualifying Child and has an SSN
Child and Working Family Credits See page 154.	• Minnesota • Dependent is a Qualifying Child
American Opportunity Credit See page 125.	• Federal • Dependent is a postsecondary student in their first four years of school
Lifetime Learning Credit See page 125.	• Federal • Dependent is a postsecondary student
K-12 Education Credit/Subtraction See page 156, then page 143.	• Minnesota • Dependent is a Qualifying Child in grades K-12
Dependent exemption deduction See top of this page.	• Minnesota • All dependents qualify

FILING AS A DEPENDENT

If a taxpayer meets the qualifications to be a dependent, the taxpayer must file as a dependent and cannot claim any dependents on their own return. This impacts a taxpayer's standard deduction and eligibility for some tax benefits. Taxpayers who can be a Qualifying Child or Qualifying Relative of another taxpayer must file as a dependent even if the other taxpayer does not claim them.

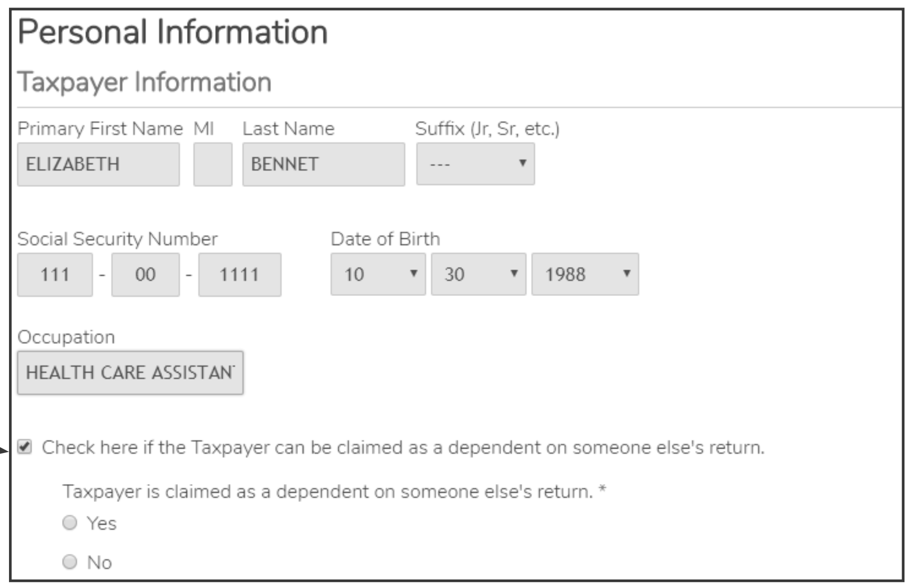
If a young adult is unsure if they are a dependent, ask more questions and explain when a person may be considered a dependent.

See Pub 4012, Tab C, page C-9, *Worksheet for Determining Support,* if needed, for help calculating if taxpayers provided more than 50% of their own support.

Personal Information

Basic Info » Personal Info
Search keyword: "personal"

Check here if the taxpayer can be claimed as a dependent.



Example: Jackie is 19 years old and filed a tax return online. He is a full-time student and worked part-time. Jackie still meets the rules to be a dependent for his parents, but he did not know that. He filed his tax return and incorrectly claimed that he was not a dependent.

Later in the year, Jackie's parents e-filed their tax return and correctly claimed Jackie as a dependent. Their return was rejected! After determining the problem, Jackie's parents sent in a paper return, and their refund was delayed. They helped Jackie file an amended return that correctly showed that he was a dependent.

RULES FOR CLAIMING A DEPENDENT - QUALIFYING CHILD

A taxpayer cannot qualify as a dependent of another person and still claim a dependent. To be claimed as a dependent, a person must meet the tests to be a Qualifying Child or a Qualifying Relative. The Qualifying Child tests are listed below. See page 55 for the Qualifying Relative tests. Pub 4012, Tab C, page C-5, provides helpful dependency interview questions.

Qualifying Child Tests

The person must meet all six of the Qualifying Child tests.

1. **Relationship:** The child must be the taxpayer's son, daughter, stepchild, foster child[A], brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them.
2. **Age:** At the end of the tax year, the child must be **(a)** under age 19 *and* younger than the taxpayer or spouse if MFJ, **(b)** under age 24 *and* a full-time student for at least 5 calendar months *and* younger than the taxpayer or spouse if MFJ, or (c) any age if permanently and totally disabled[B].
3. **Residency:** The child must have lived with the taxpayer for more than half the year[C]. NOTE: A child who lives in Canada or Mexico may be a Qualifying Relative, see page 55.
4. **Support:** The child must not have provided more than half of their own support for the year[D+E]. If unsure, use the worksheet in Pub 4012, Tab C, page C-9.
5. **Joint return:** The child is not filing a joint return for the year (unless the return is filed only as a claim for a refund of income tax withheld).
6. **Qualifying child for more than one person:** If the child meets the rules to be a Qualifying Child of more than one person, the taxpayer must be the person entitled to claim the child as a Qualifying Child (see page 53).

[A] *Foster child is any child placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.*

[B] *"Permanently and totally disabled" means (1) the person cannot engage in any substantial gainful activity because of a physical or mental condition and (2) a doctor determines the condition has lasted or can be expected to last continually for at least a year or can lead to death.*

[C] *Exceptions for temporary absences (school, vacation, medical care, military service), children who were born or died during the year, children of divorced or separated parents (Form 8332) and kidnapped children. For more information, see Pub 17, Your Federal Income Tax, Dependents chapter.*

[D] *Social Security benefits received by a child and used for the child's support are considered as provided by the child. If the benefits are placed in a savings account and not used for the child's support, then the benefits are considered not provided by the child. Public benefits (see page 166) such as MFIP, SSI, GA and DWP are generally considered support provided by the state and not the child. Proposed Treasury Department regulations state that public benefits received by the taxpayer and used to support others are considered support provided by the taxpayer. For example, if a mother received MFIP and uses MFIP payments to support her children, the proposed regulations treat the mother as having provided that support.*

[E] *If the support test is not met, the child may still be a Qualifying Child for EIC, see page 117.*

$ U.S. savings bonds earn tax-free interest if used to pay for education expenses. Many customers purchase U.S. savings bonds for their dependents. See page 32 for more information about U.S. Savings Bonds.

QUALIFYING CHILD OF MORE THAN ONE PERSON

If the child meets the conditions to be the Qualifying Child of more than one person, only one person can claim all of the following tax benefits for the child, unless the special rule for children of divorced or separated parents applies (see page 54).

- Head of Household filing status
- Child Tax Credit
- Credit for Other Dependents
- Earned Income Credit
- Child and Dependent Care Credit
- Exclusion from income for dependent care benefits from an employer
- Minnesota dependency exemption
- Minnesota refundable credits

If a parent can claim the child as a Qualifying Child but no parent does so, the child is treated as the Qualifying Child of the person who had the highest AGI and also meets all the tests to claim the child. This person can claim the child only if their AGI is higher than the highest AGI of any parent who is eligible to claim the child.

This situation is not a tie-breaker rule. It is part of the determination of who can claim the child on the tax return.

Tie-breaker rules for a Qualifying Child:

If the child is a Qualifying Child for more than one person, the taxpayers may be able to choose which person claims the child (e.g., a child's parents are unmarried and both live with the child).

If the taxpayers disagree about who should claim the child, the IRS will use the tie-breaker rules below. These rules also apply for claiming the EIC.

1. If only one of the taxpayers is the child's parent, the child is treated as the Qualifying Child of the parent.
2. If the parents do not file jointly, and both parents claim the child, the IRS will treat the child as the Qualifying Child of the custodial parent. If the child lived with each parent for the same number of nights, the IRS will treat the child as the Qualifying Child of the parent with a higher adjusted gross income (AGI).
3. If no parent can claim the child as a Qualifying Child, the child is treated as the Qualifying Child of the person who had the highest AGI.

Example: Ana lives with her daughter, Cynthia, and Cynthia's son, Rob. Rob meets the conditions to be a Qualifying Child for both his grandmother and his mom. Under the rules above, Cynthia, as Rob's parent, is entitled to claim him as a Qualifying Child.

However, if Ana's AGI is higher than Cynthia's AGI, then Cynthia can choose to let Ana claim Rob as a Qualifying Child. But remember, if the grandmother claims the child, the daughter cannot use the child as a Qualifying Child for any tax benefits.

SPECIAL RULE FOR DIVORCED OR SEPARATED PARENTS

In most cases, because of the residency test, a child of divorced or separated parents is the Qualifying Child of the custodial parent. However, the custodial parent may turn over some tax benefits to the noncustodial parent. See Pub 4012, Tab C, page C-8, for interview tips.

The custodial parent is the parent with whom the child lived for the greater number of nights during the year. If the child lived with each parent for an equal number of nights during the year, the custodial parent is the parent with the higher adjusted gross income (AGI).

The child can be treated as the Qualifying Child of the noncustodial parent if all four of the following statements are true:

1. The parents: (a) are divorced or legally separated under a decree of divorce or separate maintenance; or (b) are separated under a written separation agreement; or (c) lived apart at all times during the last 6 months of the year, whether or not they are or were married.
2. Over half of the child's support for the year was received from the parents.
3. The child was in the custody of one or both parents for more than half of the year.
4. Required documentation has been included with the tax return. The noncustodial parent claiming the child under these conditions must attach either Form 8332, *Release of Claim to Exemption for Child by Custodial Parent*, signed by the custodial parent or, in the case of a pre-2009 divorce decree, certain pages from the decree. See Pub 4012, Tab C, page C-8, for which pages of a divorce decree need to be attached.

Who claims the tax benefits?

The noncustodial parent can claim the following tax benefits if all four conditions listed above are true.

- Dependency exemption on the Minnesota return
- Child Tax Credit
- Credit for Other Dependents
- Any federal education benefit

If **the custodial parent** meets the eligibility requirements, the following tax benefits remain with the custodial parent because of the residency tests. This is true even if the noncustodial parent can claim the child:

- Head of Household filing status
- Federal and Minnesota credits for child and dependent care expenses
- Earned Income Credit (EIC) and Minnesota Child and Working Family Credits
- Minnesota K-12 Education Credit or Subtraction

Instructions for preparation

Preparer: For noncustodial parents, write notes about which required document was provided (see test 4 above). In the dependent section of TaxSlayer, use the "Divorce/Separation" option rather than entering the number of months the child lived with this parent.

Custodial parents who do not claim the child are still entitled to certain benefits. Check the box in the dependent section of TaxSlayer to indicate that the child is not the taxpayer's dependent, and enter the number of months lived with the custodial parent.

P+P reviewers:

1. Make a copy of Form 8332 (or divorce decree pages) to keep with the intake sheets.
2. Make a note on Reviewer Log: Noncustodial parent - 8332

No documentation available for a noncustodial parent? Prepare and review a paper return. Inform taxpayer what documentation must be attached to the return before mailing.

RULES FOR CLAIMING A DEPENDENT - QUALIFYING RELATIVE

See Pub 4012, Tab C, page C-5, for dependency interview questions.

- The taxpayer/spouse cannot be claimed as a dependent by another person.
- The taxpayer cannot claim a married person who files a joint return unless that married person's joint return is only a claim for refund of tax withheld or estimated taxes paid, and neither the married person nor their spouse's separate return would have a tax liability.
- The taxpayer cannot claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico, for some part of the year. (There is an exception for certain adopted children.)

Tests to be a Qualifying Relative

In addition to the rules above, the person must meet all four of the Qualifying Relative tests.

1. **Not a Qualifying Child:** The person cannot meet the Qualifying Child tests for any taxpayer.
   Exception: a child can be claimed by a taxpayer not related to the child, if the child's parent (or other person for whom the child is a Qualifying Child) is not required to file an income tax return or files an income tax return only to get a refund of income tax withheld.

2. **Relationship:** The person either: **(a)** must be related to the taxpayer in one of the ways listed under "relatives who do not have to live with you"[A], or **(b)** must live with the taxpayer **all year** as a member of their household (except for temporary absences).

3. **Gross Income:** The person's gross taxable income for the year[B] must be less than $4,700. See footnote B if the person receives Social Security benefits.

4. **Support:** Taxpayer must provide more than half of the person's total support[C] for the year (exceptions for multiple support agreements, children of divorced or separated parents, and kidnapped children). If unsure, use the support worksheet Pub 4012, Tab C, page C-9.

[A] *"Relatives who do not have to live with you"*

- *Child, stepchild, foster child or descendant of any of them*
- *Brother, sister, half-brother/sister, or a son or daughter of any of them*
- *Father, mother, or an ancestor or sibling of any of them*
- *Stepbrother, stepsister, stepfather, stepmother*
- *Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law*

Cousins can meet the relationship test only if they lived with the taxpayer for the entire year.

[B] *"Gross taxable income" means all income the person received in the form of money, goods, property and services, that is not exempt from tax. Do not include Social Security benefits unless the person is filing an MFS return and lived with their spouse at any time during the tax year, or if 1/2 the Social Security benefits plus their gross income and tax exempt interest is more than $25,000 ($32,000 if MFJ).*

For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year does not include income for services the individual performs at a sheltered workshop.

[C] *If a person receives Social Security benefits and uses them toward his or her own support, those benefits are considered as provided by the person. Benefits provided by the state to a needy person are generally considered support provided by the state. Proposed Treasury Department regulations state that public benefits received by the taxpayer and used to support others are considered support provided by the taxpayer. For example, if a mother receives MFIP and uses the MFIP payments to support her children, the proposed regulations treat the mother as having provided that support.*

Entering information for a dependent

Basic Info » Dependents/Qualifying Person
Search keyword: N/A

Enter first and last name as shown on the Social Security card or ITIN letter to ensure the correct spelling.

Enter date of birth as shown on Form 13614-C.

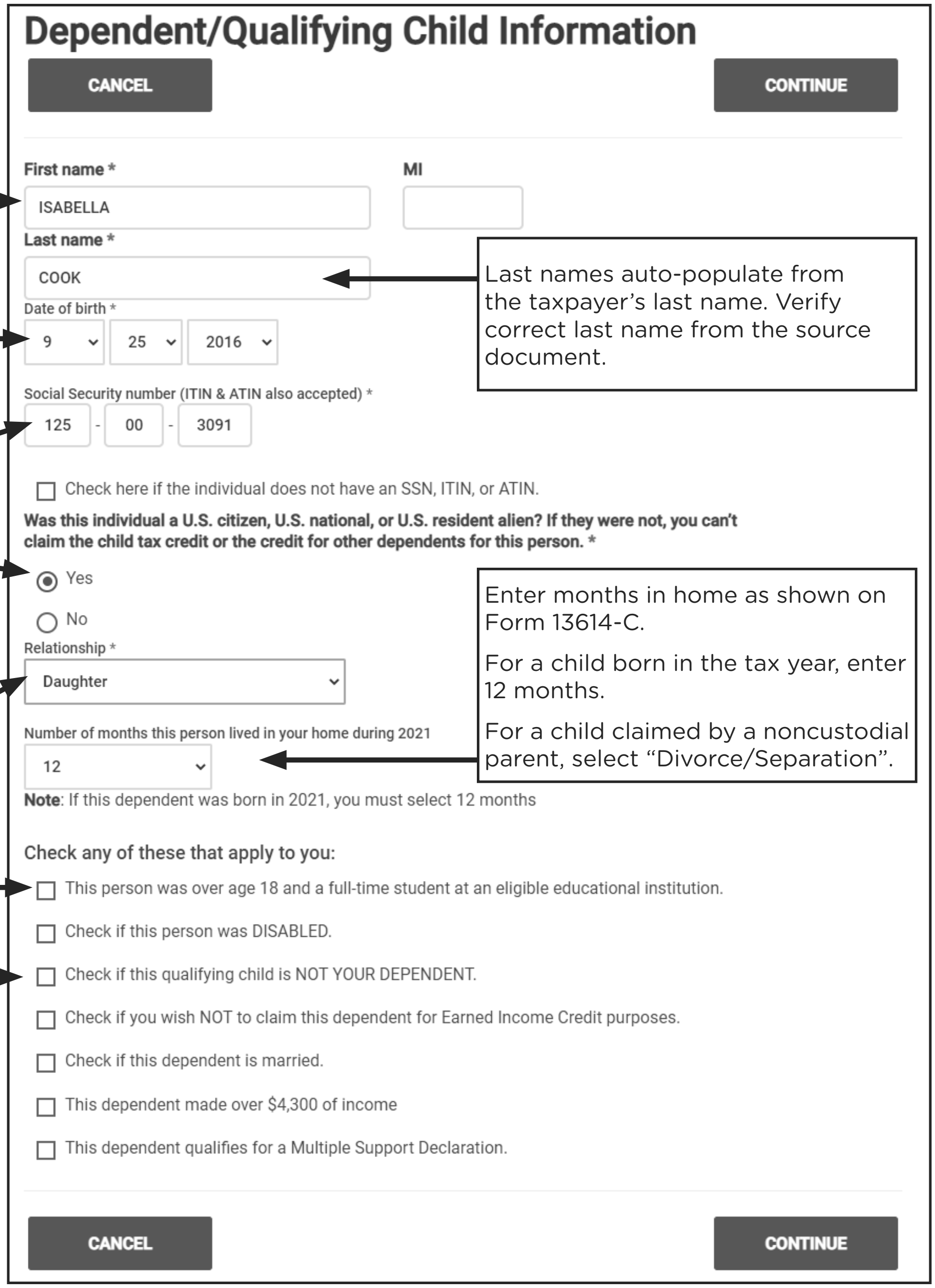
Enter SSN or ITIN as shown on source documents to ensure accuracy.

Generally, the answer is Yes. Check the substantial presence test if needed[1].

Enter relationship to the taxpayer from Form 13614-C.

Check this box if the dependent is a student in a postsecondary school.

Select if a custodial parent allows a noncustodial parent to claim some tax benefits for this dependent. See more on page 54.



Dependent/Qualifying Child Information

CANCEL CONTINUE

First name * ISABELLA

MI

Last name * COOK

Date of birth * 9 25 2016

Social Security number (ITIN & ATIN also accepted) * 125 - 00 - 3091

☐ Check here if the individual does not have an SSN, ITIN, or ATIN.

Was this individual a U.S. citizen, U.S. national, or U.S. resident alien? If they were not, you can't claim the child tax credit or the credit for other dependents for this person. *

◉ Yes

○ No

Relationship * Daughter

Number of months this person lived in your home during 2021 12

Note: If this dependent was born in 2021, you must select 12 months

Check any of these that apply to you:

☐ This person was over age 18 and a full-time student at an eligible educational institution.

☐ Check if this person was DISABLED.

☐ Check if this qualifying child is NOT YOUR DEPENDENT.

☐ Check if you wish NOT to claim this dependent for Earned Income Credit purposes.

☐ Check if this dependent is married.

☐ This dependent made over $4,300 of income

☐ This dependent qualifies for a Multiple Support Declaration.

CANCEL CONTINUE

Last names auto-populate from the taxpayer's last name. Verify correct last name from the source document.

Enter months in home as shown on Form 13614-C.

For a child born in the tax year, enter 12 months.

For a child claimed by a noncustodial parent, select "Divorce/Separation".

[1] *A dependent with an ITIN must meet the substantial presence test to qualify for the Credit for Other Dependents. To meet the substantial presence test, the individual must be physically present in the United States on at least:*

- *31 days during 2023, and*
- *183 days during the 3-year period that includes 2021, 2022, and 2023 counting:*
  - *All the days they were present in 2023, plus*
  - *1/3 of the days they were present in 2022, plus*
  - *1/6 of the days they were present in 2021.*

For more information about the substantial presence test, see Pub 4012, Tab L, page L-3.

2023 TAX YEAR DEPENDENCY QUIZ

1. **Juan is divorced and his 20-year-old, unmarried son, Robert, lived with him all year. Juan earned $40,000 and paid for their rent, food, and over half of his son's total support. Robert earned $10,000 and is not disabled or a full-time student.**

   Can Juan claim Robert as a dependent? ______

2. **Xiong was unemployed and lived with his friend, Youa, all year. Youa earned $45,000 and paid for the rent, food, utilities, and all other living expenses.**

   Can Youa claim Xiong as a dependent? ______

3. **Abdullah lived with his 27-year-old niece, Amara, for the entire year. Abdullah paid more than half the cost of keeping up their home. Amara worked a part-time job and earned $2,700 in income.**

   Can Abdullah claim Amara as a dependent? ______

4. **Carlos is single, supported his parents and paid more than half the cost of keeping up their main home in Mexico. This was more than half of their support, and they had no income.**

   Can Carlos claim his parents as dependents? ______

5. **Jonathan is 26 years old and lived with his mother, Janice, all year while he was a part-time student at the local community college. Jonathan earned $6,000 to help pay for his car insurance and some of his college expenses. Janice earned $38,000 and paid for all of their living expenses for the entire year. Jonathan is not disabled.**

   Can Janice claim Jonathan as a dependent? ______

6. **Gilly and Hope divorced in 2019. Their daughter, Araceli, and son, Matteo, live with Hope. Gilly's AGI is $29,000, and Hope's AGI is $19,500. The divorce decree did not declare who could claim the children as dependents. Gilly consistently paid child support, which provided more than half of the cost of Araceli and Matteo's support.**

   Who may claim Araceli and Matteo as Qualifying Children? ______

7. **Mike supported and lived with his 16-year-old son, Jack. Mike's dad, George, also lived with them. Mike's AGI is $38,000, George's AGI is $43,000, and Jack earned $2,000 from his part-time job at the movie theater. Jack meets the tests as a Qualifying Child for both Mike and George. Mike and George disagree on who can claim Jack.**

   Using the tie-breaker rule, who gets to claim Jack? ______

8. **Rebecca was 21 years old in 2023, a full-time student, and worked part-time. She lived in an apartment off campus. Her parents paid for her rent and all of her living expenses. She made $4,500 and used the money to pay for her cell phone and school books.**

   Rebecca is a Qualifying Child for her parents, but they decided not to claim Rebecca as a dependent on their return. When Rebecca files her own return, does she need to file as a dependent? ______

Answers are on page 184.

INCOME

Most income sources require documentation in order to correctly report the income. These forms include details required for electronic filing and codes defining income types. This manual and Form 13614-C list common source documents for each income type. If this manual lists “taxpayer records”, no specific form is required. When a taxpayer does not have a required document and is not able to obtain a replacement form, a transcript or substitute form can be used for tax preparation.

Substitute W-2 or 1099-R

Beginning in March, if an employer/institution cannot or will not issue/correct a form, taxpayers may create a substitute W-2 or 1099-R using Form 4852. Taxpayers must make good faith efforts to obtain original forms. Taxpayers should complete Form 4852 before having their return prepared by using pay stubs or other payment records. If a form was issued, and the taxpayer cannot get a replacement, an IRS Wage and Income Transcript should be used instead.

Transcripts

An IRS Wage and Income Transcript can be used instead of the originally-issued tax forms. These transcripts are usually available in July. They include information submitted to the IRS by employers, schools, and financial institutions.

Transcripts look different from original tax forms, but contain the same information. Most transcripts are “masked”, with some numbers replaced by X’s for data security. IRS transcripts do not include Minnesota information. **Returns prepared using masked transcripts must be paper-filed.** Use the following placeholders in TaxSlayer:

- EIN or Payer’s ID - 41-0000009
- Employer Name or Payer Name - IRS TRANSCRIPT
- Address - 123 IRS TRANSCRIPT RD
- Zip Code - 55114
- State EIN or ID - 9999999 (seven 9’s)
- State withholding - For Forms W-2, use 33% of federal withholding as estimated Minnesota withholding, and do not enter state withholding on Forms 1099. Inform taxpayers the state will adjust these amounts, but a good faith estimate should be made.

Masked transcripts can be ordered online or by mail; however, taxpayers can only request unmasked transcripts by appointment at an IRS Taxpayer Assistance Center (see page 6).

The Minnesota Department of Revenue can provide taxpayers with Minnesota information over the phone at 651-296-3781. Taxpayers can request printouts of Minnesota-only W-2 or 1099 forms at the Department of Revenue office in St. Paul.

The *P+P Referrals Handout* includes information for taxpayers about obtaining transcripts. Copies will be available at all P+P tax site locations.

WAGES, SALARIES, TIPS, AND TAXABLE SCHOLARSHIP

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 • Form 4852 (substitute W-2) • Form 1098-T (scholarships)	• IRS: Income - lines 1, 2, or 3 • P+P: N/A	• 1040: lines 1a to 1z and Sch 1 lines 8r, 8s, and 8u • M1: line A and line 1 • M1PR: line 1	Basic (Advanced if tip income was not reported to the employer)

Overview: Most taxpayers will have wages. The taxpayer MUST have Form W-2 from every employer BEFORE starting tax preparation. Entry in TaxSlayer is straightforward; enter everything on the form in the corresponding boxes in the software. Codes and amounts in box 12 are important and often transfer information to other parts of the return.

Common issues on Form W-2

If...	Then...
• **The Social Security number on Form W-2 is incorrect due to a typographical error**	Prepare return. Tell taxpayer to contact employer for a correction. This is important so that taxpayer can be credited for the wages by the Social Security Administration.
• **The Social Security number on Form W-2 is incorrect (not a typo) and the taxpayer does not have an ITIN**	Do not start the return. Ask the taxpayer to obtain a corrected copy from the employer.
• **The Social Security number on Form W-2 is incorrect and the taxpayer has an ITIN**	Enter the taxpayer's ITIN when starting the return. Enter the SSN on Form W-2 in W-2 section in TaxSlayer.
• **The Social Security number on Form W-2 is masked/truncated and the taxpayer has an ITIN**	Check a prior-year tax return or tax document for the placeholder SSN. If not found, ask the taxpayer if they know the number. If unsure, paper-file the return using 111-00-1111 as the SSN entry on the Form W-2.
• **It appears that someone has altered the W-2**	Do not start the tax return. Tell the taxpayer to contact the employer to request another copy of the W-2.
• **The name on Form W-2 is incorrect because the taxpayer got married and did not notify the employer**	Complete the tax return. Tell the taxpayer to contact the employer for a correction. Use the name as shown on the source document for the SSN or ITIN.
• **The name is incorrect for any reason other than a typographical error**	Ask the taxpayer to obtain a corrected copy of the W-2 from the employer.
• **The W-2 is missing a state ID number**	The taxpayer should attempt to get the ID number; however, 9999999 can be used as a placeholder and the return can be e-filed.

Codes on Form W-2

Form W-2 often has codes in Box 12 which can impact other areas of the return. Codes are usually defined on the back of Form W-2, and Pub 4012, Tab D, page D-11, has a list of common codes. Codes to watch for:

- **Code W:** Requires 8889 to report HSA contributions, and the preparer must have advanced certification (see page 93).
- **Codes D, E, F, G, H, S, AA, and BB:** Voluntary contributions to retirement plans which qualify for the Savers Credit and Form M1PR retirement subtraction. Values should transfer automatically to Form 8880 (see page 111) and Form M1PR (see page 167).
- **Codes Q, R, T, and FF:** Codes are out of scope (exception for code FF if it does not involve the Premium Tax Credit).

Box 14 is generally informational only and won't impact the tax situation.

Other compensation on Form W-2

Election official or election workers who make under $600 may not receive Form W-2 if serving in certain cities or counties. In this case, the taxpayer must complete Form 4852, *Substitute for Form W-2,* after obtaining federal and Minnesota tax ID numbers and total amount paid. Tax ID numbers may be available on the city or county website.

Scholarship/grant income reported on Form W-2 is taxable and reported as wages. If scholarship/grant income was not reported on a W-2, see page 130 for more information.

Nontaxable third party sick pay may be reported on Form W-2 in box 12 with no other income on the form. In this case, do not enter the Form W-2 in TaxSlayer, but include the amount as nontaxable income to figure credits on Form M1PR (see page 166).

Tip income may need to be reported for taxpayers with a job that collects tips. Individuals often report tip income to their employer. Reported tips are included in the amounts on Form W-2, boxes 1, 5, and 7.

If a taxpayer has tips that were not reported on Form W-2, enter them into the Unreported Tips box on Form W-2 in TaxSlayer. Rely on the taxpayer's records for the amount of unreported tips. Preparers must have advanced certification to do this (see Pub 4012, Tab D, page D-9).

Ask taxpayers with jobs that normally include tips (e.g., wait staff, bellhops, hotel housekeepers) if the tips were reported to the employer. Self-employed taxpayers (e.g., hair stylists or drivers) should include any tips in gross receipts on Schedule C.

Qualified Medicaid Waiver Payments can be difficult to recognize unless the taxpayer identifies the payments or brings a statement from the employer. Payments are qualified if they are made by a certified Medicaid provider to the taxpayer for non-medical support services provided to an individual living in the taxpayer's home.

The taxpayer can choose to include or exclude qualified payments from gross income and choose to include or exclude them from earned income. The taxpayer must include or exclude the full qualified Medicaid Waiver amount. (These choices impact calculations for the Earned Income Credit and the Additional Child Tax Credit). Excluded payments must be added back to household income to figure credits on Form M1PR. See Pub 4012, Tab D, page D-12, for more information and TaxSlayer data entry information.

MN

If a taxpayer choses to exclude Medicaid Waiver payments from income, they must be added back into household income used to figure credits on Form M1PR (see page 166). TaxSlayer does this automatically. Payments will be included in credit calculations on Schedule M1WFC regardless of a taxpayer's choice on the federal return.

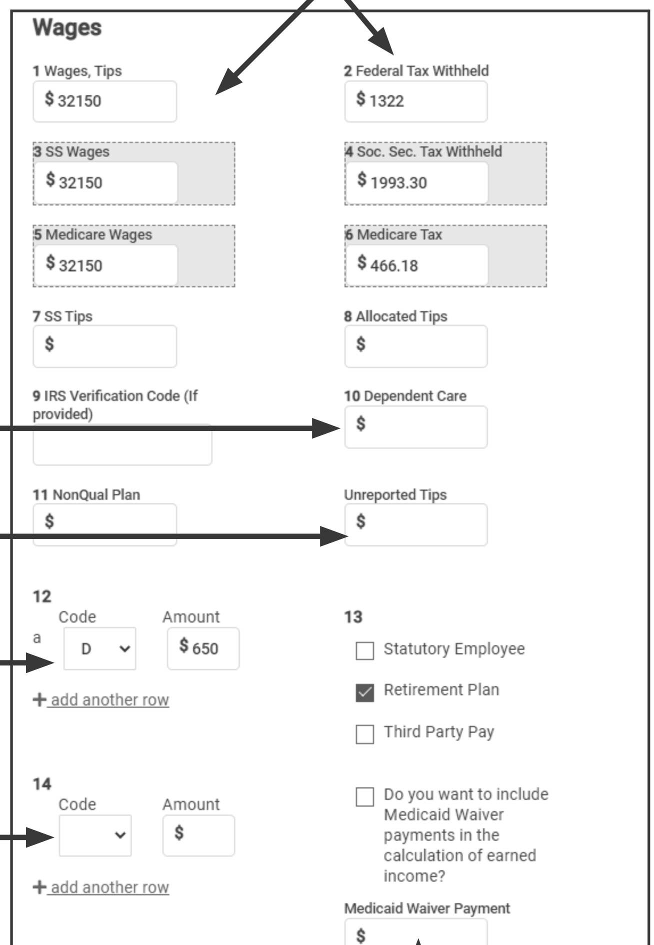
Federal Section » Income » Wages and Salary
Search keyword: "W2"

If the taxpayer has an ITIN, the ITIN/SSN box will appear here. Enter the SSN on the W-2. If SSN is masked/truncated, see page 59 for instructions.

Enter Employer Identification Number. Name and address may auto-fill. Make corrections if it doesn't match the W-2.

Enter taxpayer's address as shown on the W-2.

Enter wages and federal tax withheld. Boxes 3-6 will fill based on first entry. Correct to match W-2 if needed.



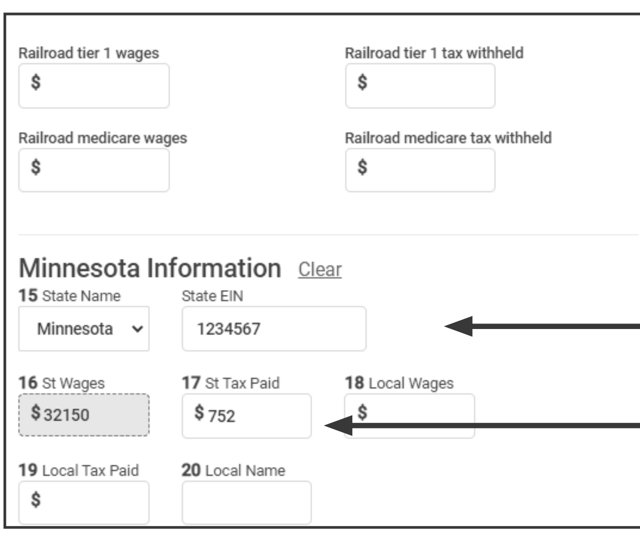
Enter amount paid for dependent care and fill out Form 2441 (see page 107).

Enter tips not previously reported by the employer in box 8 (see page 60).

Enter codes and amounts in box 12 exactly as they appear on the W-2. Click Add Another Row to add additional codes.

In box 14, select Other if code is not listed in drop-down menu.

Enter Medicaid Waiver exclusion here. Check box if adding to earned income (see page 60).



Select MN from the drop-down box and enter the state ID number from box 15. The EIN may auto-fill. Correct it if it does not match the W-2. If there is no MN state ID, enter 9999999 (seven 9's).

Enter the state withholding from box 17. If using an IRS transcript, use 33% of federal withholding as an estimate of MN withholding or refer to MN Revenue for a copy of the W-2.

INTEREST

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-INT • Account statement • 1099 composite • Form 1099-OID • Sch K-1	• IRS: Income - line 4 • P+P: N/A	• 1040: lines 2a, 2b, and Sch B Part I • M1: lines 1, 2, 7, Sch M1M lines 1, 14, and Sch M1ED line 5 • M1PR: lines 1 and 5	Basic

Overview: If a taxpayer received a small amount of interest, it's possible no form will be issued. The interest is still reported on the tax return! The most common sources of interest are: savings accounts, certificates of deposit (CDs), and U.S. government bonds. It is also common to see interest paid by the IRS to taxpayers who received a refund after the filing deadline.

U.S. Savings Bond Interest

Most taxpayers who cash in U.S. Savings Bonds report the full amount of interest earned on the bond as income in the year it is cashed in. This interest is not taxable to Minnesota.

Review the savings bond information in Pub 4491, page 8-9, if the taxpayer used the savings bond to pay for higher education expenses, if the bond had co-owners, or if bond interest was reported each year the taxpayer owned the bond.

Retirement accounts and interest

Interest earned on a retirement account is not taxed until the taxpayer takes a distribution. Any taxable interest will be taxed as part of the distribution.

MN

Interest earned on municipal bonds is not federally taxable, but interest earned on out-of-state municipal bonds must be added back to Minnesota income. See page 141 for more information.

Interest income for 1099-INT

Federal Section » Income » Schedule B » Interest or Dividend Income » Interest Income

Search keyword: "1099INT"

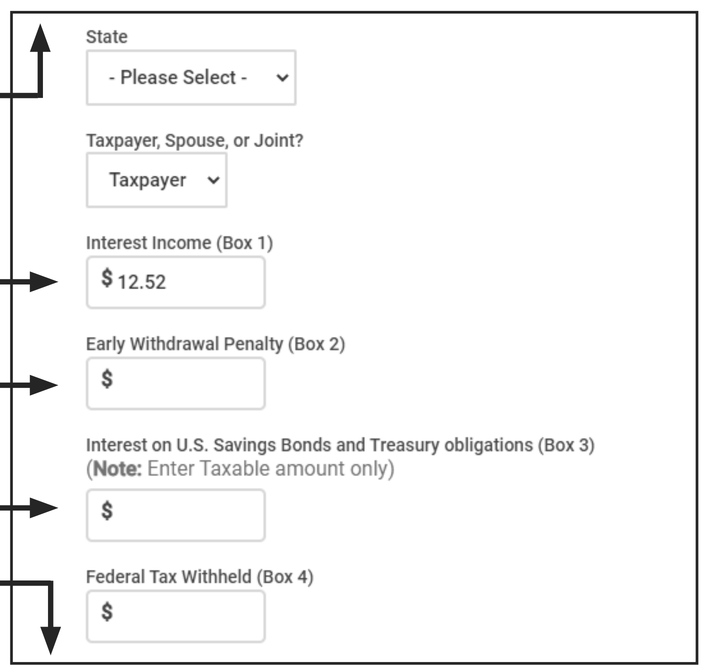
Enter the payer name. The EIN and address are optional entries.

Box 1: Enter interest income.

Box 2: Enter early withdrawal penalty.

Box 3: Enter interest income from a U.S. savings bond.

Box 3: Scroll down to enter U.S. savings bond interest income a second time to subtract it from the MN income.



DIVIDENDS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-DIV • 1099 composite • Sch K-1	• IRS: Income - line 4 • P+P: N/A	• 1040: lines 3a, 3b, 7, Sch B Part II, and Sch D • M1: lines 1, 2, 7, Sch M1M, and Sch M1ED line 5 • M1PR: lines 1 and 5	Basic

Overview: Dividends are distributions paid out of corporate earnings and profits. Taxpayers with mutual fund or stock investments may have dividends to report. Capital gain distributions reported on Form 1099-DIV are not considered an advanced tax topic, and preparers with basic certification may prepare returns with capital gain distributions reported on this form.

Ordinary dividends, qualified dividends, and capital gain distributions are eligible for a lower tax rate. Capital gain distributions reported on Form 1099-DIV will automatically transfer to Form 1040 line 7 and be combined with other capital gains.

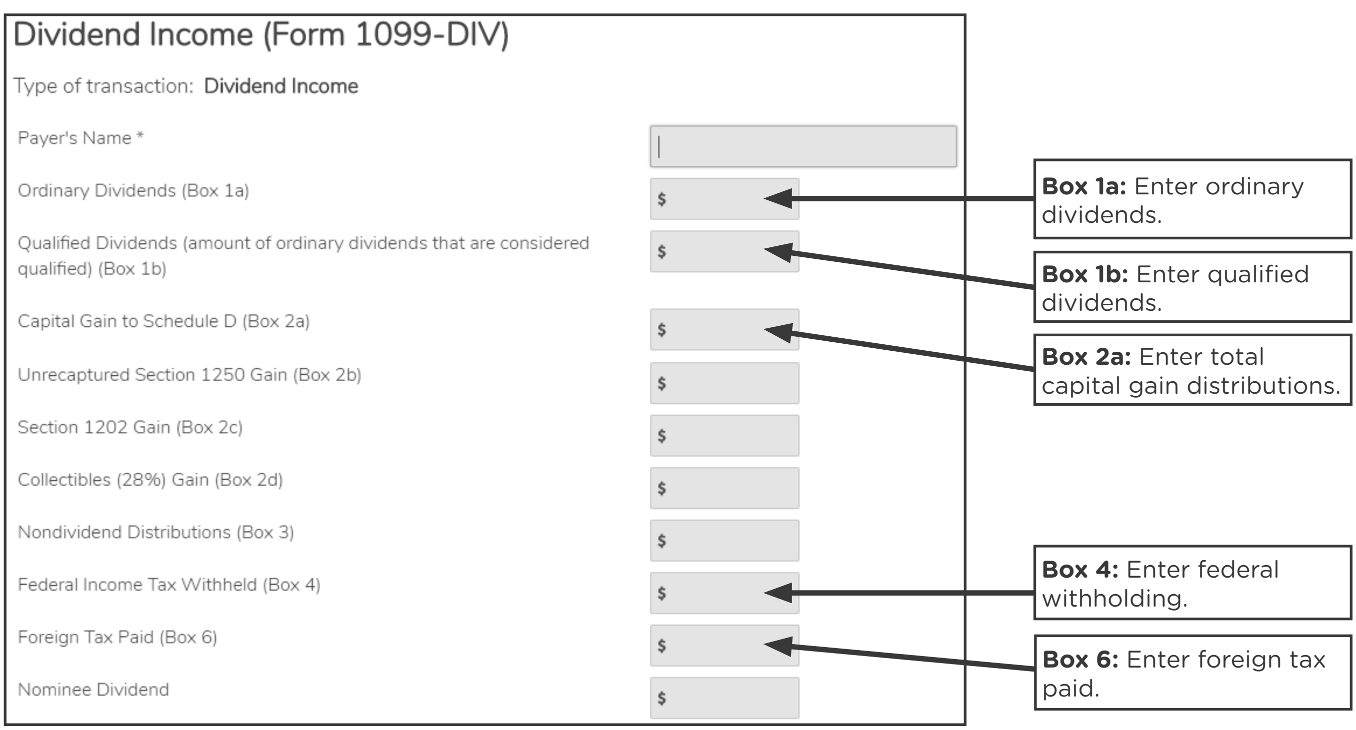
MN

Dividends from a mutual fund with municipal bonds of another state or its local government units must also be added back to Minnesota income. See page 141 for more information.

Dividend income for 1099-DIV

Federal Section » Income » Schedule B » Interest or Dividend Income » Dividend Income

Search keyword: “1099DIV”


Dividend Income (Form 1099-DIV)

Type of transaction: Dividend Income

Payer's Name *

Ordinary Dividends (Box 1a) $

Qualified Dividends (amount of ordinary dividends that are considered qualified) (Box 1b) $

Capital Gain to Schedule D (Box 2a) $

Unrecaptured Section 1250 Gain (Box 2b) $

Section 1202 Gain (Box 2c) $

Collectibles (28%) Gain (Box 2d) $

Nondividend Distributions (Box 3) $

Federal Income Tax Withheld (Box 4) $

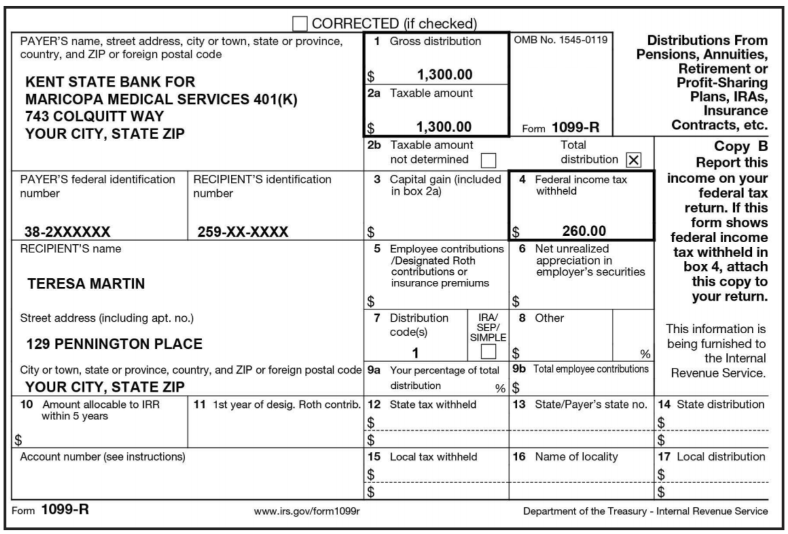
Foreign Tax Paid (Box 6) $

Nominee Dividend $

DISTRIBUTIONS FROM IRAS, PENSIONS, AND ANNUITIES

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-R • Form RRB 1099-R • Form CSA 1099-R • Form CSF 1099-R	• IRS: Income - line 11, Expenses - line 2 • P+P: N/A	• 1040: lines 4a, 4b, 5a, 5b, Form 5329, Sch 2 line 8, and 8915-F • M1: line B and line 1 • M1PR: lines 1 and 5	Basic (Advanced if taxable amount is NOT determined)

Overview: Retirement income may come from an employer plan or a retirement account the taxpayer opened independently. Most retirement income will be reported on Form 1099-R. Other forms are rarely seen. Distributions are commonly taken by taxpayers at retirement age; however, early distributions are not uncommon and may have special tax consequences. Box 7 codes categorize the distribution. Check codes carefully as some are out of scope (commonly code “J”).



☐ CORRECTED (if checked)

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
OMB No. 1545-0119
Form 1099-R
Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
2b Taxable amount not determined ☐ Total distribution ☒
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.

PAYER'S federal identification number 38-2XXXXXX
RECIPIENT'S identification number 259-XX-XXXX
3 Capital gain (included in box 2a) $
4 Federal income tax withheld $ 260.00
RECIPIENT'S name TERESA MARTIN
5 Employee contributions /Designated Roth contributions or insurance premiums $
6 Net unrealized appreciation in employer's securities $
Street address (including apt. no.) 129 PENNINGTON PLACE
7 Distribution code(s) 1
IRA/ SEP/ SIMPLE ☐
8 Other $ %
This information is being furnished to the Internal Revenue Service.
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP
9a Your percentage of total distribution %
9b Total employee contributions $
10 Amount allocable to IRR within 5 years $
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

Distribution codes for retirement income

Codes on Form 1099-R help determine if a distribution is taxable by identifying the type of account, if the distribution was taken before retirement age, and other details. Codes that are **not listed below are out of scope.** For more information about out of scope distribution codes, see Pub 4012, Tab D, pages D-50 and D-51.

1	Early distribution, no known exception
2	Early distribution, exception applies - may be **out of scope**[1]
3	Disability - see special distribution rules on page 67
4	Death
7	Normal distribution
B	Designated Roth account distribution - may be **out of scope**[2]
D	Annuity payments
F	Charitable gift annuity
G	Direct rollover of distribution and direct payment
H	Direct rollover of a Roth distribution to a Roth IRA
L	Loans treated as deemed distributions
Q	Qualified distribution from a Roth IRA
S	Early distribution from a SIMPLE IRA

[1] Out of scope only if the IRA/SEP/SIMPLE box is checked. This usually indicates a Roth IRA conversion, which requires Form 8606. Form 8606 is out of scope for VITA.

[2] In scope only if taxable amount has been determined.

Taxable vs nontaxable retirement distributions

Normal distributions from retirement accounts are taxed based on how contributions were made.

Types of contributions and taxability of distributions

Contribution type	Summary	Distribution taxability	Retirement plan examples
Pre-tax	Taxpayer did not pay taxes on the money at the time it was contributed.	Fully taxable distributions	Traditional IRA; Most 401(k), 403(b), and other employer-sponsored retirement plans
Post-tax	Taxpayer paid taxes on the money before it was contributed.	Nontaxable distributions	Roth IRA; Other Roth retirement accounts
Mix of pre- and post-tax	Some of the money was taxed before it was contributed and some was not taxed at the time of the contributions.	Partially taxable distributions	Railroad Retirement Benefits; Some employer plans (often government or union-negotiated retirement benefits)

Special retirement accounts

Some retirement accounts have special tax implications. The details below highlight what to consider if a taxpayer made a contribution to or took a distribution from one of these accounts. For more information on specific types of accounts, see Pub 590-A, Pub 590-B, or Pub 575.

Traditional IRA

Traditional IRAs are generally funded with pre-tax dollars and have fully taxable distributions. Contributions are pre-tax, because a tax deduction is allowed when filing the tax return. See page 97 for details on the IRA deduction. If the taxpayer made nondeductible contributions to a traditional IRA, certain records are required, and the return is out of scope.

Taxpayers who are at least age 70 1/2 can make a Qualified Charitable Distribution (QCD) from a Traditional IRA. These distributions go directly to a charitable organization and are generally nontaxable. See Pub 4012, Tab D, page 52, for TaxSlayer instructions and more information if preparing a return with a QCD.

Roth IRA

Roth IRAs are funded with post-tax dollars. Distributions are fully nontaxable in two situations:

1. The taxpayer takes out contributions only and any earnings are left in the account.
2. The distribution is a qualified distribution, *defined as*:
   - A distribution made after the 5-year period beginning with the first tax year for which a contribution was made, ***and***
   - The distribution is:
     - Made on or after age 59 1/2, or
     - Made because the taxpayer was disabled; made to a beneficiary or an estate; or used to pay certain qualified first-time home buyer amounts.

Contributions to a retirement account may qualify a taxpayer for the Savers Credit (see page 111). Most contributions will transfer automatically, but Roth IRA contributions must be entered directly into the Savers Credit section in TaxSlayer.

MN

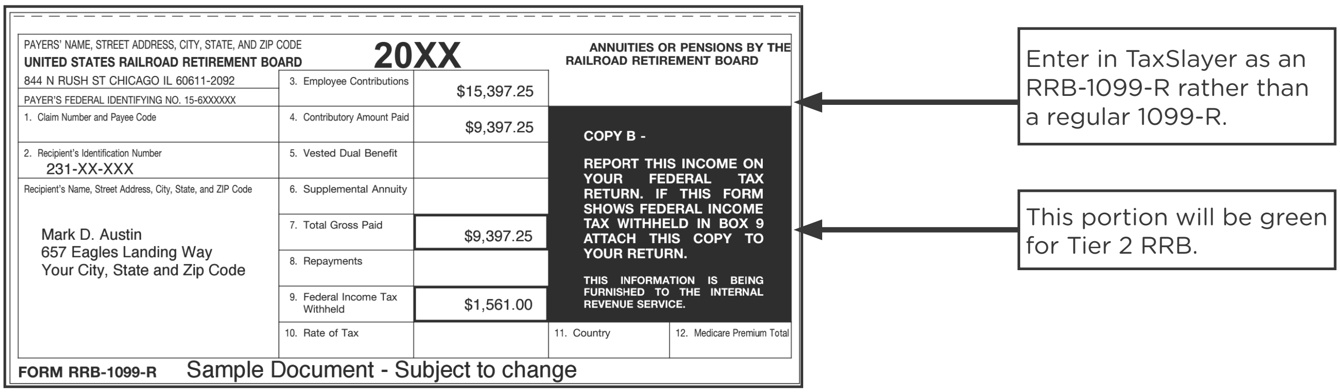
Taxpayers may subtract retirement contributions from household income when figuring the homestead credit refund for homeowners or the renters credit on Form M1PR (see page 165). Roth IRA contributions must be entered directly in the M1PR section, but most other contributions will transfer automatically.

Railroad Retirement Board income

Railroad Retirement benefits have two components. Tier 2 benefits are reported on a green form. They are treated as qualified employee retirement plan distributions. In TaxSlayer, enter tier 2 benefits here: Federal Section » Income » Form 1099-R, RRB,SSA » RRB-1099-R.

Tier 2 income from the Railroad Retirement Board is not taxed on the Minnesota return. It is subtracted from income using Schedule M1M. TaxSlayer transfers the subtraction automatically.

Tier 1 benefits are reported on a blue form. They are Social Security equivalent benefits. For information about tier 1 benefits, see page 72.


PAYERS' NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE
UNITED STATES RAILROAD RETIREMENT BOARD
844 N RUSH ST CHICAGO IL 60611-2092
PAYER'S FEDERAL IDENTIFYING NO. 15-6XXXXXX

20XX

ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD

1. Claim Number and Payee Code	3. Employee Contributions	$15,397.25
2. Recipient's Identification Number 231-XX-XXX	4. Contributory Amount Paid	$9,397.25
Recipient's Name, Street Address, City, State, and ZIP Code: Mark D. Austin, 657 Eagles Landing Way, Your City, State and Zip Code	5. Vested Dual Benefit	
	6. Supplemental Annuity	
	7. Total Gross Paid	$9,397.25
	8. Repayments	
	9. Federal Income Tax Withheld	$1,561.00
	10. Rate of Tax	
	11. Country	12. Medicare Premium Total

COPY B - REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9 ATTACH THIS COPY TO YOUR RETURN.

THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.

FORM RRB-1099-R Sample Document - Subject to change

Enter in TaxSlayer as an RRB-1099-R rather than a regular 1099-R.

This portion will be green for Tier 2 RRB.

When preparing only a Minnesota renter or homeowner refund (Form M1PR), enter Railroad Retirement benefits in the federal return section, and TaxSlayer will transfer benefits to the correct lines on Form M1PR.

Taxable amount not determined

A preparer must have advanced certification to calculate a taxable amount. If the taxpayer made both post-tax and pre-tax contributions to a retirement account, a portion of the payment has already been taxed and is not taxable now. If the taxable amount is not figured (box 2a on Form 1099-R), complete the *Simplified Method Worksheet* in TaxSlayer. For more information, see below and Pub 4012, Tab D, pages D-46 and D-47.

Information needed to complete *Simplified Method Worksheet* (see screenshot on page 67):

- The cost in the plan (available on Form 1099-R).
- Starting date of the annuity payments (taxpayer must provide; may be listed on a prior-year tax return).
- The taxpayer's age on the date the annuity began (and the spouse's age if joint/survivor annuity is selected).
- Total tax-free amounts previously recovered (may be available on the taxpayer's prior-year tax return worksheets). If this amount is not available, calculate it using the guidance below.

If the amount previously recovered is not available: Enter the other details into the simplified method worksheet in TaxSlayer (plan cost, start date of the annuity, and age at start date). Click Continue, and TaxSlayer will display the taxable amount for 2023. Following the example below, calculate the previously-recovered amount. Edit the worksheet to add the amount calculated. Generally, this will not change the taxable amount, but is helpful for the taxpayer's records.

Example: Eric received a gross amount of $8,400 from his annuity, and had an original plan cost of $7,900. The TaxSlayer simplified method worksheet calculates that $8,035 is taxable. At the end of 2023, Eric has received the annuity for 165 months.

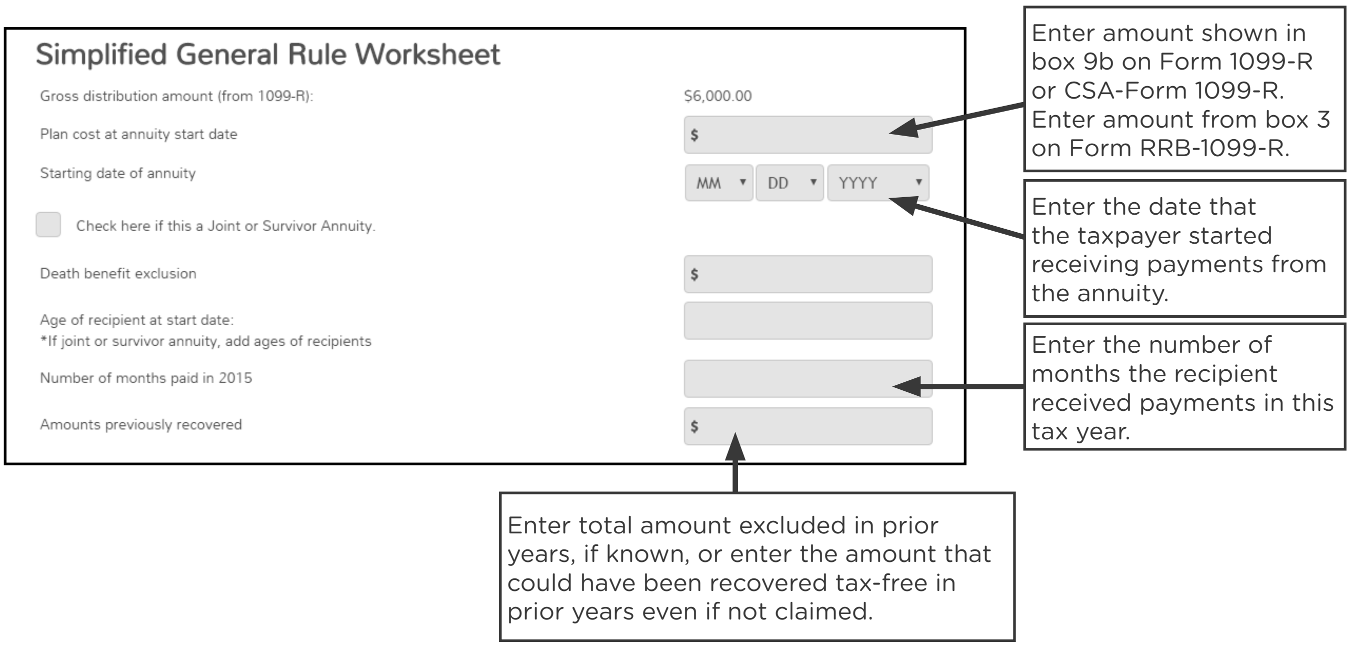
$8,400 - $8,035 = $365 tax-free in 2023

$365 / 12 = $30.42 tax-free per month

165 months x $30.42 = $5,019 previously recovered

Simplified method worksheet

Federal Section » Income » Form 1099-R, RRB,SSA » Add or Edit 1099-R » click here for options » Simplified Method Worksheet **Search keyword:** "-r"



Special distributions from retirement accounts

The following situations may change the way a retirement account distribution is taxed.

Disability distributions

Special rules apply to distributions taken from a retirement account due to a disability and prior to the taxpayer reaching the retirement age for the plan. Form 1099-R should include code 3 for a disability in box 7. The income is considered wages rather than retirement income. It is earned income for the purposes of calculating credits, like the Earned Income Credit Tax (see page 117). Preparers must check a box in the 1099-R section of TaxSlayer to correctly report this income (see screenshot on page 68).

For more disability distribution information, see Pub 4491, pages 11-9 and 11-10.

Rollover distributions

Generally, a rollover is a tax-free distribution from one retirement account into a similar retirement account within 60 days. If it was a direct rollover, box 7, Form 1099-R, will contain code G. If there is no code G, then verify that the taxpayer deposited the full amount into an appropriate account within 60 days of the distribution. If the taxpayer missed the 60-day window for completing a rollover, review the self-certification procedure information in Pub 4491, page 11-7.

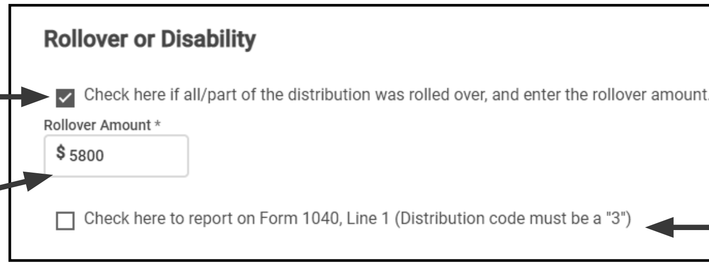
For more rollover information, see Pub 4012, Tab D, page D-48, or Pub 4491, page 11-6.

IRA/pension rollover and disability distribution

Federal Section » Income » Form 1099-R, RRB,SSA » Add or Edit 1099-R
Search keyword: "-r" (second result)

If the distribution code on Form 1099-R is either 1 or 7, and the taxpayer plans to or did reinvest in another IRA within 60 days, then check the box.

Enter the full amount of the rollover.



Check if the taxpayer is disabled and took distributions prior to retirement age.

Survivor and beneficiary benefits

Generally, retirement account distributions for a surviving spouse or other beneficiary is reported the same way the account owner would have reported the distribution. The additional tax for early distributions (see page 69) does not apply to survivors or beneficiaries who receive the benefit after the account owner's death. If more detailed information is required about a survivor or beneficiary distribution from a specific account type, see Pub 590-B or Pub 575.

Required Minimum Distributions (RMD)

Taxpayers who have reached a certain age must begin withdrawing money from certain retirement accounts each year. These withdrawals are called Required Minimum Distributions (RMDs). Generally, an RMD is reported on Form 1099-R as a normal distribution.

If a taxpayer does not take an RMD on time, an additional tax will be charged. Taxpayers may request a waiver of the additional tax. Calculating the additional tax and requesting the waiver are out of scope at VITA sites. Taxpayers who are uncertain if they have taken all required distributions should contact the financial institution that manages their retirement account for guidance.

The timing for the first RMD varies based on the taxpayer's age and the plan type. Subsequent RMDs are required by December 31 of each tax year.

- **IRAs** -- including Traditional, SEP, and SIMPLE IRAs; *not* including Roth IRAs[1].

  April 1 of the year following the calendar year in which the taxpayer reaches age 72 (or age 73 if the taxpayer reaches age 72 after 12/31/2022).

- **Employer sponsored retirement plans** -- including 401(k) and 403(b) plans.

  Generally, April 1 following the later of the calendar year in which the taxpayer:

  » Reaches age 72 (or age 73 if the taxpayer reaches age 72 after 12/31/2022), ***or***

  » Retires (if the taxpayer's retirement plan allows this).

[1] *There are no RMD requirements for a Roth IRA while the owner is alive.*

Examples: Brian turned 72 on May 15, 2023. He must take his first RMD by April 1, 2025, and his second by December 31, 2025.

Karla turned 72 on December 2, 2022. She was required to take her first RMD by April 1, 2023, and her second by December 31, 2023.

Early distributions and exceptions to additional tax

If the distribution code for retirement income is 1 (early distribution, no known exception), then a 10% additional tax will apply unless the taxpayer qualifies for an exception. Exceptions include distributions for one of the reasons listed below. A longer list of exceptions is available in Pub 4012, Tab H, page H-7.

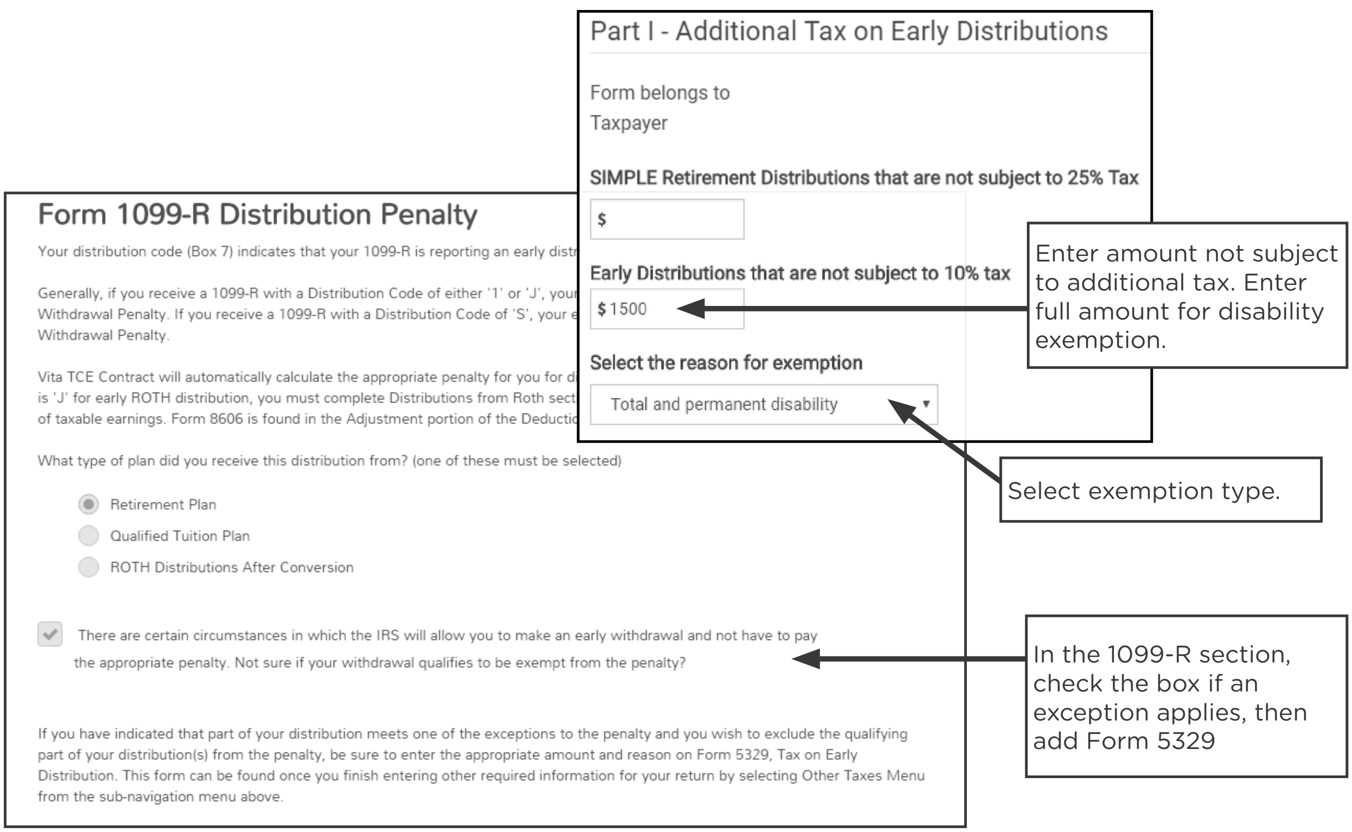
- Was permanently and totally disabled at the time of the distribution
- Paid for birth or adoption expenses
- Used the distributions to pay deductible medical expenses to the extent they have deductible, unreimbursed medical expenses that exceed 7.5% of their AGI (whether or not they itemize their deductions for the year)
- IRA distributions used to pay for qualified higher education expenses

In TaxSlayer, complete Form 5329 to exclude distributions from the penalty if the taxpayer qualifies for an exception.

Use Pub 4012, Tab H, page H-7, while discussing possible exceptions from the additional tax on early distributions with a taxpayer. There is no exception to the penalty for general hardships, but the list covers many common situations. Ask the taxpayer to review the exception options and help determine if one applies.

Claiming exception to early distribution penalty

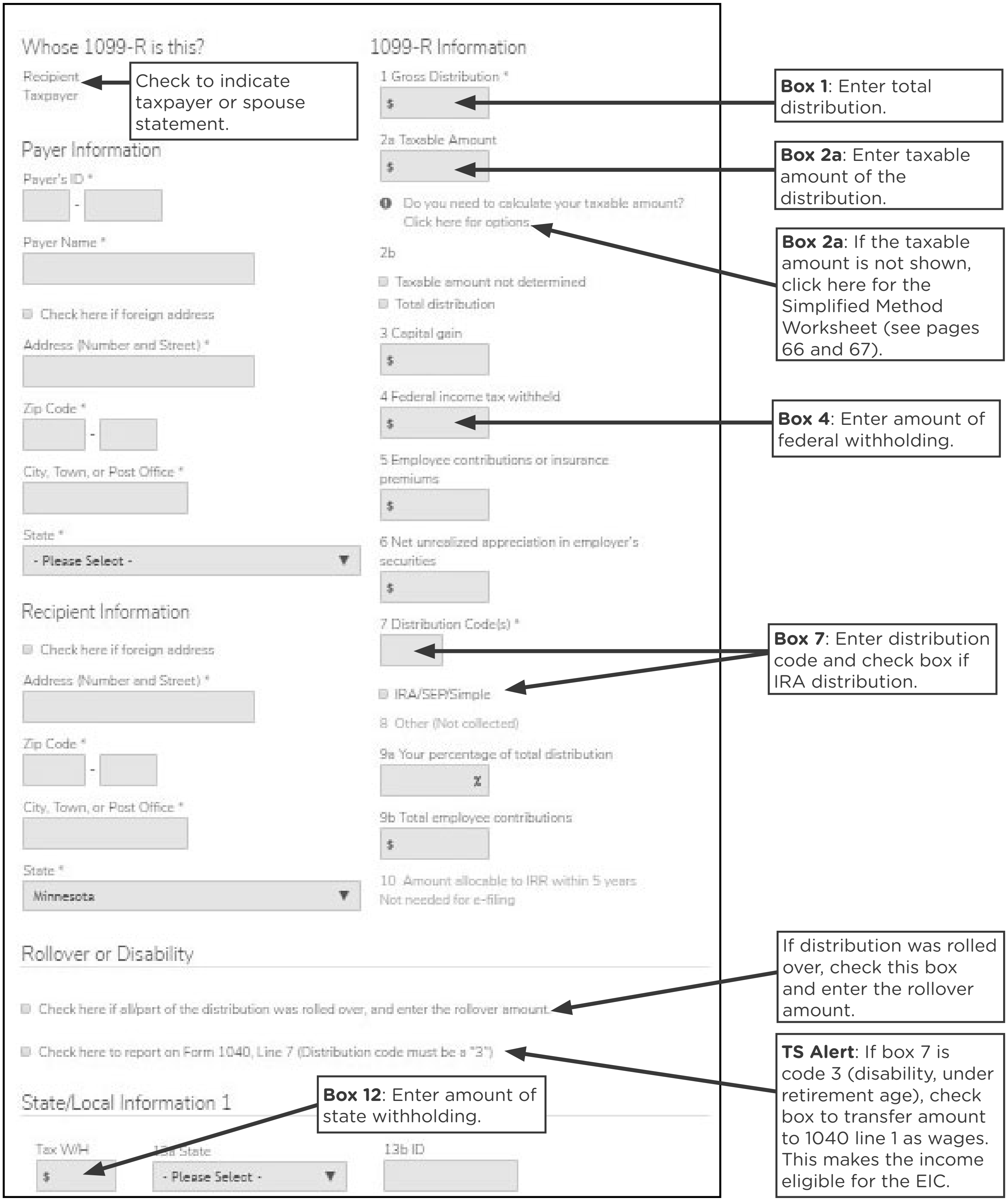
Federal Section » Other Taxes » Tax on Early Distribution
Search keyword: "5329"



IRA/Pension Distributions for Form 1099-R and Form RRB-1099-R

Federal Section » Income » Form 1099-R, RRB,SSA » Add or Edit 1099-R
Search keyword: “1099R” (second result)

Federal Section » Income » Form 1099-R, RRB,SSA » RRB-1099-R
Search keyword: “RRB”



SOCIAL SECURITY BENEFITS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form SSA-1099 • Form RRB-1099	• IRS: Income - line 13 • P+P: N/A	• 1040: lines 6a to 6c • M1: line 1 • M1PR: lines 1 and 2	Basic

Overview: Social Security benefits and Railroad Retirement benefits include monthly retirement, survivor, and disability insurance (RSDI) payments. Retirees and persons with disabilities often have this type of income. It's not uncommon for Social Security benefits to be a taxpayer's only income.

Do not report Social Security benefits paid to the taxpayer's dependent even if the taxpayer is a representative payee.

Social Security (SSA or RSDI) and Supplemental Security Income (SSI) are different types of income - see comparison chart below.

If Social Security benefits are the only source of income, then the benefits are not taxable (unless filing MFS). Some portion of the Social Security benefits may be taxable if the taxpayer has other income. If the taxpayer is filing MFS and lived with their spouse at any time during the tax year, up to 85% of the benefits are taxable.

MN

When preparing only a renter or homeowner refund (Form M1PR), enter Social Security and Railroad Retirement benefits in the federal return section. TaxSlayer will transfer benefits to the correct lines on Form M1PR.

Comparison Chart: Retirement, Survivors, and Disability Insurance (RSDI) and Supplemental Security Income (SSI)

	RSDI	SSI
Program overview	Earnings-based program based on personal work history or the work history of a spouse or parent.	Needs-based program for elders or people with disabilities.
Tax form or records	Form SSA-1099; taxpayers with online Social Security accounts can look up and print statements at www.ssa.gov.	Not reported on a tax form; may be reported on a printout from the Social Security Administration.
Payment amount	Monthly payment is based on the beneficiary's earnings history. Adjusted annually based on cost of living index. From 2022 to 2023 payments increased by 8.7%.	2023 maximum for individuals is $914 per month. Adjusted annually based on cost of living index. See page 166 for more detail on maximum payments. Amount may change monthly based on a taxpayer's other income.
Payment date	Generally paid on the second, third, or fourth Wednesday of the month. May be paid on the 3rd of the month when SSI is also received, and in other special situations.	Generally paid on the 1st of the month.
TaxSlayer entry	May be taxable depending on other income - enter in the Federal Income section.	Not taxable - enter as household income for Form M1PR (see page 167).

Railroad Retirement benefits

Railroad Retirement benefits have two components. Tier 1 benefits are reported on a blue form. They are Social Security equivalent benefits. In TaxSlayer, enter Tier 1 benefits the same way as Social Security benefits (see below).

Tier 2 benefits are reported on a green form and are treated as qualified employee retirement plan distributions (see page 66).

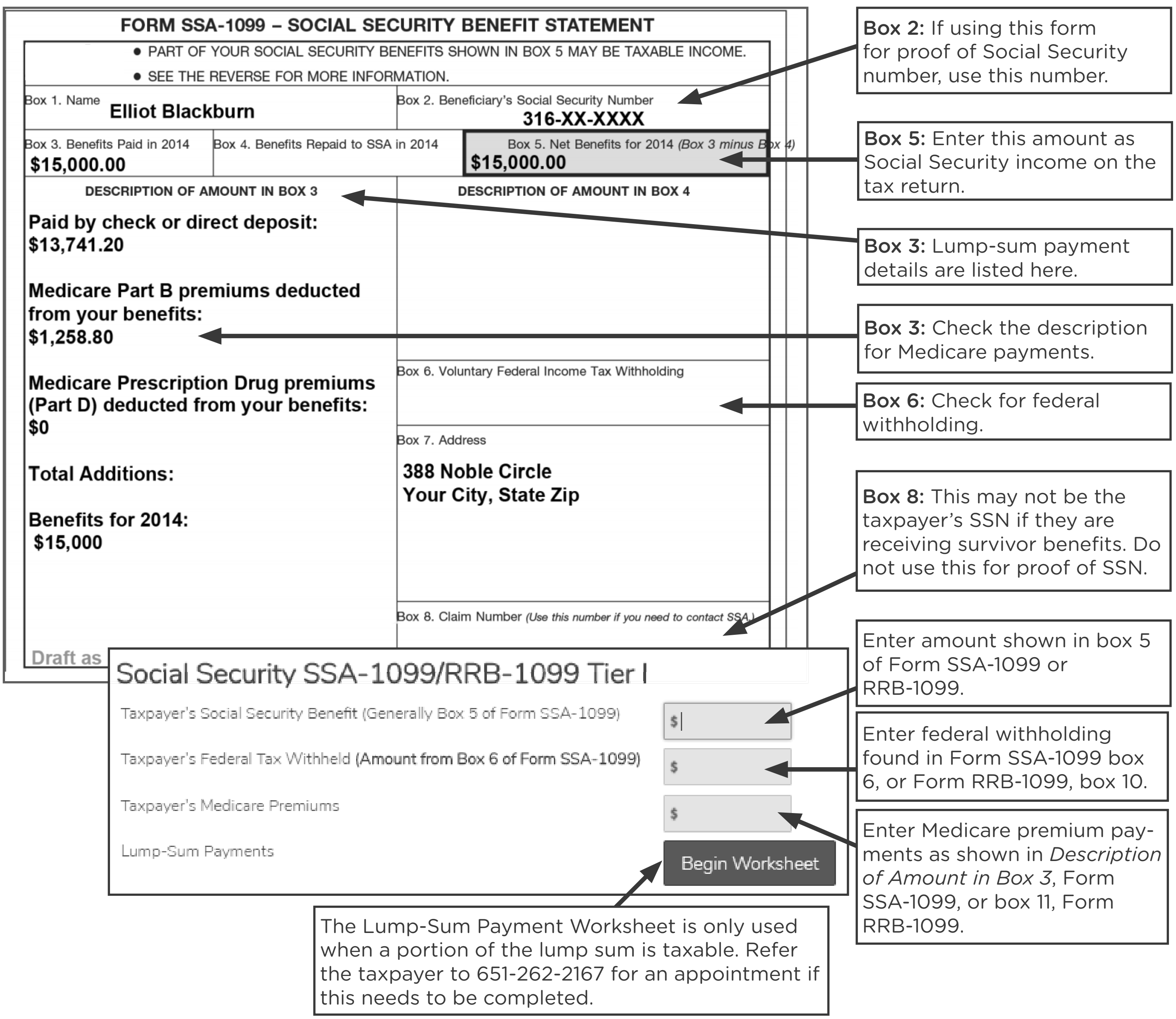
Lump-sum benefit payments

Lump-sum benefit payments are for prior tax years, and are shown in box 3 of Form SSA-1099 and boxes 7-9 of Form RRB-1099. The net benefits reported will include lump-sum payments.

Taxpayers with lump-sum payments may elect to report the full payment in the current tax year. Prepare the return completely, and if the lump-sum payment causes part or all of the payment to be taxable, refer the taxpayer to 651-262-2167 to schedule a follow-up appointment.

Social Security benefits for SSA-1099

Federal Section » Income » IRA/Pension Distributions » Social Security Benefits/RRB-1099 **Search keyword:** "SSA"


FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

- PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
- SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name: Elliot Blackburn
Box 2. Beneficiary's Social Security Number: 316-XX-XXXX
Box 3. Benefits Paid in 2014: $15,000.00
Box 4. Benefits Repaid to SSA in 2014
Box 5. Net Benefits for 2014 (Box 3 minus Box 4): $15,000.00

DESCRIPTION OF AMOUNT IN BOX 3

Paid by check or direct deposit: $13,741.20

Medicare Part B premiums deducted from your benefits: $1,258.80

Medicare Prescription Drug premiums (Part D) deducted from your benefits: $0

Total Additions:

Benefits for 2014: $15,000

DESCRIPTION OF AMOUNT IN BOX 4

Box 6. Voluntary Federal Income Tax Withholding

Box 7. Address: 388 Noble Circle, Your City, State Zip

Box 8. Claim Number (Use this number if you need to contact SSA.)

Draft as

CAPITAL GAINS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-B • 1099 composite • Form 1099-S • Sch K-1 • Form 1099-A • Form 1099-C	• IRS: Income - line 9, Life Events - line 2 and line 8 • P+P: N/A	• 1040: line 7, Form 8949, and Sch D • M1: line 1 • M1PR: line 1	Advanced
Overview: Capital gains and losses come from sales and exchanges of capital assets, including stocks, bonds, and real estate. Taxpayers with investment accounts or who have sold their home are the most likely to need to report capital gains or losses. Most forms related to capital gains or losses come in late-February or March. Virtual currency (Bitcoin) transactions are considered capital gains and are out of scope.			

To report a capital gain or loss, start with identifying the basis or adjusted basis and the holding period of the asset. This is often included on Form 1099-B for sale of stock and bonds or mutual fund transactions.

Basis or adjusted basis

- Basis is the original cost of the asset.[1, 3]
- Adjusted basis includes original cost and any increase/decrease to the cost, such as commissions and fees paid.
- The basis for inherited property/stock is generally the fair market value (FMV) of the property on the date of the decedent's death unless the estate elects to use an alternate valuation date or other acceptable method.
- **Determination of the basis of property/stock acquired as a gift is out of scope for VITA.**

Holding period

- Taxpayers must know the date the stock/mutual fund was purchased.[2, 3]
- Short-term property is property held one year or less. Long-term property is property held for more than one year, and gains are taxed at a lower rate than gains on short-term property.
- The holding period for inherited stock is treated as long-term regardless of how long the property is held. Exception - If the taxpayer sold inherited stock from someone who died in 2010, refer them to a professional tax preparer.

[1] If the basis is not entered in Form 1099-B, box 3, and the taxpayer does not know the basis, there are several options: (a) contact their broker, (b) use $0 for the basis, or (c) calculate the basis by reviewing past stock records.

[2] If the stock was purchased in 2011 or after, the date will be shown in box 1b, Form 1099-B. For purchases prior to 2011, taxpayers must provide the date the stock was acquired.

[3] Some taxpayers may own shares of stock they bought on different dates or for different prices. This means they own more than one "block" of stock – each block may differ from the others in basis and/or holding period. If the taxpayer does not specify to the broker which "block" to sell, the shares are considered to have been sold from the earliest block purchased (First In, First Out method).

Mutual Funds

Owners of mutual funds may receive both Form 1099-DIV and Form 1099-B to report capital gain distributions from sales of stock held by the mutual fund. Shares are generally acquired at various times, in various quantities, and at various prices. Taxpayers can choose to use either a cost basis or an average basis to figure the gain or loss. For more information on how to report the sale or exchange of mutual fund shares, refer to Pub 550, *Investment Income and Expenses.*

Wash sales

A wash sale typically occurs when stock or another security is (a) sold at a loss and (b) within 30 days - before or after the sale - the taxpayer buys the same stock or something “substantially identical”. With a wash sale, the taxpayer isn’t allowed to deduct the loss, but rather, the loss is added to the cost of the new stock resulting in an increased basis for the new stock. The holding period for the new stock or securities includes the holding period of the stock or securities sold.

The reporting of a wash sale is in scope **only if** reported on Form 1099-B (boxes 1f and 1g) or on brokerage or mutual fund statements (identified as wash sale loss disallowed).

Capital loss carryover

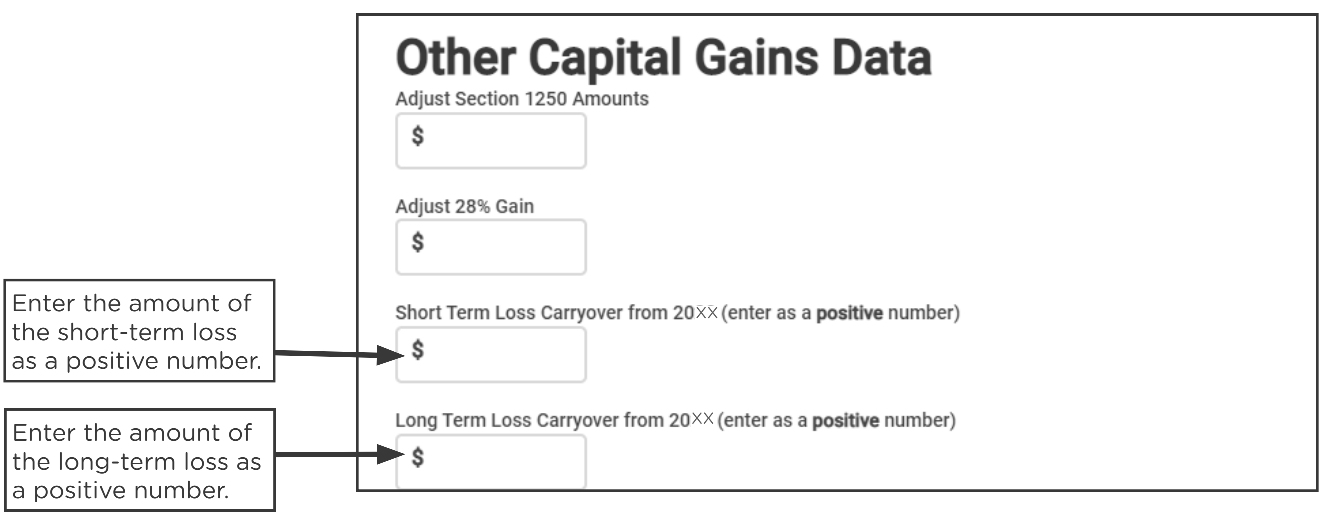
A taxpayer cannot take net losses of more than $3,000 ($1,500 for MFS) in figuring taxable income for any single tax year. Unused losses are carried over to later years until they are used up completely. The carryover losses are combined with the gains and losses that actually occur in the following year(s).

If a taxpayer reports that they have a long-term carryover loss, and they know the amount or have a worksheet showing the eligible amount, enter the amount in TaxSlayer.

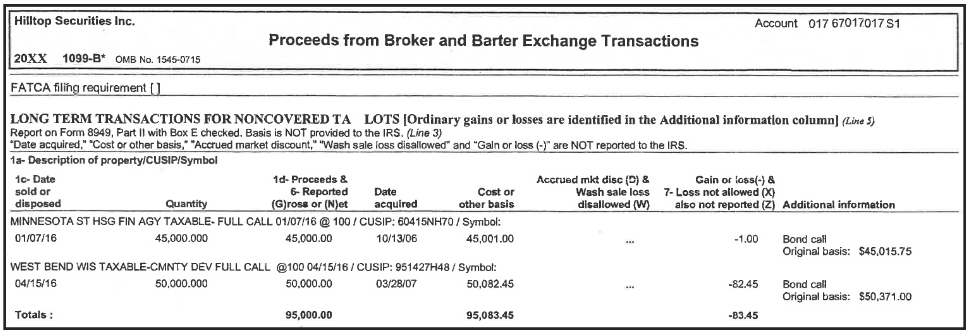
The amount should be listed on a worksheet in their prior-year return. If they do not know the amount, they will need to get a copy of their prior-year return and come back to the tax site for a follow-up appointment.

Capital loss carryover

Federal Section » Income » Capital Gains and Losses » Other Capital Gains Data
Search keyword: “cap” » other capital gains data



Sample Form 1099-B



Hilltop Securities Inc.

Account 017 67017017 S1

Proceeds from Broker and Barter Exchange Transactions

20XX 1099-B* OMB No. 1545-0715

FATCA filing requirement [ ]

LONG TERM TRANSACTIONS FOR NONCOVERED TA LOTS [Ordinary gains or losses are identified in the Additional information column] *(Line 5)*
Report on Form 8949, Part II with Box E checked. Basis is NOT provided to the IRS. *(Line 3)*
"Date acquired," "Cost or other basis," "Accrued market discount," "Wash sale loss disallowed" and "Gain or loss (-)" are NOT reported to the IRS.

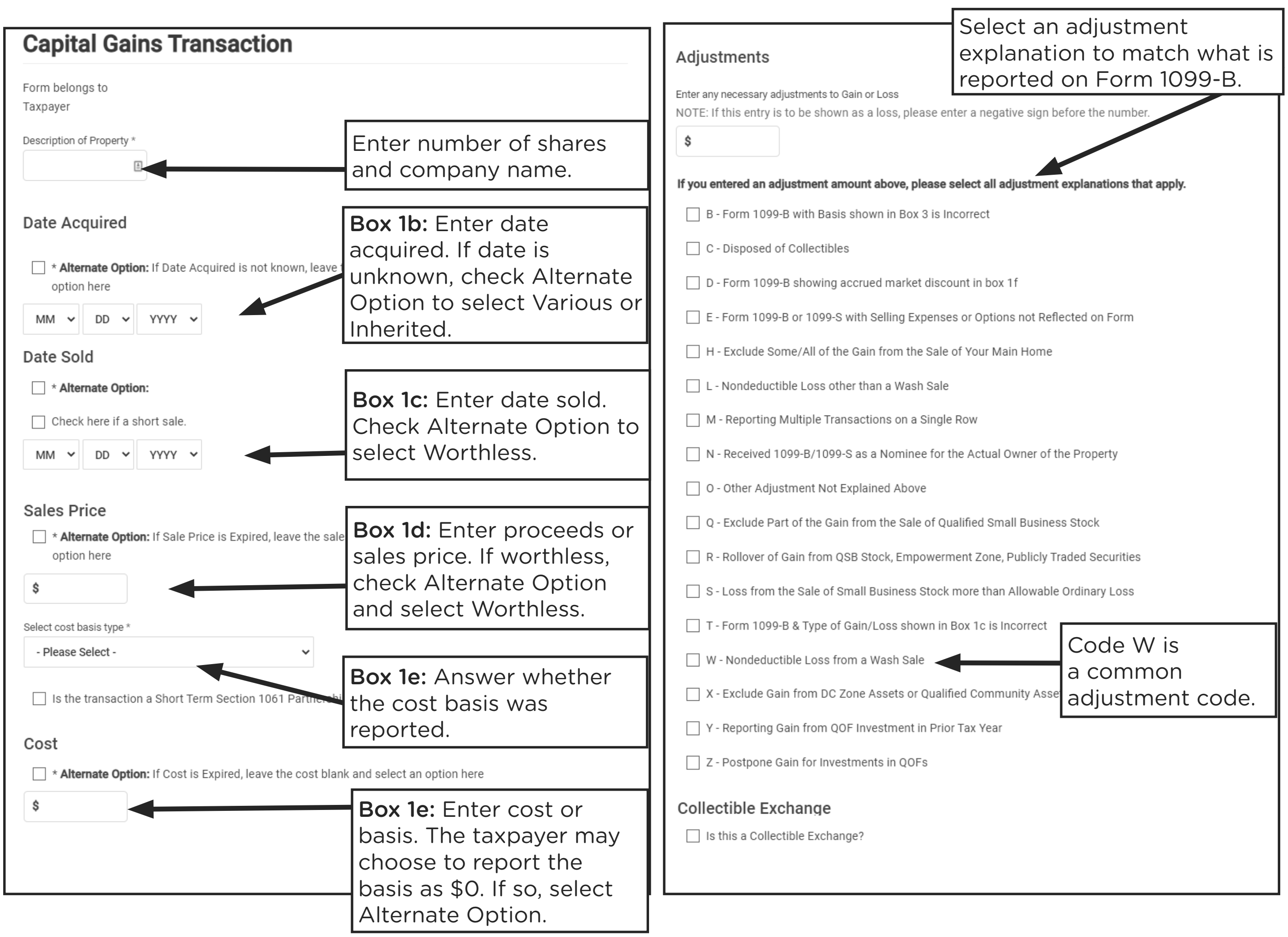
1a- Description of property/CUSIP/Symbol

1c- Date sold or disposed	Quantity	1d- Proceeds & 6- Reported (G)ross or (N)et	Date acquired	Cost or other basis	Accrued mkt disc (D) & Wash sale loss disallowed (W)	Gain or loss(-) & 7- Loss not allowed (X) also not reported (Z)	Additional information
MINNESOTA ST HSG FIN AGY TAXABLE- FULL CALL 01/07/16 @ 100 / CUSIP: 60415NH70 / Symbol:							
01/07/16	45,000.000	45,000.00	10/13/06	45,001.00	...	-1.00	Bond call Original basis: $45,015.75
WEST BEND WIS TAXABLE-CMNTY DEV FULL CALL @100 04/15/16 / CUSIP: 951427H48 / Symbol:							
04/15/16	50,000.000	50,000.00	03/28/07	50,082.45	...	-82.45	Bond call Original basis: $50,371.00
Totals :		**95,000.00**		**95,083.45**		**-83.45**	

Capital gains and losses

Federal Section » Income » Capital Gains and Losses » Capital Gains and Loss Items
Search keyword: "cap" » capital gains and loss items

The data entry for Form 1099-B does not require a direct entry of the gain or loss. Enter the proceeds and the cost, and TaxSlayer will calculate the net amount and transfer it to the appropriate places on Schedule D and Form 8949



Sale or foreclosure of a home

Who must report the sale of a home?

Taxpayers who sold their main home during the tax year may be able to exclude any gain up to a maximum of $250,000 ($500,000 for MFJ taxpayers). A main home is defined as the taxpayer's home where the taxpayer lived most of the time, and the home has cooking, sleeping, and bathroom facilities. Sale of a home that is not the taxpayer's main home (e.g., an inherited home) is out of scope.

Generally, if the taxpayer can exclude all of the gain, it is not necessary to report the sale. See below for MN instructions for adding back nontaxable gains. If the taxpayer has a gain that cannot be excluded, it is taxable and reported on Form 8949. See below and use Pub 523, *Selling Your Home*, or Pub 4012, Tab D, pages D-38 through D-40, for more information.

Taxpayer must report the sale of a home when one of the following is true:

- Taxpayer does not meet the ownership or use tests. To meet the tests, the taxpayer must have owned and lived in the home for at least two years. The two years do not have to be continuous, but must be either a total of 24 full months or 730 days (365 X 2) during the five-year period ending on the date of the sale;
- Taxpayer has excluded the gain from the sale of another home during the two-year period ending on the date of the sale;
- Taxpayer has a gain and does not qualify to exclude all of it or chooses not to exclude it; or
- Taxpayer has a loss and received Form 1099-S.

What about taxpayers who experienced a foreclosure on their main home?

For taxpayers who meet the ownership and use tests listed above, the process is very similar to that for those who sold their home. However, taxpayers who have experienced a foreclosure may have received one or both of the following documents:

- Form 1099-A, *Acquisition or Abandonment of a Secured Property* - This form indicates that the house has changed ownership. It is used when the home was foreclosed on or abandoned by the owner.
- Form 1099-C, *Cancellation of Debt* - This form is issued to indicate the amount of debt that has been canceled on a home foreclosure or a loan modification.

For taxpayers receiving these forms who meet the ownership and use tests above, the amounts listed may not be taxable. If the taxpayer had their main home foreclosed on during the tax year, they should call 651-262-2169 to schedule an appointment with the self-employment clinic.

MN

Volunteers are unlikely to see a reportable, taxable gain on the sale of a home. However, any nontaxable gain must be included in Minnesota household income. Enter it as household income on Form M1PR and Schedule M1ED. See page 166 for more information.

How do you calculate the gain or loss from the sale of a home?

STEP 1	Determine the selling price, which is the total amount the seller received for the main home minus selling expenses, such as commissions, advertising fees, legal fees, and loan charges paid by the seller, such as points. If the seller received Form 1099-S, *Proceeds from Real Estate Transactions*, use the amount in box 2, which shows the gross proceeds received from the sale.
STEP 2	Determine the adjusted basis using the basis (original cost to purchase or build the home) and increase or decrease the amount by certain costs. Increase the basis to include additions or improvements to the home. Decrease the basis to include depreciation during the time the home was used for business purposes or as rental property. **Examples of eligible improvement costs** • Additions, such as bedroom, bathroom, porch, patio • Plumbing, such as water heater, septic system • Miscellaneous, such as storm windows/doors, new roof, wiring upgrades, security system, satellite dish • Lawn & grounds, such as landscaping, driveway, fence, swimming pool • Interior improvements, such as wall-to-wall carpeting, built-in appliances • Heating & air conditioning, such as furnace, duct work, filtration system • Special assessments for local improvements (curb, gutter, and sidewalk) not deductible as property taxes • Insulation, such as attic, walls, floors, pipes and duct work **Alert:** *A home's basis does not include the cost of any improvements that are replaced and are no longer part of the home. Repairs to the home that maintain the home's condition, such as painting, fixing gutters, repairing plaster or replacing broken window panes do not add to the basis of the home.*
STEP 3	Determine the gain or loss on the sale by subtracting the adjusted basis from the selling price of the home. **If the taxpayer received Form 1099-S**: 1. And there was a loss on the sale of the home, you must report the loss in the Sale of a Home section in TaxSlayer *even though it is not deductible*; **or** 2. If you determine the gain is excludable, the sale should still be recorded in the Sale of a Home page in TaxSlayer. See Pub 4012, Tab D, page D-40, for information on how to enter the exclusion of capital gains on the sale of a main home in TaxSlayer.

A taxable gain must be reported on Form 8949. (TaxSlayer transfers information on the Sale of a Home page to Form 8949 and Schedule D). If the home was used for business purposes, the gain is reported on Form 4797. If the taxpayer is required to report the gain (or loss) of any home used for business, they should call 651-262-2169 to schedule an appointment with the P+P self-employment clinic.

TAXABLE STATE REFUND

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-G • Prior-year tax return	• IRS: Income - line 5 • P+P: N/A	• 1040: line 8 and Sch 1 line 1 • M1: line 6 • M1PR: line 1	Basic

Overview: State tax refunds only count as income if a taxpayer itemized deductions in the previous tax year. It's rare to see taxable state refunds at P+P as filers in our income range often take the standard deduction rather than itemize. However, many taxpayers will correctly mark Yes on the IRS intake sheet that they received a state refund. If the taxpayer did not itemize in 2022, add a note to confirm this on the intake sheet.

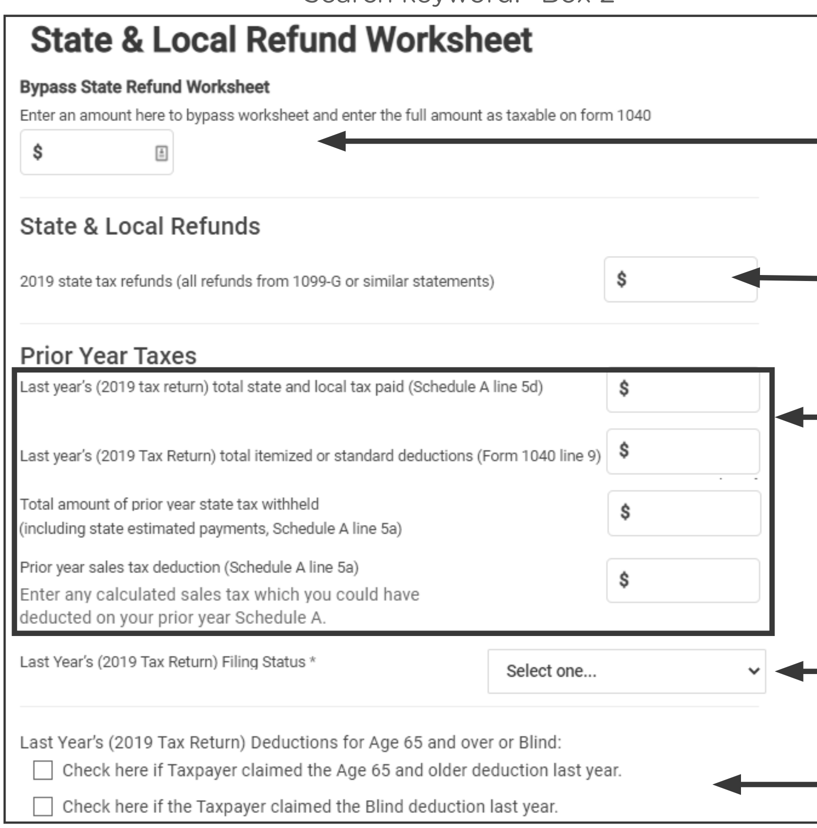
If a taxpayer itemized deductions on their 2022 federal tax return and deducted state or local income taxes, all or part of the 2022 state income tax refund may be taxable in 2023.

- **Scenario 1:** Used standard deduction on 2022 tax return - the state refund is not taxable.
- **Scenario 2:** Itemized deductions on 2022 tax return, and line 5a of Schedule A is checked for general sales tax - the state refund is not taxable.
- **Scenario 3:** Itemized deductions on 2022 tax return and line 5a of Schedule A shows income taxes deducted - some or all of the state refund may be federally taxable.
  - » Use the instructions below to add the State Refund Worksheet in TaxSlayer and calculate the taxable portion.

Taxpayers may look up their Form 1099-G with state refund information at the website revenue.state.mn.us (type "1099-G Refund Lookup" in the search bar).

State and local refunds

Federal Section » Income » State and Local Refunds
Search keyword: "Box 2"



This line bypasses calculations to figure the taxable amount of the state refund. Use only if certain that full refund should be taxable.

Enter refund amount from Form 1099-G.
If entire state refund is from refundable credits (WFC, M1CD and K-12 ED), then entry is "0".

Use the 2022 Form 1040 and Schedule A to fill in appropriate values.

Enter filing status from the 2022 tax return.

Check the appropriate box if over 65 or blind in 2022.

ALIMONY RECEIVED

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g. divorce decree or bank statements)	• IRS: Income - line 6 • P+P: N/A	• 1040: line 8 and Sch 1 line 2a • M1: line 1 • M1PR: line 1	Basic
Overview: Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. Most divorced or separated taxpayers do not receive alimony. Alimony received from divorce decrees made after 2018 are not included as income (applies to decrees modified after 2018 to match the new rules).			

Alimony does not include voluntary payments. Alimony does not include payments for child support, non-cash property settlements, payments that are part of community income, payments to keep up the payer's property, or for the use of the payer's property.

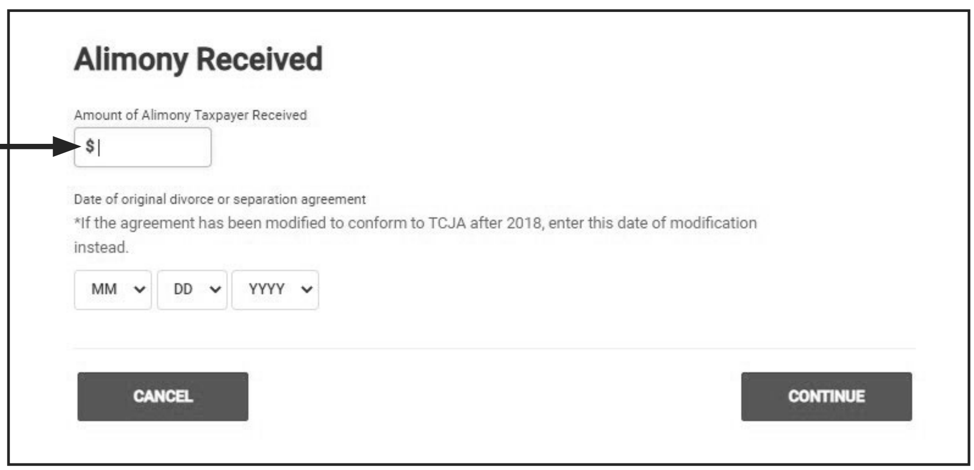
Alimony paid through a divorce decree or separation agreement made after 1984 and before 2019 is deductible by the payer (see page 96) and must be included in the spouse's or former spouse's income.

Alimony agreements made after 2018 do not result in taxable income for the recipient or deductible payments for the payer. Agreements made in previous years can be modified to fit these new rules.

Alimony received

Federal Section » Income » Alimony Received
Search keyword: "Alimony" (First result)

Enter the total taxable alimony received for the year.



SELF-EMPLOYMENT INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-NEC • Form 1099-K • Taxpayer records (e.g. canceled checks and invoices)	• IRS: Income - lines 7 and 8, Expenses - line 7 • P+P: N/A	• 1040: line 8, Sch 1 line 3, Sch C, Sch SE, Sch 2 line 4 • M1: line 1 • M1PR: line 1	Advanced

Overview: Taxpayers involved in an activity for the primary purpose of income/profit will include any income or profit from that activity as self-employment income on Schedule C. Taxpayers who work side jobs, such as independent contractors, freelancers and consultants, don't always consider themselves as "self-employed" and may need help identifying income and expenses. Always look for expenses to offset income.

Taxpayers may need time to find or recreate records of income or expenses, and may need a new appointment. Taxpayers should work with the P+P self-employment clinic if they have over $10,000 in self-employment income. See the scope chart on page 17 for more common referrals to the P+P self-employment clinic.

Self-employed taxpayers with net earnings of $400 or more are required to file. Taxpayers with less than $400 of self-employment income follow regular filing thresholds and must report all self-employment income along with all other income. For more details about minimum filing thresholds, see Pub 4012, Tab A, Pages A-3 to A-5.

Even if a taxpayer is not required to file a return, the taxpayer may want to file for tax credits, including the Earned Income Tax Credit and Working Family Credit.

Special self-employment situations

Uber, Lyft, or other courier income

Taxpayers who receive income from driving for Uber, Lyft, or other courier services are self-employed. Mileage needs to be classified as commuting, business, or personal.

Uber and Lyft drivers often receive Form 1099-NEC or Form 1099-K reporting compensation and certain expenses. Drivers may also receive a mileage report listing business miles driven during the year. The summary lists total "online miles", which includes miles driven with a passenger, waiting for a trip, and the distance to pick up a new rider. For an explanation of commuting and business miles, see page 85.

Medical Assistance for Employed Persons with Disabilities

Medical Assistance for Employed Persons with Disabilities (MAEPD) is a program that provides state-sponsored health insurance for individuals with disabilities who earn at least $65 per month. When self-employed, these taxpayers may have few or no expenses. Self-employed MAEPD recipients must pay self-employment tax to continue to qualify for health coverage. Report income on Schedule C, not as other income.

If a taxpayer is highly motivated and ready to make changes to get a handle on their money, the P+P financial coaching program, Money Mentors, may be a great fit. Refer the taxpayer to a customer support volunteer or prepareandprosper.org/money-mentors for more information.

Compensation that may or may not be self-employment income

Hobby income, amounts on Form 1099-K, state agency payments for childcare, Qualified Medicaid Waiver payments, and plasma donations may or may not be self-employment income.

Hobby income

If the taxpayer is not doing business to make a profit, any income received may be considered hobby income (out of scope for VITA). The IRS will consider some of the following factors to determine whether income is from a hobby or self-employment:

- Did the activity make a profit in at least 3 of the last 5 years, including the current year?
- Is there intention to make a profit?
- Has the taxpayer made a profit in similar activities in the past?

Form 1099-K

Form 1099-K reports third-party network transactions through apps like Square, Cash App, Venmo, and PayPal. It also reports trip payments to Uber or Lyft drivers and sales on sites like eBay and Etsy. Payment processors are required to issue Form 1099-K for transaction totals exceeding $600. Taxpayers may or may not use third-party networks to run a business. Taxpayers may receive a 1099-K misreporting nontaxable personal transactions like reimbursements or gifts.

- <u>If 1099-K payments are self-employment:</u> Report the amount as gross receipts in the Schedule C section of TaxSlayer along with cash payments or other self-employment income that is not reported on Form 1099-NEC (see page 83).
- <u>If personal transactions are misreported on a 1099-K:</u> The amount must be reported in two places. Report the amount as other income[1] with the description, "1099-K RECEIVED IN ERROR". Then report the amount in other adjustments[2] with the description "1099-K RECD IN ERROR".

See Pub 4012, Tab D, page D-25 and D-26, for more details.

State agency payments for child care

Payments from state agencies to grandparents who care for grandchildren are taxable and may be found on Form 1099-NEC or Form 1099-MISC box 3. State agencies may not know if the grandparents are operating a day care business and may report the payments on Form 1099-NEC when Form 1099-MISC box 3 would have been correct. Cash payments must also be included as income for the grandparents.

- If grandparents <u>are not</u> conducting a business of caring for children, the income is reported as other income[1]. Expenses are not deducted.
- If the grandparents <u>are</u> conducting a business of caring for children, this income is reported on Schedule C. Eligible expenses can be deducted.

Qualified Medicaid Waiver payments

Qualified payments may be included or excluded from gross and earned income; however, they must be added back into household income to figure credits on Form M1PR. Payments may be reported on Form 1099-MISC, Form 1099-NEC, or on Form W-2. See page 60 and Pub 4012, Tab D, page D-12, for more information and TaxSlayer data entry information.

Plasma donations

If a taxpayer donates plasma, ask the taxpayer follow-up questions to determine whether it is self-employment income or other income. If the donations are frequent and the amount received is over $400 in a year, this income can be considered self-employment and entered on Schedule C. Otherwise, the amount received would be listed as other income[1].

[1] *Other Income in TaxSlayer: Federal Section » Income » Other Income » Other Income Not Reported Elsewhere*

[2] *Other Adjustments in TaxSlayer: Federal Section » Deductions » Adjustments » Other Adjustments*

Starting Schedule C

When starting a return with business income, use the Self-Employment Tax Organizer (SETO) to help organize the taxpayer's income and expenses.

Review the self-employment scope of services chart on page 17 before starting a Schedule C return to determine if the return can be prepared outside of the self-employment clinic.

Profit or loss from a business for Schedule C

Federal Section » Income » Profit or Loss from a Business » Pencil » Basic Information
Search keyword: "sc" (second option) - see above

Schedules C common business codes

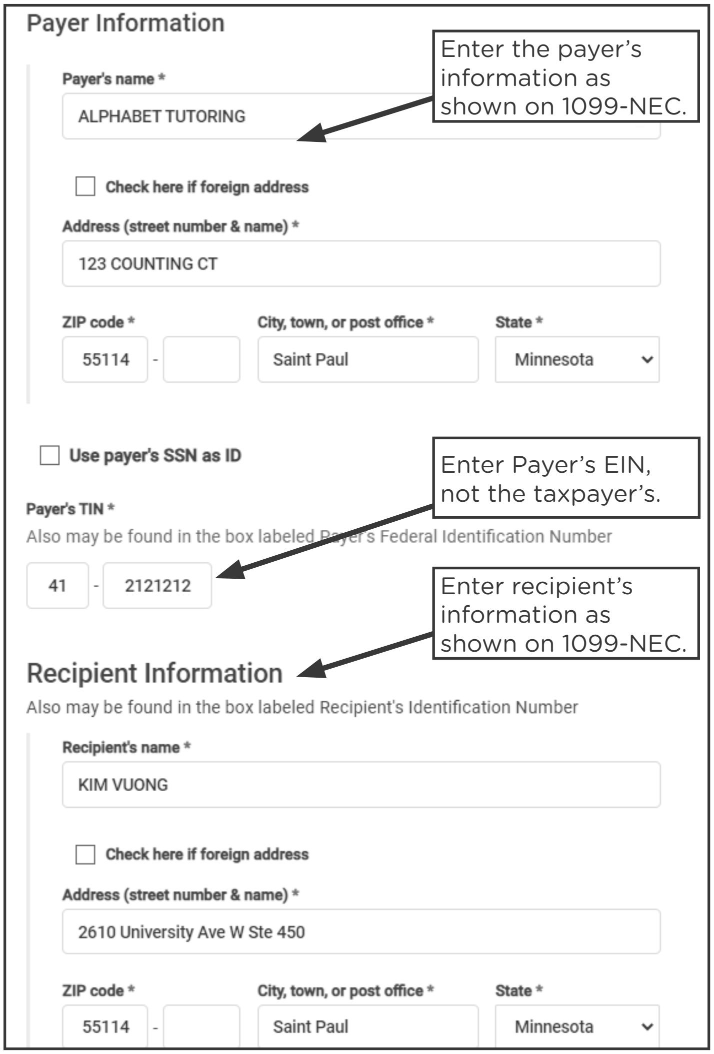
Complete list is available in TaxSlayer. If no code fits the taxpayer's work, enter 999999.

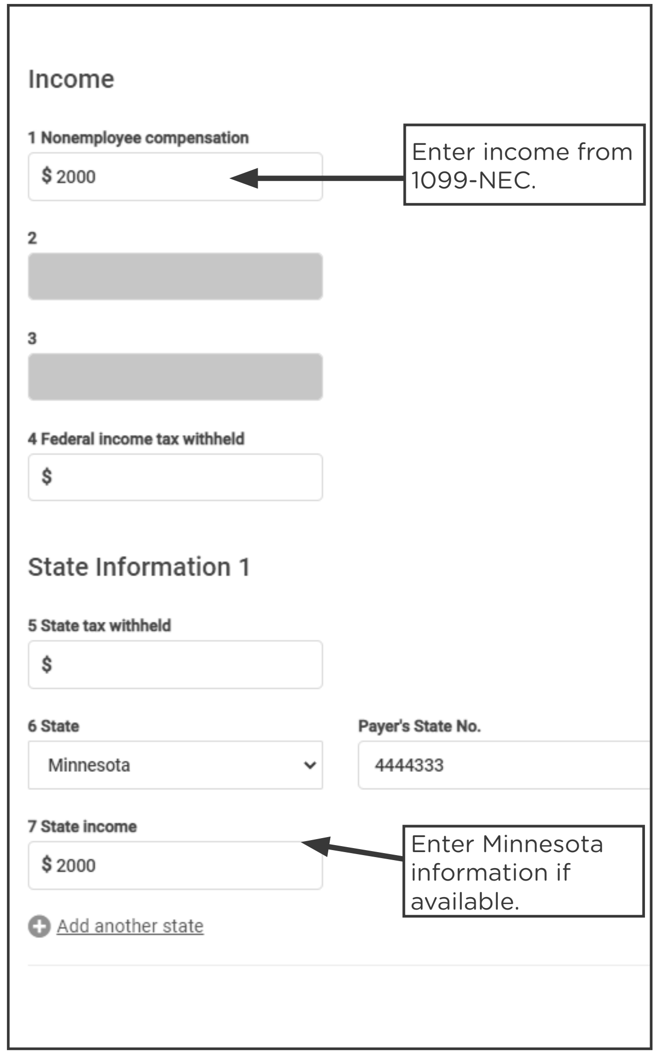
711510	Artist or performer	812211	Barber or hair stylist	561740	Carpet cleaner
492000	Courier, delivery, or paper carrier	541400	Crafts, jewelry makers, or designers	624410	Day care
621610	Home health care or Indian Health Contract	541930	Interpreter	561720	Janitor or maintenance
561730	Landscaper	812990	Massage therapy or other personal services	561110	Office administrative services
238320	Painter	812910	Pet care services	541920	Photographer
485300	Rideshare driver	238160	Roofer	611000	Tutor

Self-employment income

1099-NEC

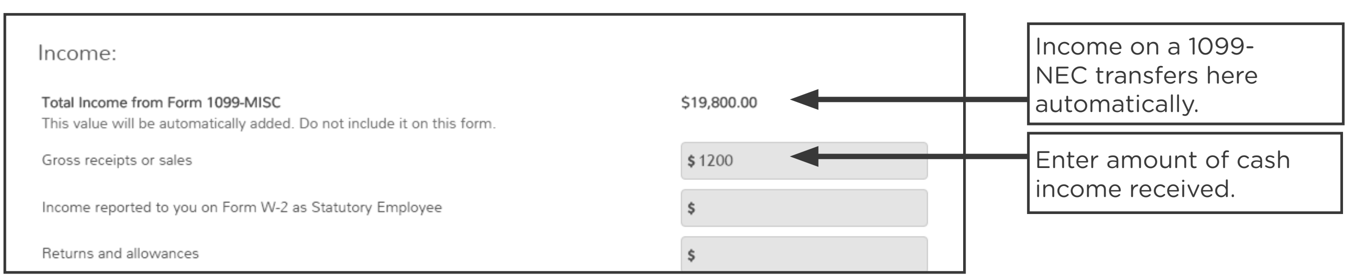
Federal Section » Income » Form 1099-NEC
Search keyword: "1099-NEC"





Cash income for Schedule C

Federal Section » Income » Profit or Loss from a Business » Pencil » (enter business code) » Continue » Income
Search keyword: "sc" (second option) - see above



After entering Form 1099-NEC, add it to a new or existing Schedule C. Ensure amount transfers to Schedule C and to Schedule 1, line 3.

Self-employment expenses

Self-employed taxpayers may deduct expenses that are **ordinary** and **necessary** to the business. This means the expense has to fit with and be helpful to the business. If a taxpayer has an expense that doesn't seem to fit their business, they might have a second business. These are some common expenses:

- Mileage[1]
- Office supplies
- Advertising
- Business liability insurance
- License fees
- Legal/professional services
- Cell phone[2]
- Computer[2]
- Internet access[2]
- Parking fees
- Rental of space for business
- Supplies needed for business use
- Interest paid on a business credit card or checking account
- Meals while travelling are deductible at 50% of their cost
- *Regular clothing and shoes are not deductible expenses unless they are job-related only (like a uniform) or are required for safety (like steel-toed boots)*

[1] Business mileage is 65.5 cents per mile for 2023. See page 85 to determine allowable business mileage.

[2] Calculate percentage used for business only.

Many self-employed taxpayers qualify for the qualified business income deduction (QBID). The deduction lowers the taxable income subject to income tax and has no impact on self-employment tax or Schedule C calculations. See page 104 for more information.

General expenses for Schedule C

Federal Section » Income » Profit or Loss from a Business » General Expenses » Pencil » (enter business code) » Continue » General Expenses
Search keyword: "sc" (2nd option) - see above

Schedule C - Expenses

Advertising	$	Pension and profit sharing	$
Contract Labor	$	Rent or lease of equipment	$
Commission and fees	$	Rent or lease of property	$6000
Depletion	$	Repairs and maintenance	$
Employee benefit programs	$	Supplies	$2503
Health Insurance (will carry automatically to worksheet)	$	Taxes and licenses	$175
Insurance (other than health)	$97	Travel	$
		Meals and entertainment (50%) **Enter 100% of the expenses.**	$
Mortgage interest	$	Meals and entertainment (80%) **Enter 100% of the expenses.**	$
Other interest	$		
Legal and professional services	$	Utilities	$
Office expense	$	Wages (less employment credits)	$

Medical insurance premiums for the self-employed are not listed as a deduction on Schedule C. However, taxpayers may use the expense as an adjustment. See page 96.

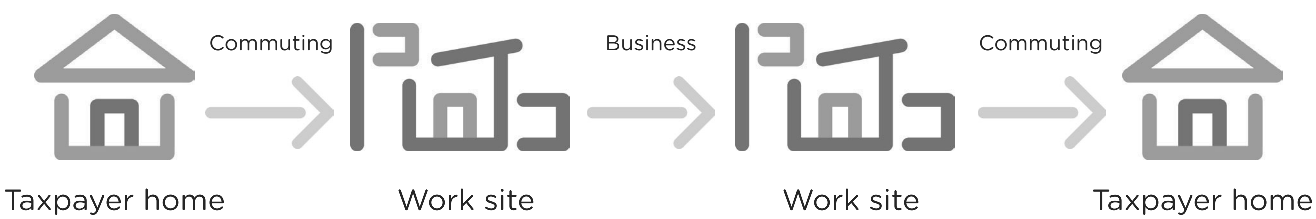
Commuting or business mileage

Taxpayers without a home office typically have three types of mileage: **commuting, business**, and **personal**. Commuting mileage is travel from home to a work site, and returning from a work site to home. Business mileage is from one work site to another work site, and personal mileage is any mileage not related to work.

- Mileage must be documented to be used as an expense. A mileage log can be re-created using Google Maps or MapQuest.
- Travel from a regular job (W-2 situation) to a work site to perform self-employment tasks (or vice versa) is considered business mileage.
- Taxpayers can claim business miles from their home to the work site if they meet the requirements to claim the business use of the home deduction (see page 85).
  - » Taxpayers claiming the business use of the home deduction may not have commuting miles, since their home is a work location. All other taxpayers must track their commuting miles.

The following scenario depicts business mileage for a self-employed taxpayer without a home office. Let’s look at commuting mileage during a work day.

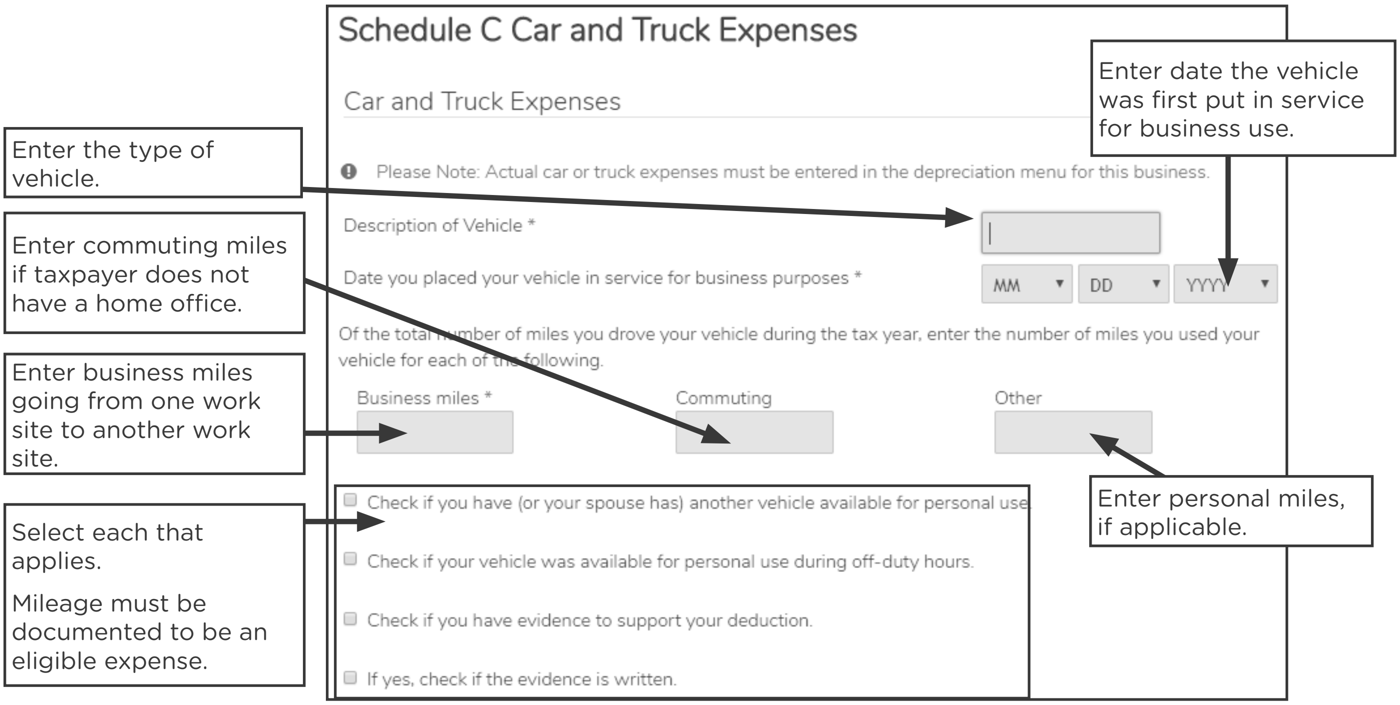
Let’s look at mileage during a work day for the same self-employed taxpayer with another stop on the way. This example shows deductible business mileage; the trip from the first work site to the second work site.



Mileage must be documented to be used as an expense. This can be on a written log or tracked virtually. Mileage tracking apps like MileIQ or Everlance produce mileage summaries and can be used as mileage logs. Mapping on Google Maps is another option for recreating a log.

Car and truck expenses for Schedule C

Federal Section » Income » Profit or Loss from a Business » Edit » Car and Truck Expenses » Pencil » (enter business code) » Continue » Car and Truck Expenses
Search keyword: “sc” (2nd option) - see above



Determine business use of the home deduction

If a taxpayer qualifies for the business use of the home deduction, refer to P+P at 651-262-2169 to schedule an appointment with the P+P self-employment clinic.

Taxpayers can choose to use either the Simplified Option or the Regular Method to deduct expenses for business use of the home.

The taxpayer must meet these requirements to deduct expenses for business use of the home:

1. Part of the home was used exclusively and regularly as a principal place of business; e.g., as a place to meet with clients, store inventory, or operate a day care facility[1], **and**

2. Taxpayer had no other fixed location where they could conduct substantial administrative or management activities for their trade or business.

[1] Day care operations must have a dedicated space, but it is the only business where the space need not be exclusive.

RENTAL REAL ESTATE INCOME, ROOMMATES, AND BOARDERS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-Misc • Form 1099-K • Sch K-1 • Taxpayer records (e.g. rental agreement and bank statement)	• IRS: Income - line 14 • P+P: N/A	• 1040: line 8, Sch 1 line 5, and Sch E • M1: line 1 • M1PR: line 1	Military
Overview: Rental income is most common for taxpayers who own real estate property and allow others to pay for use of the space. Taxpayers are sometimes in a shared living situation with roommates, not renters. Rental income is out of scope for P+P. However, some VITA sites with military certified preparers can prepare returns for military families with rental income.			

Rental income is out of scope for P+P, but income from roommates is not. Generally speaking, when two or more people live under the same roof and share expenses like rent and utilities, they are roommates (and in some cases co-tenants). This type of arrangement does not create taxable income for any of the parties.

However, when the relationship is more formal – e.g., landlord and tenant, or main signatory on an apartment lease and a boarder - the money received for housing is taxable. This type of arrangement is out of scope. Examples may include:

- The parties self-identify as landlord and tenant (or renter).
- A contract has been signed between the parties.
- A CRP may be issued.
- The intent of the landlord or main signatory is to generate income.

The above scenarios are in reference to filing a federal tax return. Minnesota has different requirements regarding roommate arrangements when filing Form M1PR. For more information, see page 173.

UNEMPLOYMENT COMPENSATION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-G	• IRS: Income - line 12 • P+P: N/A	• 1040: line 8 and Sch 1 line 7 • M1: line C and line 1 • M1PR: line 1	Basic

Overview: Unemployment income is common for taxpayers who were out of work due to being laid off or asked to leave a position for reasons other than misconduct. Unemployment is unearned income and won't qualify the taxpayer for the Earned Income Credit.

To print a copy of Form 1099-G, go to www.uimn.org/uimn/applicants

1. Select Login to My Account.
2. On My Home Page, click View and Maintain My Account on the left navigation bar.
3. Click My 1099-G's from the expanded list.
4. Click the link of the year you want to view.

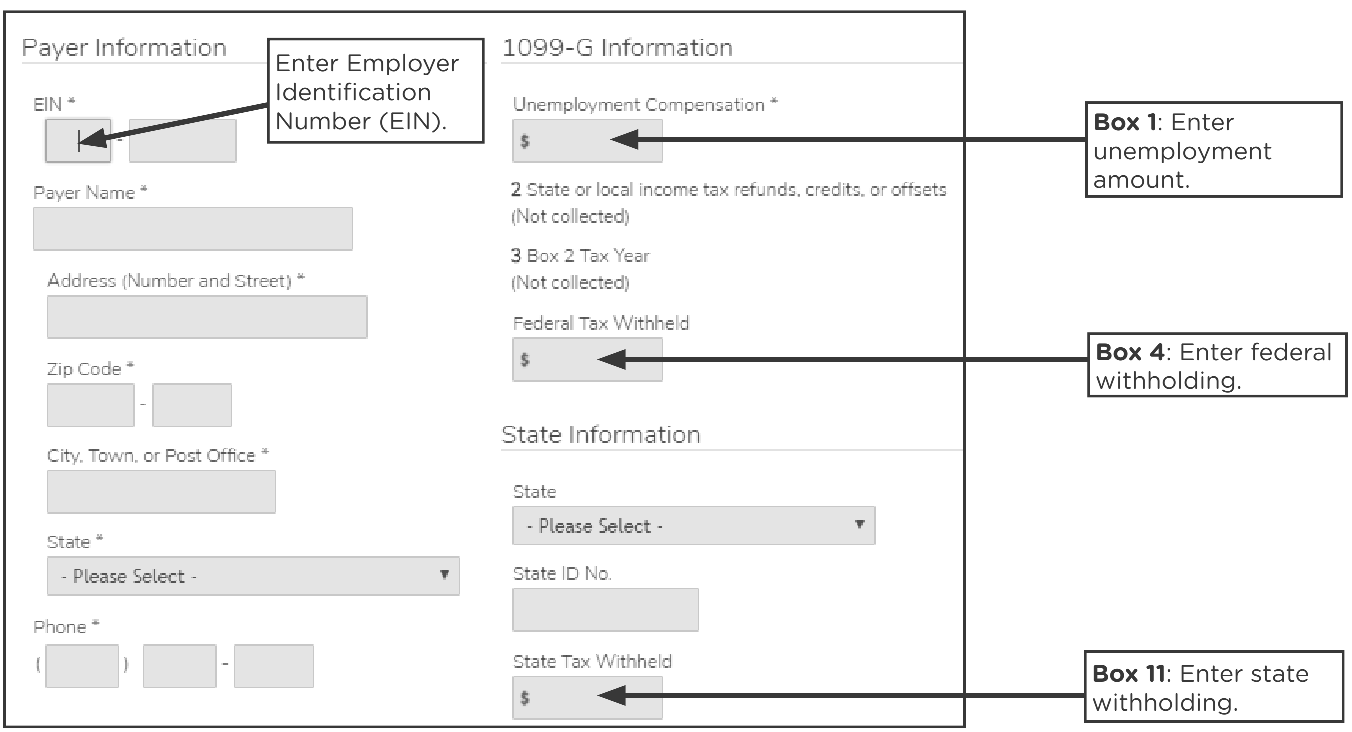
NOTE: Website is only available Sunday-Friday, 6:00am-8:00pm.

Repayment of unemployment benefits

If the taxpayer repaid unemployment benefits in the year in which they were received, use the "Repayment of Unemployment Benefits" page in TaxSlayer to report these on the return. Repayments of benefits received in a prior year cannot be subtracted from benefits received in the current year. If the taxpayer repaid more than $3,000 of benefits received in a prior year, they may be able to claim federal and Minnesota credits based on changes to prior-year taxes owed. If the taxpayer would benefit from these credits and chooses to take them, the return is out of scope.

Unemployment Compensation for 1099-G

Federal Section » Income » Unemployment Compensation » Add or Edit a 1099-G
Search keyword: "-g"



OTHER INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-Misc • Form W-2G • Form 1099-C • Taxpayer records	• IRS: Income - line 15 • P+P: N/A	• 1040: line 8 and Sch 1 line 8 • M1: line 1 • M1PR: line 1	Basic

Overview: "Other income" is income that doesn't have its own line elsewhere on Form 1040. Even if the taxpayer does not receive an income document from the payer, other income must be reported unless it qualifies for an exception. Some sources of income without a specific line on Form 1040 may actually be self-employment income.

Examples of other taxable income include those listed below. See Pub 17, *Other Income* chapter, for more information and a more extensive list of examples.

- Most payments reported on Form 1099-MISC in box 3 (including for sheltered workshop participants - see below)
- Nonbusiness credit card debt cancellation (see page 90)
- Gambling winnings, including lotteries and raffles (see page 90)
- Certain tribal payments (see page 91)
- Jury duty pay
- Some settlement payments (see Pub 4345, *Settlements - Taxability*)
- Prizes and awards (including AmeriCorps education awards)
- Most payments to medical research participants

Student loan forgiveness

For tax years 2021 through 2025, forgiven student loan debt is not reported as federally taxable income. Unless the taxpayer is not eligible for the exclusion, the lender should not issue Form 1099-C regardless of the amount of debt forgiven. Returns for taxpayers with canceled student loan debt have been out of scope for VITA in previous tax years, but due to this temporary exclusion, student loan debt forgiveness is in scope.

MN

While forgiven student loans are not reportable as taxable income, the forgiven amount must be included in Minnesota nontaxable household income on Form M1PR. See page 166 for more information.

Sheltered workshop

1. **Individuals in training** - Form 1099-MISC, box 3 - report on Schedule 1, line 8z
   A rehabilitation training program is designed to prepare individuals for placement in private industry. These individuals are not employees of the workshop, and pay received for participation in the training does not qualify them for the EIC or Working Family Credit.

2. **Regular workshop employees** - Form W-2 - report on Form 1040, line 1
   Individuals who complete the training and continue working in the sheltered workshop because they are unable to compete in regular industry are considered employees. They are eligible for the EIC and Working Family Credit.

3. **Individuals working at home** - Form 1099-NEC - report on Schedule C
   Individuals who are incapable of working in the workshop, but produce salable articles, are not employees. They are self-employed, and eligible for the EIC and Working Family Credit.

Cancellation of nonbusiness credit card debt

Lenders and creditors are required to issue Form 1099-C if they cancel a debt of $600 or more. If the canceled debt is less than $600, some lenders or creditors send a letter or other form of notification. Generally, taxpayers must include all canceled debts regardless of the amount.

If the taxpayer was solvent (i.e., taxpayer's assets were greater than their liabilities) immediately before the debt was canceled, then canceled credit card debt is within VITA scope. If the taxpayer was insolvent, the return is out of scope. See Pub 4012, Tab D, page D-69, for screening tips. Refer them to a paid preparer, because the taxpayer may be allowed to exclude the canceled debt from their income.

If the taxpayer had any other debt canceled (e.g., auto loan forgiven), a bankruptcy, or if the taxpayer was insolvent, refer the taxpayer to a paid preparer.

Cancellation of Debt for 1099-C

Federal Section » Income » Other Income » Cancellation of Debt » Cancellation of Debt **Search keyword:** "-c"

Form 1099-C

Creditor's name: CREDIT CARD COMPANY

Creditor's federal identification number: 11 - 1111111

Amount of debt cancelled: $ 5438

Enter creditor's name.

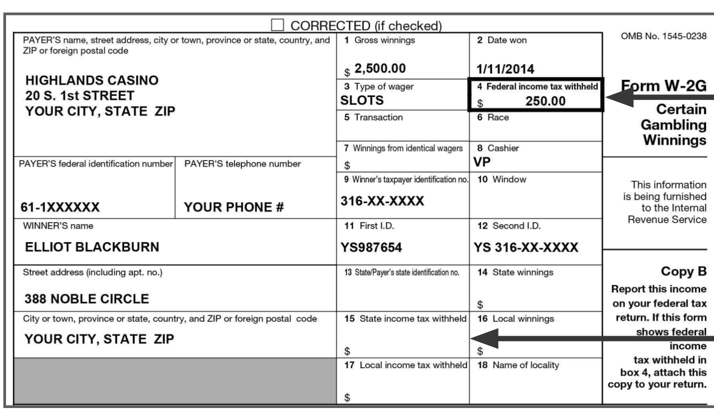
Enter creditor's EIN.

Box 3: Enter amount of canceled debt.

Gambling winnings

Taxpayers must report the full amount of gambling winnings as income whether or not Form W-2G was issued. Taxpayers who itemize deductions can deduct gambling losses on Schedule A - Miscellaneous Deductions, <u>but only up to the amount of their winnings</u>. See page 104 for instructions on how to enter a loss into TaxSlayer.

Example: Tyler has Form W-2G showing winnings of $2,500. He kept a record of all losses and winnings. The record documents losses of $3,700. Only $2,500 in losses can be deducted on Sch A if Tyler itemizes deductions.



☐ CORRECTED (if checked)

OMB No. 1545-0238

Form W-2G

Certain Gambling Winnings

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code: HIGHLANDS CASINO, 20 S. 1st STREET, YOUR CITY, STATE ZIP

1 Gross winnings	$ 2,500.00
2 Date won	1/11/2014
3 Type of wager	SLOTS
4 Federal income tax withheld	$ 250.00
5 Transaction	
6 Race	
7 Winnings from identical wagers	$
8 Cashier	VP
9 Winner's taxpayer identification no.	316-XX-XXXX
10 Window	
11 First I.D.	YS987654
12 Second I.D.	YS 316-XX-XXXX
13 State/Payer's state identification no.	
14 State winnings	$
15 State income tax withheld	$
16 Local winnings	$
17 Local income tax withheld	$
18 Name of locality	

PAYER'S federal identification number: 61-1XXXXXX

PAYER'S telephone number: YOUR PHONE #

WINNER'S name: ELLIOT BLACKBURN

Street address (including apt. no.): 388 NOBLE CIRCLE

City or town, province or state, country, and ZIP or foreign postal code: YOUR CITY, STATE ZIP

This information is being furnished to the Internal Revenue Service

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.

Box 4: Check for federal withholding.

Box 15: Check for state withholding.

Gambling Winnings for W-2G

Federal Section » Income » Less Common Income » Gambling Winnings
Search keyword: "W2G"

Tribal payments

Tribal council members completing council duties (Revenue Ruling 59-354)

Tribal council members paid for performing council duties should receive a Form W-2 with the amount shown in box 1 and nothing in boxes 2, 3, 5 and 6. These payments are not subject to self-employment tax, FICA or Medicare taxes. In some cases, the tribal entity is reporting the payment on a Form 1099-MISC. (Revenue Ruling 59-354 does not apply to tribal board and committee members, grazing officials or judges.)

MN

Many taxpayers with income that is earned on a reservation may be able to exclude income on their Minnesota return even when it is taxable on the federal return. See page 146.

Tribal distributions (may be reported on Form 1099-MISC)

Per Capita Payments
(enter as Other Income)

Specify source using the exact phrasing listed below

1. Indian Gaming Proceeds
2. Indian Gaming Revenue Sharing, Gaming Per Capita
3. Gaming Distributions
4. Casino Gaming Proceeds
5. Royalties from Mining, Oil & Gas
6. Timber from (name source)

Pow Wow Prizes
(enter as Other Income)

1. Awards to dancers and drum groups
2. Form 1099-MISC is issued for prizes awarded of $600 or more

<u>Exempt</u> from Federal Taxes
(do not enter as income)

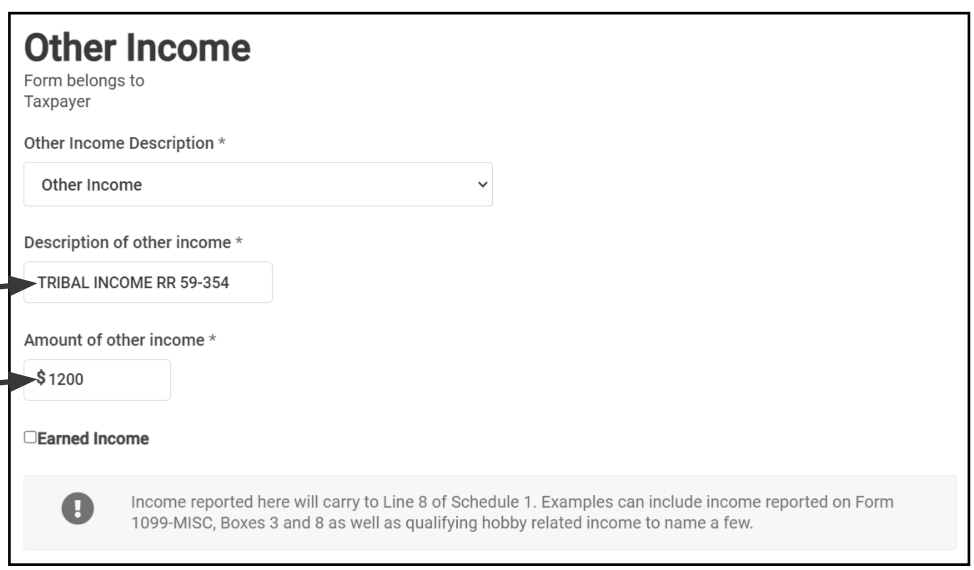
1. Income from treaty-based fishing rights, only if 90% of all gross fishing income is from tribal waters
2. Income from allotted and restricted Indian lands
3. Benefit payments from federally mandated funds (Rev. Rul. 68-38) to unemployed and underemployed residents of an Indian reservation

Taxable tribal payments

Federal Section » Income » Other Income » Other Income Not Reported Elsewhere **Search keyword:** N/A

Enter "Tribal Income RR 59-354" in Description of Other Income.

Enter amount of income on 1099-MISC.


Other Income
Form belongs to
Taxpayer
Other Income Description *
Other Income
Description of other income *
TRIBAL INCOME RR 59-354
Amount of other income *
$ 1200
Earned Income
Income reported here will carry to Line 8 of Schedule 1. Examples can include income reported on Form 1099-MISC, Boxes 3 and 8 as well as qualifying hobby related income to name a few.

SCHEDULE K-1

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Sch K-1	• IRS: Income - lines 4, 9, and 15 • P+P: N/A	• 1040: various • M1: line 1 • M1PR: line 1	Basic (advanced if reporting capital gains)
Overview: Schedule K-1 is used to report the taxpayer's share of income from partnerships, S corporations, and some estates and trusts. Income reported on Schedule K-1 will be included on the taxpayer's return in various places depending on the type of income. **Most income reported on this form is out of scope.**			

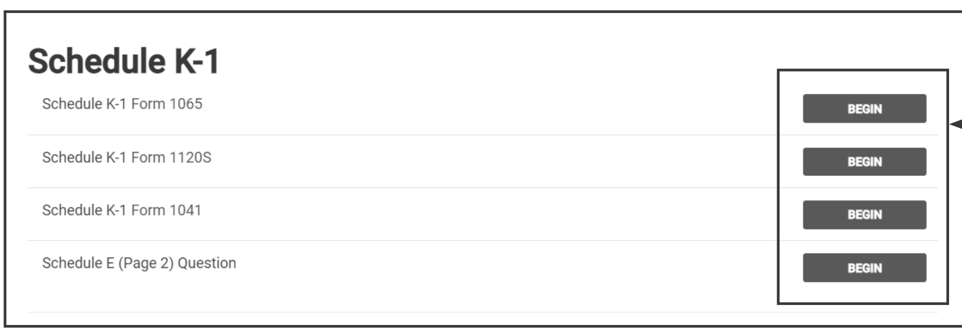
The income outlined below is within the VITA scope. Any other amounts reported on Schedule K-1 are out of scope.

- Interest income - flows to Form 1040, line 2b
- Dividend income - flows to Form 1040, line 3b
- Qualified dividend income - flows to Form 1040, line 3a
- Net short-term and long-term capital gains and losses - flows to Schdule D and Form 1040, line 7
- Tax-exempt interest income - flows to Form 1040, line 2a
- Royalty income - flows to Schedule E (only in scope when reported on Schedule K-1 or 1099-Misc, box 2)

See Pub 4012, Tab D, pages D-59 through D-62 for more information about Schedule K-1.

Schedule K-1

Federal Section » Income » Other Income » K-1 Earnings
Search keyword: "K-1"



Select the correct Schedule K-1 from the list to continue entries. Pub 4012 contains more detailed data entry instructions.

FEDERAL ADJUSTMENTS

EDUCATOR EXPENSES DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g. receipts)	• IRS: Personal Information - lines 5 and 8 Expenses - line 6 • P+P: N/A	• 1040: line 10 and Sch 1 line 11 • M1: Sch M1ED line 5 • M1PR: line 5	Basic

Overview: This deduction rarely comes up at P+P. Taxpayers working as a teacher, instructor, counselor, principal, or aide in a K-12 school for at least 900 hours during the school year may qualify for this deduction. Home school doesn't qualify. Educators can deduct up to $300 for supplies used in the classroom. These expenses must be ordinary and necessary expenses (e.g. books, supplies, equipment, and personal protective equipment).

Educator Expenses for Deductions

Federal Section » Deductions » Adjustments » Educator Expenses
Search keyword: "Educator"

Enter amount paid for educator expenses.

HEALTH SAVINGS ACCOUNT DEDUCTION + FORM 8889

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 box 12 code W • Form 5498-SA • Form 1099-SA • Taxpayer records (e.g. account statement)	• IRS: Life Events - line 1 • P+P: N/A	• 1040: lines 8 and 10a, Sch 1 lines 8f and 13, and Form 8889 • M1: N/A • M1PR: line 5	Advanced

Overview: Taxpayers who contribute to a health savings account (HSA) may qualify for a deduction. Many taxpayers make contributions through payroll deductions, which will be reported on their W-2, and do not qualify for the HSA deduction. Form 8889 must be completed for any taxpayer who made contributions to or took distributions from an HSA.

A health savings account (HSA) is a medical savings account designed to pay for medical expenses and save for future expenses on a tax-free basis. HSAs are owned by individuals, but contributions may be made by an employer or any other person. Funds do not expire.

A flexible spending arrangement (FSA) is often confused with an HSA. FSAs are not reported on a tax return. FSAs have funds that must be used during a specific time period and expire if they are not used. Returns for taxpayers with other heath arrangements are out of scope.

Spotting a Health Savings Account

- Form W-2 with code W in box 12 showing employer and employee pre-tax contributions.
- Form 5498-SA documenting total HSA contributions in the year.
  - » Contributions can be included on the return based on a taxpayer's records because this form is generally issued after the tax deadline.
- The taxpayer has Form 1099-SA with an "X" in box 5 showing distributions from an HSA.
  - » Distributions can be included on the return based on a taxpayer's records because this form is generally issued after the tax deadline.

Eligible individual for an HSA

An eligible individual must meet all of the following requirements:

1. Be covered by a high-deductible health plan (HDHP) on the first day of the month.
2. Not be covered by other health insurance (see Pub 969 for exceptions).
3. Not be enrolled in Medicare (the individual can be HSA-eligible for the months before being covered by Medicare).
4. Not be eligible to be claimed as a dependent on someone else's tax return.

Rules for married individuals: Married couples cannot have a joint HSA. Each eligible spouse who wants to have an HSA must open a separate account, but distributions can be used for either spouse.

Contributions to an HSA - Form 8889 Part I

The taxpayer can make contributions in 2024 prior to the filing deadline (April 17, 2024) and choose to count them as contributions made in 2023 or 2024. The deduction can be entered even if the contribution has not yet been made when the taxes are prepared.

Contributions to HSAs have annual limits based on the taxpayer's type of coverage and age.

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

Taxpayers without full-year coverage have a pro-rated contribution limit based on the number of months they were eligible. Contributions to an HSA by an employer count towards the annual contribution limit, including contributions made through a Section 125 cafeteria plan.

Distributions from an HSA - Form 8889 Part II

All distributions must be reported on Form 8889. Distributions must be used for qualified medical expenses (see below). Distributions can be taken for expenses for the taxpayer (or spouse) with a self-only plan or for the taxpayer, spouse, or dependents with a family-coverage plan.

Distributions used for non-qualified expenses are taxable and subject to an additional 20% tax. This additional tax does not apply if distributions are taken because the account holder dies, becomes disabled, or is age 65 or older.

The list below includes some common qualifying medical expenses. See Pub 4012, Tab E, page E-14, and Tab F, page F-8, for a more expansive list.

- Prescription medicines
- Doctor visits
- Dental services
- Medical specialist visits
- Medical equipment
- Psychiatric and psychological treatment
- Glasses and contact lenses
- Hearing aids
- Bandages
- Over-the-counter medication
- Menstural care products
- COVID-19 home testing

Federal Section » Deductions » Adjustments » Health Savings Account
Search keyword: "HSA" or "8889"

Check whether self (single) or family coverage.

Enter HSA contributions made by employee or employer (do not include amounts from Form W2, box 12). Contributions may be shown on Form 5498-SA.

Contributions made by relatives or friends are considered made by the taxpayer.

Archer MSAs are out of scope for VITA.

Enter amount shown in box 1, Form 1099-SA. Verify HSA box is checked in box 5, Form 1099-SA.

If this is not an HSA distribution, refer taxpayer to a paid tax preparer.

Enter the amount the taxpayer paid from HSA during the year for qualified medical expenses. Cannot take deduction on Schedule A for any amount included here.

Check here if the account beneficiary died, became disabled, or turned age 65. These individuals are exempt from the 20% tax.

Form 8889

Health Savings Accounts

See more instructions for completing this section here.

Form belongs to:
Taxpayer

Type of coverage under high deductible health plan *
If you are no longer covered under a plan, select your previous type of coverage.

Family

☐ Check here if you and your spouse have separate HSAs.

HSA Contributions (Form 5498-SA)

HSA Contributions you made for 2021 (including contributions made from Jan. 1 - April 18th of 2022 that were made for 2021)
Do not include employer contributions, contributions made through a cafeteria plan (Form W-2 Box 12), or amounts that were rolled over into your HSA(s).

$

Number of months during this tax year that you were an eligible individual

12

Amount you and your employer contributed to your Archer MSAs for 2021 (Form 8853 Lines 3 & 4)
If you and your spouse had family coverage under a high deductible health plan at any time during the tax year, also include any amount contributed to your spouse's Archer MSA.

$

Adjustment to Box 12 Code W (Only required if the amount in box 12 of Form W-2 contains contributions for the previous or following tax year)

$

Qualified HSA funding distributions from an IRA or Roth IRA

$

HSA Distributions (Form 1099-SA)

Total HSA distributions received during 2021
(Usually shown on Form 1099-SA Box 1)

$ 700

Distributions used for qualified medical expenses
If you do not enter an amount here, all of your distributions will be considered taxable.

$ 700

Distributions you received in 2021 that you rolled over into another HSA, including any excess contributions (and the earnings on those excess contributions) included in box 1 of your 1099-SA that were withdrawn by the due date of your tax return

$

☐ I meet at least one of the exceptions to the 20% tax.

Exceptions - The additional 20% tax does not apply to distributions made after the account beneficiary dies, becomes disabled, or turns age 65.

HSA Adjustments

DEDUCTIONS FOR THE SELF-EMPLOYED

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g., insurance receipts)	• IRS: Income - line 7 and 8, Expenses - line 7 • P+P: N/A	• 1040: Sch 1 line 15 and line 17 • M1: N/A • M1PR: N/A	Advanced

Overview: Self-employed taxpayers served at VITA sites may be eligible for two adjustments to income. The self-employment tax deduction is calculated automatically in TaxSlayer based on entries made on Schedule C.

The deduction for health insurance premiums is available to taxpayers who do not have access to an employer health coverage plan and purchased their own plan. Insurance expenses can be deducted for the taxpayer, spouse, dependent, and children under age 27. The maximum deduction is the lesser of health insurance costs or the profit shown on Schedule C. If the taxpayer purchased a MNsure plan and qualifies for the Premium Tax Credit, special calculations are required, and the return is out of scope.

Self-employed Health Insurance Deduction

Federal Section » Deductions » Adjustments » Self-Employed Health Insurance
Search keyword: "Self"

ALIMONY PAID BY THE TAXPAYER

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g., divorce decree)	• IRS: Expenses - line 1 • P+P: N/A	• 1040: line 10 and Sch 1 line 19a • M1: N/A • M1PR: N/A	Basic

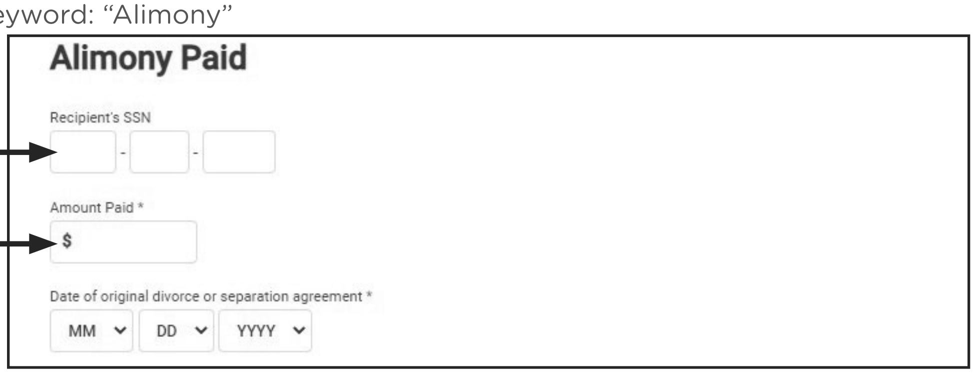
Overview: Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. Most divorced or separated taxpayers do not pay alimony. When alimony payments are made, some taxpayers are eligibile to deduct them from income. Taxpayers eligibile to deduct alimony paid need the recipient's name and Social Security number to e-file the return. Alimony received from divorce decrees made after 2018 are not included as income by the receiver. These payments cannot be deducted. This also applies to decrees modified after 2018 to match the new rules.

Alimony Paid for Deductions

Federal Section » Deductions » Adjustments » Alimony Paid
Search keyword: "Alimony"

Enter the recipient's TIN. This is required to e-file the return.

Enter the total amount of alimony paid for the year.



IRA DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 5498 • Taxpayer records (e.g., account statement)	• IRS: Expenses - line 2 • P+P: N/A	• 1040: line 10 Sch 1 line 20 • M1: N/A • M1PR: N/A	Advanced

Overview: Taxpayers can deduct contributions to traditional IRAs. Contributions qualify as long as they are made before the filing deadline. Form 5498 reports contributions, but the form is not issued to taxpayers until late May and is not required for preparation. Taxpayers often receive a year-end statement showing contributions made in the previous calendar year.

Contributions made to a traditional IRA are deductible. Roth IRA contributions cannot be deducted. The taxpayer can make contributions in 2024 prior to the filing deadline (April 17, 2024) and choose to count them as contributions for 2023 or 2024. The deduction can be entered even if the contribution has not been made when the taxes are prepared.

Taxpayers have a limit on the amount that can be contributed to an IRA. The limit includes both traditional and Roth IRA contributions. The contribution limit is is the lesser of:

- $6,500 ($7,500 if age 50+), OR
- The taxpayer's taxable compensation.

See Pub 4491, page 17-9, for information on excess contributions if the taxpayer contributed more than the limit. Returns with excess contributions may be out of scope.

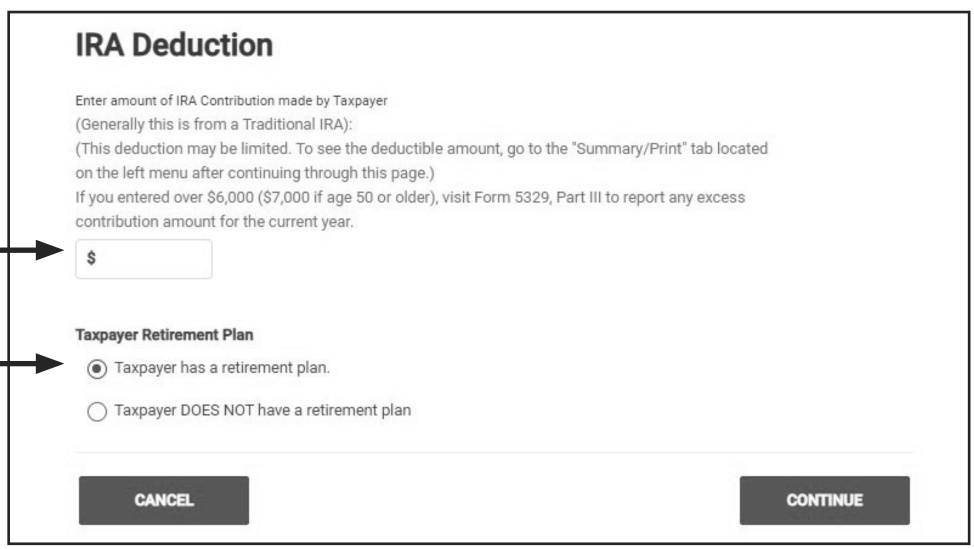
Contributions to a traditional or Roth IRA may qualify the taxpayer for the Savers Credit (see page 111) and for a subtraction on Form M1PR (see page 167).

Traditional IRA Deduction

Federal Section » Deductions » Adjustments » IRA Deduction
Search keyword: "5498" (First Result)

Enter amount that the taxpayer contributed to a traditional IRA.

Select whether the taxpayer has a workplace retirement plan.



Traditional IRA contributions entered for the IRA deduction will transfer to Form 8880 for the Retirement Savings Contribution Credit.

STUDENT LOAN INTEREST DEDUCTION

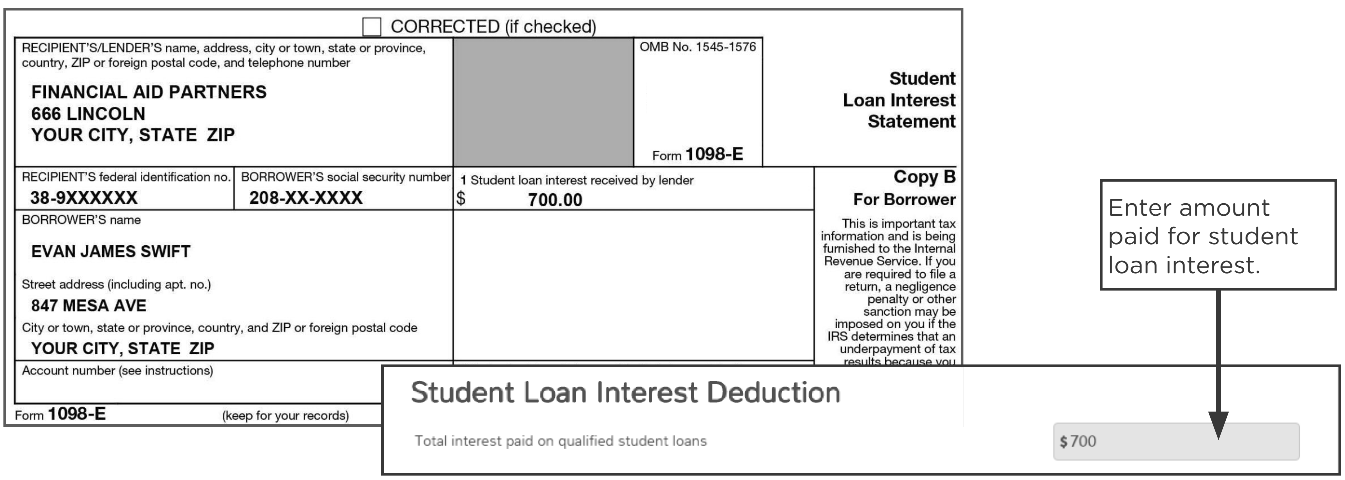
Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1098-E • Taxpayer records (e.g., account statement)	• IRS: Expenses - line 8 • P+P: Minnesota Tax Information	• 1040: line 10 and Sch 1 line 21 • M1: N/A • M1PR: N/A	Basic

Overview: Taxpayers paying student loans may deduct up to $2,500 of interest paid. The taxpayer must be legally obligated to repay the loan, and the loan must have been taken out to pay education expenses for the taxpayer, their spouse, or someone they claimed as a dependent when the loan was taken out. The taxpayer does not need to be the one who made the payments (e.g., a student may make payments that the student's parent can deduct). Taxpayers who are claimed as dependents or filing MFS cannot claim the deduction.

Important: Minnesota has a credit based on payments taxpayers make toward loans for their own education. It requires additional data entry, see page 151.

Student Loan Interest Deduction

Federal Section » Deductions » Adjustments » Student Loan Interest Deduction
Search keyword: "Student"



CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, address, city or town, state or province, country, ZIP or foreign postal code, and telephone number
FINANCIAL AID PARTNERS
666 LINCOLN
YOUR CITY, STATE ZIP

OMB No. 1545-1576
Form 1098-E

Student Loan Interest Statement

RECIPIENT'S federal identification no. 38-9XXXXXX
BORROWER'S social security number 208-XX-XXXX
1 Student loan interest received by lender $ 700.00

Copy B For Borrower

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you

BORROWER'S name
EVAN JAMES SWIFT
Street address (including apt. no.)
847 MESA AVE
City or town, state or province, country, and ZIP or foreign postal code
YOUR CITY, STATE ZIP
Account number (see instructions)

Form 1098-E (keep for your records)

Enter amount paid for student loan interest.

Minnesota has a non-refundable credit for student loan payments. See page 151.

FEDERAL TAXABLE INCOME

ADJUSTED GROSS INCOME (AGI)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1040 lines 1-10 and Sch 1	• IRS: N/A • P+P: N/A	• 1040: line 11 • M1: line 1 • M1PR: line 1	Basic

Overview: Adjusted gross income (AGI) is the taxpayer's total income minus the adjustments allowed on Schedule 1. TaxSlayer calculates this automatically.

AGI is an important value on the tax return. It is used for many federal and Minnesota credit calculations and income thresholds. AGI is also used for situations outside the return, such as: FAFSA, loan applications, and public benefit determinations.

STANDARD DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: Marital Status and Household Information - lines 1 and 2, Expenses - line 4 • P+P: N/A	• 1040: line 12 • M1: line 4 • M1PR: N/A	Basic

Overview: The standard deduction is a set amount subtracted from the taxpayer's AGI to figure taxable income. Most taxpayers have a choice between using the standard deduction or itemizing deductions, and may take the larger of the two options to reduce their taxable income as much as possible. The standard deduction is primarily based on filing status.

Most taxpayers filing at P+P take the standard deduction rather than itemize (see page 100).

The standard deduction increases for taxpayers who are blind or 65 and older. The increase is $1,850 for Single or Head of Household filers, and $1,500 per spouse for married filers or those using the Qualified Surviving Spouse filing status.

$27,700 Married Filing Jointly and Qualifying Surviving Spouse

$20,800 Head of Household

$13,850 Single and Married Filing Separately

MN

In tax year 2023, Minnesota's standard deductions are different from the federal amounts.

- MFJ and QSS: $27,650 (plus $1,450 for taxpayers who are blind or 65+)
- HOH: $20,800 (plus $1,850 for taxpayers who are blind or 65+)
- Single: $13,825 (plus $1,850 for taxpayers who are blind or 65+)
- MFS: $13,825 (plus $1,450 for taxpayers who are blind or 65+)

Standard deduction for dependents

The standard deduction for dependents may be reduced. TaxSlayer computes the correct standard deduction when the dependency box is checked in the Personal Information section (see page 51). See Pub 4012, Tab F, page F-4, for the dependent standard deduction calculation.

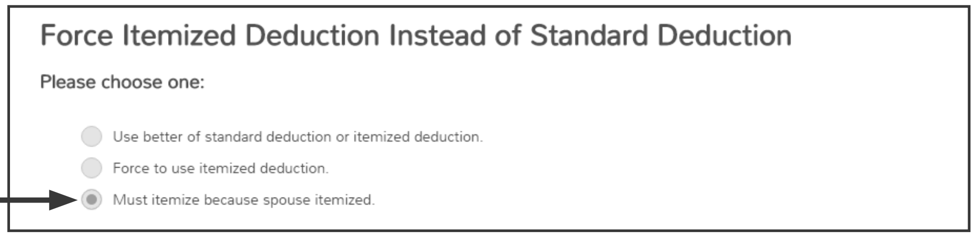
Standard deduction for MFS filers

The MFS filing status requires both spouses to select the same type of deduction: itemized or standard. If one spouse itemizes deductions, the other must itemize deductions (i.e., they are not allowed to take the standard deduction); this can result in a $0 itemized deduction.

Force Itemized Deduction

Federal Section » Deductions » Itemized Deductions » Use Standard or Itemized Deduction **Search keyword:** “Force”

If MFS, check box if the taxpayer’s spouse itemizes deductions.



ITEMIZED DEDUCTIONS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: Expenses - line 4 • P+P: N/A	• 1040: line 12, Sch A • M1: line 4, Sch M1SA • M1PR: N/A	Advanced

Overview: Itemizing deductions requires the taxpayer to track and report actual qualifying expenses on Schedule A instead of using the standard deduction. Taxpayers should only itemize if it provides a greater benefit than the standard deduction. Taxpayers may benefit from itemizing if they have large expenses in these categories: medical bills, state taxes, charitable contributions, and mortgage interest.

Minnesota allows taxpayers to itemize even if they take the standard deduction on the federal return. Minnesota taxpayers may deduct unreimbursed employee business expenses in addition to expenses that are deductible on the federal return.

Itemized deductions for non-cash donations over $500, vehicle donations, donations of capital gains property, and casualty and theft losses are out of scope. If a taxpayer would benefit from any of those deductions, refer to a paid preparer.

The following pages identify typical expenses taxpayers may have that are allowable itemized deductions. For interview questions to determine whether a taxpayer should itemize, see Pub 4012, Tab F, pages F-5 and F-6.

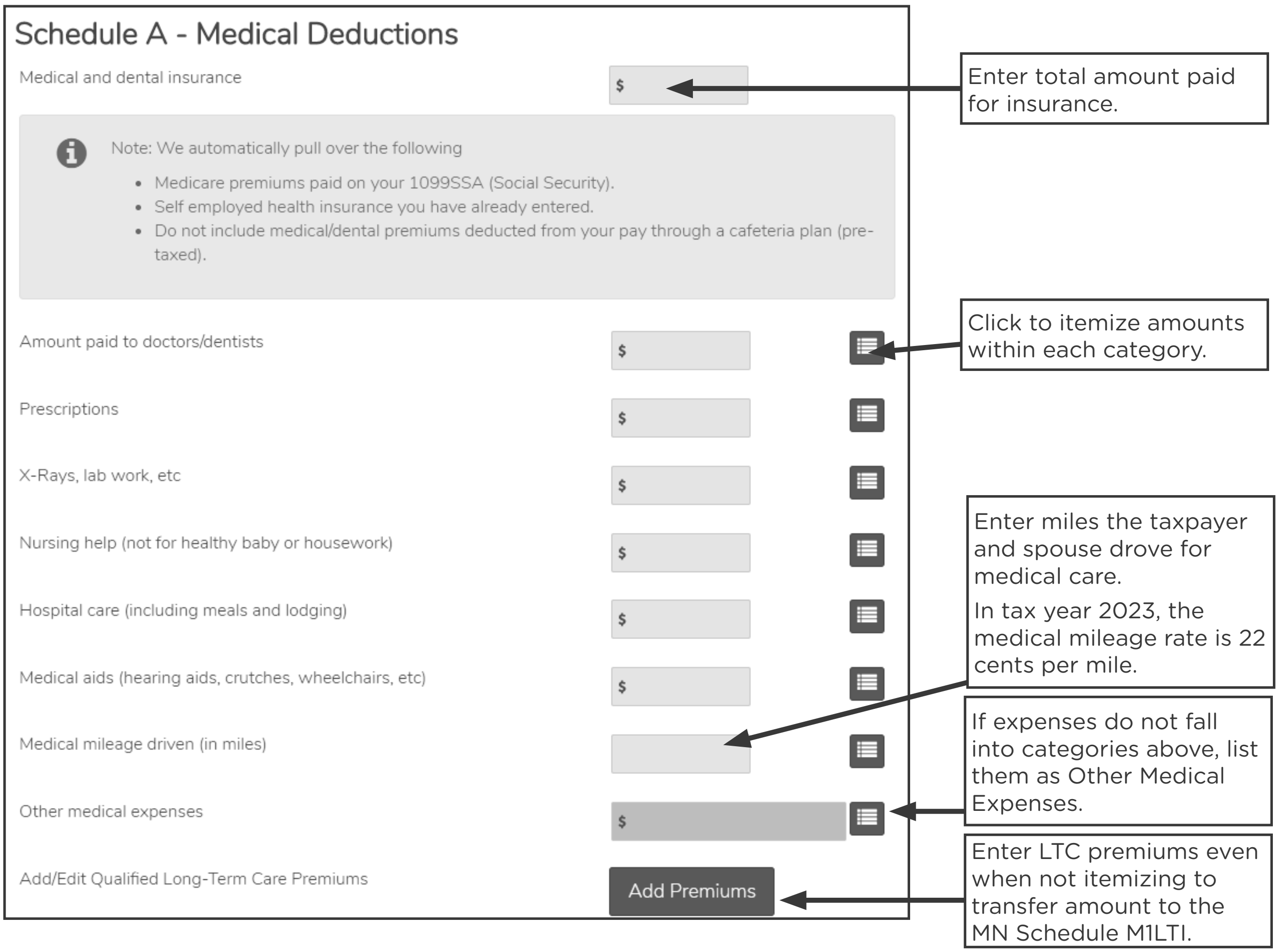
Medical and dental expenses

Taxpayers may deduct amounts paid for their *unreimbursed* medical and dental expenses that exceed 7.5% of the taxpayer's AGI. Do not include payments made through an HSA or FSA. Include payments made for the taxpayer, spouse, or dependents. If the taxpayer has expenses for another person, review the information on Pub 4012, Tab F, page F-5.

Enter total unreimbursed medical expenses. TaxSlayer will calculate the deductible portion above 7.5% of AGI. For a list of qualifying expenses, see Pub 4012, Tab F, page F-8.

Medical and Dental Expenses for Schedule A

Federal Section » Deductions » Itemized Deductions » Medical and Dental Expenses **Search keyword:** "Med"



Taxes paid

The deduction for state and local income tax, sales tax, and property taxes is limited to a combined total of $10,000. The sections below provide more detail about which types of taxes are deductible. For notes on TaxSlayer entry of deductible taxes paid, see page 102.

State & local taxes or Sales taxes

A taxpayer can deduct state and local income taxes or sales tax, but not both.

- State and local income taxes include: taxes withheld from W-2s, 1099s, estimated payments, or other tax payments for an earlier year *paid during the current tax year*.
- General sales tax includes: actual sales tax paid on major purchases and a set amount based on: the taxpayer's income, Minnesota's sales tax rate (6.875%), and a local sales tax rate.
  - » Go to www.irs.gov and search for: Sales Tax Deduction Calculator. The IRS calculator will calculate the sales tax deduction to enter in TaxSlayer.

Real estate taxes

Real estate taxes may be reported on Form 1098, box 5, *Mortgage Interest Statement*, or shown on the county property tax statement. If using the county property tax statement or other types of statements, do not include itemized charges for services, transfer taxes, homeowners' association fees or most special assessments. Special rules may apply if a taxpayer bought or sold a home during the tax year (see Pub 523, section on Reporting Deductions Related to Your Home Sale).

Real estate tax amounts entered on Schedule A **must be reduced by any property tax refund received during the tax year.**

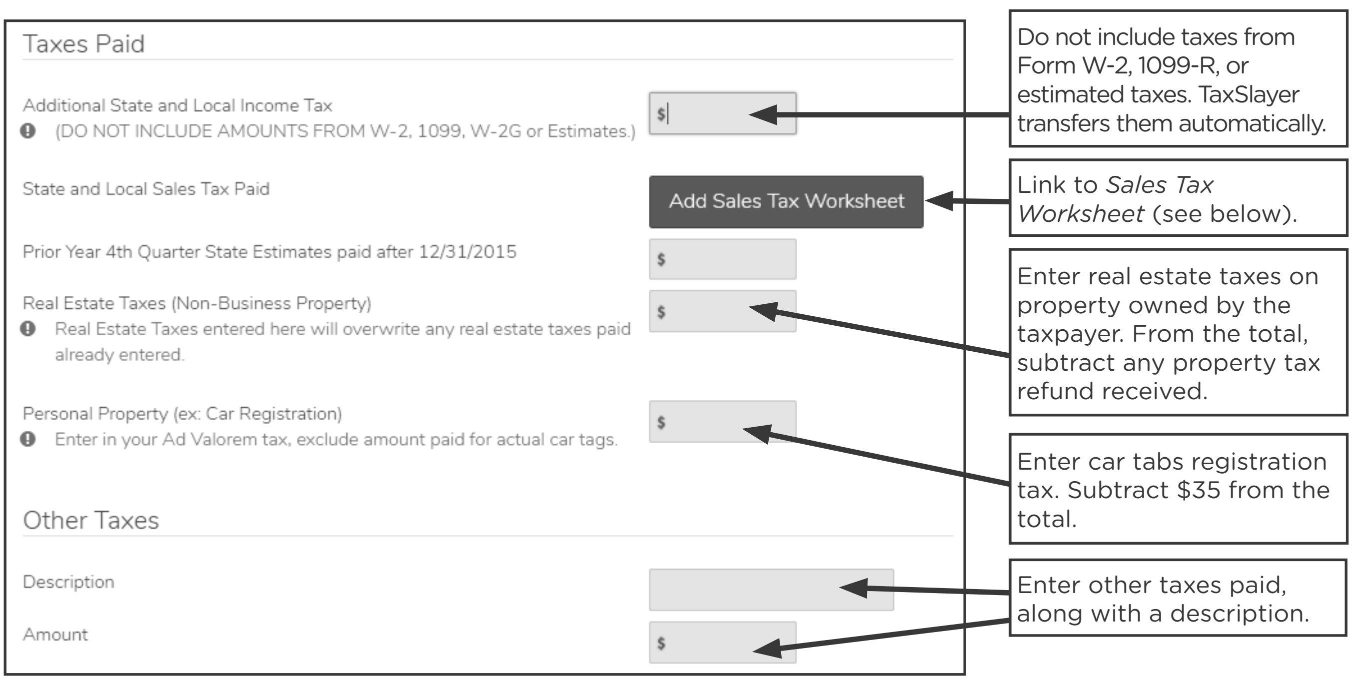
> If a taxpayer is claiming the deduction for business use of the home, deductions are prorated to reflect the percentage of personal use. If a taxpayer qualifies for deduction for business use of the home, refer them to 651-262-2169 to schedule an appointment with the P+P self-employment tax clinic.

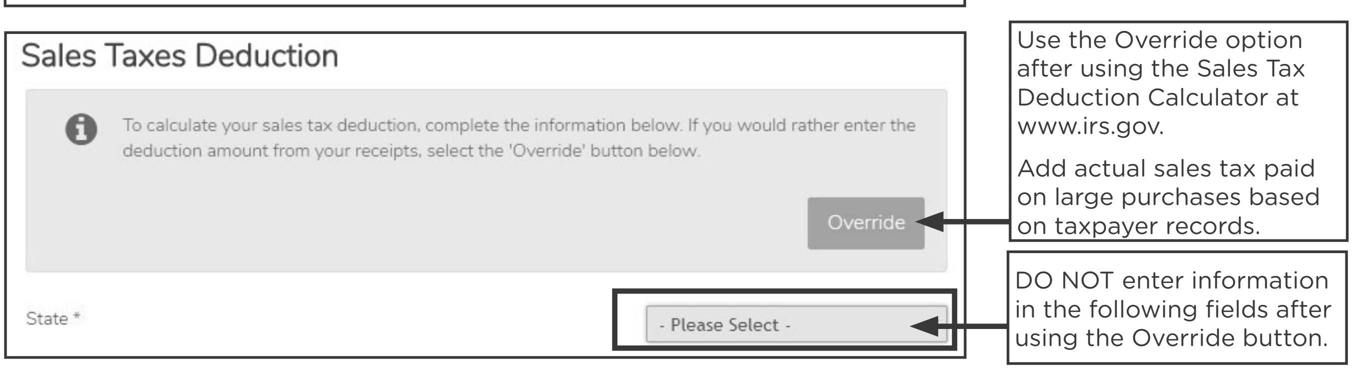
Personal property taxes

Personal property taxes, such as the annual registration tax paid for car tabs, are deductible. In Minnesota, deduct $35 from the total registration tax. Plate fees, wheelage tax, or filing fees also need to be subtracted from the total amount billed for vehicle registration. Car tax information can be found online at onlineservices.dps.mn.gov/EServices/_/ (click More Vehicle Services and then click Search for Registration Tax Paid).

Deductible taxes for Schedule A

Federal Section » Deductions » Itemized Deductions » Taxes You Paid



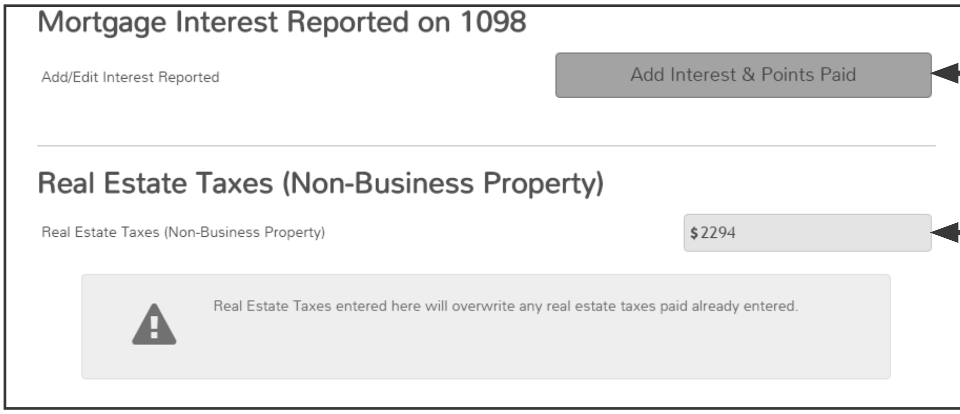


Mortgage interest, points, and insurance premiums

Form 1098 shows amounts the taxpayer paid for mortgage interest (box 1) and points (box 6). Most often these amounts will be fully deductible. However, some situations, like an unsecured mortgage debt or a large mortgage debt, can limit deductibility. It would be rare to see these situations at a VITA site. Review the itemized deduction interview questions in Pub 4012, Tab F, pages F-5 and F-6. Mortgage insurance premiums are not deductible.

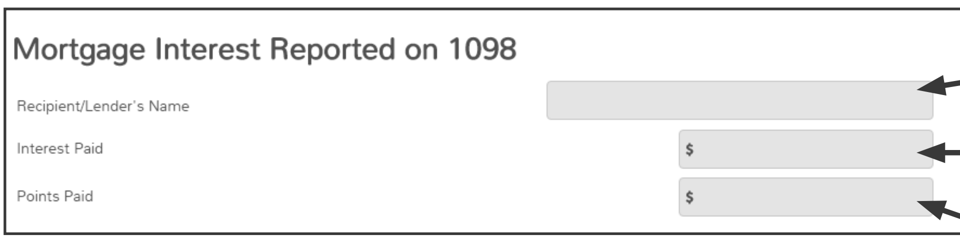
Mortgage interest and points for Schedule A

Federal Section » Deductions » Itemized Deductions » Mortgage Interest and Expenses » Mortgage Interest Reported on 1098 **Search keyword:** "1098"



Click here to enter mortgage interest and points from Form 1098. (See screenshot below.)

Enter real estate taxes paid from Form 1098 here OR in the Taxes You Paid section. Subtract any property tax refund received in the tax year from the total.



Enter lender's name. This is required.

Enter amount in box 1 of Form 1098.

Enter amount in box 6 of Form 1098.

Gifts to charity

Non-deductible gifts to charity

Gifts to charities that are <u>not deductible</u> include: the cost of raffle, bingo or lottery tickets; value of time/service; direct contributions to an individual; or the part of a contribution that benefits the taxpayer, such as the value of a meal at a charity dinner. For a longer list of nondeductible donations, see Pub 4012, Tab F, page F-14.

Cash donations to charity

A taxpayer can deduct donations made to charitable organizations by cash, check, or credit card. The taxpayer must keep records to prove the contribution amount (e.g., written receipt from the organization, credit card statement, or bank statement), but records are not required at the tax site.

Non-cash donations to charity

The taxpayer can deduct mileage costs at 14 cents per mile when using their vehicle for charitable work.

Items donated to charities must be in good condition or better. Only the fair market value of an item is deductible. Generally, this amount is lower than the amount the taxpayer originally paid for the item. Goodwill has an online valuation guide.

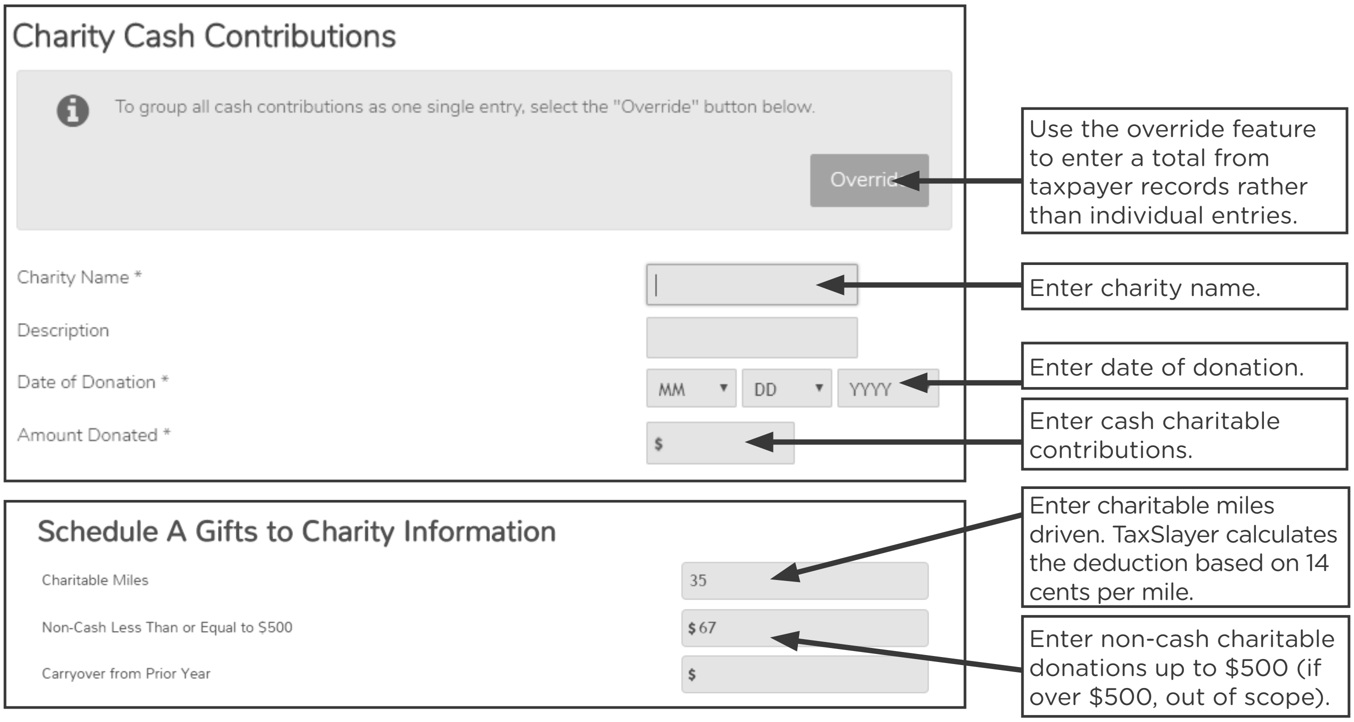
Non-cash contributions over $500 or vehicle donations require Form 8283, *Noncash Charitable Contributions,* and are out of scope if the taxpayer chooses to include the deduction on their return.

MN

Minnesota allows a subtraction from income for charitable donations over $500 even if the taxpayer will not itemize deductions (see page 142). This deduction is based on the combined total of cash and non-cash donations.

Cash and non-cash donations for Schedule A

Federal Section » Deductions » Itemized Deductions » Gifts to Charity » Cash Gifts to Charity **Search keyword:** “charity” (second result)



Miscellaneous deductions

- Gambling losses to the extent of gambling winnings that were reported as taxable income. Taxpayers must have kept a record of their losses (see page 90).
- Impairment-related work expenses of a taxpayer with a disability.

Additional miscellaneous deductions may be reinstated after tax year 2025.

Minnesota allows taxpayers to itemize unreimbursed employee business expenses, such as: union dues, employment-related education expenses, protective work clothing or uniforms. This deduction is limited to the expenses that exceed 2% of the taxpayer’s AGI. Enter expenses in the Federal Section of TaxSlayer, and they will be transferred to the Minnesota return.

QUALIFIED BUSINESS INCOME DEDUCTION (QBID)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Sch C • Form 1099-Misc • Form 1099-K • Taxpayer records (e.g., bank statement, canceled checks, and invoices)	• IRS: Income - lines 7 and 8 • P+P: N/A	• 1040: line 13, Form 8995 • M1: N/A • M1PR: N/A	Advanced

Overview: Self-employed taxpayers may be able to deduct up to 20% of their profits from taxable income. TaxSlayer will calculate the deduction automatically based on entries on the Schedule C. The QBID does not affect self-employment tax or any calculations on Schedule C. Special rules for the QBID may apply for taxpayers with incomes above VITA guildelines.

FEDERAL NONREFUNDABLE CREDITS

CHILD TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake sheet	• IRS: Marital Status and Household Information • P+P: N/A	• 1040: lines 19 and Sch 8812 • M1: N/A • M1PR: N/A	Basic

Overview: Taxpayers with children under age 17 may qualify for a nonrefundable credit of up to $2,000 per qualifying child. TaxSlayer calculates the credit automatically based on entries in the Dependent section. Noncustodial parents and taxpayers filing MFS may qualify.

The taxpayer may claim the refundable Additional Child Tax Credit (see page 120) based on the unused portion of the nonrefundable Child Tax Credit. Dependents who do not qualify for the Child Tax Credit may qualify for the Credit for Other Dependents (see page 106).

Qualifying Child for the Child Tax Credit

A child must meet all of the qualifications listed below to make a taxpayer eligible for the Child Tax Credit.

1. Is under age 17 at the end of the tax year (i.e., 16 years or under);
2. Was a U.S. citizen, U.S. national, or resident alien of the United States;[1]
3. Is claimed as a dependent on the return;[2]
4. Is the taxpayer's son, daughter, adopted child, stepchild, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of these relatives including a grandchild, niece or nephew;
5. Did not provide over half of their own support for the year;
6. Lived with the taxpayer for more than half of the year (except for temporary absences); and
7. Must have a valid Social Security number by the filing deadline.[3]

[1] *See rules for residency on page 39.*
[2] *See dependency rules on page 52 and special rule for divorced or separated parents on page 54.*
[3] *A qualifying child must have an SSN , but the taxpayer(s) claiming the child will qualify if filing with an ITIN.*

MN

NEW IN TAX YEAR 2023! Minnesota has a fully-refundable Child Tax Credit. The eligibility criteria differ from the federal credit (see page 154).

U.S. savings bonds can be purchased at tax time and earn interest for up to 30 years. Bonds can be a great gift! Connect taxpayers with a dependent to a customer support volunteer to learn more. More information on page 32.

CREDIT FOR OTHER DEPENDENTS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake sheet	• IRS: Marital Status and Household Information • P+P: N/A	• 1040: line 19, Sch 8812 • M1: N/A • M1PR: N/A	Basic

Overview: Taxpayers who claim dependents may be eligible for a $500 nonrefundable credit. Only dependents who do not qualify for the Child Tax Credit qualify. Generally, this includes qualifying children over age 16 and qualifying relatives residing in the U.S. (including dependents with ITINs). TaxSlayer calculates the credit automatically.

Qualifying dependent for the Credit for Other Dependents

- Does NOT qualify for the Child Tax Credit (see page 105)
- Has a Social Security number or ITIN before the filing deadline
- Was a U.S. citizen, U.S. national, or resident alien of the U.S.

FOREIGN TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-INT • Form 1099-DIV • 1099 Composite • Sch K-1	• IRS: Income - lines 4 and 15 • P+P: N/A	• 1040: line 20, Sch 3, line 1, and Form 1116 • M1: N/A • M1PR: N/A	Advanced

Overview: Taxpayers with investment accounts or mutual funds may have forms showing foreign taxes paid and may be eligible for a nonrefundable credit based on the amount paid. TaxSlayer will calculate this credit automatically for small amounts of foreign tax paid (up to $300 or $600 if filing MFJ). If foreign taxes are reported on Form K-1 and the credit is not calculated automatically, see Pub 4012, Tab G, pages G-8 to G-11, for TaxSlayer entry information.

Form 1116 is out of scope. It is required if large amounts of foreign tax are paid.

CREDIT FOR CHILD AND DEPENDENT CARE

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 box 10 • Taxpayer records (e.g. day care invoice or babysitter receipt)	• IRS: Expenses - line 5 • P+P: N/A	• 1040: line 20, Sch 3 line 2, and Form 2441 • M1: line 22, Form M1REF line 1, and Form M1CD • M1PR: N/A	Basic

Overview: The TaxSlayer data entry for this credit is detailed. Use the instructions on the following pages to complete entries.

This nonrefundable credit is for taxpayers paying for care of a qualifying person. Taxpayers must have paid for the care to work or look for work. The maximum credit is $1,050 ($2,100 for two qualifying people). Details for the Minnesota refundable credit are on page 153.

To qualify, the taxpayer (and spouse, if applicable) must have earned income. MFJ filers may qualify if one spouse was a full-time student or incapable of self-care (see page 110). MFS filers may claim the credit only if they did not live with their spouse during the last 6 months of the year.

Qualifying Person Test

The person must live with the taxpayer for more than half the year and meet one of the Qualifying Person tests below.

1. A child who was under the age of 13 when the expense was incurred and for whom a dependency exemption can be claimed.[1] (If the child turned 13 during the tax year, use only the expenses incurred before age 13.)
2. Any person who was physically or mentally incapable of self-care whom the taxpayer can claim as a dependent (or a person who could have been claimed except that the person had gross income of more than $4,700).
3. A spouse who was physically or mentally incapable of self-care.[2]

[1] The special rule for divorced and separated parents (page 54) allows only the custodial parent to claim this credit.

[2] Definition of incapable of self-care: persons who can't dress, clean, or feed themselves. Also includes persons who must have constant attention to prevent them from injuring themselves or others.

MN

The federal child and dependent care credit is nonrefundable, and the Minnesota credit is refundable. Enter expenses in the federal credits menu of TaxSlayer even if the taxpayer cannot claim the federal credit. Expenses will transfer to Schedule M1CD (see page 153).

Taxpayers who received employer-sponsored dependent care benefits shown on Form W-2 in Box 10 must file Form 2441 to report the dependent care benefits used (or forefeited) in the tax year. Failure to correctly report these amounts may cause the taxpayer to pay an additional tax on the benefits received. See pages 109 and 110 for TaxSlayer data entry instructions.

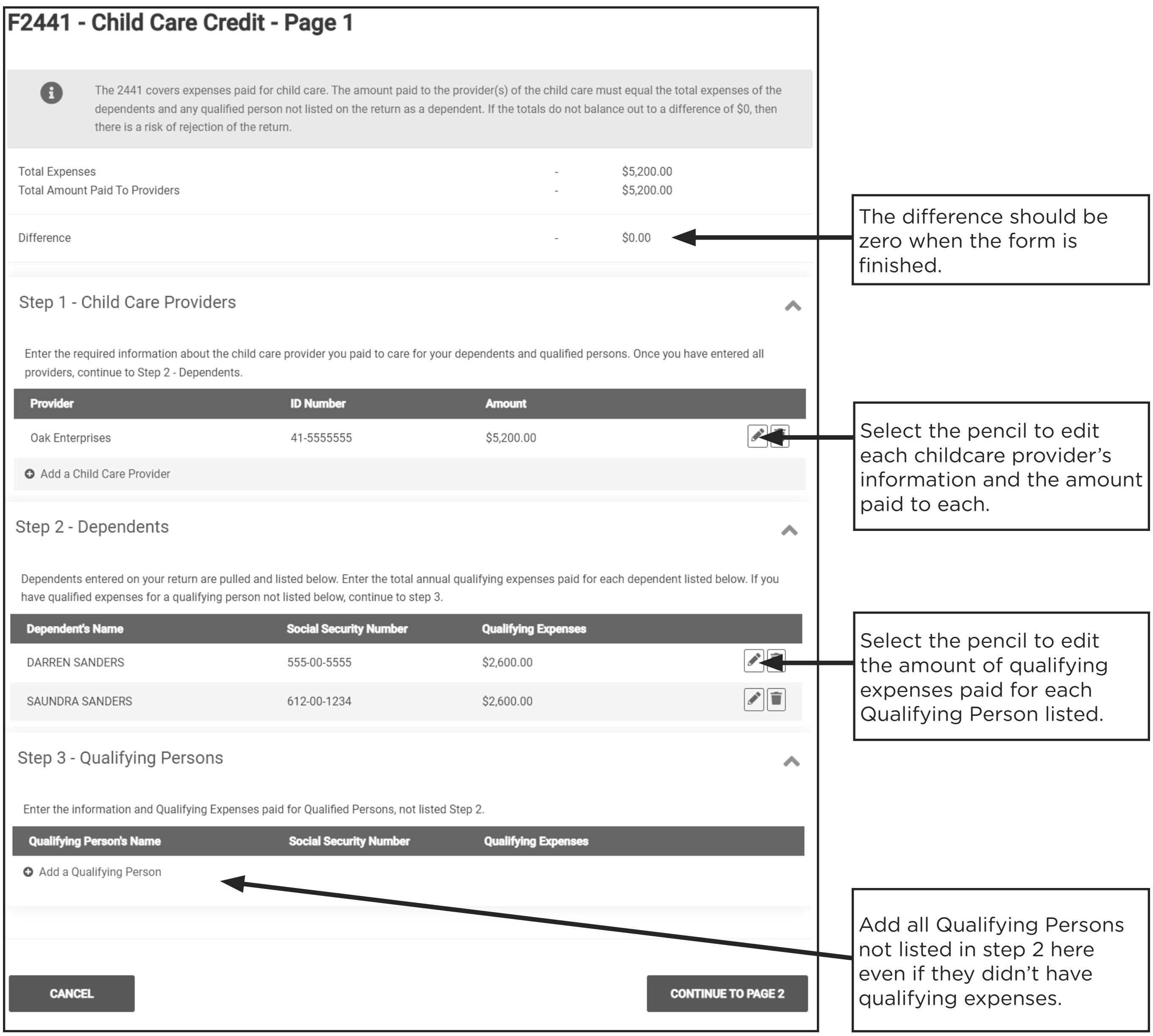
Qualifying Expenses

Expenses must be paid to allow the taxpayer to work or look for work. The total expenses used to calculate the credit may not be more than $3,000 (for one Qualifying Person) or $6,000 (for two or more Qualifying Persons). The expenses do not need to be split equally between the Qualifying Persons (i.e., one may have $0 expenses and the second may have $6,000). Examples of expenses that can qualify:

- Nursery school, preschool, or similar pre-kindergarten programs
- Services for the Qualifying Person's well-being and protection
- Adult or child day care programs (including before- or after-school care)
- A day camp, even if the camp specializes in a particular activity, such as computers or soccer (overnight camps do not qualify)

Child Care Credit - Form 2441

Federal Section » Deductions » Credits Menu » Child Care Credits
Search keyword: "2441"



F2441 - Child Care Credit - Page 1

The 2441 covers expenses paid for child care. The amount paid to the provider(s) of the child care must equal the total expenses of the dependents and any qualified person not listed on the return as a dependent. If the totals do not balance out to a difference of $0, then there is a risk of rejection of the return.

Total Expenses	-	$5,200.00
Total Amount Paid To Providers	-	$5,200.00
Difference	-	$0.00

Step 1 - Child Care Providers

Enter the required information about the child care provider you paid to care for your dependents and qualified persons. Once you have entered all providers, continue to Step 2 - Dependents.

Provider	ID Number	Amount
Oak Enterprises	41-5555555	$5,200.00

Add a Child Care Provider

Step 2 - Dependents

Dependents entered on your return are pulled and listed below. Enter the total annual qualifying expenses paid for each dependent listed below. If you have qualified expenses for a qualifying person not listed below, continue to step 3.

Dependent's Name	Social Security Number	Qualifying Expenses
DARREN SANDERS	555-00-5555	$2,600.00
SAUNDRA SANDERS	612-00-1234	$2,600.00

Step 3 - Qualifying Persons

Enter the information and Qualifying Expenses paid for Qualified Persons, not listed Step 2.

Qualifying Person's Name	Social Security Number	Qualifying Expenses

Add a Qualifying Person

CANCEL

CONTINUE TO PAGE 2

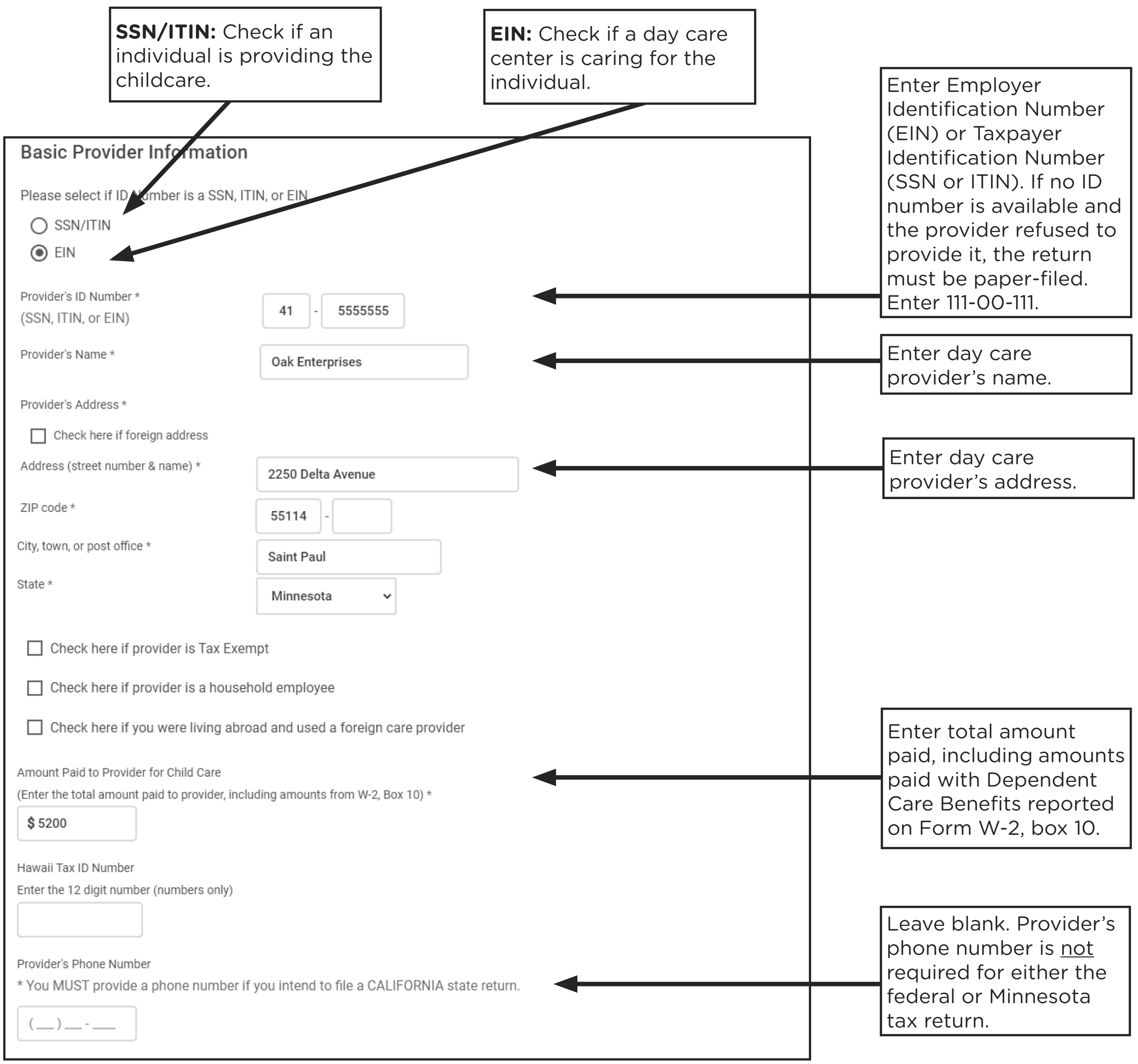
Provider Information

Payments to a person the taxpayer can claim as a dependent do not qualify for the credit. If payments are made to the taxpayer's child, that child cannot be a dependent and must be age 19 or older before the end of the tax year.

Child care providers generally provide a statement showing total costs paid for each child and an tax identification number (TIN) (i.e., EIN, SSN, or ITIN). If the provider refuses to give a TIN the taxpayer can still claim the credit. The return cannot be e-filed without the provider's TIN, but a paper return can be prepared and mailed. See instructions for Form W-10 describing due diligence.

Child care provider information

Federal Section » Deductions » Credits Menu » Child Care Credit » Add a Child Care Provider **Search keyword:** "2441"


Basic Provider Information

Please select if ID Number is a SSN, ITIN, or EIN

SSN/ITIN

EIN

Provider's ID Number * (SSN, ITIN, or EIN) 41 - 5555555

Provider's Name * Oak Enterprises

Provider's Address *

Check here if foreign address

Address (street number & name) * 2250 Delta Avenue

ZIP code * 55114 -

City, town, or post office * Saint Paul

State * Minnesota

Check here if provider is Tax Exempt

Check here if provider is a household employee

Check here if you were living abroad and used a foreign care provider

Amount Paid to Provider for Child Care (Enter the total amount paid to provider, including amounts from W-2, Box 10) * $ 5200

Hawaii Tax ID Number Enter the 12 digit number (numbers only)

Provider's Phone Number * You MUST provide a phone number if you intend to file a CALIFORNIA state return.

(__) __ - __

Additions to income and employer benefit info for Form 2441

Federal section » Deductions » Credits Menu » Child Care Credit » Continue to Page 2 **Search keyword:** "2441"

F2441 - Child Care Credit - Page 2

What is this page for?

The Credit for Dependent Care Expenses is for individuals who paid for child care so that they could work. For this credit to calculate, the Taxpayer and the Spouse, if applicable, must each have earned income. There are exceptions to the rule for disabled or full-time students who were unable to work. Complete the "Addition to Income" section below for the appropriate non-working spouse for the purpose of calculating this credit only.

*NOTE: Any amounts entered here are **only** used for the purposes of figuring this credit. It will not be added to your total income on your tax return.

Additions to Income for Taxpayer for this credit

NOTE: If the taxpayer was a full-time student or disabled, enter any additional income.

Figuring the amount to enter:

Step 1: Figure out how many months you were a student (or disabled) and did not work. Do not include any month in which both you and your spouse (if applicable) were both students.

Step 2: If you have just one qualifying child that you paid expenses for, multiply the number of months you figured in Step 1 by $250. If you have more than one qualifying child, multiply the number of months by $500. The result is what you should report as Additional Income for Taxpayer.

Additional Income for Taxpayer for purposes of this credit $

Benefits (Do not enter an amount from your W-2) $
Employer-paid Dependent Care Benefits

Forfeited Employer-paid Benefits $

Carryover Employer-paid Benefits $

Benefits Received from Sole Proprietorship or Partnership $

Did you pay any expenses for 2020 during 2021

Yes No

Generally, married persons must file a joint return to claim the Child Care Credit. If your filing status is Married Filing Separately and all of the following apply, you are considered unmarried for purposes of claiming the credit on Form 2441:

- You lived apart from your spouse during the last 6 months of 2021.
- Your home was the qualifying person's main home for more than half of 2021.
- You paid for more than half of the cost of keeping up that home for 2021.

Are you considered unmarried for the purposes of this credit?

Yes No

CANCEL CONTINUE

If the taxpayer/spouse is a full-time student or disabled, follow the instructions to enter additional income for figuring the credit.

If the person also worked during the month, use the higher of $250 or the person's actual earned income for that month.

Only enter Dependent Care Benefits not reported on Form W-2.

If benefits in W-2 box 10 are higher than expenses, enter benefits that expired/were forfeited or benefits that were carried over to the next year.

Indicate if any expenses were prepaid for the current tax year in the previous tax year.

If the taxpayer is MFS, review the listed criteria to determine if the taxpayer is considered unmarried and qualifies for the credit, then answer accordingly.

CREDIT FOR THE ELDERLY OR DISABLED

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-R • Form SSA-1099 • Taxpayer records	• IRS: Personal Information - lines 4, 6b, 7, and 9b • P+P: N/A	• 1040: line 20, Sch 3 line 6d, and Sch R • M1: N/A • M1PR: N/A	Basic

Overview: Elderly or disabled taxpayers using the single filing status may qualify for a nonrefundable credit if their AGI is below $17,500 and their nontaxable income is less than $5,000. Current standard deduction levels in combination with the credit's thresholds make it impossible for filers using other filing statuses to qualify. See Pub 4012, Tab G, page G-21. Minnesota has a similar subtraction with broader income guidelines (see page 144).

Elderly and Disabled Credit for Schedule R

Federal Section » Deductions » Credits Menu » Credit for the Elderly or Disabled
Search keyword: "Elderly"

CREDIT FOR QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 box 12 various codes • Form 5498 • Taxpayer records	• IRS: Expenses - line 2 • P+P: N/A	• 1040: line 20, Sch 3 line 4, and Form 8880 • M1: N/A • M1PR: N/A	Basic

Overview: Taxpayers making contributions to a retirement plan may qualify for a nonrefundable credit of up to $1,000 ($2,000 if filing MFJ). The credit can be up to 50% of voluntary contributions. To be eligible, the taxpayer cannot be a full-time student or claimed as a dependent. TaxSlayer automatically transfers eligible contributions from Form W-2; however, preparers must identify and enter other qualifying contributions in the Credit section.

The taxpayer's AGI must be under $73,000 for MFJ, under $54,750 for HOH, and under $36,500 for any other filing status. Distributions taken from retirement accounts during the tax year, before the filing deadline (April 17, 2024), and in the two previous tax years may impact a taxpayer's eligibility.

Qualified contributions

- Contributions to a traditional or Roth IRA (other than a rollover)
- Elective deferrals to a 401(k), 403(b), or SIMPLE plan
- Contributions to a 501(c)(18)(D) plan
- Beneficiary contributions to ABLE accounts

Contributions to employer-sponsored retirement plans are shown on Form W-2, box 12, using codes D, E, F, G, H, S, AA or BB. Entries in box 14 may indicate qualifying contributions. If box 14 shows employer contributions or mandatory contributions, these amounts are not eligible for the credit.

Contributions to an IRA made by April 17, 2024 can be characterized as 2023 contributions and used for the credit (or IRA deduction, see page 97). Taxpayers should work with their IRA provider to designate the contribution to the correct year. If a taxpayer intends to make the contribution but has not done so yet, the tax return can be filed including the contribution. An amendment will be necessary if the contribution is not made.

Retirement Savings Credit for Form 8880

Federal Section » Deductions » Credits Menu » Retirement Savings Credit
Search keyword: "8880" or "Savings"

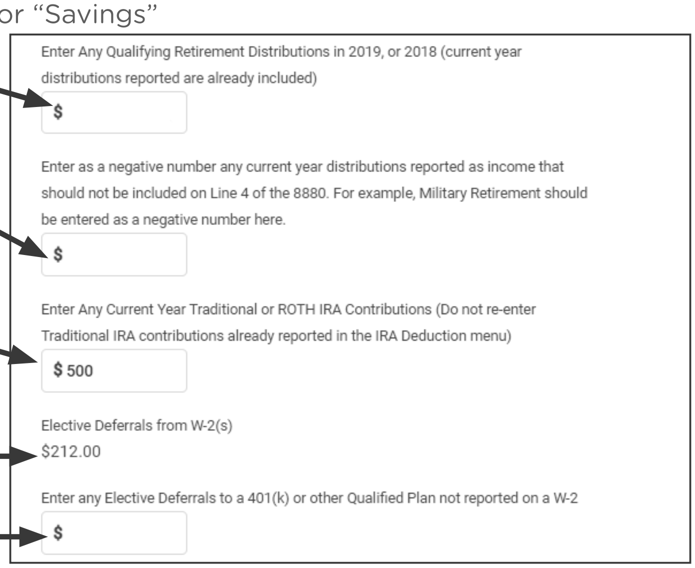
Enter retirement distributions received in years 2021 or 2022.

Do not use this entry. If unsure if this situation applies to the taxpayer, see Pub 4012, Tab G, page G-18 for alternate option.

Enter total Roth contributions not made through an employer-sponsored plan.

Retirement contributions entered in box 12 of Form W-2 transfer here automatically.

Enter other elective contributions not reported on Form W-2.



RESIDENTIAL ENERGY CREDITS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g. purchase receipts, manufacturer statements)	• IRS: Life events - line 5 • P+P: N/A	• 1040: line 20, Sch 3 line 5, and Form 5695 • M1: N/A • M1PR: N/A	Advanced

Overview: The Energy Efficient Home Improvement Credit is available to taxpayers who make qualifying energy saving improvements to their main home during the tax year. Improvements must meet specific standards, and taxpayers must have documentation. The maximum for this nonrefundable credit is the lower of $3,200 or 30% of qualifying expenses.

The Residential Clean Energy Credit covers residential alternative energy equipment such as solar panels, geothermal heat pumps, and wind turbines. This credit is out of scope.

UPDATED FOR TAX YEAR 2023! This credit changed substantially in tax year 2023. There is no longer a $500 lifetime limit for the credit. Taxpayers may claim the credit each year that qualifying improvements are made.

Qualifying improvements include:

- Building envelope components such as exterior doors, exterior windows, skylights, insulation materials or systems, and air sealing materials or systems
- Home energy audits
- Residential energy property such as air conditioners, water heaters, furnaces, or boilers
- Certain electrical improvements or replacements that are installed along with the items listed above and enable their installation and use
- Heat pumps, biomass stoves, or biomass boilers

The energy efficiency standards required for improvements vary. See IRS.gov for details. Taxpayers should have certification from the manufacturer, but this is not required during tax preparation as long as the taxpayer knows that the products qualify.

For more information about this credit, see Pub 4012, Tab G, pages G-20 and G-21.

Residential Energy Credit for Form 5695

Federal Section » Deductions » Credits Menu » Residential Energy Credit » Nonbusiness Energy Property **Search keyword:** “5695” or “Energy”

TaxSlayer data entry information was not available at the time this manual went to print, but the expected location and search terms are included above.

Be cautious about entering a taxpayer’s full expenses or only the qualifying amount. TaxSlayer may or may not automatically limit the entry to the maximum allowed expenses.

Each category of improvements has a limit on the total of qualifying expenses that can be used for the credit. Some improvements include the cost of installation and others do not. Consult Pub 4012, Tab G, pages G-20 and G-21, to verify thresholds after confirming the type of improvements made by the taxpayer.

OTHER TAXES

SELF-EMPLOYMENT TAX

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• N/A	• IRS: Income - lines 7 and 8 • P+P: N/A	• 1040: line 23, Sch SE, Sch 2 line 4 • M1 & M1PR: N/A	Advanced

Overview: Self-employed taxpayers with net income above $400 will pay self-employment tax. This tax covers the Social Security and Medicare tax that employers and employees pay through withholding. The tax is calculated on Sch SE after completing Sch C. Taxpayers paying self-employment tax will qualify for a deduction for part of the tax paid (see page 96). TaxSlayer will calculate the tax and the deduction automatically. Nonrefundable credits cannot be used to offset self-employment tax. Minnesota does not have a self-employment tax.

Self-employment tax positively impacts taxpayers in the future. Self-employment tax is considered a contribution to Social Security and Medicare, and affects the calculation of benefits in the future.

ADDITIONAL TAX ON IRAS OR OTHER QUALIFIED RETIREMENT PLANS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-R • Form RRB 1099-R • Form CSA 1099-R • Form CSF 1099-R	• IRS: Income - line 11 • P+P: N/A	• 1040: line 23, Form 5329, and Sch 2 line 8	Basic

Overview: If a taxpayer received an early distribution from an IRA, annuity or other qualified retirement plan, they may owe this tax. TaxSlayer calculates the tax depending information entered from Form 1099-R. See page 69 for distributions that qualify for exception from this tax. Taxpayers may also owe this tax for excess contributions or failing to make a Required Minimum Distribution (see page 68).

FIRST-TIME HOMEBUYER CREDIT REPAYMENT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records of repayment or prior-year tax return	• IRS: Life Events - line 6 • P+P: N/A	• 1040: Sch 2 line 10 and Form 5405 • M1: N/A • M1PR: N/A	Advanced

Overview: Taxpayers who received the First-Time Homebuyer Credit in 2008 must repay the credit over a 15-year period in equal installments beginning in tax year 2010. Preparers must add Form 5405 in TaxSlayer to enter credit repayments.

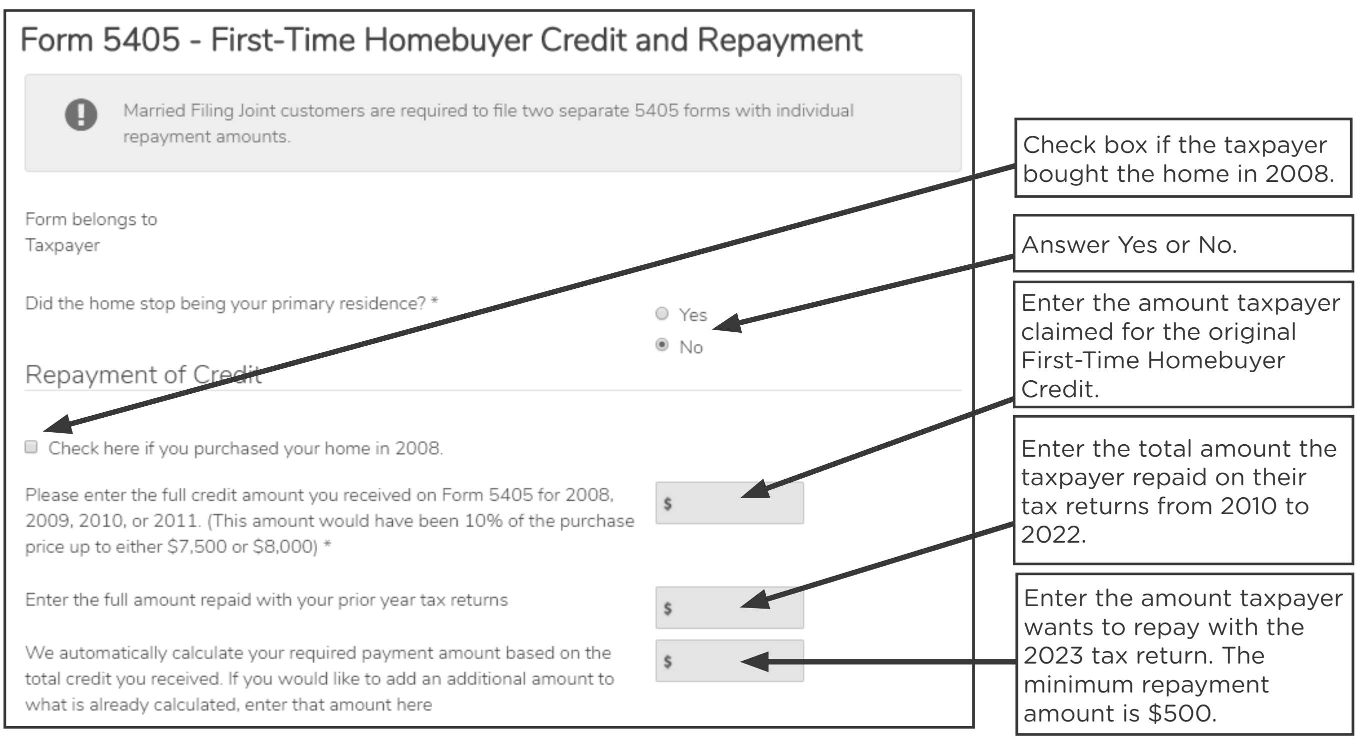
Credit repayments were also required for some taxpayers who took this credit in 2009 or 2010. The repayment schedule for these years has already ended.

The taxpayer can check the total credit and repayment amounts at www.irs.gov/Individuals/First-Time-Homebuyer-Credit-Account-Look-up.

Some exceptions to repayment apply. See the instructions for Form 5405 for a list of exceptions, especially if the taxpayer no longer owns the home. If the home was sold and repayments are limited by gains on the sale, the return is out of scope.

First-time Homebuyer Credit for Form 5405

Federal Section » Other Taxes » First-time Homebuyer Repayment
Search keyword: "5405" or "Homebuyer"



FEDERAL AND MINNESOTA PAYMENTS

INCOME TAX WITHHELD

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 • Various Forms 1099 • Form W-2G	• IRS: N/A • P+P: N/A	• 1040: line 25d • M1: line 20 and Sch M1W • M1PR: N/A	Basic

Overview: Most taxpayers will have tax withheld from wages and sent directly to the IRS and Minnesota Revenue. The amount withheld is based on the Form W-4 the employee filled out for the employer. Taxpayers who do not have enough withheld will have a balance due. If too much was withheld, the excess will be returned as a refund. In either case, taxpayers may want or need to update their W-4 to balance their tax withholding with their tax liability.

Taxpayers can also have tax withheld from some other income sources (e.g., unemployment, gambling winnings, or retirement plan distributions).

Taxpayers should consider updating their withholding at tax time or during other significant life events (e.g., having a child, getting married, or starting a new job).

The IRS Withholding Estimator at www.irs.gov/W4App can help taxpayers accurately update their forms to have the correct tax withheld. Minnesota Revenue also has a withholding calculator available on their website to help accurately calculate state tax withholding.

Prepare + Prosper has a W-4 Info handout available onsite for volunteers. The handout covers basic information about withholding and offers tips for filling out Form W-4.

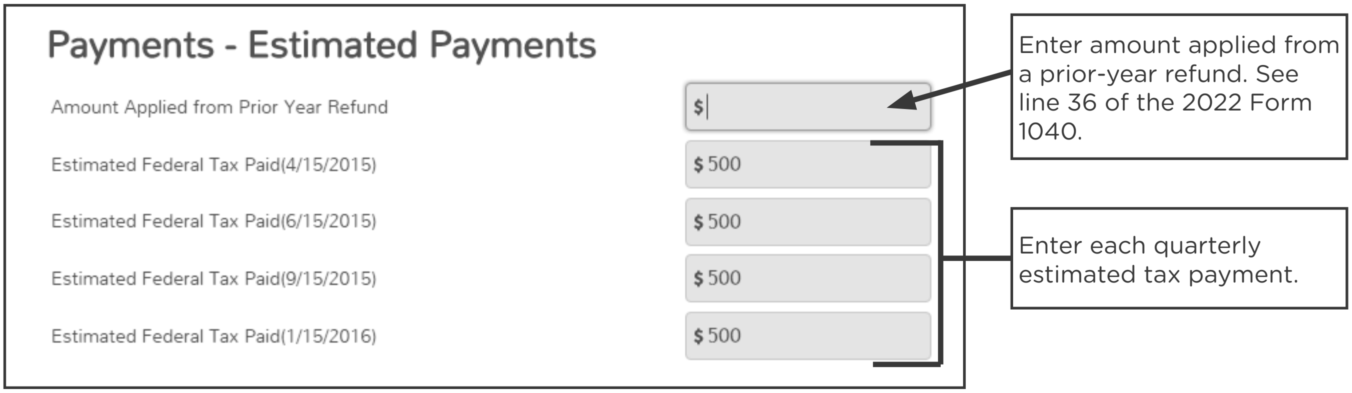
ESTIMATED TAX PAYMENTS AND AMOUNTS APPLIED FROM PREVIOUS TAX YEAR

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records of payment or prior year tax return	• IRS: Life Events - line 7 • P+P: Minnesota Tax Information question 2	• 1040: lines 26, 31 and 36 and Sch 3 line 10 • M1: lines 21 and 30 • M1PR: N/A	Basic

Overview: Taxpayers with income from self-employment, dividends, interest, capital gains, and royalties may choose to or be required to make quarterly estimated tax payments. These types of income often do not have tax withheld, but taxpayers can still pay their income tax throughout the year. Self-employed individuals and retirees are more likely to have made quarterly estimated tax payments or elected to apply a 2022 tax refund toward their 2023 tax liability than other VITA customers.

Federal estimated taxes paid

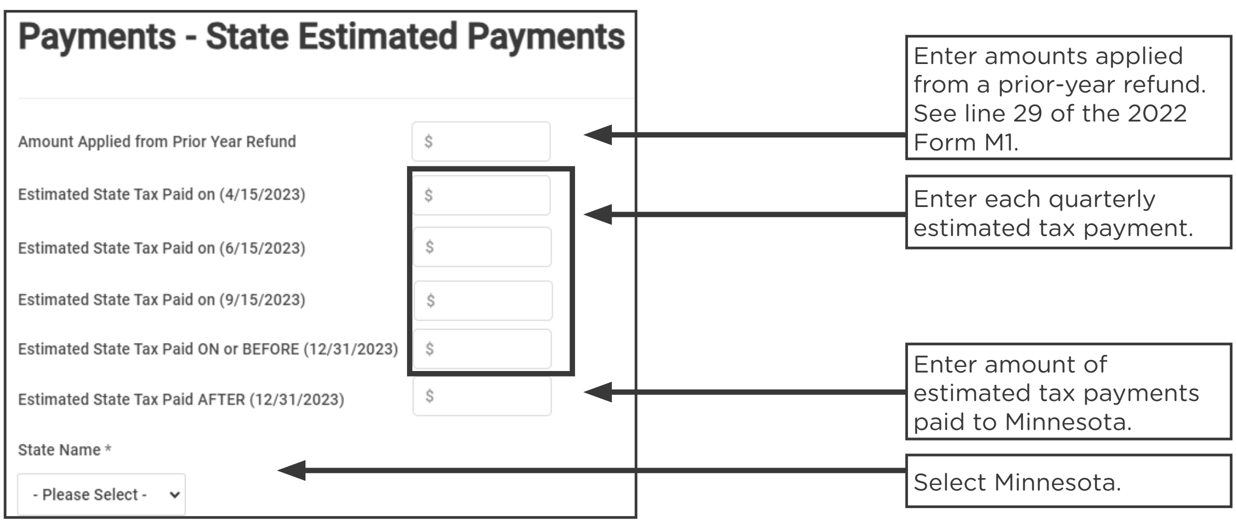
Federal Section » Payment & Estimates » Federal Estimated Payments for 2023
Search keyword: “Payments”



If a taxpayer expects to owe over $1,000 in tax and does not have adequate tax withholding, generate estimated tax vouchers for 2024 using the “Vouchers for next year’s estimated payments” screen in the Payments & Estimates section of TaxSlayer.

Minnesota Estimated Payments

Federal Section » Payments & Estimates » State Estimated Payments
Search keyword: “Payments” (second result)



If a taxpayer expects to owe over $500 in Minnesota tax and does not have adequate tax withholding, generate estimated tax vouchers for 2024 using the “Estimated Payment Vouchers, Form M14” screen in the Miscellaneous Forms menu of the state section of TaxSlayer.

FEDERAL REFUNDABLE CREDITS

EARNED INCOME CREDIT (EIC)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake sheet	• IRS: Life Events - line 4 • P+P: N/A	• 1040: line 27 • M1: N/A • M1PR: N/A	Basic

Overview: Most P+P taxpayers filing a federal return qualify for this refundable credit. TaxSlayer calculates the EIC automatically, but data entry errors can cause miscalculations. Do not enter data in the EIC section of TaxSlayer unless the taxpayer has had the credit disallowed in the past. EIC follows the Qualifying Child tests without the support test, and it's possible that a qualifying child for EIC may not be the taxpayer's dependent.

Maximum Credit and Earned Income/AGI Limits

Qualifying children	Single, HOH, and QSS, income less than:	MFJ, income less than:	Maximum credit:
0	$17,640	$24,210	$600
1	$46,560	$53,120	$3,995
2	$52,918	$59,478	$6,604
3 or more	$56,838	$63,698	$7,430

Earned Income for the EIC

Earned income is primarily from wages and self-employment income. Most other types of income are not considered earned income for the EIC; for example, Social Security benefits, unemployment, most retirement distributions, and income for work performed while an inmate at a penal institution (may be reported on a W-2).

See Pub 4012, Tab I, page I-3, for a more detailed summary.

SSN and ITIN rules for EIC

Taxpayers and any Qualifying Children must have a Social Security number (SSN) to be eligible for EIC. Taxpayers with an Individual Taxpayer Identification Number (ITIN) do not qualify. Taxpayers with SSNs may qualify if they are claiming someone with an ITIN (see chart below). Taxpayers who become eligible for an SSN may claim EIC if the SSN is received prior to the tax filing deadline.

Taxpayer with SSN claiming child with ITIN	Taxpayer qualifies for EIC, but no EIC for child
Taxpayer with ITIN claiming child with SSN	No EIC
Taxpayer with SSN, spouse with ITIN, claiming child with SSN	No EIC
Taxpayer with SSN claiming child with SSN and child with ITIN	Taxpayer and child with SSN qualify for EIC, but child with ITIN does not

Summary of EIC Eligibility Requirements

Part A: Rules for everyone	Part B: Rules with a Qualifying Child	Part C: Rules with no Qualifying Child
• Taxpayers and Qualifying Children must all have a Social Security number that is valid for employment[1] • MFS filers qualify only if they did not live with their spouse in the last 6 months of the year and have a Qualifying Child • Must be a U.S. citizen or resident alien all year • Cannot file Form 2555 (relating to foreign earned income) • Investment income[2] must be $11,000 or less • Cannot be a Qualifying Child of another person	• Child must meet the relationship, age, residency and joint return tests, but not the support test (see below); the child doesn't have to be taxpayer's dependent • Taxpayer cannot be the Qualifying Child of another person • Qualifying Child cannot be used by more than one person to claim the EIC	• Must be at least age 25 but under age 65 at the end of the tax year • Cannot be a dependent of another person • Must have lived in the United States more than half the year • Cannot be a Qualifying Child of another person

[1] *Taxpayers must have a valid SSN by the due date of the return (including extension) in order to claim EIC. Taxpayers cannot file amended returns to claim a credit for a year when taxpayer did not originally have a valid SSN.*

[2] *Investment income includes taxable and tax-free interest, dividends and capital gains.*

Qualifying Child tests for the Earned Income Credit

1. **Age:** Under age 19 and younger than the taxpayer, **or** under age 24, younger than the taxpayer and a full-time student for at least 5 months of the year, **or** any age if permanently and totally disabled at the end of the tax year.
2. **Relationship:** The child must be the taxpayer's child, sibling, or a descendant of these relatives (full list on page 52).
3. **Residence:** The child must have lived with the taxpayer in the U.S. for more than half of the year (with exceptions for temporary absences). Only the custodial parent may claim EIC.
    - If the child qualifies more than one person for EIC, see tie-breaker rules on page 53.
    - If another person has erroneously filed claiming the taxpayer's Qualifying Child, prepare a paper return using the Qualifying Child. The IRS will use the tie-breaker rules to determine which person receives the EIC for the child.
4. **Joint return:** The child cannot be filing a tax return MFJ, unless filing only to claim a refund of tax withheld.

MN

Minnesota's Child and Working Family Credits are available to taxpayers and dependents using an ITIN if they meet all other criteria to claim the credit. See page 154 for full Minnesota credit eligibility details.

Information to claim EIC after disallowance

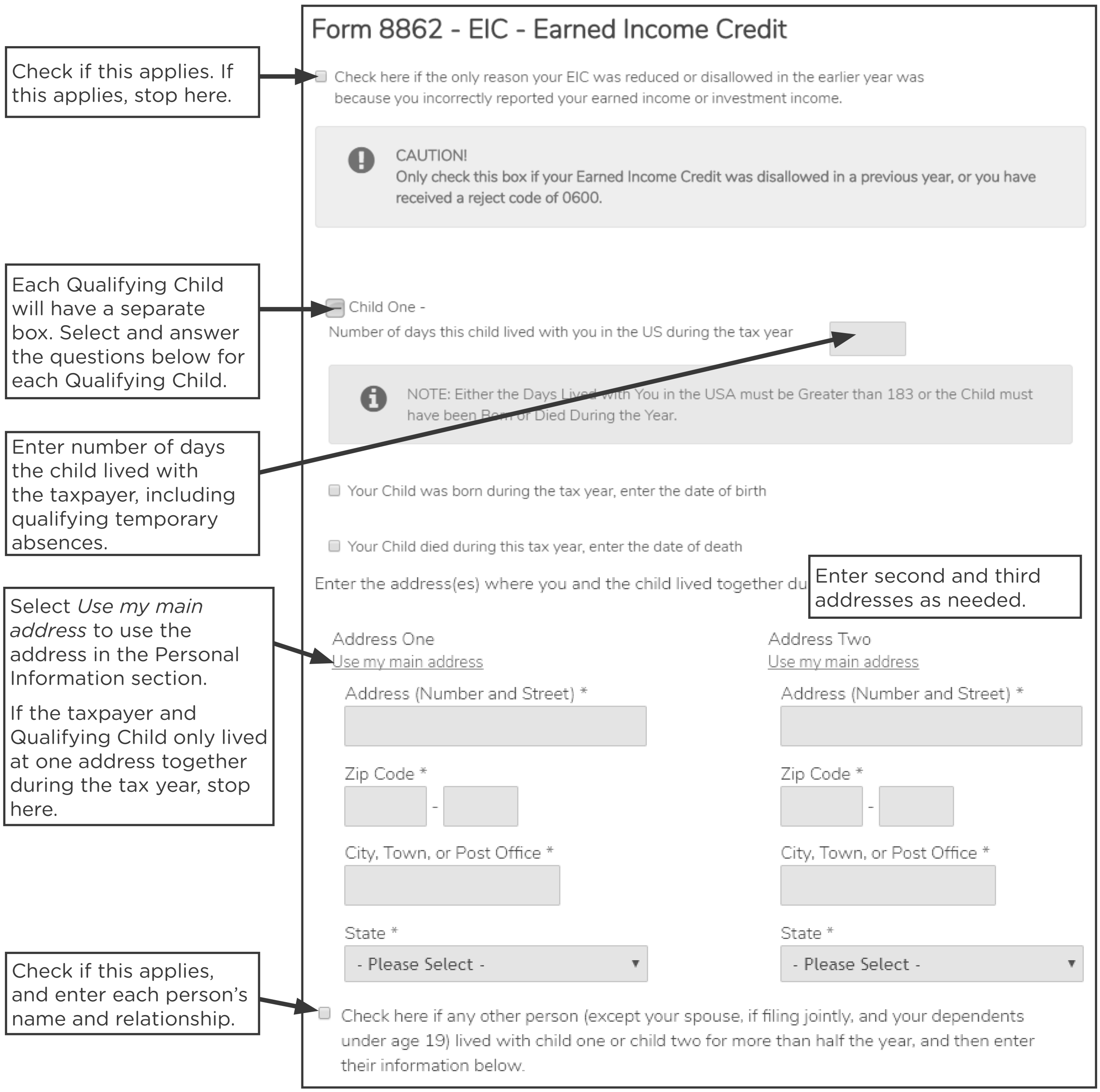
This is rare. If a taxpayer indicates on Form 13614-C that the EIC was disallowed in a prior year, start by asking clarifying questions. For example, "Have you ever received a letter from the IRS stating that you couldn't claim a credit?"

A taxpayer must complete Form 8862 if both of the following apply:

- The EIC was reduced or disallowed for any reason other than a math or clerical error after 1996, and
- The taxpayer now qualifies for EIC and wants to claim it on their return.

Claiming EIC after disallowance - Form 8862

Federal Section » Deductions » Credits » Earned Income Credit » Information to Claim EIC after Disallowance **Search keyword:** "8862" (first result)


Form 8862 - EIC - Earned Income Credit

Check here if the only reason your EIC was reduced or disallowed in the earlier year was because you incorrectly reported your earned income or investment income.

CAUTION!
Only check this box if your Earned Income Credit was disallowed in a previous year, or you have received a reject code of 0600.

Child One -
Number of days this child lived with you in the US during the tax year

NOTE: Either the Days Lived with You in the USA must be Greater than 183 or the Child must have been Born or Died During the Year.

Your Child was born during the tax year, enter the date of birth

Your Child died during this tax year, enter the date of death

Enter the address(es) where you and the child lived together du

Address One	Address Two
Use my main address	Use my main address
Address (Number and Street) *	Address (Number and Street) *
Zip Code *	Zip Code *
City, Town, or Post Office *	City, Town, or Post Office *
State *	State *
- Please Select -	- Please Select -

Check here if any other person (except your spouse, if filing jointly, and your dependents under age 19) lived with child one or child two for more than half the year, and then enter their information below.

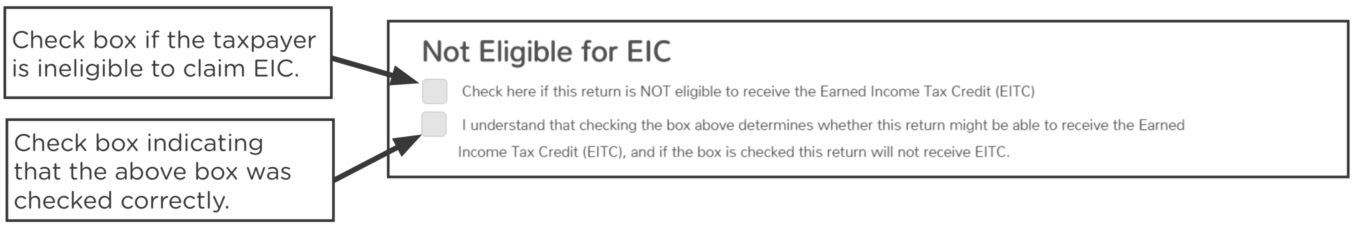
Not eligible for the EIC

If the taxpayer is not eligible for EIC, complete the form shown below to override the EIC calculations. **This is very rare**, but should be used if:

- Taxpayer has a Social Security card with the message *Not Valid for Employment*. In this situation, confirm that the taxpayer's status has not changed since the card was issued before overriding the EIC calculations.
- EIC was denied due to reckless or intentional disregard of the EIC rules.
- EIC was disallowed in the past due to fraud.

Ineligible for the EIC

Federal Section » Deductions » Credits » Earned Income Credit » Not eligible for EIC **Search keyword:** "8862" (third result)



ADDITIONAL CHILD TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake Sheet	• IRS: Marital Status and Household Information • P+P: N/A	• 1040: line 28 and Sch 8812 • M1: N/A • M1PR: N/A	Basic

Overview: Taxpayers who meet the qualifications for the Child Tax Credit may qualify for the Additional Child Tax Credit if they do not have enough tax liability to use the entire nonrefundable Child Tax Credit (see page 105). The Additional Child Tax Credit is refundable up to $1,600 per child. The taxpayer must have more than $2,500 of taxable earned income or have three or more qualifying children. TaxSlayer automatically calculates this credit and the Child Tax Credit based on entries in the dependent section and the taxpayer's income.

PREMIUM TAX CREDIT (PTC)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1095-A	• IRS: Life Events - line 9 • P+P: N/A	• 1040: line 31, Sch 3 line 9, and Form 8962 • M1: N/A • M1PR: N/A	Advanced

Overview: The Premium Tax Credit is a refundable credit available to taxpayers who purchase a health insurance plan through MNsure, Minnesota's health insurance marketplace. Most P+P customers, based on income, will qualify for MinnesotaCare or Medical Assistance and cannot claim the credit.

Taxpayers with a MNsure plan must have Form 1095-A and are required to file Form 8962. Taxpayers can log in to their MNsure accounts at www.mnsure.org to access Form 1095-A. Review Form 1095-A for potential out of scope situations before starting the return.

The PTC can be taken in advance as a payment directly to the insurer to reduce monthly premiums (advance PTC) and/or on the tax return claimed as a refundable credit (net PTC).

MNsure application	Uses prediction for annual income	Monthly advance PTC goes to insurance company
File tax return	Calculates actual annual income	Reconcile advance PTC and receive net credit or repay excess received

Anyone who receives advance PTC for themselves, a dependent, or a person they helped enroll under the belief they would be a dependent, must file a tax return to reconcile the PTC on Form 8962. If the taxpayer must repay part of the advance PTC, see Pub 4012, Tab H, page through H-20, to ensure correct TaxSlayer entry.

> Taxpayers repaying excess PTC should be encouraged to report income changes to MNsure. Reporting income fluctuation throughout the year corrects the advance PTC issued monthly and should eliminate excess PTC repayments next year.

Taxpayers with MNsure insurance who did not claim advance PTC will receive Form 1095-A without entries in the columns for advance PTC or Second Lowest Cost Silver Plan (SLCSP) premium. Preparers must look up the SLCSP premium online at compare.mnsure.org. These taxpayers must include the Form 1095-A and SLCSP information when filing to determine eligibility for net PTC.

If any of the following situations apply, consult Pub 4012, Tab H, pages H-14 to H-20, because the return **may be out of scope** or require additional steps:

- Form 1095-A shows a person who is not on the return.
- Taxpayers receiving Form 1095-A got married or divorced in the tax year.
- A taxpayer has multiple Forms 1095-A.
- A taxpayer stopped paying premiums for a MNsure plan, but was still enrolled.

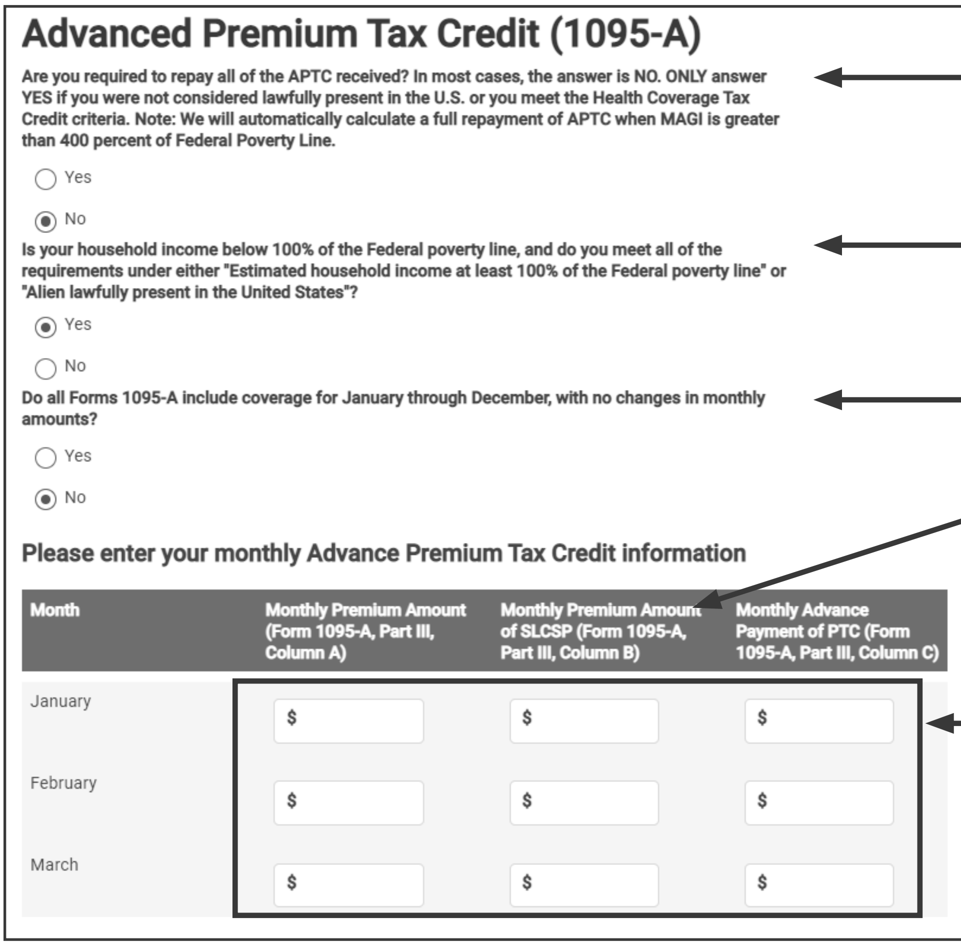
If someone received advance PTC, do not prepare the return without Form 1095-A.

The taxpayer can log in to an online MNsure account to print the form or request one by calling MNsure at 1-855-366-7873.

Taxpayers may receive either a Form 1095-B or Form 1095-C. These are informational only.

Entering the Advance Premium Tax Credit

Health Insurance Section
Search keyword: “8965”



Advanced Premium Tax Credit (1095-A)

Are you required to repay all of the APTC received? In most cases, the answer is NO. ONLY answer YES if you were not considered lawfully present in the U.S. or you meet the Health Coverage Tax Credit criteria. Note: We will automatically calculate a full repayment of APTC when MAGI is greater than 400 percent of Federal Poverty Line.

- ○ Yes
- ◉ No

Is your household income below 100% of the Federal poverty line, and do you meet all of the requirements under either "Estimated household income at least 100% of the Federal poverty line" or "Alien lawfully present in the United States"?

- ◉ Yes
- ○ No

Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?

- ○ Yes
- ◉ No

Please enter your monthly Advance Premium Tax Credit information

Month	Monthly Premium Amount (Form 1095-A, Part III, Column A)	Monthly Premium Amount of SLCSP (Form 1095-A, Part III, Column B)	Monthly Advance Payment of PTC (Form 1095-A, Part III, Column C)
January	$	$	$
February	$	$	$
March	$	$	$

Generally answer No. See Pub 4012, Tab H, page H-13, for more information.

If household income is less than 100% of the Federal Poverty Line, generally the answer is Yes. See Pub 4012, Tab H, page H-13.

Review Form 1095-A for changes in monthly amounts.

If the Second Lowest Cost Silver Plan premium column is blank, use the Plan Lookup Tool at compare.mnsure.org to look up the amount.

Enter monthly amounts from Form 1095-A. If each month is the same, summary boxes for annual totals will display.

EDUCATION BENEFITS

ELIGIBILITY FOR EDUCATION CREDITS

If a taxpayer, spouse, or one of their dependents attended a postsecondary institution, they may be eligible for tax benefits and/or have taxable income as a result. Determining the tax implications of attending a college or university is a multi-step process that takes some time to complete, but can have a large impact on the taxpayer's return. The steps for finding what to enter in the software include:

1. Determining who qualifies and for which credit
2. Determining amounts of qualified expenses and educational assistance
3. Determining tax treatment of scholarships and adjusted eligible expenses
4. Maximizing the American Opportunity Credit
5. Finding where to enter values in the software

WHO IS NOT ELIGIBLE FOR EDUCATION CREDITS

- Taxpayers **claimed as a dependent** on another person's tax return (for example, a parent's return)[1] are not eligible for credits with a few exceptions (see below).
- Taxpayers using the filing status **Married Filing Separately** cannot claim education credits.
- Taxpayers who were **nonresident aliens** for any part of the tax year and did not elect to be treated as a resident alien for tax purposes cannot claim education credits. See Pub 4012, Tab L, page L-3, for decision tree for determining residency status.
- Taxpayers with modified adjusted gross **income above credit limits** (these vary by filing status and are above P+P guidelines).

[1] See special rules for dependents below on this page and for taxpayers under age 24 on page 126.

For full eligibility requirements, see page 125.

> There is no upper age limit for claiming an education credit. College and university students of any age can be eligible if they meet the other credit qualifications.

CREDITS FOR DEPENDENT STUDENTS

When a taxpayer claims a student as a dependent, the taxpayer can claim the American Opportunity Credit or Lifetime Learning Credit based on the dependent's expenses. This is the case no matter who paid for the expenses or who is responsible for paying the expenses. The dependent cannot claim the credit.

However, if a taxpayer does not claim an exemption for the dependent (even if entitled to), then the dependent can claim the Lifetime Learning Credit or the nonrefundable portion of the American Opportunity Credit. Most often, the greatest overall tax benefit will result if the taxpayer claims the dependent and the education credit. Any taxable and nontaxable scholarships are included only on the *student*'s return, regardless of who claims the credit.

> Some dependent students with scholarship income are required to file Form 8615, which calculates "Kiddie Tax". When this is required, the dependent student's return is out of scope for VITA. See more on page 136.

DETERMINING EDUCATION CREDIT ELIGIBILITY

Taxpayers can only claim one education benefit per qualifying student. Check qualifications individually for each student to determine the best tax advantage. If the student qualifies, the American Opportunity Credit will be the most beneficial.

	American Opportunity Credit	Lifetime Learning Credit
Maximum credit	Up to $2,500 **per eligible student** ($4,000 in expenses needed for maximum credit).	Up to $2,000 **per return** ($10,000 in expenses needed for maximum credit).
Credit calculations	100% of first $2,000 of qualifying expenses, and 25% of additional expenses up to $4,000.	20% of qualifying expenses.
Refundable or nonrefundable	40% of the credit (up to $1,000) is a refundable credit; the rest is nonrefundable.	Nonrefundable.
Number of years of postsecondary education	Available **ONLY** for the first 4 years of postsecondary education.	Available for all years of postsecondary education, and for courses to acquire or improve job skills.
Number of tax years credit is available	Available **ONLY** for 4 tax years per eligible student, including any years the Hope Credit was claimed.	Available unlimited number of years.
Type of degree	Pursuing a degree or other recognized education credential.	Need not be pursuing a degree, but must be for courses to acquire or improve job skills.
Number of courses	Must be enrolled at least half-time for at least one academic period beginning during the year.	Available for one or more courses.
Felony drug conviction	Cannot have been convicted of a felony for possessing or distributing a controlled substance.	Felony drug convictions do not impact eligibility.
Qualified expenses	Tuition, required enrollment fees and course-related materials, such as books, supplies, and equipment. See page 127 for details on qualified expenses, including books, supplies, or equipment, if not included on Form 1098-T.	
Additional eligibility factors	• Eligible student: Taxpayer, spouse, or dependent claimed on the return. • Eligible institution: Must be accredited and eligible for participation in the federal student aid program. Verify here: ope.ed.gov/accreditation/Search.aspx • Form 1098-T: Must have form 1098-T to claim the credits.	

QUESTIONS FOR THE AMERICAN OPPORTUNITY CREDIT

Use the following questions to screen a taxpayer for the American Opportunity Credit. If the taxpayer does not qualify, check qualifications for the Lifetime Learning Credit. Answers will be entered into TaxSlayer to determine eligibility (see page 138).

1. **Has the American Opportunity Credit (or Hope Scholarship Credit) already been claimed on 4 prior tax returns for the student?**

   The American Opportunity Credit has not been claimed by the student or anyone else (often a parent) for this student for any other 4 tax years. If the American Opportunity Credit has been claimed for this student for 3 or fewer tax years in the past, this requirement is met. *Hope Scholarship Credit is the former name of this credit.*

2. **Was the student enrolled at least half-time?**

   For at least one academic period beginning in the tax year, the student was enrolled in a program that leads to a degree, certificate, or other recognized educational credential, and carried at least one-half the normal full-time workload as determined by the school. This is indicated on Form 1098-T.

3. **Did the student complete the first 4 years of postsecondary education?**

   As of the beginning of the tax year, the student had not completed the first 4 years of postsecondary education (generally, the freshman through senior years of college). For this purpose, don't include academic credit awarded solely because of the student's performance on proficiency examinations or participation in Minnesota's Postsecondary Enrollment Options (PSEO) program.

4. **Was the student convicted of a felony for possession or distribution of a controlled substance?**

   As of the end of the tax year, the student had not been convicted of a federal or state felony for possessing or distributing a controlled substance.

STUDENTS UNDER AGE 24 - AMERICAN OPPORTUNITY CREDIT

Students under age 24 may only claim the refundable portion of the American Opportunity Credit if any of the following apply to them:

- Student was 18 or older and their earned income[1] was at least half of their support[2]
- Student was 19 or older and was not a full-time student[3]
- Neither of the student's parents was living at the end of the tax year
- The student is married and files a joint return

Students under age 24 who do not meet any of the above criteria can still claim the nonrefundable portion of the credit if they are not claimed as a dependent. For helpful interview questions, see Pub 4012, Tab J, page J-14.

[1] TaxSlayer calculates earned income for the education credits, including: wages, self-employment earnings, and the part of any scholarship or fellowship that represents payment for teaching, research, or other services performed by the student that are required as a condition for that scholarship or fellowship (other scholarships received are not considered earned income for purposes of determining support). For more information about earned income, see Pub 970, Tax Benefits for Education.

[2] Support includes food, shelter, clothing, medical and dental care, education, and the like. For more information, see Pub 970, Tax Benefits for Education.

[3] The student is full-time if during any part of any 5 calendar months in the tax year, the student was enrolled as a full-time student at an eligible institution.

QUALIFIED EXPENSES AND EDUCATIONAL ASSISTANCE

Schools are required to issue Form 1098-T when expenses could qualify a student for an education benefit, and the form is required to claim education credits. Students can often print Form 1098-T by logging in to the school's website. With very few exceptions, this form is required for tax preparation if a postsecondary student is included on the return. It helps identify the tax treatment of scholarships and grants as well as qualifying expenses for credits. It also indicates if a student was enrolled at least half time or was a graduate student. Boxes showing adjustments to tuition or scholarships may have an impact on a prior-year return.

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HAMLINE UNIVERSITY 1536 HEWITT AVE ST. PAUL, MN 55104	1 Payments received for qualified tuition and related expenses $ 14,756 2	OMB No. 1545-1574 Form 1098-T	Tuition Statement
FILER'S employer identification no. 58-4567552 / STUDENT'S TIN 123-33-3333	3		Copy B For Student
STUDENT'S name RENEE KING	4 Adjustments made for a prior year $	5 Scholarships or grants $ 8,745	This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
Street address (including apt. no.) 200 3RD AVE N City or town, state or province, country, and ZIP or foreign postal code BROOKLIN PARK, MN 55429	6 Adjustments to scholarships or grants for a prior year $	7 Checked if the amount in box 1 includes amounts for an academic period beginning January—March 2020 ☐	
Service Provider/Acct. No. (see instr.) / 8 Check if at least half-time student ☑	9 Checked if a graduate student ☐	10 Ins. contract reimb./refund $	

Form 1098-T (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

TOTAL QUALIFIED EXPENSES

Tuition and related expenses on Form 1098-T	+	Additional qualified expenses	=	Total qualified expenses

Qualified expenses for the American Opportunity Credit and Lifetime Learning Credit include tuition and some other expenses required for enrollment. Most expenses are reported by the school on Form 1098-T; however, additional expenses can come from itemized billing statements or receipts. Report expenses in the tax year in which they were paid regardless of when the student attended school.

Taxpayers must have receipts for additional expenses in case of an audit. If the taxpayer did not bring them, remind them to place these receipts with the return for future reference.

Itemized billing statements

In addition to Form 1098-T, some students will want or need to print an itemized billing statement from the school to document additional qualifying expenses. This may include books purchased directly from the school. The billing statement is also useful in determining the types of scholarships a student received and verifying the year in which they were received.

Non-qualified expenses

Some common expenses cannot be used when calculating an education credit. Students may not include activity fees (if not required as a condition of enrollment), insurance, medical expenses (including student health fees), room and board, transportation, or personal living expenses when calculating eligible expenses.

Additional qualified expenses for the American Opportunity Credit

For the American Opportunity Credit, required course-related materials, such as books, supplies, or equipment may also be included as qualified expenses. Computer or other technology purchases are eligible only if required.

Example: Noah is currently attending college and is taking classes towards his bachelor's degree in social work. He paid $11,800 in tuition, $3,200 in room and board, and $1,000 for course-related books at the book store.

Since room and board are not qualified education expenses, Noah has $12,800 in total qualified education expenses for the American Opportunity Credit.

Tuition	$11,800
Books	+ $1,000
Total qualified expenses	$12,800

Additional qualified expenses for the Lifetime Learning Credit

For the Lifetime Learning Credit, student fees and expenses for course-related books, supplies, and equipment can be included in qualified education expenses only if the fees and expenses must be paid to the institution for enrollment or attendance. Form 1098-T often includes these expenses when required as a condition of enrollment.

Example: Students in a photography class who are required to purchase specific photo editing software may count the cost as a qualified expense; however, the cost of a laptop purchased for general educational use is not a qualified expense.

EDUCATIONAL ASSISTANCE - SCHOLARSHIPS AND GRANTS

Most students whose returns are prepared at P+P receive some form of assistance to help pay for postsecondary education. Form 1098-T, box 5, reports scholarships and grants a student receives. This includes federal and state grants, as well as scholarships from the school or outside organizations. Additional information about the type of scholarship or grant can usually be found on a financial aid award letter or account statement available on the school's website.

Other educational assistance

Students may also receive other educational assistance; for example: fellowships, employer-provided educational assistance, or education payments from the Department of Veterans Affairs (VA). VA education benefits may be housing/subsistence grants or may be for qualified education expenses. When calculating taxable and nontaxable educational assistance, do not include housing or subsistence grants.

Fellowships, employer-provided educational assistance, and VA benefits for education expenses generally will not be reported on Form 1098-T. A student may have a letter or information from the school showing the amounts. When calculating education credits, include these amounts with educational assistance reported on Form 1098-T in box 5.

Student loans are not considered educational assistance. Loans are considered the student's funds because they must be repaid.

Restricted educational assistance

The use of some scholarships and grants is limited to paying qualified education expenses, generally tuition and required fees. This restricted assistance is generally paid directly to the school, and any excess amount is refunded to the organization that provided the scholarship or grant. Some VA benefits and many merit-based scholarships are restricted.

Non-restricted educational assistance

Some scholarships and grants may be used to pay qualified or non-qualified expenses. These non-restricted scholarships and grants may be used for any qualified education expense, or for room and board or other living expenses. Non-restricted scholarships and grants may be paid directly to the school or the student, and any excess amount will be paid to the student. **These types of grants are always non-restricted:**

- Pell Grants
- Minnesota State Grants (MSG)
- and Minnesota Supplemental Educational Opportunity Grants (SEOG)

Many scholarships and grants are tax-free, but must be reported as household income on a student's Form M1PR (page 166). If the student does not file Form M1PR, nontaxable scholarship income does not get reported.

TAXABILITY OF SCHOLARSHIPS AND ADJUSTED EDUCATIONAL EXPENSES

The values on Form 1098-T are rarely what is entered in TaxSlayer. Understanding the relationship between qualified expenses and scholarships is critical in figuring correct amounts to be used to calculate a credit. The two diagrams below illustrate when expenses are eligible for credits and the tax treatment of scholarships.

$ $ $
Qualified expenses

- paid by scholarships → **not eligible** for education credits
- paid out of pocket[1] → **eligible** for education credits

[1]Out-of-pocket payments include cash payments, student loans, gifts, and amounts paid by other individuals.

Scholarships and grants

- used to pay qualified expenses → **Nontaxable income:** Include as nontaxable income on a *student's* Schedule M1ED and Form M1PR when applicable.
- used to pay living expenses → **Taxable income:** Report as taxable income on the *student's* return.

Report a student's taxable scholarships, fellowships, and grants on line 1 of Form 1040 with wages. Use the P+P Education Credits Worksheet on page 131 to finalize the amounts of taxable and nontaxable educational assistance and how they should be reported.

DO NOT report a dependent's taxable or nontaxable educational assistance on the taxpayer's return. The education credit or deduction can be claimed for a dependent, but the dependent's educational assistance is only reportable on the dependent's return.

Scholarships and grants

Federal Section » Income » Other Income » Other Compensation » Scholarship and Grants
Search keyword: "Other" - other compensation

Scholarships and Grants

Taxpayer's scholarships and grants $500

Enter taxpayer's *taxable* scholarships and grants.

PREPARE + PROSPER

EDUCATION CREDITS WORKSHEET

This worksheet helps determine **Eligible Expenses for Credits**, the **Taxable Educational Assistance,** and the **Nontaxable Educational Assistance.** See page 133 in the P+P Volunteer Tax Manual for definitions of these terms. See pages 124-138 for more information about education credits.

1. **Student is the:** ❑ Taxpayer ❑ Spouse ❑ Dependent

2. **What credit does the student qualify for?** ❑ American Opportunity Credit (AOC) ❑ Lifetime Learning Credit (LTLC)
   See chart on page 125 of P+P Volunteer Tax Manual.

> **If qualified for LTLC only,** does the taxpayer have taxable income on Form 1040? If no, stop. Credit is nonrefundable and will not benefit the taxpayer.

3. **Determine total qualified expenses**

______	+	______	=	______
Tuition & related expenses Form 1098-T, box 1		additional expenses (see page 128 of the P+P Volunteer Tax Manual)		Total Qualified Expenses

4. **Total educational assistance** (Scholarships or grants from Form 1098-T, box 5)**:** ______________

5. **Figure baseline values**

If expenses are greater	
Total qualified expenses Amount from #3	__________
-	-
Scholarships and grants Amount from #4	__________
=	=
Baseline value for Eligible Expenses for Credits	$__________

- Baseline value for taxable assistance is $0.
- Baseline nontaxable assistance value is equal to the Total Educational Assistance:$_________

OR

If scholarships and grants are greater	
Scholarships and grants Amount from #4	__________
-	-
Total qualified expenses Amount from #3	__________
=	=
Baseline value for Taxable Educational Assistance	$__________

- Baseline nontaxable assistance value is equal to the Total Qualified Expenses: $_________
- Baseline value for eligible expenses is $0.

6. **Option 1: Baseline Values**
   Enter lines A, B, and C from the boxes above.
   A. Eligible Expenses for Credits __________________
   B. Taxable educational assistance __________________
   C. Nontaxable educational assistance __________________

> **If claiming AOC, and...**
> - 6A is greater than $4,000 stop here. Use the baseline values in TaxSlayer.
> - 6A is less than $4,000, copy baseline values to the chart on p. 2 and continue.

PREPARE + PROSPER

EDUCATION CREDITS WORKSHEET, page 2

7. **Figure max eligible expenses:** For the AOC, use the following steps to calculate Option 2:
   - **Increase the baseline** Eligible Expenses for Credits to the lesser of $4,000 or Total Qualified Expenses. (For the LTLC, record up to $10,000.) Enter the amount on 8A.
   - Determine how much eligible expenses increased, then **increase taxable assistance** by the same amount and enter it on 8B.
   - **Decrease nontaxable assistance** by the same amount of the eligible expense increase and enter it on 8C.

> **Example:** If the eligible expenses in Option 1 are $0 and they increase to $4,000 in Option 2, then the taxable assistance increases by $4,000 and nontaxable assistance goes down by 4,000.

8. **Option 2: Max Eligible Expenses:** Copy lines A through C to the chart below.
   A. Eligible Expenses for Credits for Option 2 ________________
   B. Taxable educational assistance for Option 2 ________________
   C. Nontaxable educational assistance for Option 2 ________________

9. **Figure Option 3:** To test more options, start with the Max Eligible Expenses column on the chart below. Reduce the Eligible Expenses for Credits and taxable educational assistance by the same amount. Additionally, increase the nontaxable educational assistance by the same amount.
   - Keep the math simple: Use increments of $500 or $1,000
   - Write notes: Use the chart below to track options
   - Don't go below $2,000 of eligible expenses: The first $2,000 of the AOC gives the best value

10. **Use TaxSlayer to test options:** Enter Options 1 -3 in TaxSlayer to determine which option provides the best overall tax situation. While testing options, only enter Eligible expenses and taxable scholarships. Enter nontaxable assistance after the best option is chosen.

11. **Choose best option and finalize TaxSlayer entry:** Discuss options with the taxpayer including overall tax situation, potential impacts of an increased AGI, and potential impact to a dependent's return (see page 136 in P+P Volunteer Tax Manual).

See samples of this worksheet on page 137 in the P+P Volunteer Tax Manual.	**Option 1:** Baseline Values	**Option 2:** Max Eligible Expenses	**Option 3**	**TaxSlayer entry:** Student is the taxpayer/spouse	**TaxSlayer entry:** Student is a dependent
Eligible Expenses for Credits				*Enter in Education Credits section.*	
Taxable educational assistance				*Enter in Other Compensation section*	*Reported on dependent's return.*
Nontaxable educational assistance				*Enter in State section on M1ED & M1PR*	*Not reported: M1ED & M1PR n/a for dependents.*
Federal Refund or Balance Due				*Discuss the best tax advantage with the taxpayer.*	*Discuss impact on taxpayer's and dependent's returns*
State Refund or Balance Due					

VALUES TO ENTER INTO TAXSLAYER

After determining the total qualified expenses and educational assistance amounts, use those figures to find what to enter into TaxSlayer. See the Education Credits Worksheet on page 131 (and printed copies available at P+P sites) to help find the three values below.

- **Eligible expenses for credits:** The amount of total qualified expenses reduced by the amount of nontaxable educational assistance (scholarships and grants).
- **Taxable educational assistance:** The amount of scholarships and grants that exceed qualified expenses, or the amount of scholarships elected to be used for non-qualified expenses, such as living expenses. Taxable amounts must be added as income on the student's return.
- **Nontaxable educational assistance:** The amount of scholarships or grants used to pay for qualified education expenses. While nontaxable, the amount must be reported as household income on the student's Minnesota return to figure the property tax refund and K-12 education credit. This is only important if the student claims these credits.

The first step is calculating the baseline values by making as many scholarships and grants tax-free as possible. Finding the baseline values may be the only step for many returns.

Additional steps will NOT be needed when:

- A student qualifies for the American Opportunity Credit, and Form 1098-T reports tuition of more than $4,000 above the scholarships and grants reported. The maximum expense allowed for the credit is $4,000.
- A student qualifies for the Lifetime Learning Credit, and the taxpayer has no taxable income. A nonrefundable credit does not benefit a taxpayer with no tax liability.
- A student qualifies for either credit and did not receive any scholarships or grants, or received only restricted educational assistance.

In many other situations, the taxpayer will benefit from maximizing the education credit through a series of steps outlined in the next section and on the Education Credits Worksheet.

Calculating baseline values for Education Credits Worksheet

Which is greater, total qualified expenses or total scholarships and grants?

Expenses are greater	Scholarships and grants are greater
Baseline value for: • **Eligible Expenses for Credits** equals the Total Qualified Expenses minus the Total Educational Assistance. • **Taxable Educational Assistance** equals $0. • **Nontaxable Educational Assistance** equals the Total Educational Assistance.	Baseline value for: • **Eligible Expenses for Credits** equals $0. • **Taxable Educational Assistance** equals the Total Educational Assistance minus the Total Qualified Expenses. • **Nontaxable Educational Assistance** equals the Total Qualified Expenses.

Example: Hector has a 1098-T reporting $6,000 of tuition. He paid $500 for books. His total qualified expenses are $6,500 ($6,000 + $500). He also received a Pell Grant for $5,000. Calculate Hector's baseline value for eligible expenses for the American Opportunity Credit like this:

$6,500 total qualified expenses	-	$5,000 grants	=	$1,500 eligible expenses for credits

Hector's entire grant was used to pay tuition, so it is all nontaxable.

Example: Mai's Form 1098-T reports $3,500 paid for tuition. She borrowed her books from a friend taking the same classes. She received $4,750 of scholarships from her college. The scholarships are greater than the qualified expenses, so Mai's baseline value for eligible expenses for the American Opportunity Credit equals $0.

A portion of Mai's scholarship was used for tuition, so $3,500 is nontaxable. The remaining $1,250 used for living expenses is taxable.

$4,750 total scholarship	-	$3,500 nontaxable scholarship	=	$1,250 taxable scholarship

MAXIMIZING THE AMERICAN OPPORTUNITY CREDIT

To take full advantage of the American Opportunity Credit, or "maximize" the credit, the taxpayer chooses to exchange one tax benefit for another that gives a greater benefit.

Tax-free status applied to scholarships and grants used for eligible expenses	exchange tax benefits ⟷	Education credit (or greater amount of qualified expenses for an education credit)

The taxpayer may choose to treat all or a portion of scholarships and grants as used to pay living expenses instead of qualified education expenses and consequently make that amount taxable. Qualified education expenses equal to the amount made taxable are then considered eligible for education credits, because they are considered paid out of pocket. The scholarships and grants must be nontaxable, non-restricted.

How the student or school actually used the scholarship and grants is not important for this process, only if the student could have used the money for living expenses based on the terms of the scholarship or grant.

The process of maximizing eligible expenses for an education credit can only be completed for students with non-restricted scholarships or grants (see page 129). Additionally, students with more than $4,000 of total qualified expenses qualify for the maximum credit and do not benefit from increasing eligible expenses.

Maximizing the Lifetime Learning Credit

Taxpayers may choose to take full advantage of the Lifetime Learning Credit; however, for taxpayers at the income ranges served at VITA sites, it may not give a greater tax benefit, especially when the taxpayer is the student. If the student is a dependent, reporting additional taxable income may have minimal or no impact on the dependent's return, and maximizing the Lifetime Learning Credit has a greater chance of benefiting the taxpayer's return.

MAXIMIZING EDUCATION CREDITS FOR DEPENDENTS

If a taxpayer chooses to characterize a dependent's educational assistance as taxable in order to maximize the American Opportunity Credit or Lifetime Learning Credit:

- The taxpayer claims the credit
- Taxable educational assistance is reported on the dependent's return
- Nontaxable educational assistance will not be reported
  - » Dependents are ineligible for the Minnesota K-12 Education Credit and the Property Tax Refund (nontaxable educational assistance is included only for calculating these credits)

Many dependent students have little to no income, and it is often more beneficial to maximize an education credit on the parent's return than to maintain the tax-free status of the scholarships or grants.

Interview tips for dependent's taxable educational assistance

If both the dependent and the taxpayer are at the tax site, compare results from both returns when possible and explain the overall impact to the taxpayer and the dependent.

If taxpayer is at the tax site without the dependent:

- Prepare the taxpayer's return by maximizing the American Opportunity Credit, but ask about how much the dependent earned to anticipate impact on the dependent's return.
- After maximizing the American Opportunity Credit for the taxpayer, an amendment to an already-filed dependent's return may be necessary to include additional income. This may require the dependent to pay back some or all of an originally-claimed refund.
- The taxpayer's return can be filed if the taxpayer has a full understanding of the income that needs to be added to the dependent's return. If that isn't possible, the taxpayer should come back with the dependent and/or the dependent's return or income information.

A dependent's standard deduction in tax year 2023 can be up to $13,850. See Pub 4012, Tab F, page F-4, for more information on calculating the standard deduction for dependents.

Kiddie Tax and Form 8615

Adding scholarship income to a dependent's return may increase the dependent's income enough to create a filing requirement when there previously was not one. Having a filing requirement does not always mean the dependent will have a tax liability.

Form 8615 calculates a different tax rate for a dependent's unearned income. A dependent's return requires Form 8615 and is out of scope if **both** of the situations below apply.

1. The dependent is required to file a return (see Pub 4012, Tab A, page A-4), **and**
2. The dependent's taxable scholarship income and other unearned income exceeds $3,100.

Important note: taxable scholarship income is considered *earned income* for the purpose of determining if a dependent must file a tax return (and for calculating the standard deduction for dependents). Taxable scholarship income is considered *unearned income* for purposes of calculating Kiddie Tax.

> Form 8615 requires information from the parents' or siblings' returns. This form is out of scope for VITA. Encourage the student to pursue self-preparation (see prepareandprosper.org for options provided by P+P) or refer to a professional tax preparer. Discuss the scholarship income that must be included on the return.

OVERALL TAX RETURN IMPACT

Make the most complete comparison possible to determine the best tax benefit for the taxpayer (and the taxpayer's dependent if applicable). Characterizing scholarships as taxable income will increase AGI and may affect the federal and Minnesota tax returns and other areas of the taxpayer's life. It's important that the taxpayer is aware of the consequence of choosing to add additional taxable income. While an increase to AGI may cause no negative effects, it's possible for increased AGI to:

- Decrease Earned Income Credit and Working Family Credit
- Increase the amount of taxes owed
- Decrease eligibility for educational assistance when completing the FAFSA
- Decrease eligibility for certain public benefit programs

Use the impacts on tax credits and tax to determine the best tax result and discuss options with the taxpayer. Tax preparers do not need to provide guidance on FAFSA or public benefit eligibility; however, it is important to know eligibility for these programs could be impacted. The taxpayer should receive complete information about the possible impacts of maximizing an education credit.

Example: Hugo is claiming his daughter, Ellen, and she qualifies for the American Opportunity Credit. She paid $5,400 in tuition and related expenses, $200 for books, and had a $3,400 Pell Grant. Ellen worked a part-time job tutoring and made $1,100 in wages, and had $80 of tax withheld. Adding $1,800 of taxable grant income to Ellen's return to maximize the American Opportunity Credit doesn't change Ellen's refund, because her income is still below the standard deduction. She has no tax and will still receive all of her withholding back as a refund. By maximizing the education credit, Hugo's federal refund increases by $450, and his state refund is unchanged because Ellen reports the taxable grant on her return.

	Option 1: Baseline values	**Option 2:** Max eligible expenses	**Option 3**	**TaxSlayer entry:** Student is a dependent
Eligible Expenses for Credits	$2,200 +1800	$4,000 −1000	$3,000	*Enter in Education Credits section.*
Taxable educational assistance	$0 +1800	$1,800 −1000	$800	*Reported on dependent's return.*
Nontaxable educational assistance	$3,400 −1800	$1,600 +1000	$2,600	*Not reported: M1ED & M1PR n/a for dependents*
Federal Refund or (Balance Due)	$4,126	$4,576	$4,326	*Discuss impact on taxpayer's and dependent's returns.*
State Refund or (Balance Due)	$124	$124	$124	

Best option!

Example: Ababa is filing her own return and qualifies for the American Opportunity Credit. She paid $2,700 in tuition and related expenses, and purchased required MATLAB software for $200. She received a $4,000 Pell Grant and a $1,700 MN Supplemental Education Opportunity Grant. By treating all of the grants as taxable to maximize the American Opportunity Credit, Ababa has increased tax and a balance due to Minnesota. However, the increase of $1,595 to her federal refund for the credit is more beneficial than maintaining the tax-free status applied to her grants.

	Option 1: Baseline values	**Option 2:** Max eligible expenses	**Option 3**	**TaxSlayer entry:** Student is the taxpayer/spouse
Eligible Expenses for Credits	$0 +2900	$2,900 −500	$2,400	*Enter in Education Credits section.*
Taxable educational assistance	$2,800 +2900	$5,700 −500	$5,200	*Enter in Other Com-pensation section.*
Nontaxable educational assistance	$2,900 −2900	$0 +500	$500	*Enter in State section on M1ED & M1PR*
Federal Refund or (Balance Due)	$1,087	$2,682	$2,563	*Discuss the best tax advantage with the taxpayer.*
State Refund or (Balance Due)	$77	$(228)	$(201)	

Best option!

Federal Section » Deductions » Credits Menu » Education Credits
Search keyword: “8863” or “Education”

Select an Eligible Student

SHELBY NICKLES - 551-11-5511

Choose the student from the drop-down menu. This cannot be changed later without re-entering the 1098-T information.

Choose the credit for which the taxpayer qualifies. The American Opportunity Credit will be the most beneficial if the taxpayer qualifies.

Select the type of credit *

- (●) American Opportunity
- ( ) Lifetime Learning

Qualified Expenses *

Please ensure that you reduce the amount entered for "qualified expenses" by any scholarships / grants received, pursuant to IRS Publication 970.

$ 4000

Enter eligible expenses.

If more than one Form 1098-T, enter the total here.

Add Another Institution

Institution 1

Name *

ABC UNIVERSITY

☐ Check here if foreign address

Address (street number & name) *

2300 MYRTLE AVE

ZIP code *

55114 -

City, town, or post office *

Saint Paul

State *

Minnesota

Enter the school’s information from Form 1098-T. If student attended more than one institution, enter information for both by adding a second institution.

Students must have a 1098-T with a federal ID number to claim education credits.

Did the student receive Form 1098-T from this institution for 2021? *

- (●) Yes
- ( ) No

It is extremely uncommon for a prior-year 1098-T to have box 2 filled and box 7 checked.

Did the student receive Form 1098-T from this institution for 2020 with Box 2 filled in and Box 7 checked? *

- ( ) Yes
- (●) No

Enter the Institution's Federal Identification Number (from Form 1098-T)

41 - 2255225

Has the Hope Scholarship Credit or American Opportunity Credit already been claimed on 4 prior tax returns? *

- ( ) Yes
- (●) No

Was the student enrolled at least half-time? *

- (●) Yes
- ( ) No

Did the student complete the first 4 years of post-secondary education before 2021? *

- ( ) Yes
- (●) No

Was the student convicted, before the end of 2021, of a felony for possession or distribution of a controlled substance? *

- (●) Yes
- ( ) No

Answer each question carefully.

See page 126 for more detail on each question.

Are you eligible for the refundable portion of the American Opportunity Credit? *

Answer NO if 1, 2, & 3 apply to you:

1: You were:

a) Under age 18 at the end of the year, or

b) Age 18 at the end of the year and your earned income was less than one-half of your support, or

c) A full-time student over age 18 and under 24 at the end of the year and your earned income was less than one-half of your support.

2: At least one of your parents was alive at the end of the year.

3: You are not filing a joint return for the year.

Answer “Yes” if the student is eligible for the credit. Questions appear regardless of the taxpayer’s age.

Answer “No” if a situation listed applies to the taxpayer.

MINNESOTA TAX INFORMATION

PART-YEAR RESIDENTS AND NONRESIDENTS

A taxpayer is considered a resident for the length of time both conditions below apply:

- Lived in Minnesota for 183 or more days during the tax year, and
- Owned, rented, leased or otherwise maintained a residence (house, townhouse, condominium, apartment, mobile home, or cabin) with its own cooking and bathing facilities and which could be lived in year-round.

Full-year residents of Minnesota maintain a residence in Minnesota all year. TaxSlayer adds a full-year resident return based on the address in the personal information section of TaxSlayer.

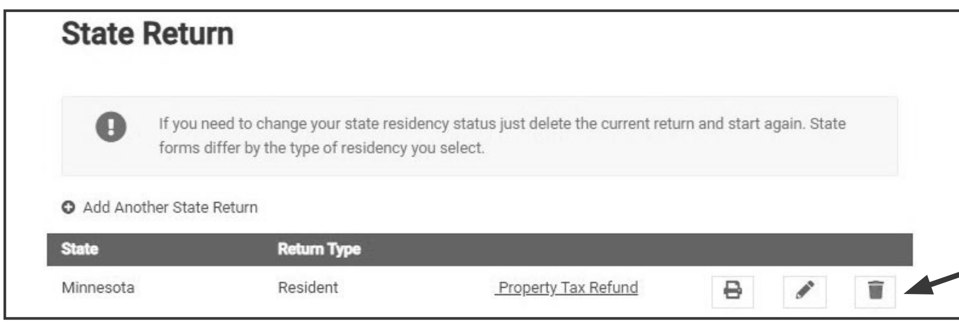
Part-year residents of Minnesota maintain a residence for part of the year by moving into or out of the state or by spending at least 183 days in the state. See Minnesota Revenue's Fact Sheet 2 for more information. In TaxSlayer, change the Minnesota return to "Part-year resident" and enter dates when the taxpayer lived in Minnesota.

Minnesota tax is based on the percentage of income earned or received while in Minnesota using Schedule M1NR. In TaxSlayer, enter income from all states in which the taxpayer resided, and advise taxpayer that the non-Minnesota state return WILL NOT be prepared by P+P. Refer taxpayer to the revenue department website of the state where the income was earned for forms and information or to a paid preparer for return preparation.

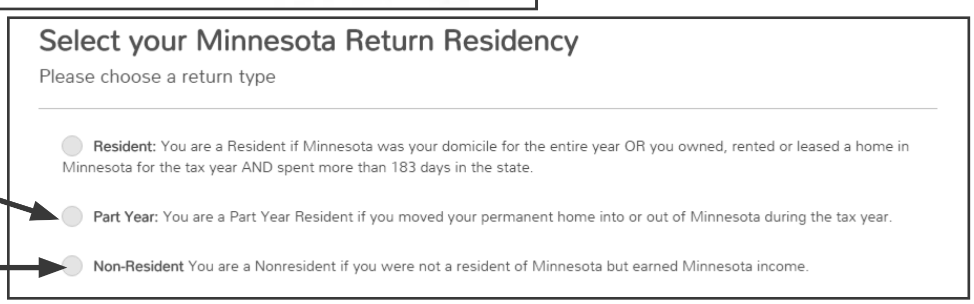
Nonresidents of Minnesota maintain a residence outside the state and did not reside in Minnesota for 183 days or more in the tax year. Nonresidents must file a Minnesota return when income earned in Minnesota is greater than $13,825. In TaxSlayer, change the Minnesota return to a "Non-resident" return. Minnesota tax is calculated on Schedule M1NR. See Minnesota Revenue's Fact Sheet 3 for more information.

Schedule M1NR

State Section

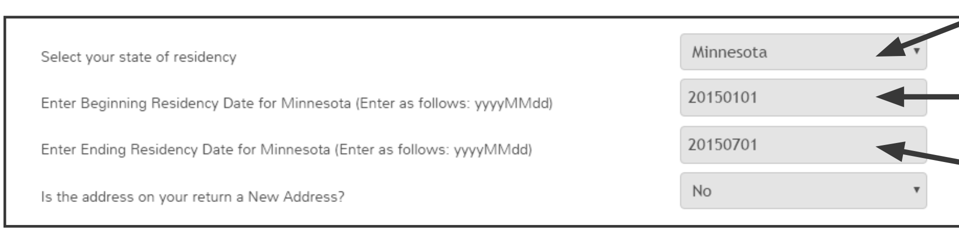


Click to delete the full-year resident return. This will delete any previous data entry in the MN return.



Click here if the taxpayer was a part-year resident of Minnesota.

Click here if the taxpayer was not a resident of Minnesota.



Select state of residency.

Enter the first day of the tax year that the taxpayer lived in Minnesota.

Enter the last day of the tax year that the taxpayer lived in Minnesota.

MINNESOTA ADDITIONS + SUBTRACTIONS

ADDITIONS TO MINNESOTA INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-INT • 1099 composite • Form 1099-OID • Sch K-1	• IRS: Income - line 4 • P+P: N/A	• 1040: N/A • M1: line 2 and Sch M1M lines 1 and 2 • M1PR: N/A	Basic

Overview: Interest or dividends earned on out-of-state municipal bonds must be added back to Minnesota income. The state where the bond was issued is not always clear from the tax forms. Ask the taxpayer if the excluded interest or dividends were from a Minnesota bond.

Interest and dividends on out-of-state municipal bonds and other additions are rarely seen at a VITA site. Minnesota requires several other additions to income that are unlikely to be seen at a VITA site. A full list of additions is available on Schedule M1M or in the *MN Individual Income Tax* booklet.

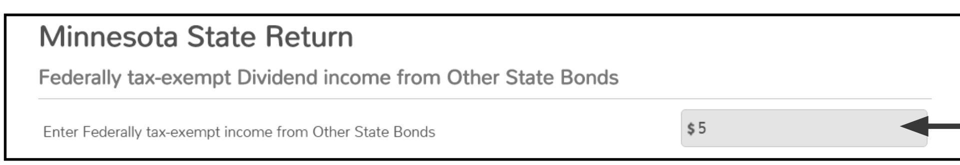
Interest on Municipal Bonds for Schedule M1M

State Section » Minnesota Return » Additions to Income » Federally tax-exempt interest income from obligations of other states

Enter the amount of interest earned on out-of-state municipal bonds.

Dividends from Municipal Bonds for Schedule M1M

State Section » Minnesota Return » Additions to Income » Federally tax-exempt dividend income from other state bonds



Enter the amount of dividends from a mutual fund with municipal bonds from another state.

SUBTRACTIONS FROM MINNESOTA INCOME

Minnesota tax law allows some subtractions from income that are not allowed on the federal return. Subtractions are reported on Schedule M1M. If more information is needed, consult the *MN Individual Income Tax* booklet and the instructions for Schedule M1M.

Charitable contributions over $500

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (e.g. donation statement and canceled checks)	• IRS: Expenses - line 4 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 7 and Sch M1M line 11 • M1PR: N/A	Basic

Overview: Always enter charitable contributions in the federal Itemized Deductions section of TaxSlayer (see page 103). Taxpayers who do not itemize deductions may subtract 50% of their contributions over $500 on their Minnesota return. For example, a taxpayer may receive a $100 subtraction for $700 of charitable contributions.

Taxable Social Security benefits

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form SSA-1099	• IRS: Income - line 13 • P+P: N/A	• 1040: N/A • M1: line 7 and Sch M1M line 12 • M1PR: N/A	Basic

Overview: Taxpayers reporting taxable Social Security benefits on the federal return can subtract that amount on the Minnesota return. TaxSlayer calculates the deduction automatically. The deduction phases out at income levels above P+P income guidelines.

Railroad Retirement Board (RRB) benefits

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form RRB-1099	• IRS: Income - line 13 • P+P: N/A	• 1040: N/A • M1: line 7 and Sch M1M line 17 • M1PR: N/A	Basic

Overview: RRB benefits taxed on the federal return are not taxed by Minnesota. This will calculate automatically if RRB benefits were entered on the federal return (see pages 66 and 72 for TaxSlayer entry).

Interest or dividends on U.S. savings bonds

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-INT • 1099 composite • Form 1099-OID • Sch K-1	• IRS: Income - line 4 • P+P: N/A	• 1040: N/A • M1: line 7 and Sch M1M line 14 • M1PR: N/A	Basic

Overview: U.S. bond interest is not taxable on the Minnesota return. TaxSlayer automatically calculates this subtraction based on entries in the federal section for taxable savings bond interest on the federal return.

K-12 education expenses

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (receipts, credit card statements, canceled checks, and online statements)	• IRS: Marital Status and Household Information • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 7 and Sch M1M line 13 • M1PR: N/A	Basic

Overview: Taxpayers that meet P+P income guidelines will benefit more from the refundable K-12 Education Credit than from this subtraction (see page 156). Taxpayers may subtract expenses that they do not use for the credit. Some expenses, like private school tuition only qualify for the subtraction.

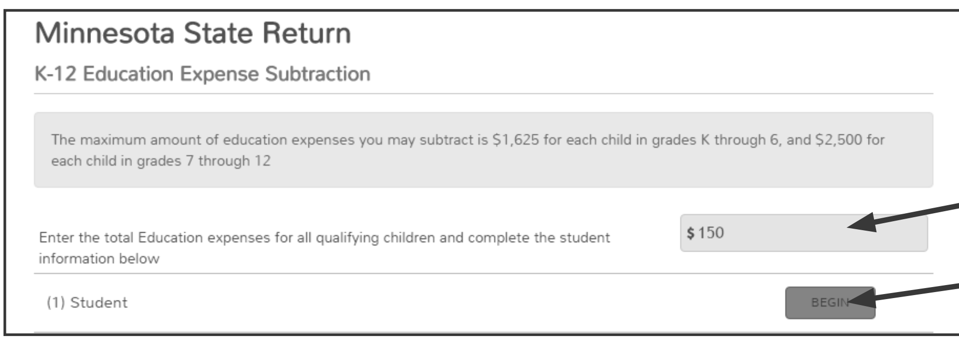
The maximum subtraction is $1,625 for students in grades K-12 and $2,500 for students in grades 7-12. TaxSlayer does not apply this limit automatically. Taxpayers must have a record of the expenses, but the documentation does not need to be present during tax preparation.

To qualify for the subtraction, the taxpayer must have purchased services or required materials to help the child's education and have a qualifying child. See page 157 for a list of qualified education expenses. The child must meet all the following tests:

1. Was the taxpayer's child, adopted child, stepchild, grandchild, or foster child who lived with the taxpayer in the United States for more than half the year;
2. Was in grades K-12 in 2023; and
3. Attended a public, private, or qualifying home school in Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin.

K-12 education expense subtraction

State Section » Minnesota Return » Subtractions from Income » K-12 Education Expense Subtraction



Enter the total of education expenses claimed for the subtraction for all students.

Click here to add student information.

Enter qualifying student's grade, and limit expenses based on their grade level. Use the grade at the end of the tax year to determine the expense limit. The 12th grade limit should be applied for high school seniors who started college during the tax year.

TaxSlayer does not limit the expenses automatically. Double-check that the total expenses reported on the tax return do not exceed the maximum allowed per student.

Age 65 and over or disabled

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: Your Personal Information - line 4, 6, 7, and 9 • P+P: N/A	• 1040: N/A • M1: line 7, Sch M1R, and Sch M1M line 16 • M1PR: N/A	Basic
Overview: Elderly or disabled taxpayers may qualify for this subtraction, modeled after the federal credit (see page 110). It automatically calculates if a taxpayer qualifies based being age 65 or older, but must be added if the taxpayer qualifies based on disability status[1].			

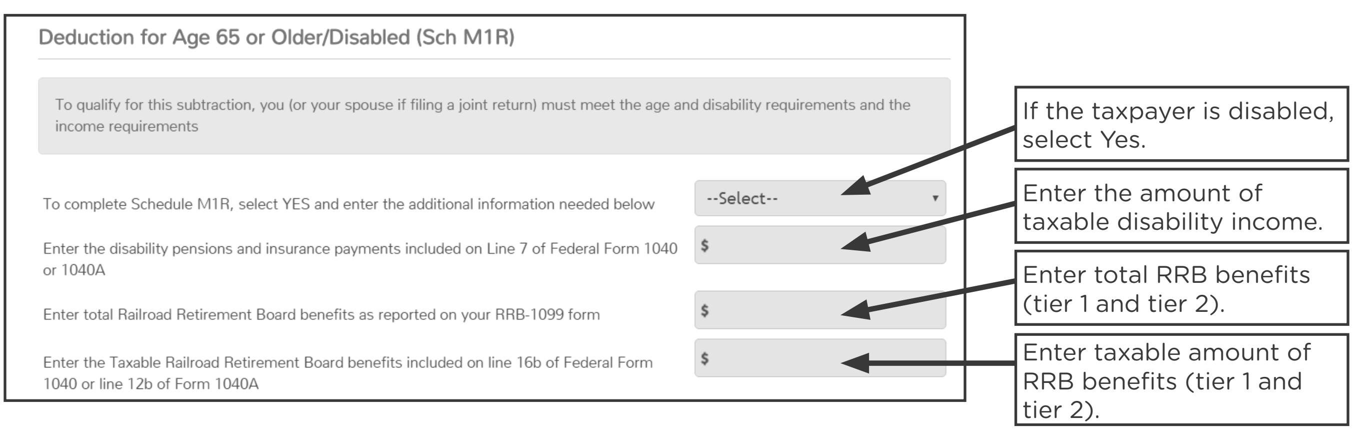
Filing Status	Form M1R Income Limits	
	AGI[2] must be less than:	Total Railroad Retirement Board benefits and nontaxable Social Security must be less than:
Single, HOH, or QSS	$33,700	$9,600
MFJ **and** only one spouse is 65+ or disabled	$38,500	$12,000
MFJ **and** both spouses are 65+ or disabled	$42,000	$12,000
MFS **and** taxpayer & spouse lived apart all year	$21,000	$6,000

[1] For this credit, a taxpayer/spouse is considered disabled if they:
- *Were permanently and totally disabled by the end of 2023, and*
- *Received federally taxable disability income in 2023.*
- *Have a physician's statement.*

[2] AGI for this purpose is federal AGI less any taxable RRB benefits.

Deductions for age 65 or older/Disabled for Schedule M1M

State Section » Minnesota Return » Subtractions from Income » Deductions for Age 65 or Older/Disabled



Contributions to a 529 plan

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 7, Sch M1M line 15, and Sch M1529 • M1PR: N/A	Basic

Overview: If a taxpayer contributes to a 529 College Savings Plan, they may be able to subtract up to $1,500 ($3,000 MFJ) on their Minnesota return. There is also a nonrefundable credit that may provide a better benefit (see page 150). Taxpayers cannot claim both the credit and subtraction.

Contributions to a 529 plan for Schedule M1M

State Section » Minnesota Section » Subtractions from Income » Education Savings Account Contribution Subtraction

Organ donor unreimbursed expenses

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: N/A	• 1040: N/A • M1: line 7 and Sch M1M line 23 • M1PR: N/A	Basic

Overview: Taxpayers (or a dependent) who made an organ donation may qualify for a subtraction of up to $10,000 of expenses incurred that were not reimbursed. To be eligible, the donation must have been a living donation of all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. Unreimbursed expenses that qualify include: travel, lodging, and lost wages (minus sick pay).

Human Organ Donation expenses

State Section » Minnesota Return » Subtractions from Income » Expenses related to Human Organ Donation

Military pension or retirement pay

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-R	• IRS: Income - line 11 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 7 and Sch M1M line 25 • M1PR: N/A	Basic

Overview: Taxpayers may subtract taxable military retirement pensions on the Minnesota return. Look for a 1099-R issued by the Department of Defense or VA. Payments must have been for service in the active component of the military; retirement pay for services in the reserve component; or a survivor benefit plan. Minnesota also has a nonrefundable credit for past military service (see page 150). Taxpayers cannot claim the credit and the subtraction, so compare and choose the greater benefit if the taxpayer qualifies for both.

Military Pay for Schedule M1M

State Section » Minnesota Return » Subtractions from Income » Military Pension or Other Retirement Military Pay

Income earned on an Indian reservation

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer income statements • Taxpayer records (residency and tribal enrollment verification)	• IRS: Income - all lines • P+P: N/A	• 1040: N/A • M1: line 7 and Sch M1M line 19 • M1PR: N/A	Basic
Overview: American Indians must subtract taxable income they earned while living and working on a reservation of which they are an enrolled member. Taxpayers claiming this benefit do not need to bring documentation of their right to this benefit, but should be able to show proof if audited. This is rare at P+P tax sites, but common in some areas of Minnesota. Calculations for the Minnesota Child and Dependent Care Credit depend upon this subtraction being correctly applied to eligible taxpayers.			

Subtractable income earned on the reservation

The following income types are examples of what must be subtracted from Minnesota income for eligible taxpayers. IMPORTANT: this income can only be subtracted for taxpayers who live on the reservation for which they are an enrolled member and earned income while living there.

- Wages for services performed on the reservation
- Distributions of casino profits from a casino located on the reservation
- Gambling winnings won on a reservation on which the tribal member lived
- Income from a sole proprietorship (or ordinary income from a partnership or S corporation) to the extent it does business on the reservation
- Rent and royalty income from tangible property located on the reservation
- Net gain from the sale of real property or personal property located on the reservation
- Social Security to the extent that the contributions were made as a result of employment on the reservation
- Dividend income from a corporation located on the reservation
- Unemployment compensation based on employment performed on a reservation
- Pension income based on contributions due to employment on the reservation
- Military pension based on pay that was exempt from state tax because the individual entered the military while residing on the reservation
- Interest from a bank located on the reservation

If an American Indian taxpayer is required to file a federal return, a state return must also be filed, even if all or part of the income is exempt.

MN Chippewa Tribe members can exclude income regardless of which of the MN Chippewa Tribe reservation(s) they live and work on. For example, the member may live on the Leech Lake Reservation and work at White Earth. This only pertains to the following six bands: Mille Lacs (including Hinckley), Nett Lake (Bois Forte), Fond du Lac, Leech Lake, White Earth and Grand Portage. The Red Lake Band is not a part of the Minnesota Chippewa Tribe.

Red Lake members must work and live on the Red Lake Reservation in order to claim the subtraction.

Indian Reservation Income for Schedule M1M

State Section » Minnesota Return » Subtractions from Income » Indian Reservation Income

AmeriCorps education award

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-Misc • Taxpayer records (e.g. award letter)	• IRS: Income - line 15 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 7 and Sch M1M line 26 • M1PR: N/A	Basic
Overview: If an AmeriCorps program post-service education award was reported as income on the federal return, the amount used to pay tuition or student loans can be subtracted on the Minnesota return. If student loan interest was deducted on the federal return, reduce the subtraction by the amount of the award used to pay deductible interest. Do not include living allowances in the subtraction.			

Income from AmeriCorps education award for Schedule M1M

State Section » Minnesota Return » Subtractions from Income » AmeriCorps National Service Program

Qualified retirement benefits

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: N/A	• 1040: N/A • M1: line 7, Sch M1M line 29 • M1PR: N/A	Basic
Overview: Taxpayers may subtract pension income that is taxable on the federal return and paid out as part of certain public service retirement or survivor benefits. This subtraction is only allowed for pension payments for which no credit toward Social Security benefits was earned. For example, many Public Employees Retirement Association (PERA) recipients will qualify. See the instructions for Schedule M1M for more examples of qualifying pension plans.			

Qualified Retirement Benefits Subtraction for Schedule M1M

State Section » Minnesota Section » Subtractions from Income » Qualified Retirement Benefits Subtraction

TaxSlayer data entry information was not available at the time this manual went to print, but the expected location and search terms are included above.

Other Minnesota subtractions

The following subtractions may apply to a taxpayer. Use the instructions for Schedule M1M if additional information is need to determine if the taxpayer qualifies.

- Michigan or North Dakota reciprocity (out of scope at P+P)
- Federally taxable active-duty military pay (out of scope at P+P)
- Minnesota National Guard pay that is federally taxable (out of scope at P+P)
- Volunteer mileage reimbursement - subtract reimbursements to the extent amounts are included in federal AGI
- Interest earned on a designated first-time homebuyer savings account - use Form M1HOME
- Discharge/cancellation of educational loans - subtract if included in federal AGI
- Damages received under sexual harassment or abuse claims - subtract amounts included in federal AGI

MINNESOTA NONREFUNDABLE CREDITS

MARRIAGE CREDIT

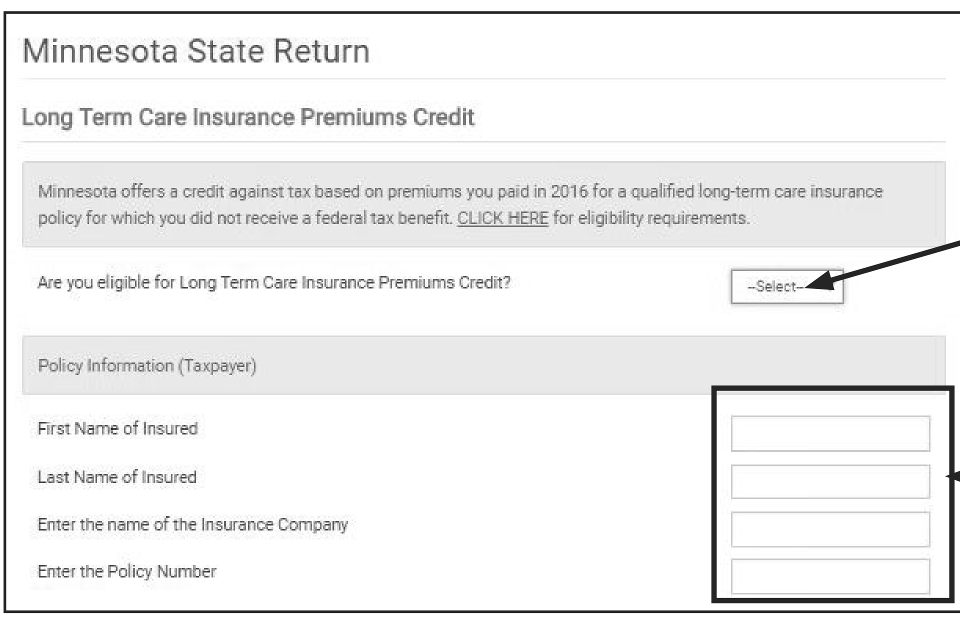
Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake sheet	• IRS: Martial Status and Household Information - line 1 • P+P: N/A	• 1040: N/A • M1: line 16, Sch M1C line 1, and Sch M1MA • M1PR: N/A	Basic
Overview: TaxSlayer automatically calculates this nonrefundable credit (up to $475) for MFJ filers. To qualify: both spouses must have taxable income, joint taxable income must be at least $44,000, and the lesser-earning spouse must have income of at least $28,000.			

CREDIT FOR LONG-TERM CARE INSURANCE PREMIUMS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 16, Sch M1C line 2, and Sch M1LTI • M1PR: N/A	Basic
Overview: Taxpayers may be eligible to claim a nonrefundable credit for purchasing insurance to provide long-term care coverage. The maximum credit is the lesser of $100 ($200 if MFJ) or 25% of the policy premiums. The policy must have a lifetime benefit limit of $100,000 or more, and meet the qualifications to be deductible on federal Schedule A and Minnesota Schedule M1SA. The taxpayer doesn't need to itemize to claim the credit.			

Long-term care insurance premiums for Schedule M1LTI

State Section » Minnesota Return » Credits » Long Term Care Insurance Premiums Credit



Enter premium amounts in the federal section of TaxSlayer (see page 101).

Select Yes.

Enter taxpayer and policy information.

CREDIT FOR INCOME TAX PAID TO ANOTHER STATE

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: N/A	• 1040: N/A • M1: lines 16, 22, Sch M1C line 3, Sch M1CR, Sch M1RCR, and Sch M1REF line 5 • M1PR: N/A	Basic

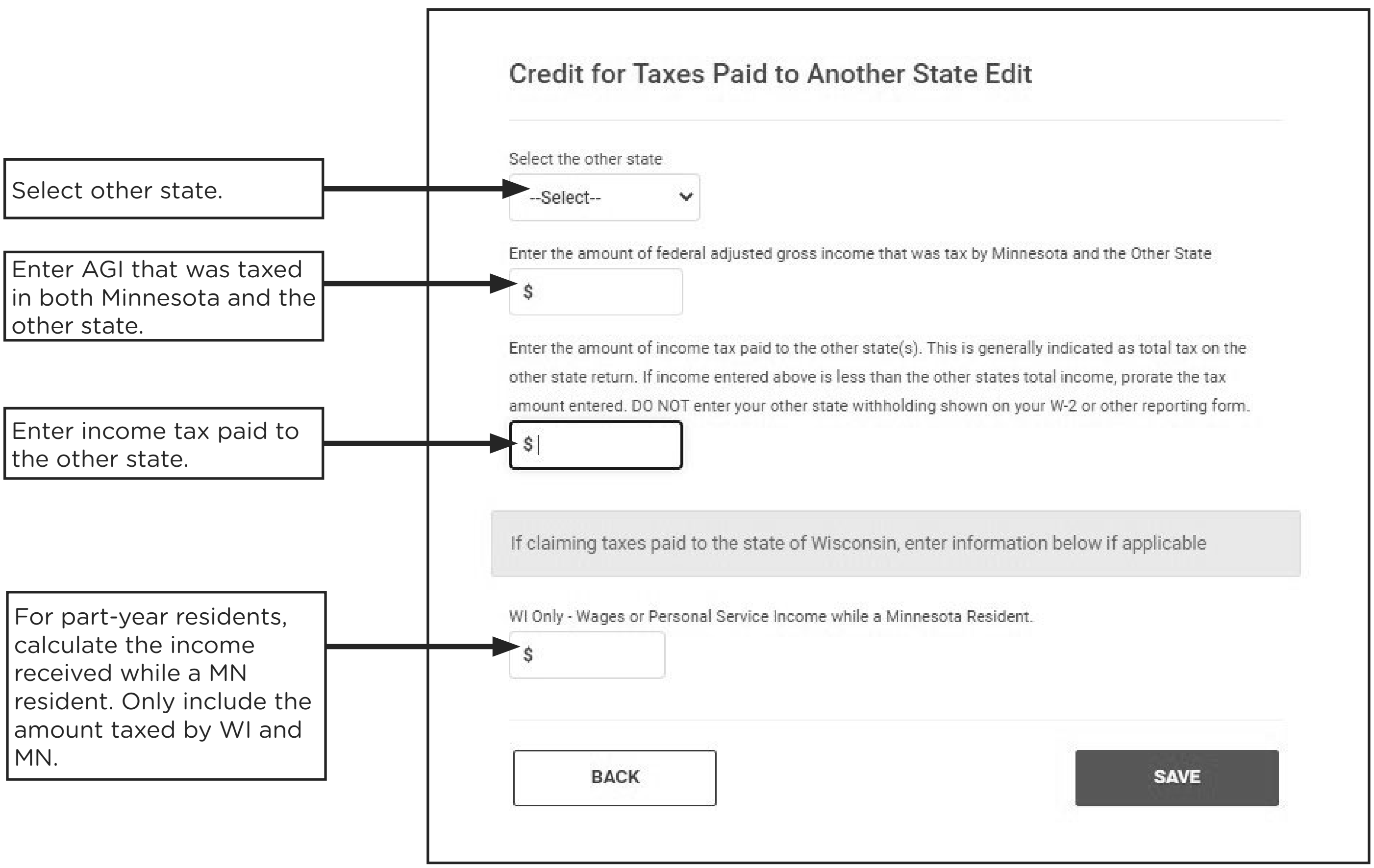
Overview: There are two credits for income tax paid to another state.

Minnesota residents or part-year residents who have paid tax on the same income in both Wisconsin and Minnesota may be eligible for a refundable credit up to the amount of tax paid to Wisconsin. For income tax paid to a different state, the credit is structured the same way, but is nonrefundable.

Returns for states other than Minnesota are out of scope for P+P. If taxpayer brings a completed copy of a return for another state, complete the M1CR or M1RCR using information from that return.

Taxes paid to another state for Schedule M1CR

State Section » Minnesota Return » Credits » Credit for taxes paid to another state



CREDIT FOR PAST MILITARY SERVICE

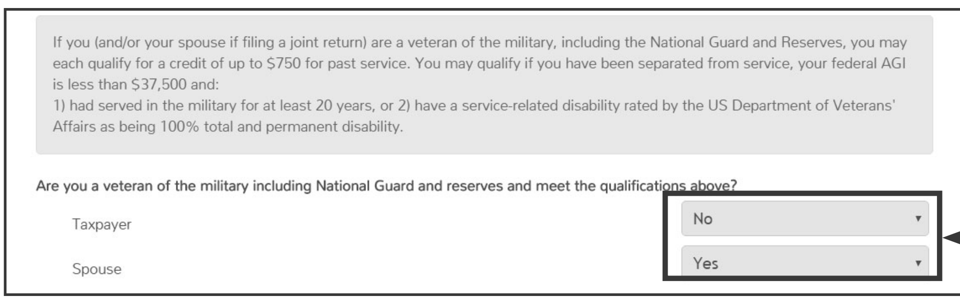
Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1099-R	• IRS: Additional Information and Questions Related to the Preparation of Your Return - line 11 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 16 and Sch M1C line 4 • M1PR: N/A	Basic

Overview: Taxpayers may be eligible for a nonrefundable credit up to $750 ($1,500 if both spouses qualify). To qualify, AGI must be less than $37,500 and the veteran must meet one of the following criteria: received honorable discharge and a military pension/retirement pay; served in the military for at least 20 years; or received a service-related disability that the US Department of Veteran's Affairs rated 100% total and permanent.

Minnesota also has a military pension subtraction (see page 145). Taxpayers cannot claim both the credit and the subtraction, so compare and choose the option that provides a greater benefit to the taxpayer.

Credit for past military service

State Section » Minnesota Return » Credits » Credit for past military service



If taxpayer/spouse meets the qualifications listed, select "Yes".

EDUCATION SAVINGS ACCOUNT CONTRIBUTION CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 16, Sch M1C line 7, and Sch M1529 • M1PR: N/A	Basic

Overview: This nonrefundable credit is available to taxpayers who have made contributions to a 529 College Savings Plan. The credit is the lesser of $500 or 50% of the contributions made in the tax year. A subtraction for 529 plan contributions (see page 145) may give the taxpayer a larger benefit, and the taxpayer may not take both the subtraction and the credit.

Education Savings Account Contribution Credit

State Section » Minnesota Return » Credits » Education Savings Account Contribution Credit

CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 16, Sch M1C line 8, and Sch M1CMD • M1PR: N/A	Basic

Overview: This credit is unlikely to be seen at a VITA site. Minnesota teachers who attained an eligible master's degree may be eligible for a nonrefundable credit equal to the lesser of $2,500 or the amount paid for tuition, fees, books, and instructional materials.

The degree program must have started after 6/30/17 and be completed in the current tax year. However, expenses are included for all years of study. See the instructions for Schedule M1CMD for a list of qualifying programs.

STUDENT LOAN CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form 1098-E • Taxpayer records (account statement)	• IRS: Expenses - line 8 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 16, Sch M1C line 9, and Sch M1SLC • M1PR: N/A	Basic

Overview: Taxpayers may qualify for a nonrefundable credit for making payments on their own postsecondary education loans. The credit is up to $500 ($1,000 for MFJ if both spouses qualify). The credit cannot be taken for loan payments made for someone else's education (e.g., the taxpayer's child).

To claim this credit, taxpayers need to know or get the following information:

- Total loan payments made in the tax year;
- Interest paid in the tax year (Form 1098-E); and
- Original loan amounts.

This information is often accessible on the loan provider's website or on payment/billing statements from the end of the year.

Generally, taxpayers do not have the information needed to calculate the credit immediately available. Before asking the taxpayer to look up details about their loans, use the screening questions below. If the answer to any of these questions is "no", the taxpayer will not be eligible for the credit.

- Does the taxpayer have earned income?
- Is there a balance due remaining on the Minnesota return after other credits are applied? (See 2023 Form M1, line 17.)
- Did the taxpayer pay more than the minimum threshold?

  (AGI - $10,000) X 10% = minimum threshold

  Use an estimate if exact amount paid is not known.

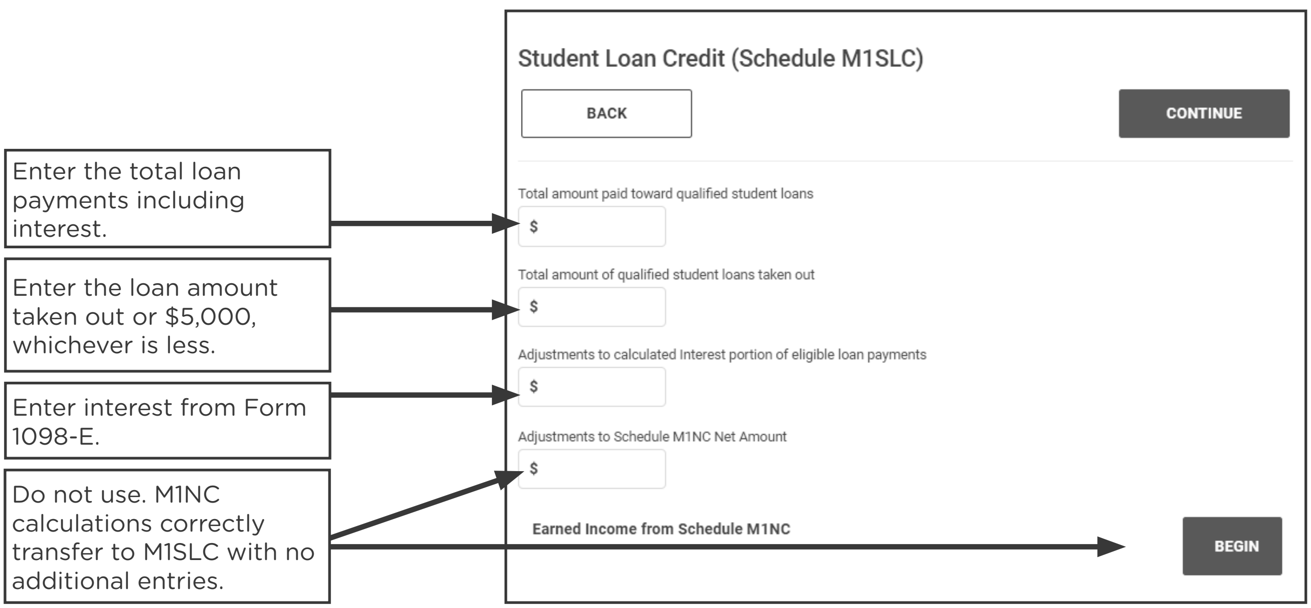
If the taxpayer believes they paid more than the minimum threshold, more detailed information on the amount paid during the year is needed to complete the credit (see examples).

Example: Charles has a Form 1098-E listing interest paid of $350. His AGI was $23,000, and he made a $135 monthly payment toward his loans. He is unsure how much he originally borrowed, but he is certain it was between $8,000-$9,000. He does not need to look up the original loan amount, because he is certain it was over $5,000. Charles has enough information to include the credit.

Example: Brenda's Form 1098-E shows $600 of interest paid. Her AGI was $34,100. She is unsure exactly how much she paid back because it varied month to month, but remembers that her last billing statement showed less than $2,000. This is less than the required payment threshold: ($34,100 - $10,000) X 10% = $2,410. She does not qualify and does not need to look up additional information.

Student Loan Credit

State Section » Minnesota Return » Credits » Student Loan Credit



MINNESOTA REFUNDABLE CREDITS

CHILD AND DEPENDENT CARE CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Form W-2 box 10 • Taxpayer Records (e.g. day care invoice, babysitter receipts)	• IRS: Expenses - line 5 • P+P: Minnesota Tax Information	• 1040: line 20, Sch 3 line 2, and Form 2441 • M1: line 22, Sch M1REF line 1, and Sch M1CD • M1PR: N/A	Basic

Overview: This credit is a Minnesota version of the federal Child and Dependent Care Credit. Taxpayers can use up to $3,000 of expenses to claim a credit of up to $1,050 with one qualifying person (or $6,000 and $2,100 for two or more qualifying persons). Expenses must be entered in the federal section of TaxSlayer to transfer to the Minnesota return (see page 107).

Taxpayers who had a child born during the year qualify even if they had no expenses.

The requirements for a Qualifying Person and qualifying expenses are the same as for the federal credit (see page 107). Part-year residents, nonresidents and American Indians living on a reservation may also be eligible for this credit, but must adjust the credit based on earned income taxable in Minnesota.

The credit phases out when a taxpayer's income reaches certain limits (above P+P guidelines).

Child born in the year or licensed day care providers

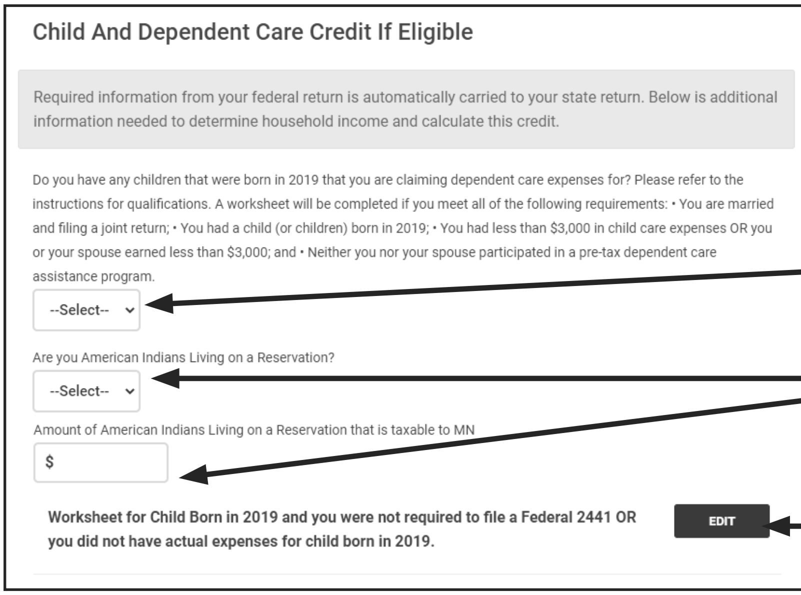
If taxpayers had or adopted a baby born in 2023, they are eligible for this credit, even if there were no childcare expenses paid to a provider. Taxpayers may claim $3,000 of expenses for one child or $6,000 for twins (limited to their combined earned income).

If the taxpayer operates a day care and cares for a child of their own under age 6, they may claim a credit based on a flat rate of $3,000 for children under 16 months at the end of the year, or the rate normally charged for a child for the same number of hours (max $3,000) if the child is between 16 months and 6 years old at the end of the year.

Form 2441 (the federal Credit for Child and Dependent Care Expenses) must be completed for portions of Schedule M1CD to calculate. Additional information must be added in the state section of TaxSlayer if the taxpayer:

- Had a child born in the year
- Is a licensed day care provider claiming the credit for their own child
- Is an American Indian with earned income that is taxable in Minnesota

If a taxpayer operates a day care in the taxpayer's home, refer to 651-262-2169 to schedule an appointment with the P+P self-employment tax clinic.


Child And Dependent Care Credit If Eligible

Required information from your federal return is automatically carried to your state return. Below is additional information needed to determine household income and calculate this credit.

Do you have any children that were born in 2019 that you are claiming dependent care expenses for? Please refer to the instructions for qualifications. A worksheet will be completed if you meet all of the following requirements: • You are married and filing a joint return; • You had a child (or children) born in 2019; • You had less than $3,000 in child care expenses OR you or your spouse earned less than $3,000; and • Neither you nor your spouse participated in a pre-tax dependent care assistance program.

--Select--

Are you American Indians Living on a Reservation?

--Select--

Amount of American Indians Living on a Reservation that is taxable to MN

$

Worksheet for Child Born in 2019 and you were not required to file a Federal 2441 OR you did not have actual expenses for child born in 2019.

EDIT

Generally, no data entry is needed if the federal credit is claimed.

Select Yes if claiming the credit for a child born in the tax year and all qualifications are met.

Enter information if taxpayer lived and worked on reservation.

Click Edit to enter information for a child born in the tax year.

CHILD AND WORKING FAMILY CREDITS (CWFC)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Intake sheet	• IRS: Marital Status and Household Information; Life Events - line 4 • P+P: N/A	• 1040: N/A • M1: line 22, Sch M1REF line 2, and Sch M1CWFC • M1PR: N/A	Basic

Overview: This is a refundable credit supporting low-income individuals and families. The credit includes a Working Family Credit component (similar to the federal EIC) and a Child Tax Credit component. Most taxpayers at VITA sites will qualify for the CWFC, including taxpayers with children who do not have earned income. Some taxpayers who do not need to file a federal return will file a Minnesota return to claim this credit and.

TaxSlayer data entry information was not available when this manual went to print, but it is expected that the CWFC will be calculated automatically based on entries in the Dependent and Income sections.

The NEW Minnesota Child Tax Credit is an expansion of the Working Family Credit. In previous years, the Working Family Credit was structured like the federal Earned Income Credit. The expanded credit provides more support to lower-income families, with set amounts for qualifying children and a smaller portion of the credit tied to earned income.

The Child and Working Family Credit (CWFC) is calculated in multiple parts. A taxpayer's total credit is the sum of: a credit based on earned income, a credit for qualifying older children, and the new Child Tax Credit. More information is provided on the next page about qualifications for each part of the credit.

Taxpayers who do not qualify to claim the federal Earned Income Credit after disallowance are also not allowed to claim the CWFC (see page 119 for more information).

General eligibility rules

- Full- or part-year resident of Minnesota during the tax year
- Investment income of less than $11,000
- Taxpayer is not a dependent of another person
- Taxpayer and any eligible children have Social Security numbers or ITINs

No qualifying children - Working Family Credit

Taxpayers with no qualifying children may claim up to $350 as part of the Working Family Credit. In additon to meeting the general eligibility rules, taxpayers must have earned income between $1 and $29,500 ($35,000 if MFJ). Also, these taxpayers must be between the ages of 19 and 64 and have their main residence in the United States for more than half of the tax year.

Qualifying children

Taxpayers are eligible for a larger CWFC when they claim qualifying children. There is no earned income requirement for the portions of the credit claimed for children. Each child will fit into an “older” or “younger” category, which determines the amount of the credit for that child.

Tests to be a qualifying child for the CWFC

- Lived with the taxpayer for more than half the year (exceptions for temporary absences, and children who were born, died, or kidnapped during the year)
- Is the taxpayer’s child, stepchild, foster child, sibling (including half- or step-siblings), or a descendant of any of them
- Has a Social Security number or ITIN
- Meets age requirements at the end of the tax year:
    - » Under age 18: **Minnesota Child Tax Credit**
    - » Over age 17 and permanently and totally disabled: **Working Family Credit**
    - » Age 18 through 23 and a full-time student: **Working Family Credit**

Qualifying younger children - Minnesota Child Tax Credit

A taxpayer can claim up to $1,750 per qualifying younger child for the Minnesota Child Tax Credit. There is no limit on the number of qualifying children for this portion of the credit.

Example: Saroeun and Todd are married and have four children in elementary school. They both worked and have income of $31,200. Saroeun and Todd will claim a CWFC of $7,350.

$350 (WFC based on earned income)
+$0 (no WFC based on qualified older children)
+$7,000 ($1,750 x 4 qualifying younger children for the MNCTC)
$7,350 total Child and Working Family Credit

Qualifying older children - Working Family Credit

A taxpayer can claim credit for up to three qualifying older children as part of the Working Family Credit. This is a set amount based on the number of children claimed.

One qualifying older child	Two qualifying older children	Three qualifying older children
$925	$2,100	$2,500

CWFC phase out

The CWFC starts to phase out at certain income levels. The total credit taxpayers are eligible for decreases gradually when income is over $35,000 for MFJ filers and over $29,500 for filers using any other filing status.

MINNESOTA K-12 EDUCATION CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records (receipts)	• IRS: Marital Status and Household Information - line 2 • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 22, Sch M1REF line 3, Sch M1ED • M1PR: N/A	Basic
Overview: This credit allows taxpayers to receive a refundable credit of up to $1,500 per qualifying child based expenses for educational materials or services for children attending grades K-12. The credit is up to 75% of the qualifying expenses. Taxpayers do not need to have receipts with them to claim the credit. However, the credit is frequently audited, and taxpayers need to be able to access records or receipts at home. This credit requires detailed data entry in TaxSlayer (see pages 158 and 159).			

The K-12 Education Credit was dramatically updated for tax year 2023. In previous tax years, the income limit was $37,500 and based on Household Income, which included many types of nontaxable income. In previous tax years, the credit was limited to $1,000.

Eligibility test for the K-12 Education Credit

All of the following requirements must be met:

1. **Income limit:** Federal Adjusted Gross Income (AGI) must be below $76,000 with one or two Qualifying Children. The income limit increases by $3,000 for each additional child.
2. **Filing status:** Filing status cannot be MFS.
3. **Qualifying child:** The child must be the taxpayer's child, descendent, sibling, niece, or nephew who is enrolled in grade K-12. The child must have lived with the taxpayer for more than half the year and not be claimed as a dependent by another person.
4. **Qualifying expenses:** Expenses must be for education-related materials for use during the regular school day, fees for after-school enrichment programs, or tutoring by a qualified instructor. See page 157 for a detailed list of qualifying expenses.

Form M1EDA for K-12 Education Credit loans

Taxpayers may get their K-12 credit in advance as a loan from a financial institution or nonprofit lender (e.g., Minnesota Afterschool Advance). The loan allows families to pay for qualifying expenses at the time they are incurred instead of waiting for reimbusement from the tax credit.

Taxpayers and their lender fill out Form M1EDA, *Assignment of Tax Refunds* before the tax year ends. If a taxpayer used Form M1EDA, **include Schedule M1ED on the return to claim the K-12 Education Credit, but no other special entries are needed during tax preparation.** A portion of the Minnesota income tax refund will automatically be sent to the lender as a loan repayment.

Qualifying expenses for the K-12 Education Credit and Subtraction	
Enrichment or academic classes taken outside the regular school day or school year	• Fees for after-school enrichment programs*, such as science exploration and study habits courses. • Tuition for summer camps* that are primarily academic in focus, such as language or fine arts. Do not include expenses paid for food, lodging, or transportation. • Instructor fees for drivers' education course if the school offers a class as part of the curriculum. • Fees for all-day kindergarten (unless expenses are used for the Child and Dependent Care Credit). • Taxpayers cannot deduct fees paid for sports or related camps or lessons.
Individual instruction	• Tutoring* • Music and dance lessons*- do not include expenses paid for costumes, shoes, props, or travel.
Required school materials	• Purchases of required educational materials (textbooks, paper, pencils, notebooks, rulers, etc.) for use during the regular public, private or home school day. • Tennis shoes purchased exclusively for physical education class. • Expenses paid for field trips, including entrance fees to exhibits. • Taxpayers cannot deduct expenses for a program that teaches religious beliefs. • Taxpayers cannot deduct payments for books and materials used for tutoring, enrichment programs, academic camps, or after-school activities. • Taxpayers cannot deduct the cost of school lunches, backpacks, or uniforms.
Musical instruments	• Purchase or rental of musical instruments used during the regular school day. • Purchase of reeds required for the musical instruments.
Transport costs paid to others	• Fees paid to others for transportation to/from school or to/from field trips taken during the normal school day, if the school is located in Minnesota, Iowa, North Dakota, South Dakota or Wisconsin. • Taxpayers cannot deduct costs for the taxpayer to drive their child to/from school, tutoring, enrichment programs or camps that are not part of the school day. • Taxpayers cannot deduct travel expenses, lodging, and meals for overnight class trips.
Computer hardware or educational software	• Up to $200 of expenses for software and computer hardware purchased for educational use in the taxpayer's home can be used to qualify for the credit, and an additional $200 can qualify for the subtraction. For example, the taxpayer purchased a computer for $550. Use $200 for the credit and $200 for the subtraction (see page 143). The remaining $150 computer expense is not allowed for the credit or the subtraction. • Taxpayers cannot deduct monthly internet fees.
Education subtraction only: Private school tuition and tuition for college courses that are used to satisfy high school graduation requirements.	

**Must be taught by a qualifying instructor. A qualifying instructor cannot be the child's sibling, parent, or grandparent. Qualifying instructors must meet one of the following requirements:*

- *A Minnesota licensed teacher or directly supervised by a Minnesota licensed teacher*
- *Teaches in an accredited private school*
- *Has a baccalaureate degree*
- *Is a member of the Minnesota Music Teachers Association*

Using the K-12 Credit and Subtraction

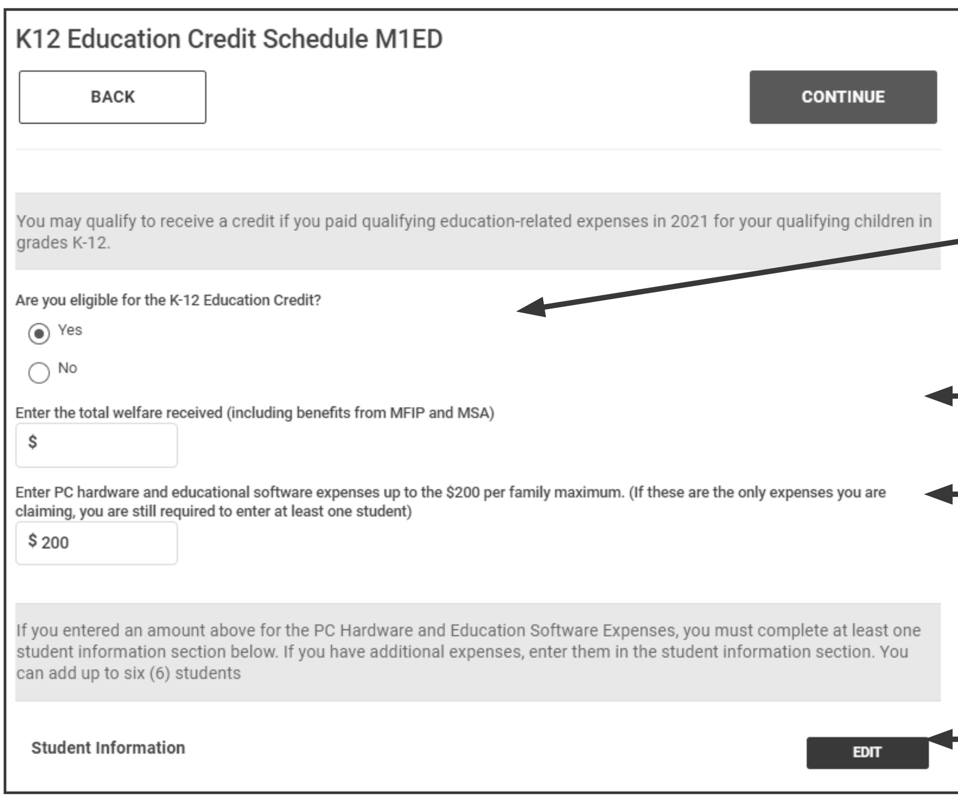
Taxpayers may claim the K-12 Education Subtraction (see page 145) for expenses that are not used for the credit. This may be for expenses that cannot be used to claim the credit, like private school tuition. It can also be an amount that is unused because the taxpayer's expenses exceed the maximum allowed for the credit (amounts above $2,000).

Example: Christy qualifies for the K-12 Education Credit for her son, Jackson. He had a total of $2,300 in expenses for piano lessons and a reading tutor. Christy can claim the full credit based on $2,000 of expenses and use the remaining $300 to claim the K-12 subtraction.

Example: Dorian purchased a computer for $670 for his daughter to use for homework. He can use a maxmum of $200 of this expense for the credit. He can use another $200 for the subtraction (see page 143). The remaining $270 of computer expense is not allowed for the credit or the subtraction.

K-12 Education Credit for Schedule M1ED

State Section » Minnesota Return » Credits » K-12 Education Credit


K12 Education Credit Schedule M1ED

BACK

CONTINUE

You may qualify to receive a credit if you paid qualifying education-related expenses in 2021 for your qualifying children in grades K-12.

Are you eligible for the K-12 Education Credit?

Yes

No

Enter the total welfare received (including benefits from MFIP and MSA)

$

Enter PC hardware and educational software expenses up to the $200 per family maximum. (If these are the only expenses you are claiming, you are still required to enter at least one student)

$ 200

If you entered an amount above for the PC Hardware and Education Software Expenses, you must complete at least one student information section below. If you have additional expenses, enter them in the student information section. You can add up to six (6) students

Student Information

EDIT

Select Yes" to calculate the credit.

DO NOT ENTER! TaxSlayer may have an entry for welfare benefits, but beginning in tax year 2023 they are no longer used to calculate this credit.

Enter up to $200. If actual expenses exceed $200, then enter the remaining amount (up to $200) for the K-12 subtraction (see page 143).

Click here to add each individual student and their expenses.

The K-12 Education Subtraction and Credit are highly audited. If audited, the taxpayer must provide receipts, invoices, or canceled checks to document the expenses claimed. If the credit is claimed fraudulently, the taxpayer will be assessed a penalty.

Student information for Schedule M1ED

State Section » Minnesota Return » Credits » K-12 Education Credit » Student Information

1) Student Information

Enter the Student's First Name	ARACELI
Enter the Student's Last Name	GONZALES
Date of Birth (Enter as follows: yyyyMMdd)	20051211
Enter the Student's SSN	500500000
Select the Student's Grade in which the expenses were incurred	7th Grade
Select the Type of School Attended	Public

Enter TIN, name, date of birth, student's grade, and type of school attended for up to three qualifying students.

Fees for enrichment or academic classes taken outside the regular school day or school year.

Enter the Fees/Tuition for classes outside of school	$ 150
Enter the Organization to whom fees were paid	MATH GEEKS
Enter the Type of class that the fees were paid for	MATHEMATIC

Enter amount(s) paid per student for academic classes, organization's name, and type of class.

Fees for individual instruction by a qualified instructor taught outside the regular school day or year, such as tutoring or music lessons.

Enter the Fees paid for a private tutor	$ 220
Enter the Name of the Organization	123 TUTORS
Enter the First name of the Instructor	CINDY
Enter the Last name of the Instructor	LOCH
Enter the Type of class for private tutor	SPANISH

Enter amount paid per student for individual instructor, instructor's name, and type of class.

Purchases of required school materials: textbooks, paper, pencils, notebooks, etc. Must have itemized cash register receipts to support.

Required school expenses	$ 86

Enter amount paid per student for school supplies.

Transportation costs paid to others for the regular school day.

Transportation costs paid to others	$ 853
Transportation Provider	BUSES 4 YOU

Enter amount paid per student for transportation costs and provider's name.

Purchases or rentals of musical instruments used during regular school day.

Purchase or Rental of Musical Instrument(s)	$ 75
Type of Musical Instrument	CLARINET

Enter amount paid per student for rental or purchase of musical instruments and type of instrument.

The maximum credit per child is $1,500 (based on 75% of expenses). Excess expenses not used for the credit can be entered for the K-12 Education Subtraction (see page 143).

PARENTS OF STILLBORN CHILDREN CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Taxpayer records	• IRS: N/A • P+P: Minnesota Tax Information	• 1040: N/A • M1: line 22, Sch M1REF line 4, Sch M1PSC • M1PR: N/A	Basic

Overview: Parents who experienced a stillbirth in Minnesota are eligible for a $2,000 refundable tax credit. This topic is very sensitive and deserves the utmost respect when talking with the taxpayer.

To claim the credit, the parent(s) must have:

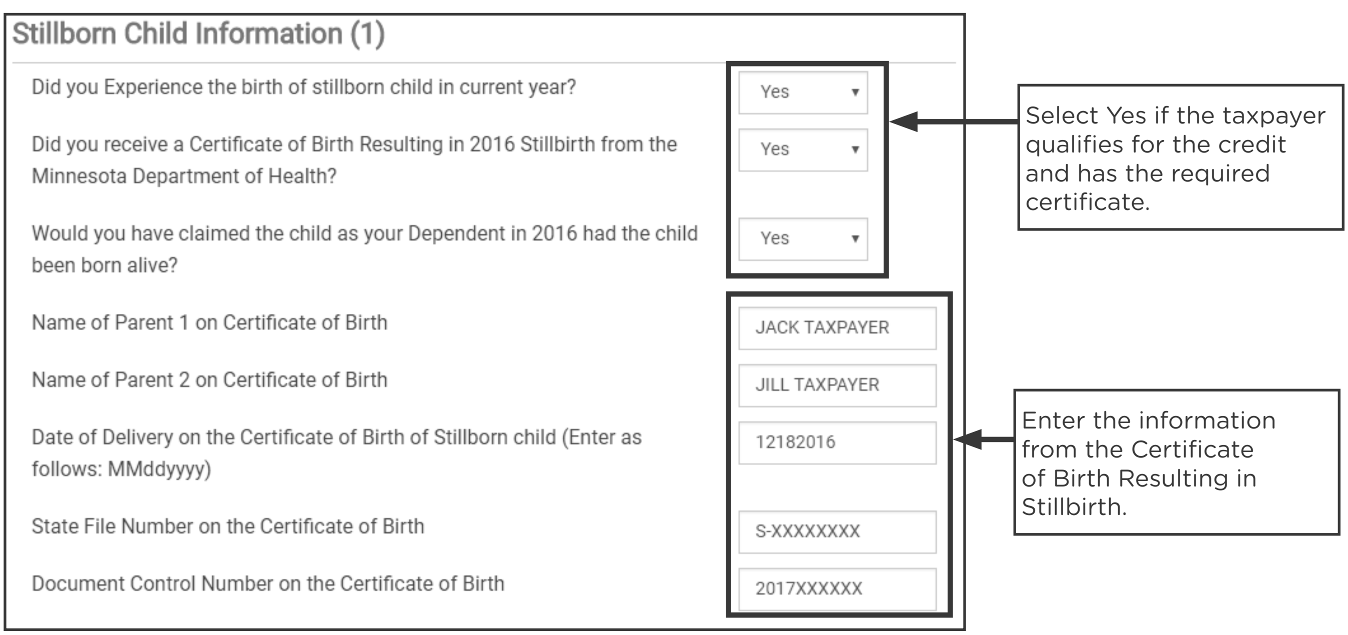
- Experienced a stillbirth in Minnesota during the tax year,
- Requested and received a Certificate of Birth Resulting in Stillbirth from the Minnesota Department of Health, Office of Vital Records, and
- Been eligible to have claimed the child as a dependent if the child had been born alive.

The taxpayer will need the State File Number and Document Control Number from the Certificate of Birth Resulting in Stillbirth. If they do not have a certificate, they can get information from the Office of Vital Records at 651-201-5970, or at www.health.state.mn.us/people/vitalrecords/stillbirth.html.

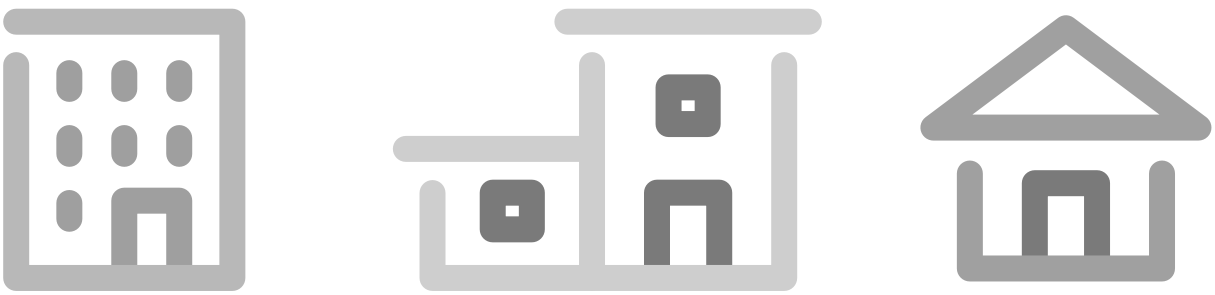
If the taxpayer does not have the certificate, prepare and review the return without the credit. Do not e-file the return, but add a note in TaxSlayer stating, "More info needed to complete M1PSC". The taxpayer should call 651-262-2167 with the certificate information to complete their return.

Parents of Stillborn Children Credit for Schedule M1PSC

State Section » Minnesota Return » Credits » Credit for Parents of Stillborn Children » Stillborn Child Information



HOMESTEAD CREDIT REFUND AND RENTER'S PROPERTY TAX REFUND
(FORM M1PR)



M1PR OVERVIEW

Renters and homeowners in Minnesota may qualify for a partial refund of property tax paid by filing Form M1PR. The Renter's Property Tax Refund and the Homestead Credit Refund are available to taxpayers even if they do not need to file an income tax return.

Eligibility is based on income (taxable and nontaxable) and property taxes (actual taxes for homeowners or a percentage of rent paid for renters). Refunds are generally issued in summer or fall.

The refunds for tax year 2023 must be claimed before August 15, 2025. Refunds for tax year 2022 expire on August 15, 2024. Refunds for earlier tax years are expired.

This section provides an overview of Form M1PR rules. Tax preparers are encouraged to use the Form M1PR Instruction Booklet (available online) as an additional resource.

Housing Status	Source Documents	Additional Notes
Renter	Certificate of Rent Paid (CRP) for each rental unit.	Taxpayer lived in a rental unit for any part of the year. See page 168 for more information.
Homeowner	Property Tax Statement Payable in 2024.	Taxpayer owned and lived in the home on January 2, 2024. See page 173 for more information.
Nursing home or adult foster care resident	CRP for each rental unit.	Taxpayer lived in a group home, nursing home, adult foster care, intermediate care, or assisted living center for any part of the year. If taxpayer received benefits from MA housing assistance, SSI, MSA, or Housing Support (formerly GRH), a special calculation is required to apportion the refund based on the taxpayer's income that is not from public benefits (see TaxSlayer entry notes on pages 164 and 172).
Mobile home owner	CRP and Property Tax Statement Payable in 2024.	Taxpayer owned and lived in the mobile home on January 2, 2024, and rented the property on which it was located. See pages 173 and 175 for more information.

Renter and homeowner: If a taxpayer owned and rented in 2023, the order in which they owned and rented impacts whether they qualify as renter and/or homeowner.

- Taxpayer rented and then owned: File as both a renter and a homeowner - choose both statuses in TaxSlayer.
- Taxpayer owned and then rented: File as a renter only.

In TaxSlayer, when choosing the housing status for a nursing home resident, adult foster care resident, or mobile home owner, also select a corresponding housing type as shown on the CRP to correctly calculate the taxpayer's refund.

MARRIED TAXPAYERS AND FORM M1PR

If taxpayer was **married for the entire year <u>and</u>** –

- Lived with spouse for the entire year, they must file return together.
- Lived apart from spouse for all or part of the year, each spouse can file separately or they can file together. If filing separately, the income of the other spouse must be included for any time they lived together in 2023. Enclose an explanation and paper-file.
- One spouse lived in a nursing home and the other spouse lived elsewhere, they must file separate returns.

If taxpayer **got married during 2023**, each spouse can file separately or they can file together. If filing separately, include both the taxpayer's income and the spouse's income for the period that they lived together. Enclose an explanation and paper-file.

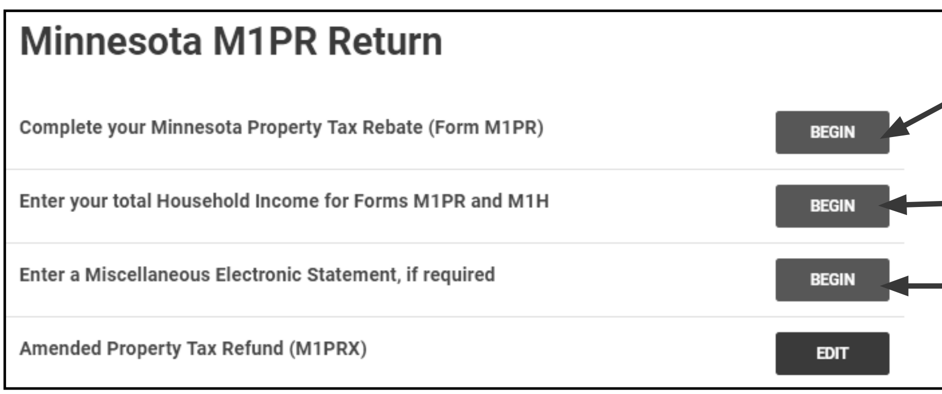
If the taxpayer **divorced or legally separated during the year**, each spouse must file separately. List the taxpayer's income for the entire year plus the ex-spouse's income for the time they were married and living together.

Starting Form M1PR

State Section » Property Tax Refund » Begin/Edit » Pencil

Click the words Property Tax Refund to create or edit Form M1PR.

Click the Begin or Edit buttons to move forward to the screen below.



Select to start/edit Form M1PR.

Select to enter total public benefits for Forms M1PR. See page 167 for other household income.

Use statement if total income is less than amount of rent paid or property tax.

If the rent or property tax paid is greater than the taxpayer's household income, ask what funds they used to pay the expense. For example, they may have used savings or gotten gifts from family. Include the taxpayer's response on a Miscellaneous Electronic Statement that will be e-filed with the return.

Selecting disability and housing status on Form M1PR

State Section » Property Tax Refund » Edit » Pencil » Complete Your MN Property Tax Rebate

Minnesota M1PR Return

Complete Your Minnesota Property Tax Rebate Form M1PR

Minnesota allows you to file the Property Tax Rebate (Form M1PR) along with or separately from your Minnesota State tax return (Form M1). Select which returns you would like to electronically file below.

PLEASE NOTE: Whether you decide to file the M1PR along with or separately from your State Return, the refund calculator and E-File process only reflects the State return (Form M1) results. To view the M1PR results, you will need to create a PDF of your return in the SUMMARY section of your account.

To see the M1PR refund, you must create a PDF from the Summary/Print section.

You may be eligible for a property tax refund based on your household income and the property taxes paid on your principal place of residence in Minnesota. Minnesota allows you to e-file your M1PR form with your state M1 form or you can e-file it alone.

Your personal information such as name and address have automatically been carried to your Form M1PR. Please indicate whether or not the Taxpayer and/or Spouse were disabled during 2017

Is the taxpayer and/or spouse disabled? --Select--

Indicate whether the taxpayer or spouse was disabled[1].

Contributions BEGIN

Select the type of homeowner or renter below that you qualify for below. You should only make ONE selection unless you rented for part of 2017 AND you owned and lived in your home on January 2, 2018; select both Homeowner and Renter

Select Homeowner if you owned and lived in your home on January 2, 2018 --Select--

Select Mobile Home Owner ONLY if you owned and lived in your mobile home on January 2, 2018 and you rent the property on which your home sits; If you own the property, select Homeowner above instead --Select--

Select Renter if you lived in a rental unit for any part of 2017 (NOTE: if your CRP has any of these boxes selected (nursing home, adult foster care provider, intermediate care, assisted living or other health care facility), review the next line to make sure you make the correct selection) --Select--

Select the correct housing type. Select only one unless taxpayer rented, then owned (see page 162).

Select Nursing Home or Assisted Living below if you received a CRP form that has any of the following checked: adult foster care provider, intermediate care, assisted living or other health care facility AND you received benefits from General Assistance Medical Care (GAMC), Medical Assistance (Medicaid), Supplemental Security Income (SSI), Minnesota Supplemental Security Aid (MSA) or Group Residential Housing (GRH); otherwise select Renter above

Select Nursing Home Resident if you received a CRP and any of these boxes were checked: nursing home, adult foster care provider, intermediate care, assisted living or other health care facility and the above applies --Select--

Select Yes if the taxpayer lived in any type of assisted living situation.

For Renters, Mobile Home Owners who rent their land, and residents of Nursing Homes and Assisted Living

Enter Form MN-CRP received BEGIN

Click to add CRP.

For Homeowners or Mobile Homeowners

Enter Form PROPST received BEGIN

Click to add Property Tax Statement.

[1] **Disabled:** *Taxpayers are considered disabled if they were certified as disabled by the Social Security Administration on or before December 31 of the tax year. If taxpayers were not certified, they may still qualify as disabled if, during the tax year, they were unable to work for at least 12 consecutive months because of a disability, or they are blind. Taxpayers are considered to be blind if they cannot see better than 20/200 in their better eye with corrective lenses or their field of vision is not more than 20 degrees.*

Select Yes for taxpayers with disabilities. A disability qualifies the taxpayer for a subtraction from household income which often increases refunds.

MINNESOTA HOUSEHOLD INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Statements showing non-taxable income • Taxpayer records (e.g., county statements, bank statement, or verification from the taxpayer)	• IRS: N/A • P+P: Renters + Homeowners Only	• 1040: N/A • M1: N/A • M1PR: lines 4 and 5, and Sch M1PR-AI	Basic

Overview: Minnesota household income is the federal adjusted gross income plus certain nontaxable income and government benefits. Many types of household income do not have a tax document. Prepare the return based on amounts provided by the taxpayer unless there is reason to believe the information is wrong and will cause incorrect calculations.

Failure to include nontaxable income on Form M1PR may cause Minnesota Revenue to audit returns, and require taxpayers to repay refunds.

Household income does not include

- Noncash benefits such as food, fuel, or childcare assistance
- Medical Assistance (Medicaid)
- Child support payments
- IRA rollovers
- Energy assistance
- Life insurance policy payments
- Payments from someone else for the taxpayer's care by a nurse, nursing home, or hospital
- Minnesota property tax refunds
- Veterans benefits
- Gifts or inheritances
- Dependent's income, including Social Security
- Nontaxable Holocaust settlement payments
- State income tax refunds not included in federal taxable income

Repayment of program benefits: If program benefits were repaid during the year, subtract the amount of those repayments from the amount reported.

ADDITIONS TO INCOME: M1PR HOUSEHOLD INCOME

Supplemental Security Income (SSI)

SSI is a very common type of nontaxable household income. It is a federal program operated by the Social Security Administration and funded by general tax revenues (not Social Security taxes). SSI provides monthly cash payments to certain people who have little or no income. SSI is commonly confused with RSDI Social Security Benefits (see page 71). SSI can be identified easily if a taxpayer receives the maximum amount each month. These amounts are listed in the table below for easy reference.

SSI Maximum payments - single taxpayer

	Tax Year 2022 (for prior year M1PR)	Tax Year 2023 (for current year M1PR)	Tax Year 2024 (for reference only)
Monthly payment	$841	$914	$943
Annual total	$10,092	$10,968	$11,316

Nontaxable household income from public benefits

Diversionary Work Program (DWP) is a 4-month program that helps low-income Minnesota families find a job. The goal of DWP is to help parents immediately go to work.

Emergency Assistance is for income-qualifying persons where the loss of shelter, utilities, food, clothing, and other items poses a direct, immediate threat to their physical health or safety.

General Assistance (GA) is a program that serves as Minnesota's primary safety net for single adults and childless married couples who are unable to work.

Housing Support (formerly GRH) is a Minnesota program that pays housing costs for low-income adults with the goal of reducing homelessness and institutional living (see more on page 170).

Minnesota Family Investment Program (MFIP) is a Minnesota welfare program for low-income families with children. It has a 5-year lifetime limit. Most families also participate in DWP (see above).

Minnesota Supplemental Aid (MSA) is a program that provides a monthly cash benefit to people who are aged, blind or disabled.

Refugee Cash Assistance is for refugees who are ineligible for SSI or MFIP, and is paid for up to 8 months after arrival in the United States.

Other nontaxable household income

Automatically transfers in TaxSlayer	
Nontaxable income:	**Amounts transfer from:**
Tax-deferred retirement accounts	*W-2 Wage Statement*, box 12
Contributions to a dependent care and/or medical expense account	*W-2 Wage Statement*, boxes 10 + 12
Health Savings Account deductions	Form 1040, Schedule 1
Educator expenses	Form 1040, Schedule 1
Distributions from a Roth IRA or other nontaxable retirement distributions	Form 1040, line 4a
Medicaid Waiver payment	*W-2 Wage Statement*, see page 60

The amounts listed below **must be entered** into TaxSlayer on Form M1PR (see page 167).

- Strike benefits
- Nontaxable sick pay
- Nontaxable alimony
- Nontaxable foster care payments
- Income excluded by a tax treaty
- Employer-paid adoption expenses
- Employer-paid education expenses
- Workers' compensation benefits
- Nontaxable employee transit and parking
- Nontaxable scholarships, fellowships, grants for education, or tuition waivers
- Nontaxable pension and annuity payments, including all lump-sum distributions and disability payments
- Rent reduction for caretaking responsibilities (often on CRP)
- Gain on the sale of the taxpayer's home that was excluded from federal income (see page 76)
- Debt forgiveness not included in federal adjusted gross income (Form 1099-C or student loan forgiveness)
- Homeowners filing an M1PR: Income of another adult living in the home (see page 173)
- Married taxpayers filing separate M1PRs: spouse's income for the period of time they lived together (see page 163)

SUBTRACTIONS FROM INCOME: M1PR HOUSEHOLD INCOME

In addition to adding nontaxable income to AGI to figure household income, taxpayers may lower their household income by claiming these subtractions:

Age 65 or older: $4,800 subtraction[1] for taxpayer or spouse. TaxSlayer calculates the subtraction automatically.

A person with a disability: $4,800 subtraction[1] for taxpayer or spouse. See page 164 for the M1PR disability definition and TaxSlayer data entry instructions.

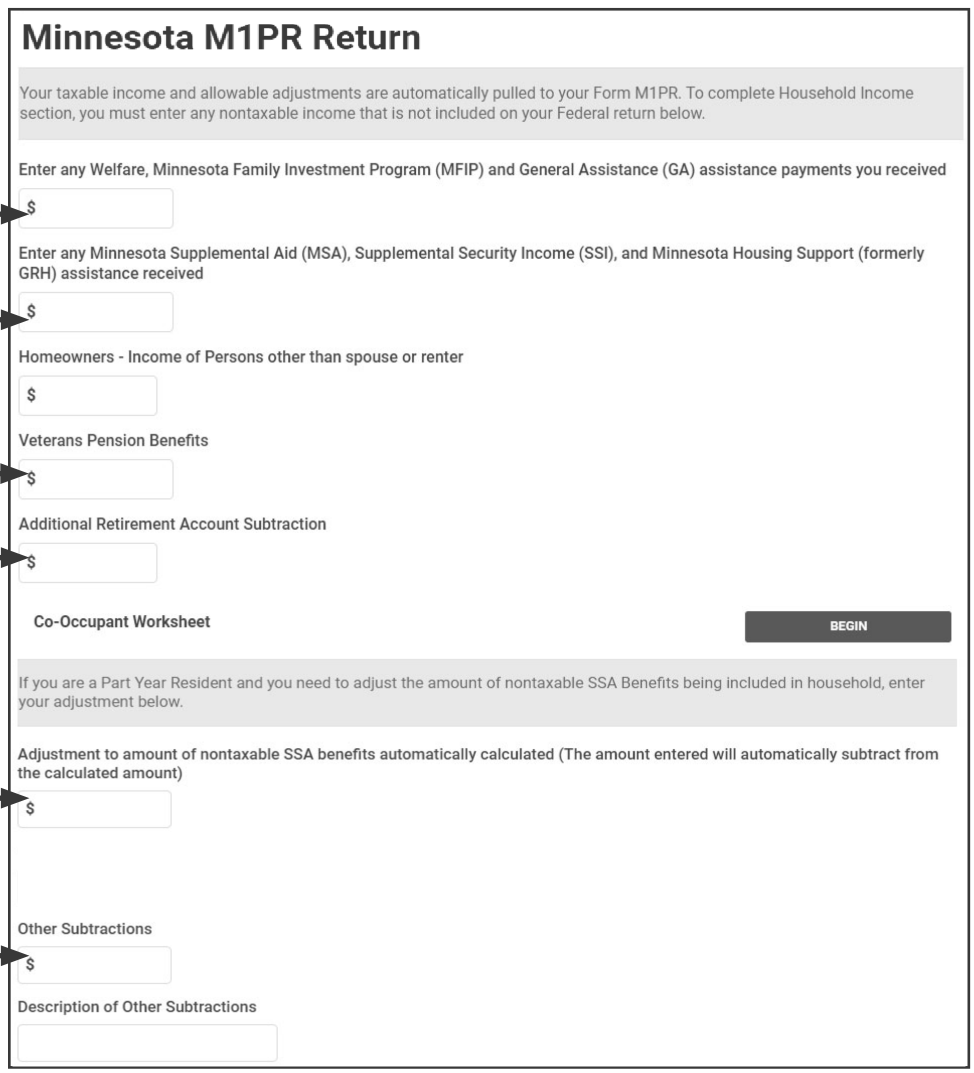
Claiming dependents: Subtraction amount determined by number of dependents. TaxSlayer calculates this subtraction automatically.

Retirement Account Contributions: Subtraction is equal to the actual retirement account contributions up to a maximum of $6,500 per taxpayer. Roth IRA contributions must be entered manually in the federal section or M1PR section. TaxSlayer transfers amounts entered in the federal section (e.g., from Form W-2, the IRA deduction section, or the Savers Credit section).

[1] Taxpayers may take a subtraction for age or disability status, but not both. If MFJ, the maximum subtraction for age and disability status is $4,800, even if both spouses qualify.

Entering household income and retirement subtractions on Form M1PR

State Section » Property Tax Refund » Edit » Pencil » Enter your total Household Income



Minnesota M1PR Return

Your taxable income and allowable adjustments are automatically pulled to your Form M1PR. To complete Household Income section, you must enter any nontaxable income that is not included on your Federal return below.

Enter any Welfare, Minnesota Family Investment Program (MFIP) and General Assistance (GA) assistance payments you received

$

Enter any Minnesota Supplemental Aid (MSA), Supplemental Security Income (SSI), and Minnesota Housing Support (formerly GRH) assistance received

$

Homeowners - Income of Persons other than spouse or renter

$

Veterans Pension Benefits

$

Additional Retirement Account Subtraction

$

Co-Occupant Worksheet BEGIN

If you are a Part Year Resident and you need to adjust the amount of nontaxable SSA Benefits being included in household, enter your adjustment below.

Adjustment to amount of nontaxable SSA benefits automatically calculated (The amount entered will automatically subtract from the calculated amount)

$

Other Subtractions

$

Description of Other Subtractions

Enter any MFIP, GA, and other public benefits not included on the line below.

Enter any MSA and SSI.
Do not enter Housing Support entered on the CRP.

DO NOT ENTER! Entry box is outdated. Veterans Benefits are not added to Household Income.

Enter Roth IRA contributions and any other retirement contributions that were not listed on Form W-2 or entered for the IRA deduction. Those amounts transfer automatically.

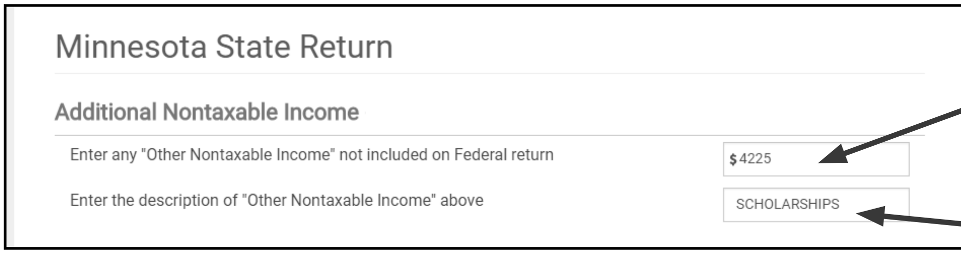
Enter Social Security benefits received by part-year residents while living in another state.

This field is rarely used. Enter amounts if the taxpayer had federally non-deductible alimony or federally taxable workforce incentive grants.

Nontaxable income for Form M1PR

State Section » Pencil » Additional Nontaxable Income

Nontaxable household income (excluding public benefits) must be entered in the main Minnesota state section of TaxSlayer. Income entered here will transfer to Sch M1PR-AI.


Minnesota State Return

Additional Nontaxable Income

Enter any "Other Nontaxable Income" not included on Federal return | $4225

Enter the description of "Other Nontaxable Income" above | SCHOLARSHIPS

Enter other nontaxable income (see page 166).

Enter description of other nontaxable income. Do not include public benefits.

RENTER'S PROPERTY TAX REFUND

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Certificate of Rent Paid (CRP) • Rent Paid Affidavit (RPA)	• IRS: N/A • P+P: Renters/ Homeowners Only	• 1040: N/A • M1: N/A • M1PR: line 18	Basic

Overview: Renters may be eligible for a refund based on their rent that went toward paying property taxes and their household income. The maximum refund is $2,570. Taxpayers must have a Certificate of Rent Paid (CRP). If a taxpayer did not receive a CRP, they can get a Rent Paid Affidavit (RPA) from MDOR. At P+P, taxpayers who do an income tax return, but do not have their CRP with them, may fill out the *Homeowner + Renter Info handout* to submit later.

COMING IN TAX YEAR 2024! The Renter's Property Tax Refund will be a refundable tax credit on Form M1 instead of being claimed on Form M1PR. Taxpayers will claim the credit along with their income tax refunds. The form will be due in April rather than August, and it will have a three year grace period for claiming the refund late. Tax preparers are encourgaged to share this upcoming change with taxpayers who claim this credit.

To qualify for the Renter's Property Tax Refund, a taxpayer must:

1. **Have household income of less than $73,270 in 2023**
2. **Not qualify as a dependent**
   Dependents do not qualify even if the person entitled to claim the dependent chooses not to do so. See page 52 for Qualifying Child definition and page 55 for Qualifying Relative definition.
3. **Resided in a rental unit(s) that was subject to property taxes; <u>and</u>**
   Owners of buildings that are exempt from property tax (e.g., college dormitories and nonprofit nursing homes) do not issue CRPs, and these renters do not qualify for a refund.
4. **Paid all or part of the rent from taxpayer's own funds.**
   When rent is paid by a person or organization other than the taxpayer, the money must be given to the taxpayer before being paid to the landlord to qualify the taxpayer for the renter's refund. If the total rent for the year was paid directly to the landlord, and the taxpayer did not control the funds, the taxpayer does not qualify.

RENTER SITUATIONS

Taxpayer lives with an adult dependent, and the taxpayer pays all of the rent. The landlord may issue one CRP to the taxpayer and one to the dependent. The taxpayer can claim the amounts from both CRPs. Combine the rent from both CRPs and enter as one CRP in TaxSlayer.

Taxpayer lives with and files jointly with a spouse. The landlord should issue one CRP to each taxpayer. Combine the rent from both CRPs and enter as one CRP in TaxSlayer. See page 163 for more Form M1PR situations for married taxpayers.

Taxpayer rented two units and paid rent for both units. The taxpayer cannot claim rent for more than 12 months. The amount of rent paid should be prorated based on when the taxpayer actually lived in each of the units.

Entering CRPs with overlapping dates in TaxSlayer:

1. Determine where the taxpayer lived
2. Enter only the dates the taxpayer actually lived in each unit
3. Prorate the reported rent paid based on the number of days lived in each unit

Example: Terry has two CRPs that overlap by 5 days in April. They started paying rent for their new unit while still living in their old unit. The CRP shows they paid $600 per month at each place. Terry cannot use the payments for the overlapping time for the credit.

Divide the rent paid by the number of days in the month:
$600/30 days = $20 per day

Calculate the amount of rent at the new unit that should not be claimed:
5 days X $20 per day = $100

Reduce the amount of rent paid on the CRP for the new unit by $100.

Taxpayer's income is lower than the total rent paid. Include a statement with the tax return explaining how the taxpayer paid the rent. This statement can be entered and sent electronically (see TaxSlayer data entry on page 163).

Taxpayer and/or spouse were part-year residents. Use only household income received while taxpayer and/or spouse lived in Minnesota. A part-year resident MN return is required. (This is different for homeowners.)

If a **parent/guardian pays their child's off-campus rent,** and the child is a dependent on the parent's return, neither the parent nor the child qualifies to claim the property tax refund.

Taxpayer paid rent for a garage or storage unit. The amount is included if the additional spaces are a part of the rental agreement.

Taxpayer is a caretaker and received a rent reduction for their work. The amount of the reduction should be shown on Line 2 of the CRP. In TaxSlayer, enter the amount in the CRP section. It must also be entered as nontaxable income (see page 168).

CERTIFICATE OF RENT PAID (CRP)

Renters file using a CRP issued by the landlord. It should be provided by January 31. A CRP details the rent paid in the calendar year and basic information about the rental unit.

If **more than one renter lives in the unit**, each renter receives a CRP and the rent is split equally regardless of the actual amount paid by each renter. Each renter files separately using their own income and CRP, unless the renters are married or one is a dependent of another.

If a taxpayer **lived in more than one rental unit** during the year, do not prepare an M1PR if the taxpayer has not received all of the CRPs. Refunds will be delayed if CRPs must be added later. Instead, provide taxpayer with the *Homeowner + Renter handout*.

If a **CRP has incomplete information,** a property identification number or landlord's information can often be found on the county's website using the property information search. Rent paid cannot be found online. The taxpayer may provide a landlord's phone number if it is missing.

Missing CRP

Taxpayers who do not receive a CRP by January 31 should contact the landlord to request it. If the landlord refuses to issue a CRP, the taxpayer can get a Rent Paid Affidavit (RPA) from MDOR after March 1. Taxpayers using an RPA must paper-file their M1PR. Provide the *Homeowner + Renter handout* for information on requesting an RPA.

Housing Support (formerly GRH)

Housing Support is a specific program providing rental assistance, primarily to the elderly or persons with disabilities who live in adult foster care, intermediate care, or other group living arrangements. This program was formerly known as Group Residential Housing (GRH). Special calculations are required for renters with this kind of support.

The CRP language leads some landlords to incorrectly report Section 8, MFIP housing grants, or other rental assistance on Line B of the CRP. Ask the taxpayer follow-up questions if any amount is listed on Line B.

- Have you ever received Group Residential Housing payments?
- Do you receive Section 8 or another type of rental assistance?
- Do you know what type of housing assistance you received or your landlord received for you?

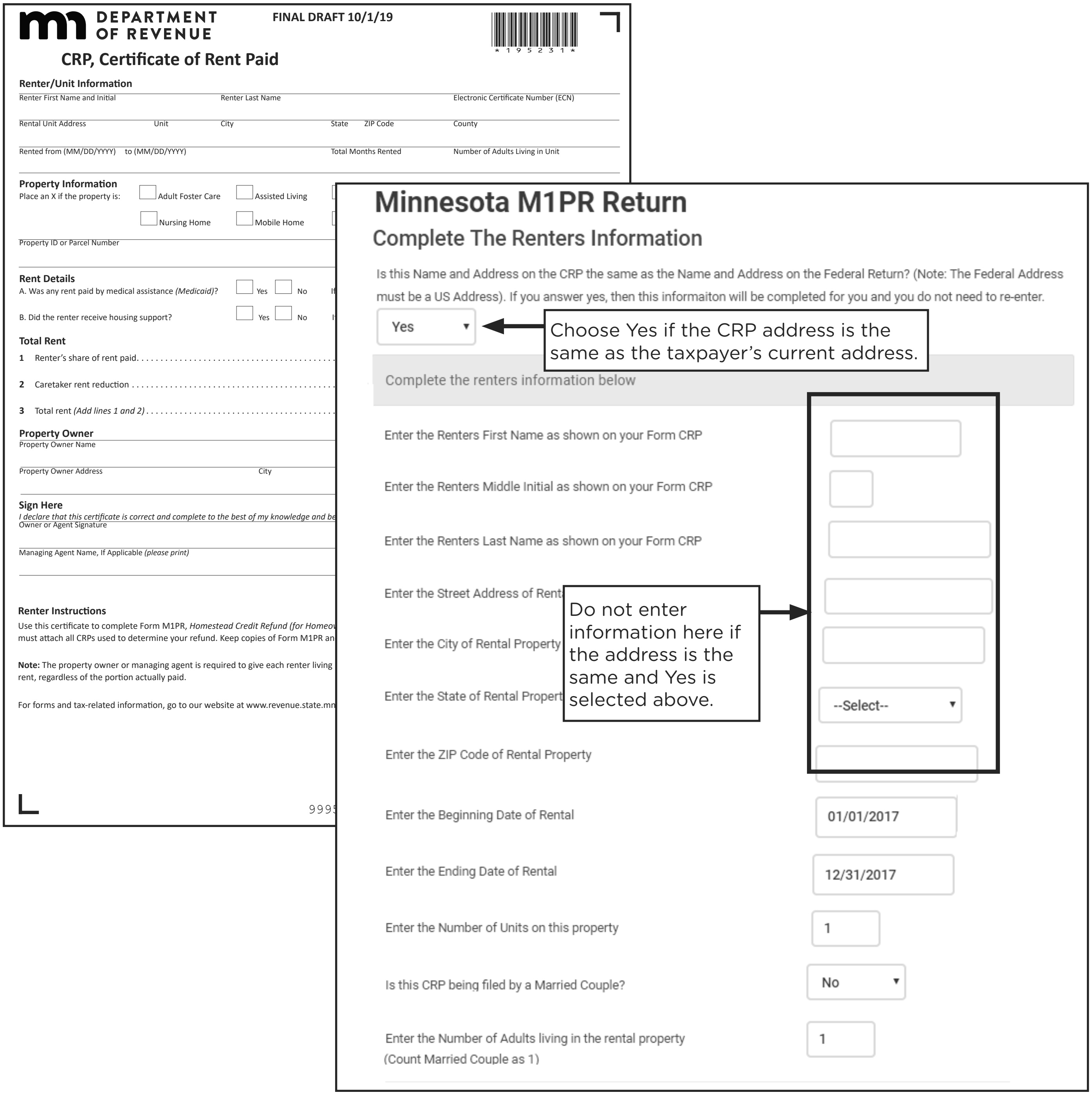
If the taxpayer received Section 8 or other rental assistance that was not Housing Support/GRH: Do not enter the amount on line B in TaxSlayer and do not mark Yes to the question about Housing Support.

If the taxpayer received GRH/Housing Support payments, a special calculation is required. If data entry is done correctly, TaxSlayer will automatically add the appropriate worksheet to the return and complete the calculation. Enter the Housing Support amount from Line B of the CRP into TaxSlayer (see page 164). Select one of the four types of group housing facilities (see page 172). Choose the one marked on the CRP (or "adult foster care" if none are marked).

Correctly identifying Housing Support (formerly GRH) is critical to generating correct calculations on a renter's Form M1PR. Landlords often incorrectly include other housing assistance on the CRP and list it as Housing Support. See page 170 for more information.

Entering renter’s information from a CRP

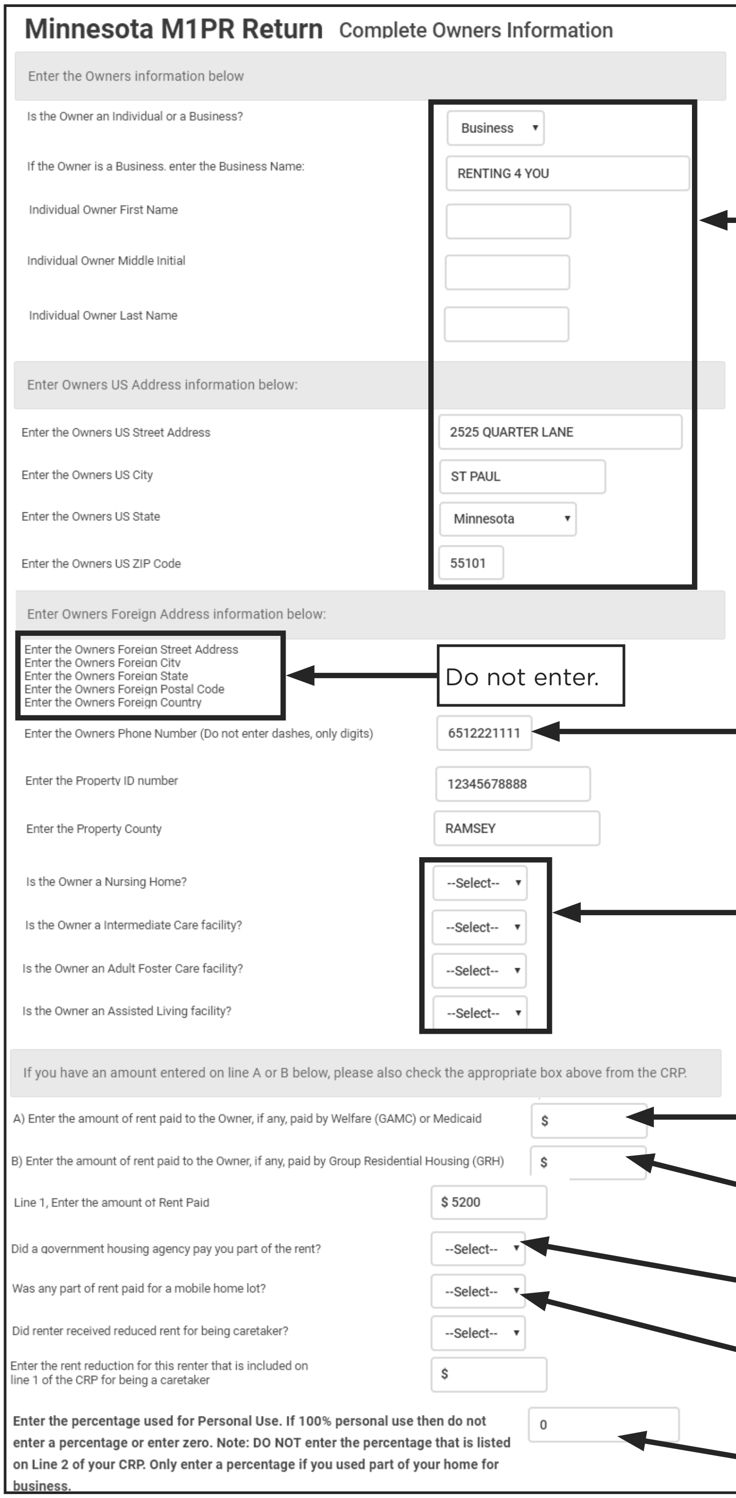
State Section » Property Tax Refund » Edit » Pencil » Complete your MN Property Tax Rebate » Enter Form MN-CRP received » Complete Renter’s Information



It’s possible to look up a Property Identification (ID) number or landlord’s address on a county website. If a landlord’s phone number or address is missing, the taxpayer may have this information. Rent paid cannot be found online, and if rent is incorrect on the CRP, the taxpayer should get a corrected form.

Entering landlord's information from a CRP

State Section » Property Tax Refund » Edit » Pencil » Complete your MN Property Tax Rebate » Enter Form MN-CRP received » Complete owner's information



Minnesota M1PR Return Complete Owners Information

Enter the Owners information below

Is the Owner an Individual or a Business?	Business
If the Owner is a Business. enter the Business Name:	RENTING 4 YOU
Individual Owner First Name	
Individual Owner Middle Initial	
Individual Owner Last Name	

Enter Owners US Address information below:

Enter the Owners US Street Address	2525 QUARTER LANE
Enter the Owners US City	ST PAUL
Enter the Owners US State	Minnesota
Enter the Owners US ZIP Code	55101

Enter Owners Foreign Address information below:

Enter the Owners Foreign Street Address	
Enter the Owners Foreign City	
Enter the Owners Foreign State	
Enter the Owners Foreign Postal Code	
Enter the Owners Foreign Country	
Enter the Owners Phone Number (Do not enter dashes, only digits)	6512221111
Enter the Property ID number	12345678888
Enter the Property County	RAMSEY
Is the Owner a Nursing Home?	--Select--
Is the Owner a Intermediate Care facility?	--Select--
Is the Owner an Adult Foster Care facility?	--Select--
Is the Owner an Assisted Living facility?	--Select--

If you have an amount entered on line A or B below, please also check the appropriate box above from the CRP.

A) Enter the amount of rent paid to the Owner, if any, paid by Welfare (GAMC) or Medicaid	$
B) Enter the amount of rent paid to the Owner, if any, paid by Group Residential Housing (GRH)	$
Line 1, Enter the amount of Rent Paid	$ 5200
Did a government housing agency pay you part of the rent?	--Select--
Was any part of rent paid for a mobile home lot?	--Select--
Did renter received reduced rent for being caretaker?	--Select--
Enter the rent reduction for this renter that is included on line 1 of the CRP for being a caretaker	$
Enter the percentage used for Personal Use. If 100% personal use then do not enter a percentage or enter zero. Note: DO NOT enter the percentage that is listed on Line 2 of your CRP. Only enter a percentage if you used part of your home for business.	0

Enter information for a business <u>or</u> an individual owner but not both.

Do not enter.

Don't forget to enter the phone number!

Select Yes if this type of housing is indicated on the CRP.

Enter amount paid by Medicaid (CRP line A). If greater than $99,999, the return must be paper-filed.

Enter amount paid by Housing Support (formerly GRH) from CRP line B. See Housing Support notes on page 170.

Enter total rent paid, and if rent was partly paid by a government agency.

Select Yes if the CRP is for a mobile home lot (even if not indicated on the CRP).

See note below about self-employment clinic.

If a taxpayer is claiming the deduction for business use of the home, they must prorate based on personal use and business use. Refer the taxpayer to 651-262-2169 to schedule an appointment at the P+P self-employment tax clinic.

HOMESTEAD CREDIT REFUND

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
• Property Tax Statement	• IRS: N/A • P+P: Renters/ Homeowners + K-12 Education Credit Only	• 1040: N/A • M1: N/A • M1PR: line 22	Basic

Overview: Homeowners may be eligible for a refund of up to $3,310 based on their household income in the tax year and their property taxes in the following year. The 2023 property tax refund is based on the 2024 property tax statement. Counties usually make the statements available online in mid-March in addition sending them via mail. Taxpayers who complete an income tax return and do not have the property tax statement with them can fill out the *Homeowner + Renter Info handout* to submit to P+P later.

NEW! Minnesota tax law now allows homeowners who use an ITIN to apply for Residential Homestead status. After the application is approved, these homeowners can receive the Homestead Credit Refund.

To qualify for the Homestead Credit Refund, a taxpayer must:

1. **Have household income of less than $135,410 in 2023**
2. **Not qualify as a dependent**
   Dependents do not qualify even if the person entitled to claim the dependent chooses not to do so. See page 52 for Qualifying Child definition and page 55 for Qualifying Relative definition.
3. **Own and occupy a home on January 2, 2024**
   If temporarily absent on January 2, the taxpayer is still considered an occupant. Acceptable temporary absences include medical issues, job assignments, or travel.
4. **Have homestead classification for 2024**
   Residential homestead status is required. If the taxpayer does not have homestead classification, refer them to the county assessor's office to learn about applying. Taxpayers with an application approved by December 31, 2024 may still qualify for the 2023 refund. Relative homestead status does not qualify the occupant or owner for the credit.
5. **Not owe delinquent property tax on the homestead**
   If a Property Tax Statement shows delinquent taxes are owed, but the taxes have been paid, or the taxpayer has signed a Confession of Judgment and is current on payments, paper-file Form M1PR, including documentation from the county with the return.

HOMEOWNER SITUATIONS

Taxpayer's home is foreclosed on in 2023. The financial institution who had a lien against the property becomes the owner. Even if the financial institution allows the taxpayer to continue living in the home, the taxpayer does not qualify.

Taxpayer/spouse was a part-year resident. Enter total household income from all states for 2023. (This is different from the rules for renters.)

Taxpayer lives in a co-op. Residents of co-ops are considered homeowners. They receive a property tax statement from the co-op management that allocates a portion of the taxes to them.

CO-OWNERS AND CO-OCCUPANTS

Taxpayer and another person (not a spouse) own and occupy a home as co-owners. Only one person can file Form M1PR. Include the other owner's income for the period that they lived in the home in 2023. In TaxSlayer, use the Co-Occupant Worksheet (see worksheet below).

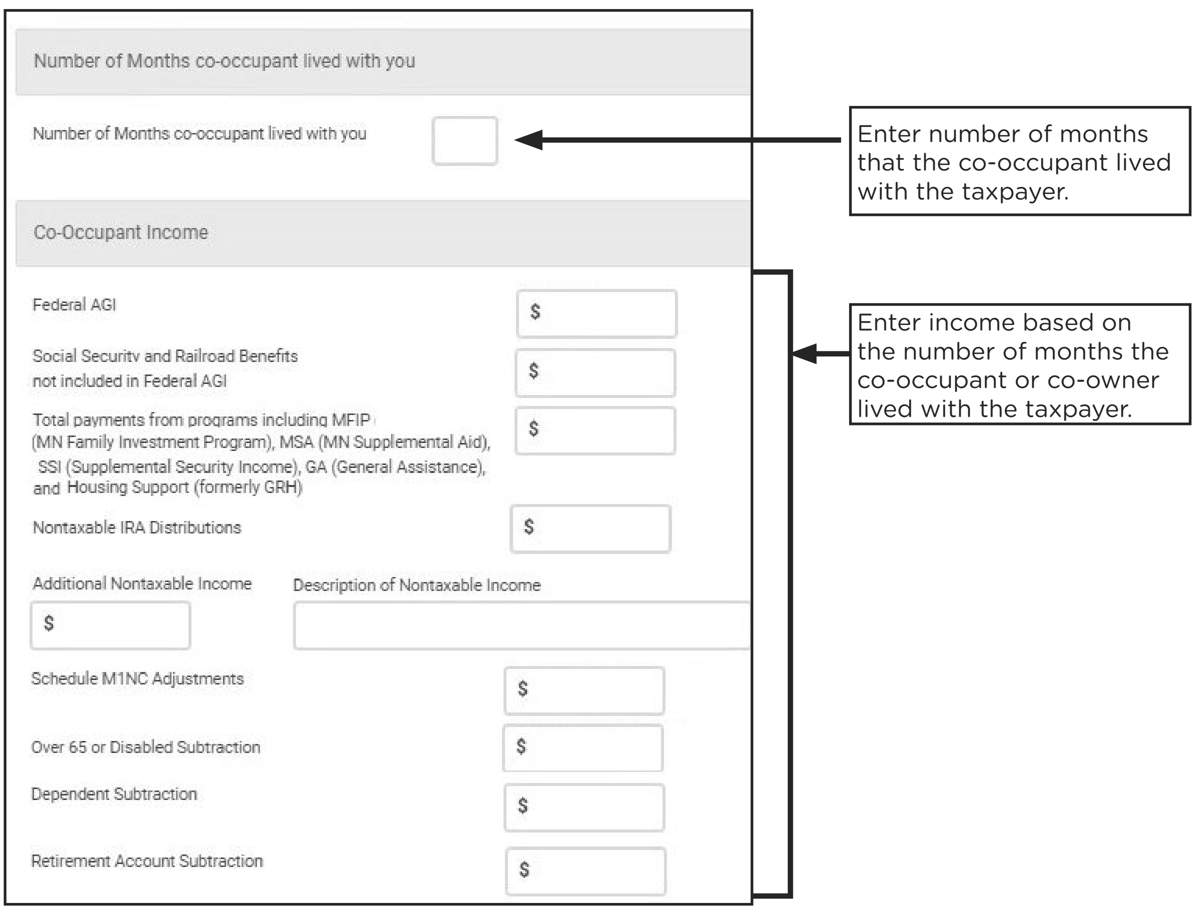
Someone other than the spouse lived with the taxpayer. Include income of any other person living with the taxpayer (except boarders, renters, dependents, parents or spouse's parents) for the period of time they lived in the home with the taxpayer. Only include a parent's income if the parent lives with the taxpayer and is a co-owner (see worksheet below).

Two or more people own the home, but not all owners reside in the home. The owner that lives in the home is the only person qualified for the Homestead Credit Refund and is not required to include the non-occupant owners' income on the return.

Two or more people own and occupy separate sections of a multiple family dwelling. Each person who owns and occupies a unit in the multiple dwelling can file for the Homestead Credit Refund using their own income and a proportionate share of the property tax paid (calculated based on the percentage of the dwelling owned and occupied). Paper-file and attach a statement describing the multiple family dwelling and the reason for splitting the property taxes.

Co-Occupant Worksheet

State Section » Property Tax Refund » Edit » Pencil » Enter your total Household Income » Co-occupant Worksheet entries


Number of Months co-occupant lived with you

Number of Months co-occupant lived with you

Enter number of months that the co-occupant lived with the taxpayer.

Co-Occupant Income

Federal AGI $

Social Security and Railroad Benefits not included in Federal AGI $

Total payments from programs including MFIP (MN Family Investment Program), MSA (MN Supplemental Aid), SSI (Supplemental Security Income), GA (General Assistance), and Housing Support (formerly GRH) $

Nontaxable IRA Distributions $

Additional Nontaxable Income $

Description of Nontaxable Income

Schedule M1NC Adjustments $

Over 65 or Disabled Subtraction $

Dependent Subtraction $

Retirement Account Subtraction $

Enter income based on the number of months the co-occupant or co-owner lived with the taxpayer.

MOBILE HOME OWNERS

Taxpayers who live in a mobile home generally own the mobile home, but rent the lot on which it is located. Taxpayers need a CRP for the lot rental and a 2024 Property Tax Statement for the mobile home. Form M1PR cannot be filed for mobile home owners without both forms. They cannot choose to file as a renter with only the CRP for lot rental.

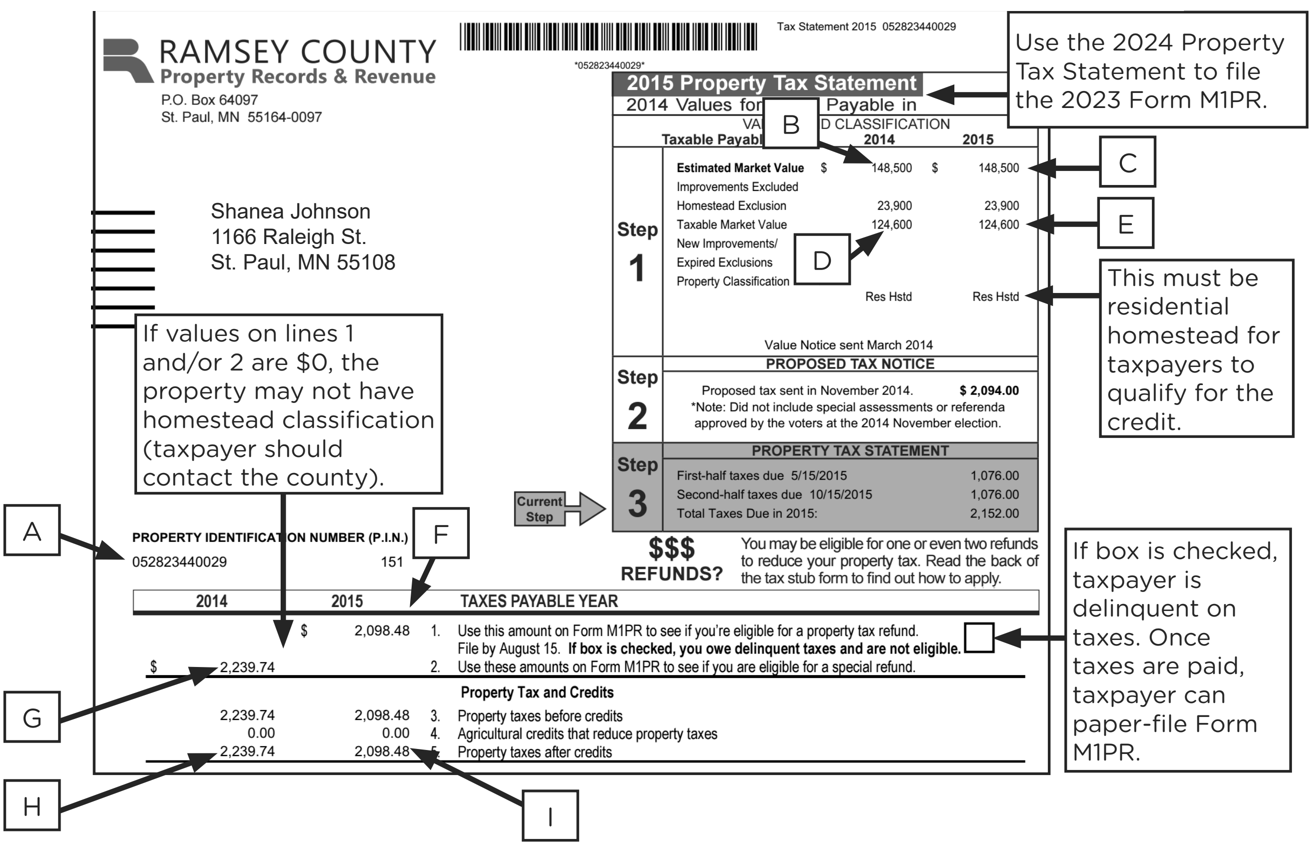
Mobile home owners generally receive their property tax statements in June. Provide the *Homeowner + Renter Info* handout with instructions to submit both the CRP and the property tax statement along with a completed handout to the P+P main office.

If a taxpayer rents a mobile home from one landlord and rents the lot from another landlord, the taxpayer is considered a renter. Complete two CRP worksheets in TaxSlayer. The taxpayer must paper-file with an explanation for the overlapping months.

PROPERTY TAX STATEMENT

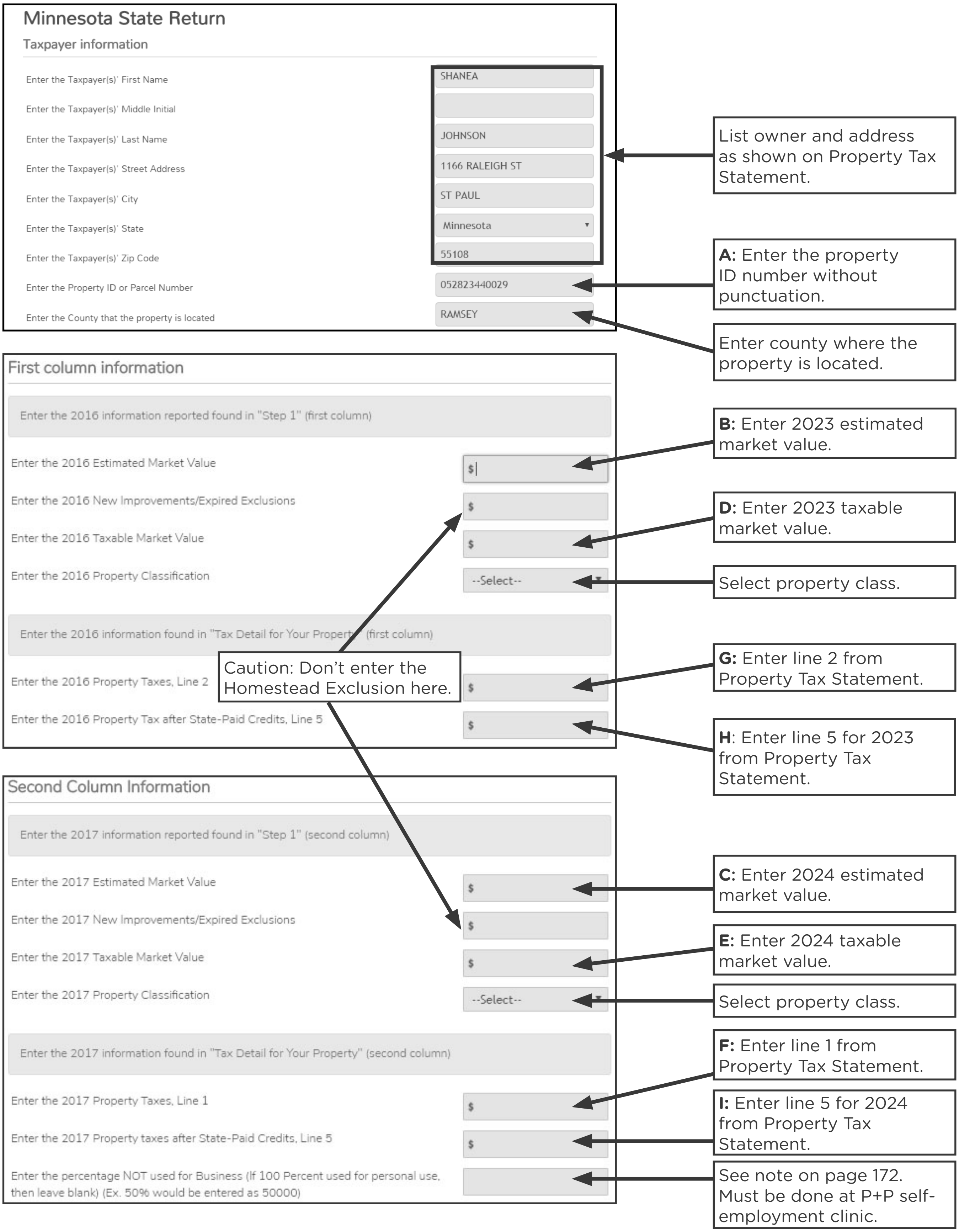
Use the 2024 Property Tax Statement to file the 2023 Form M1PR (or the 2023 Property Tax Statement to file the 2022 Form M1PR). **Do not use a proposed tax statement**. MDOR will not accept Form M1PR for a homeowner prior to mid-March, when most counties make final statements available (online and by mail).

See corresponding letters on page 176 for TaxSlayer entry instructions.



Homeowner and Property Tax information

State Section » Property Tax Refund » Edit » Pencil » Complete your MN Property Tax Rebate » Enter Form PROPST received » Property Tax Statement



SPECIAL PROPERTY TAX REFUND

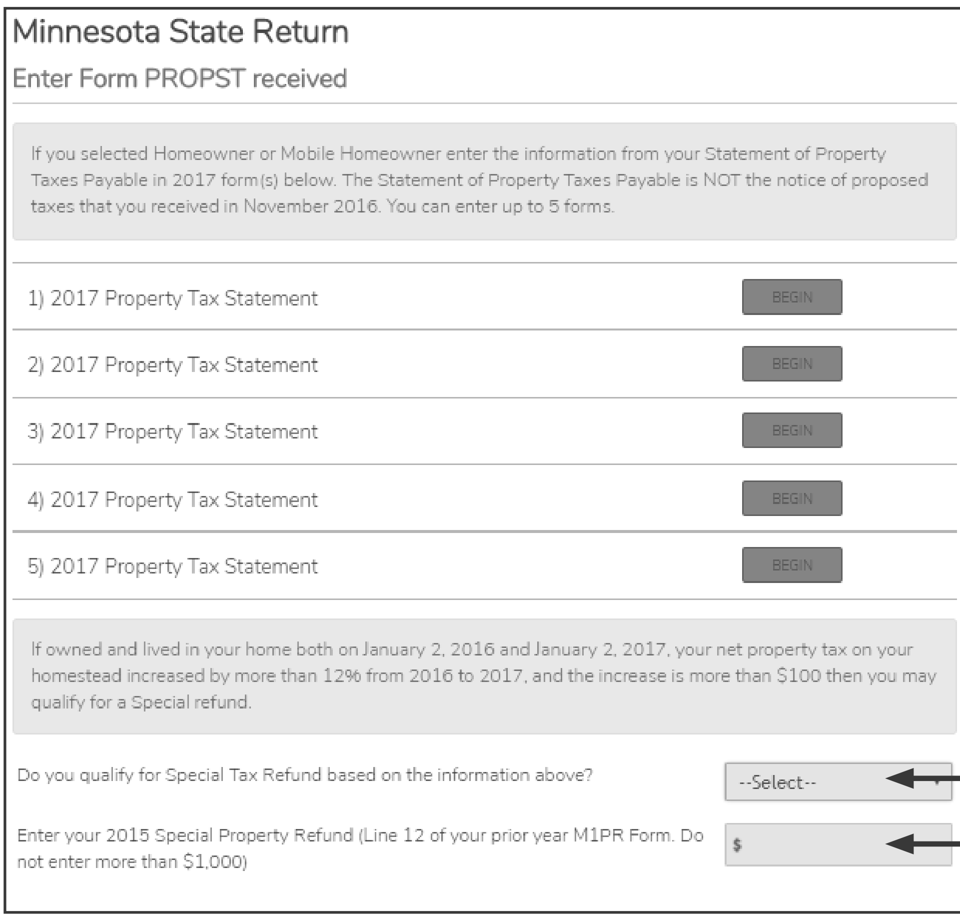
A homeowner or mobile home owner may be eligible for a Special Refund (up to $1,000) in addition to the regular refund. To qualify, the taxpayer must have:

1. Owned and lived in this homestead on both January 2, 2023, and January 2, 2024; **and**
2. A net property tax increase of more than 12% from 2023 to 2024; **and**
3. An increase in property tax of $100 or more.

If the taxpayer qualified for the special refund in the previous tax year, enter the amount of the special refund from the prior-year return. The taxpayer may qualify for a higher refund since their property taxes increased significantly over multiple years.

Entering Special Refund information

State Section » Property Tax Refund »Edit » Pencil » Complete your MN Property Tax Rebate » Enter Form PROPST received


Minnesota State Return

Enter Form PROPST received

If you selected Homeowner or Mobile Homeowner enter the information from your Statement of Property Taxes Payable in 2017 form(s) below. The Statement of Property Taxes Payable is NOT the notice of proposed taxes that you received in November 2016. You can enter up to 5 forms.

1) 2017 Property Tax Statement BEGIN

2) 2017 Property Tax Statement BEGIN

3) 2017 Property Tax Statement BEGIN

4) 2017 Property Tax Statement BEGIN

5) 2017 Property Tax Statement BEGIN

If owned and lived in your home both on January 2, 2016 and January 2, 2017, your net property tax on your homestead increased by more than 12% from 2016 to 2017, and the increase is more than $100 then you may qualify for a Special refund.

Do you qualify for Special Tax Refund based on the information above? --Select--

Enter your 2015 Special Property Refund (Line 12 of your prior year M1PR Form. Do not enter more than $1,000) $

Check "Yes" to calculate Special Refund.

Enter total 2022 Special Refund amount from the 2022 tax return if claimed.

For some taxpayers, claiming the Special Refund may lower the total property tax refund that the taxpayer receives. Check the Form M1PR refund with and without the Special Refund to determine the best benefit for taxpayers with household income under $28,000. Generally, taxpayers with income above this amount will benefit from the Special Refund.

M1PR ONLY RETURNS

Do not use these instructions if the taxpayer's income tax returns were previously prepared by P+P. Instead, provide the *Homeowner + Renter Info handout*. Taxpayers who are unsure if their prior-year returns were completed by P+P can work with a manager to look up a prior year return or call 651-287-0187 if a manager is unable to verify.

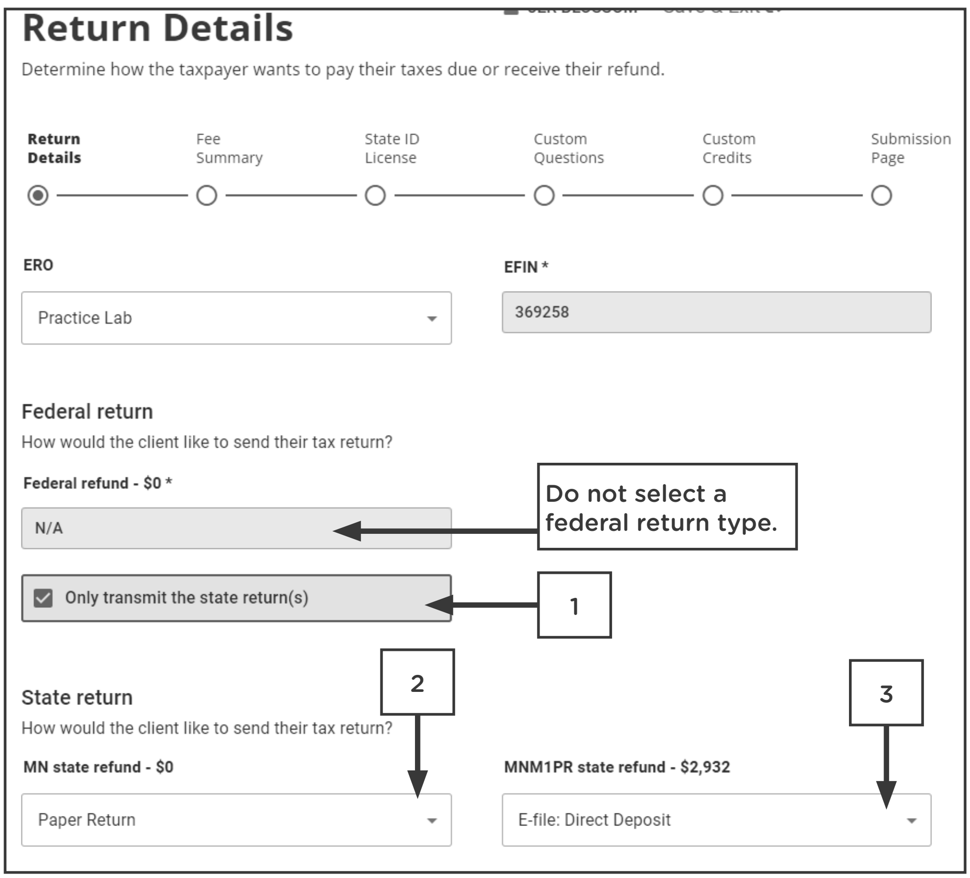
M1PR ONLY: NOT REQUIRED TO FILE AN INCOME TAX RETURN

Many taxpayers only file Form M1PR because their total income is nontaxable (e.g., Social Security benefits). Prepare the return as usual with these exceptions:

1. Check the "Only transmit the state return(s)" box. Do not select a federal return type.
2. Select Paper Return as the MN state refund return type (Form M1).
3. Select MNM1PR state refund return type appropriate for the taxpayer's situation.

M1PR Only

E-file Section



Failure to select "Only transmit the state return(s)" check box in the E-file section of TaxSlayer will cause an M1PR-only return to be rejected. This can delay refunds or prevent the return from being electronically filed.

M1PR ONLY: INCOME TAX RETURNS FILED ELSEWHERE

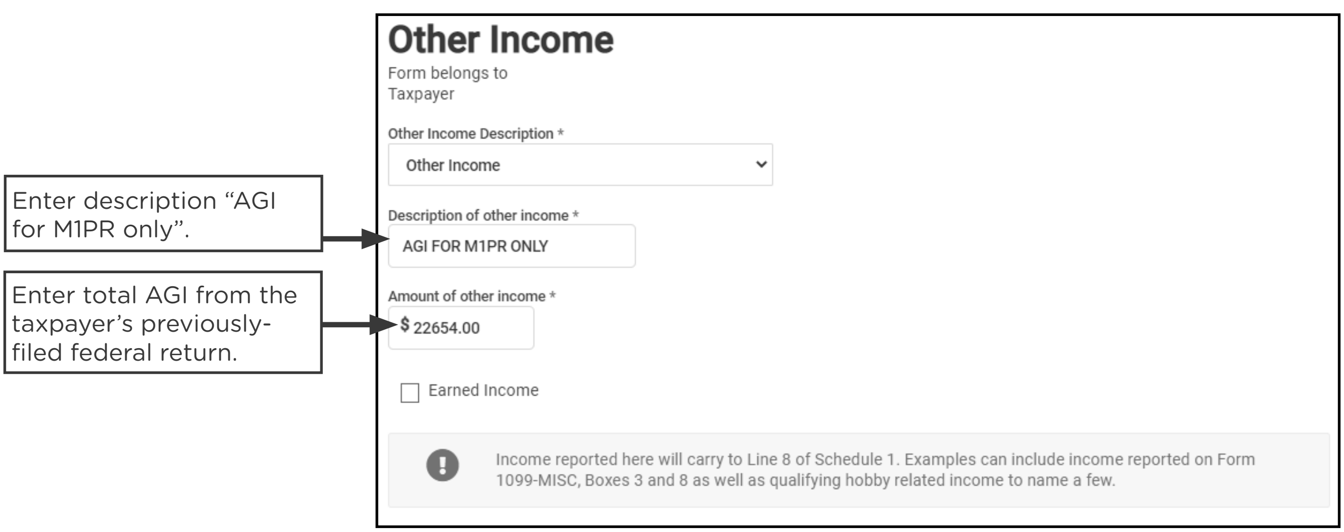
Many taxpayers have income tax returns prepared elsewhere and only need assistance completing Form M1PR. The taxpayer must have a copy of the previously-filed federal tax return. The federal Adjusted Gross Income (AGI) is the starting point for Form M1PR. The instructions below will enable e-filing of Form M1PR without re-creating the entire federal return.

Entry in TaxSlayer:

1. Complete the Basic Information section.
2. Enter the total Social Security benefits in the federal section in TaxSlayer.
   - Find this amount in box 5 of Form SSA-1099 or on line 6a of Form 1040.
3. Enter the federal AGI minus any **taxable** Social Security benefits shown on the original return. In TaxSlayer, enter this as Other Income and label the entry "AGI FOR M1PR ONLY".
   - Find the AGI on line 11 of Form 1040 and the taxable Social Security benefits on line 6b.
4. Verify that the AGI in the refund monitor in TaxSlayer is the same as that on the original return.
5. Complete the M1PR in the state section:
   - Enter property tax information from source documents.
   - Enter Household Income not included in AGI. See page 166 for examples, including items that TaxSlayer would normally transfer automatically (e.g., deferred compensation, HSA contributions, most federal adjustments, etc). Because tax forms were not entered, TaxSlayer cannot automatically transfer nontaxable income as it normally would. Look over the original Form 1040 carefully, conduct a thorough interview, and make notes for reviewers.
6. Complete E-file screen (see page 178).
   - Check the "Only transmit the state return(s)" box. Do not select federal return type.
   - Select Paper Return as Minnesota state refund return type (Form M1).
   - Select MNM1PR return type appropriate for taxpayer.

Entering AGI for M1PR-Only Return filed elsewhere

Federal Section » Income » Other Income » Other Income Not Reported Elsewhere



PRIOR-YEAR RETURNS

AMENDMENTS

Taxpayers may file an amended return to correct wrong or incomplete information. Amendments are filed using Forms 1040X, M1X, and M1PRX. Volunteers must be certified to the appropriate level for all tax issues on the return to prepare an amended return.

Important amendment information

- Taxpayer must provide a copy of the originally-filed return or a transcript.
- A standard intake procedure, including an interview and intake paperwork, is required to prepare an amended return.
- Federal amendments for tax years 2021-2023 can be e-filed, but Minnesota amended returns and older federal amended returns must be paper-filed.
- Pub 4012, Tab M, offers additional guidance.

Amendment time lines
A taxpayer filing to claim an additional refund should wait until the original refund is received before filing the amendment. If the taxpayer owes additional tax and the filing deadline has not passed, the taxpayer should file the amended return and pay the tax by the filing deadline for that year to avoid penalties and interest. Amendments take at least 16 weeks to process.

In 2024, P+P will only prepare amendments during the regular tax season if:

» The original return was filed at P+P: taxpayer should call 651-262-2167 for assistance.
» The amendment is for tax year 2020: taxpayer should call 651-262-2169 to schedule an appointment

During summer and fall tax clinics, P+P will prepare amendments from any year.

PRIOR-YEAR RETURNS

Returns for tax years 2017 and earlier cannot be prepared at P+P. TaxSlayer allows preparation for prior-year tax returns in tax years 2018 through 2022. Tax returns for 2021 and 2022 can be e-filed. Returns for 2018 through 2020 must be paper-filed.

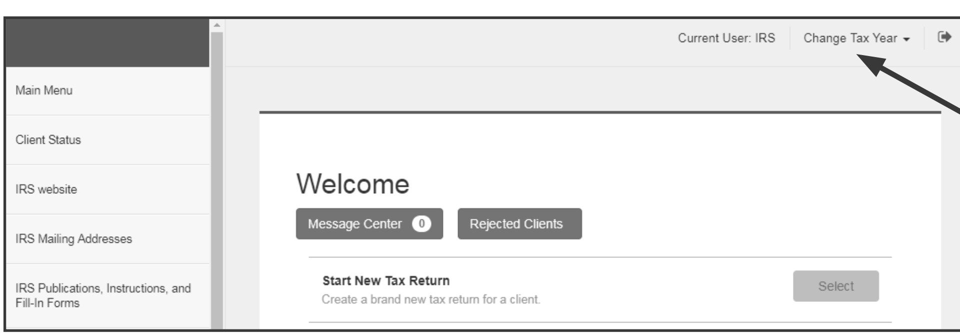
Volunteers must be certified to the appropriate level for all tax issues on the return. When possible, use tax law resource material from the tax year being prepared. Summaries in the following sections highlight some prior-year tax law issues that differ from tax year 2023.

Prior-year returns may be prepared using transcripts. For more information, see page 58.

Prior-year refund expiration
Until April 17, 2024, taxpayers can claim income tax refunds back through 2020. Until August 15, 2024, taxpayers can claim M1PR refunds for 2022.

Preparing prior-year returns

Main menu



Select the appropriate tax year to open the main menu for a prior year: 2018, 2019, 2020, 2021, or 2022.

2022 TAX YEAR

Income tax refunds for tax year 2022 can be claimed until the tax filing deadline in April 2026. Refunds for Form M1PR can be claimed until August 15, 2024.

Coronavirus-Related Retirement Distributions: See 2020 tax year section for more details.

2022 business mileage: The business mileage deduction had two rates. January through June, the rate was 55.5 cents per mile. July through December, the rate was 62.5 cents per mile.

Minnesota Frontline Worker Pay: Qualified Frontline Workers got a $487.45 payment that is reported federally as "other income". It must be subtracted from Minnesota taxable income and Household Income on Form M1PR. In TaxSlayer, use the M1 Subtractions section and the Other Subtractions line in the M1PR Household Income section.

K-12 Education Credit: In tax year 2022 and prior years this credit was based on Household Income. The credit also had a much lower income threshold and maximum credit of $1,000.

M1PR updates: Property tax refunds received a one-time increase via legislation passed after the filing season. Taxpayers received 20.572% more than original calculations for the credits.

The Special Refund qualifications for homeowners in tax year 2022 only required an increase of 6% (change from 12%) and at least $100.

Homeowners with ITINs were not eligible to get Homestead classification until mid-2023. If it was obtained prior to 12/31/2023, then ITIN holders can claim the 2022 Homestead Credit Refund.

2021 TAX YEAR

Income tax refunds for tax year 2021 can be claimed until the tax filing deadline in April 2025. Refunds for Form M1PR are expired.

2021 Recovery Rebate Credit: The credit for tax year 2021 allows taxpayers who did not receive the third round of Economic Impact Payments or did not receive the full amount ($1,400 per taxpayer and dependent) to claim the missed portion as a credit on the tax return.

Earned Income Credit (EIC) Lookback and Expansion: Taxpayers have the option to use 2019 earned income to figure the EIC if their 2019 earned income was higher than their 2021 earned income. The EIC was expanded for filers with no qualifying child. There was no upper age limit for the credit, and some youth experiencing homelessness or former foster youth qualified for the credit at a younger age.

Child Tax Credit (CTC) Expansion: The CTC was fully refundable, and the amount of the credit was much larger in tax year 2021. Children aged 17 or younger qualified for the credit. Many taxpayers with children received advance CTC payments equaling half the taxpayer's expected CTC. The advance payments had to be reconciled on the 2021 return.

Child and Dependent Care Credit (CDCC) Expansion: The CDCC was fully refundable, the credit was larger, and the limit for qualifying expenses was higher. T

Premium Tax Credit: Taxpayers who received unemployment benefits were considered to have income at 133% of FPL for Premium Tax Credit calculations.

Sick leave and family leave credits: This is the last year that self-employed taxpayers could claim a credit for lost earnings due to being sick or caring for family members due to COVID-19. These credits were available in tax years 2020 and 2021.

Charitable Contribution Deduction: This is the last year that taxpayers who did not itemize could claim an adjustment of $300 ($600 for MFJ filers) for cash contributions. This was available in tax years 2020 and 2021.

Coronavirus-Related Retirement Distributions: See 2020 tax year section for more details.

2020 TAX YEAR

Income tax refunds for tax year 2020 can be claimed until the tax filing deadline in April of 2024. Refunds for Form M1PR are expired.

Unemployment Compensation Deduction: For 2020, up to $10,200 of unemployment was nontaxable. Each spouse on a MFJ return was eligible. This deduction was allowed partway through the filing season, and Minnesota accepted the deduction after the filing season ended.

Coronavirus-Related Retirement Distributions: Taxpayers were able to make early distributions from most retirement accounts without an early distribution penalty. Additionally, taxpayers could choose to have the distribution fully taxed in tax year 2020 or to spread the taxable income equally across tax years 2020, 2021, and 2022 (reporting 1/3 of the distribution in each tax year). Taxpayers have the option to recontribute amounts. Review instructions in Pub 4012 for the appropriate year if assisting a taxpayer with these distributions or recontributions.

2020 Recovery Rebate Credit: The tax year 2020 credit was based on two rounds of Economic Impact Payments (stimulus payments) paid in 2020 and early 2021. Taxpayers who did not get the advance payments or did not get their full payment, claimed the credit. Generally, the first round of payments equaled $1,200 for the taxpayer ($2,400 for MFJ) and $500 for each qualifying child. Generally, the second round of payments equaled $600 for the taxpayer ($1,200 for MFJ) and $600 for each qualifying child. The definition for a qualifying child matched the definition used for the Child Tax Credit.

Tuition and Fees Deduction: Tax year 2020 was the final year for the Tuition & Fees Deduction. This allowed taxpayers to deduct up to $4,000 in qualified tuition and related expenses. There was no limit to the number of years a taxpayer could take the deduction and no requirement for seeking a degree or credential. Generally education credits offered a better tax benefit.

Earned Income Credit (EIC): Tax year 2020 was the final year that all MFS taxpayers were ineligible for EIC. Taxpayers also had the option to use 2019 earned income to figure the EIC if their 2019 earned income was higher than their 2020 earned income.

2019 TAX YEAR

Income tax refunds for tax year 2019 are expired. Refunds for Form M1PR are expired. These returns cannot be e-filed. Only prepare 2019 returns if the taxpayer owes money or has received a request to file.

2018 TAX YEAR

Income tax refunds for tax year 2018 are expired. Refunds for Form M1PR are expired. These returns cannot be e-filed. Only prepare 2018 returns if the taxpayer owes money or has received a request to file.

From tax year 2014 through tax year 2018, the **Affordable Care Act** (ACA) required taxpayers to include information about health coverage on the tax return. Every person had to:

- Have Minimum Essential Coverage (MEC) for each month of the year, or
- Qualify for an exemption from the coverage requirement for part or all of the year, or
- Make a Shared Responsibility Payment (SRP).

When preparing a return for 2018, consult the P+P volunteer manual and/or Pub 4012 for tax year 2018. These resources cover exemption options for people without coverage and data entry instructions for TaxSlayer.

Minnesota changes: The Working Family Credit expanded greatly in tax year 2019 and beyond. In 2018 and earlier tax years, the credit was based on two qualifying children instead of three, and taxpayers without children ages 21-24 did not qualify.

APPENDIX

Filing Status Quiz Answers (page 49)

1. HOH - parents are qualifying people when living apart
2. Yes; MFS - Scott is "considered unmarried" with a qualifying child and Kathy is not with no child
3. No - Robert is not a qualifying person for HOH; not a qualifying relative
4. No - Trinity is not a qualifying person for HOH; not related to Chris
5. No - David is not a qualifying person for HOH; not related to Mae
6. Yes - Amara is a qualifying person for HOH; closely related to Abdullah
7. MFJ - joint filing permitted in the year of a spouse's death

Dependency Quiz Answers (page 57)

1. No - qualifying relative rules; income is too high
2. Yes - meets qualifying relative rules
3. Yes - meets qualifying relative rules
4. Yes - meets qualifying relative rules
5. No - qualifying relative rules; income is too high
6. Hope - qualifying child rules; residency test
7. Mike - qualifying child tie breaker rules; tie goes to the parent
8. Yes - qualifying as a dependent requires filing as a dependent

Form **13614-C** (October 2023)

Department of the Treasury - Internal Revenue Service

Intake/Interview and Quality Review Sheet

OMB Number 1545-1964

You will need:
- **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.**

- **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	Are you a U.S. citizen? ☐ Yes ☐ No
2. Your spouse's first name	M.I.	Last name	Best contact number	Is your spouse a U.S. citizen? ☐ Yes ☐ 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 ☐ Yes ☐ No b. Totally and permanently disabled ☐ Yes ☐ No c. Legally blind ☐ Yes ☐ No
7. Your spouse's Date of Birth	8. Your spouse's job title	9. Last year, was your spouse: a. Full-time student ☐ Yes ☐ No b. Totally and permanently disabled ☐ Yes ☐ No c. Legally blind ☐ Yes ☐ No

10. Can anyone claim you or your spouse as a dependent? ☐ Yes ☐ No ☐ Unsure

11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? ☐ Yes ☐ No

12. Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service)

Part II – Marital Status and Household Information

1. As of December 31, 2023, what was your marital status?
   - ☐ Never Married
   - ☐ Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)
     - a. If Yes, Did you get married in 2023? ☐ Yes ☐ No
     - b. Did you live with your spouse during any part of the last six months of 2023? ☐ Yes ☐ No
   - ☐ Divorced — Date of final decree ____________
   - ☐ Legally Separated — Date of separate maintenance decree ____________
   - ☐ Widowed — Year of spouse's death ____________

2. List the names below of:
   - **everyone** who lived with you last year (other than your spouse)
   - **anyone** you supported but did not live with you last year

If additional space is needed check here ☐ and list on page 3

									To be completed by a Certified Volunteer Preparer				
Name (first, last) Do not enter your name or spouse's name below (a)	Date of Birth (mm/dd/yy) (b)	Relationship to you (for example: son, daughter, parent, none, etc) (c)	Number of months lived in your home last year (d)	US Citizen (yes/no) (e)	Resident of US, Canada, or Mexico last year (yes/no) (f)	Single or Married as of 12/31/23 (S/M) (g)	Full-time Student last year (yes/no) (h)	Totally and Permanently Disabled (yes/no) (i)	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes,no,n/a)	Did this person have less than $4,700 of income? (yes,no,n/a)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/n/a)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)

Catalog Number 52121E www.irs.gov Form **13614-C** (Rev. 10-2023)

IRS INTAKE SHEET PAGE 2

Check appropriate box for each question in each section

Yes	No	Unsure	Part III – Income – Last Year, Did You (or Your Spouse) Receive
☐	☐	☐	1. (B) Wages or Salary? (Form W-2) **If yes, how many jobs did you have last year?** ______
☐	☐	☐	2. (A) Tip Income?
☐	☐	☐	3. (B) Scholarships? (Forms W-2, 1098-T)
☐	☐	☐	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
☐	☐	☐	5. (B) Refund of state/local income taxes? (Form 1099-G)
☐	☐	☐	6. (B) Alimony income or separate maintenance payments?
☐	☐	☐	7. (A) Self-Employment income? (Forms 1099-MISC, 1099-NEC, 1099-K, cash, digital assets, or other property or services)
☐	☐	☐	8. (A) Cash/check/digital assets, or other property or services for any work performed not reported on Forms W-2 or 1099?
☐	☐	☐	9. (A) Income (or loss) from the sale or exchange of stocks, bonds, digital assets or real estate? (including your home) (Forms 1099-S, 1099-B)
☐	☐	☐	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
☐	☐	☐	11. (A) Retirement income or payments from pensions, annuities, and or IRA? (Form 1099-R)
☐	☐	☐	12. (B) Unemployment Compensation? (Form 1099-G)
☐	☐	☐	13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)
☐	☐	☐	14. (M) Income (or loss) from rental property?
☐	☐	☐	15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, digital assets, Sch K-1, royalties, foreign income, etc.)

Yes	No	Unsure	Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay
☐	☐	☐	1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? ☐ Yes ☐ No
☐	☐	☐	2. Contributions or repayments to a retirement account? ☐ IRA (A) ☐ Roth IRA (B) ☐ 401K (B) ☐ Other
☐	☐	☐	3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
☐	☐	☐	4. Any of the following? ☐ (A) Medical & Dental (including insurance premiums) ☐ (A) Mortgage Interest (Form 1098) ☐ (A) Taxes (State, Real Estate, Personal Property, Sales) ☐ (B) Charitable Contributions
☐	☐	☐	5. (B) Child or dependent care expenses such as daycare?
☐	☐	☐	6. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?
☐	☐	☐	7. (A) Expenses related to self-employment income or any other income you received?
☐	☐	☐	8. (B) Student loan interest? (Form 1098-E)

Yes	No	Unsure	Part V – Life Events – Last Year, Did You (or Your Spouse)
☐	☐	☐	1. (A) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
☐	☐	☐	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)
☐	☐	☐	3. (A) Adopt a child?
☐	☐	☐	4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes, for which tax year? ______
☐	☐	☐	5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)
☐	☐	☐	6. (A) Receive the First Time Homebuyers Credit in 2008?
☐	☐	☐	7. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? ______
☐	☐	☐	8. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?
☐	☐	☐	9. (A) Have health coverage through the Marketplace (Exchange)? [Provide Form 1095-A]

Catalog Number 52121E www.irs.gov Form **13614-C** (Rev. 10-2023)

IRS INTAKE SHEET PAGE 3

Additional Information and Questions Related to the Preparation of Your Return

1. Would you like to receive written communications from the IRS in a language other than English? ☐ Yes ☐ No If yes, which language? ____________
2. Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)
   Check here if you, or your spouse if filing jointly, want $3 to go to this fund ☐ You ☐ Spouse
3. If you are due a refund, would you like: a. Direct deposit ☐ Yes ☐ No b. To purchase U.S. Savings Bonds ☐ Yes ☐ No c. To split your refund between different accounts ☐ Yes ☐ No
4. If you have a balance due, would you like to make a payment directly from your bank account? ☐ Yes ☐ No
5. Did you live in an area that was declared a Federal disaster area? ☐ Yes ☐ No If yes, where? ____________
6. Did you, or your spouse if filing jointly, receive a letter from the IRS? ☐ Yes ☐ No
7. Would you like information on how to vote and/or how to register to vote? ☐ Yes ☐ No

Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the following questions may be used by this site to apply for these grants or to support continued receipt of financial funding. Your answer will be used only for statistical purposes. These questions are optional.

8. Would you say you can carry on a conversation in English, both understanding & speaking? ☐ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer
9. Would you say you can read a newspaper or book in English? ☐ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer
10. Do you or any member of your household have a disability? ☐ Yes ☐ No ☐ Prefer not to answer
11. Are you or your spouse a Veteran from the U.S. Armed Forces? ☐ Yes ☐ No ☐ Prefer not to answer
12. Your race?
☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or other Pacific Islander ☐ White ☐ Prefer not to answer
13. Your spouse's race?
☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or other Pacific Islander ☐ White ☐ Prefer not to answer
☐ No spouse
14. Your ethnicity? ☐ Hispanic or Latino ☐ Not Hispanic or Latino ☐ Prefer not to answer
15. Your spouse's ethnicity? ☐ Hispanic or Latino ☐ Not Hispanic or Latino ☐ Prefer not to answer ☐ No spouse

Additional comments

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory. Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers. Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs. The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1964. Also, if you have any comments regarding the time estimates associated with this study or suggestion on making this process simpler, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224

Form **15080** (October 2023)

Department of the Treasury - Internal Revenue Service

Consent to Disclose Tax Return Information to VITA/TCE Tax Preparation Sites

Federal Disclosure:

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.

You are not required to complete this form to engage our tax return preparation services. If we obtain your signature on this form by conditioning our tax return preparation services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.

Terms:

Global Carry Forward of data allows TaxSlayer LLC, the provider of the VITA/TCE tax software, to make your tax return information available to ANY volunteer site participating in the IRS's VITA/TCE program that you select to prepare a tax return in the next filing season. This means you will be able to visit any volunteer site using TaxSlayer next year and have your tax return populate with your current year data, regardless of where you filed your tax return this year. This consent is valid through November 30, 2025.

The tax return information that will be disclosed includes, but is not limited to, demographic, financial and other personally identifiable information, about you, your tax return and your sources of income, which was input into the tax preparation software for the purpose of preparing your tax return. This information includes your name, address, date of birth, phone number, SSN, filing status, occupation, employer's name and address, and the amounts and sources of income, deductions and credits that were claimed on, or contained within, your tax return. The tax return information that will be disclosed also includes the name, SSN, date of birth, and relationship of any dependents that were claimed on your tax return.

You do not need to provide consent for the VITA/TCE partner preparing your tax return this year. Global Carry Forward will assist you only if you visit a different VITA or TCE partner next year that uses TaxSlayer. You have the right to receive a signed copy of this form.

Limitation on the Duration of Consent: I/we, the taxpayer, do not wish to limit the duration of the consent of the disclosure of tax return information to a date earlier than presented above (November 30, 2025). If I/we wish to limit the duration of the consent of the disclosure to an earlier date, I/we will deny consent.

Limitation on the Scope of Disclosure: I/we, the taxpayer, do not wish to limit the scope of the disclosure of tax return information further than presented above. If I/we wish to limit the scope of the disclosure of tax return information further than presented above, I/we will deny consent.

Consent:

I/we, the taxpayer, have read the above information.

I/we hereby consent to the disclosure of tax return information described in the Global Carry Forward terms above and allow the tax return preparer to enter a PIN in the tax preparation software on my behalf to verify that I/we consent to the terms of this disclosure.

Primary taxpayer printed name and signature	Date
Secondary taxpayer printed name and signature	Date

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484. Report a Crime or IRS Employee Misconduct - U.S. Treasury Inspector General for Tax Administration (TIGTA) (https://www.tigta.gov/reportcrime-misconduct).

PREPARE + PROSPER

TAX INTAKE SHEET

Preferred name(s): ____
(Taxpayer) (Spouse)

What tax returns do you need prepared? *Check all that apply.*

- ☐ 2023 income taxes
- ☐ 2023 renter or homeowner refund
- ☐ Prior year(s): ____________________
- ☐ Other: ___________________________

TAXPAYER SURVEY

A. How do you identify?

- ☐ African
- ☐ African American or Black
- ☐ American Indian or Alaskan Native
- ☐ Asian or Pacific Islander
- ☐ Hispanic or Latino
- ☐ Middle Eastern/North African
- ☐ White, Non-Hispanic
- ☐ Multiracial
- ☐ Not listed above, write in: ______________________________

B. Are you or a member of your household considered a person with a disability?

- ☐ Yes
- ☐ No

C. What language do you primarily speak at home?

- ☐ English
- ☐ Spanish
- ☐ Somali
- ☐ Oromo
- ☐ Amharic
- ☐ American Sign Language
- ☐ Hmong
- ☐ Vietnamese
- ☐ Karen
- ☐ Russian
- ☐ Not listed above, write in: _______________

D. What is your gender?

- ☐ Female
- ☐ Male
- ☐ Nonbinary
- ☐ Not listed above, write in: _______________

STAY IN TOUCH

Get tips and news from Prepare + Prosper year-round! We'll contact you about once a month and we will never share your information. Message and data rates may apply with texting.

- Email ____
- Would you like to receive non-financially sensitive text messages from us? ☐ Yes ☐ No

DIRECT DEPOSIT AND PAYMENT INFORMATION

If you are getting a refund, how do you want to receive it?

- ☐ I want my refunds deposited in my savings or checking account.
  - ☐ I have my account information with me.
- ☐ I need a new bank account or prepaid card for my refunds.
- ☐ I want to split my federal refund or purchase a U.S. Savings Bond.
- ☐ I want to receive a check in the mail.

Save + Win! Save your refund and enter to win $100!

If you have a balance due, how do you want to make a tax payment?

- ☐ I need more information so I can pay later.
- ☐ I want the payment to come out of my checking or savings account.

P+P TAX INTAKE SHEET PAGE 2

PERMISSION TO USE YOUR INFORMATION

Review the Prepare + Prosper (P+P) Permission to Use Your Information handout and the consents below.

If you choose "no" for any of these consents, P+P cannot e-file your tax return, and you will receive paper copies to sign and mail.

- P+P may keep an electronic copy of my tax return for up to 6 years. ☐ Yes ☐ No
- P+P may use anonymous data containing tax return dollar amounts for marketing, fundraising, or other non-fundraising activity. This allows us to count you in our statistics when we apply for funding or share data with our partners. We do not use personally identifiable information. ☐ Yes ☐ No
- P+P may disclose my tax return information to TaxSlayer (our tax preparation software) to e-file my tax return, and TaxSlayer may disclose my tax return information to P+P for follow-up. ☐ Yes ☐ No

Taxpayer signature ____ Date ____________

Spouse signature ____ Date ____________

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.

☐ **None of the following situations apply.**

☐ Made student loan payments
☐ Had a child born in 2023
☐ Experienced a stillbirth
☐ Donated an organ
☐ Paid for long-term care insurance
☐ Received a public pension
☐ Received an AmeriCorps education award
☐ Completed a masters degree (teachers only)
☐ Received military service pension/retirement pay
☐ Contributed to a 529 College Savings Plan
☐ Received a sexual harassment/abuse settlement
☐ Earned income while living on an a reservation

4. Did you pay for K-12 school expenses or supplies for your child in 2023? ☐ Yes ☐ No

If yes, did the child attend public, private, or home school? ____________________________

What grades was the child attending in 2023? ______________________________________

Volunteer Notes

____

____

P+P TAX INTAKE SHEET PAGE 3

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) $___________per month or year
- ☐ SSI (Supplemental Security Income) $___________per month or year
- ☐ MFIP (Minnesota Family Investment Program) $___________per month or year
- ☐ GA (General Assistance) $___________per month or year
- ☐ Emergency Assistance $___________per month or year
- ☐ Housing Support (formerly GRH) $___________per month or year
- ☐ Workers' compensation $___________per month or year
- ☐ Student loan debt cancelled $___________per month or year
- ☐ Rent reduction received for being a caretaker $___________per month or year
- ☐ Scholarship, fellowship, grants for college $___________Box 5 on Form 1098-T
- ☐ Other nontaxable income, such as: $___________per month or year
  Diversionary Work Payments, HAMP incentives, refugee cash assistance, strike benefits, foster care payments. **Do not include:** Child support, SNAP/food support, or energy assistance.
  Type(s):______________________________
  ____

2. **Did you rent out part of your home or use it for business?**
   ☐ Yes ☐ No

3. **Renters: Do you have all of your Certificate(s) of Rent Paid (CRP)?**
   ☐ Yes ☐ No ☐ Not yet ☐ Not applicable

4. **Homeowners/mobile home owners: Do you have your 2023 Property Tax Statement?**
   ☐ Yes ☐ No ☐ Not yet ☐ Not applicable

5. **Homeowners/mobile home owners: Did you live with someone who is not listed on your tax return?**
   ☐ Yes ☐ No ☐ Not applicable

P+P TAX INTAKE SHEET PAGE 4

STOP HERE! THIS SECTION IS FOR TAX PREPARER USE!

Refund Allocations - State refunds will be deposited into Bank Account 1.

Bank Account 1 Amount $ ___________________

☐ Same account for all refunds

Bank Account 2 Amount $___________________

Refund Notes:
____
____
____

Bank Account Documentation

☐ Not documented; paper check requested or no refund.

☐ Printed document with account information like a voided check or account statement *(included with paperwork for review and do not write below)*.

☐ No printed documentation, but customer has information and wrote it below.

Account 1 Routing number: __ __ __ __ __ __ __ __ __

Account 1 Account number: _____________________________

Account 1 type

☐ Savings account

☐ Checking account

Account 2 Routing number: __ __ __ __ __ __ __ __ __

Account 2 Account number: _____________________________

Account 2 type

☐ Savings account

☐ Checking account

U.S. Savings Bonds - Bonds must be purchased in $50 increments with a federal refund.

Bond for taxpayer: _______________________________________ Amount: _______________

Bond for someone else: ___________________________________ Amount: _______________

Bond for someone else: ___________________________________ Amount: _______________

Balance Due Authorization - Complete and have customer sign if direct debit is requested. Withdrawal date can be April 15 or any date prior.

☐ I authorize a withdrawal of $____________on _________________(date) for payment of my **Federal taxes** from this account.

Direct withdrawal from my: ☐ checking account ☐ savings account

☐ I authorize a withdrawal of $____________on _________________(date) for payment of my **Minnesota taxes** from this account.

Direct withdrawal from my: ☐ checking account ☐ savings account

Taxpayer signature _______________________________________ Date: __________________

PREPARE + PROSPER

BOOST YOUR MONEY

Preferred name(s): ____
(taxpayer) (spouse)

Phone number: ______________ Email address: _________________________ Zip code________

Check in on your financial health and build your financial well-being!

Check the boxes below to access free resources today or get referrals to other Prepare + Prosper (P+P) programs, or to one of our trusted partners.

PREPAID DEBIT CARD
The CFR Focus card is available regardless of credit or banking history. The card has no monthly fee or minimum balance required. It can be used for your tax refund and other deposits.

☐ I want to open a CFR Focus card today for my refund to be direct deposited.

BANK ACCOUNTS
P+P FAIR Banking program offers checking and savings accounts with no overdraft fees or minimum balance requirements. They are available regardless of banking history (excluding bank fraud).

☐ I want to make an appointment to open an account.

SAVE + WIN: Are you saving all or part of your federal or state refund? Enter our drawing to win $100!

☐ I want to save and enter for a chance to win $100.

U.S. SAVINGS BONDS: You can build long-term savings by purchasing a U.S. savings bond for yourself or someone else using part of your federal tax refund.

☐ I want more information about buying U.S. savings bonds.

FINANCIAL COACHING: Work with a P+P Money Mentors financial coach who will meet with you over a six month period to set a financial goal and develop a plan to reach it.

☐ I want to work with a financial coach monthly to help me reach my financial goal(s).

CREDIT SERVICES: P+P can help you access your free credit report or (re)build your credit.

☐ I want to get a copy of my credit report today.

☐ I want to fill out a request form today to receive a copy of my free credit report by mail.

☐ I have little or no credit history and want to get more information about a credit builder loan.

PAYDAY LOAN HELP: Exodus Lending helps Minnesota families break the cycle of predatory loan debt with a refinancing program that has 0% interest and no fees.

☐ I have a predatory loan and would like more information about Exodus Lending.

Continue

P+P BOOST YOUR MONEY FORM PAGE 2

FREE FINANCIAL PLANNING: A Certified Financial Planner® is a financial expert who can meet with you for a free one-time consultation.

- ☐ I would like a financial planner to call me to set up an appointment to discuss:
  - ☐ Retirement savings or distribution options
  - ☐ Appropriate life insurance coverage
  - ☐ Opening a 529 College Savings Plan
  - ☐ Investing

FINANCIAL COUNSELING: LSS Financial Counselors are certified experts in helping people with issues like student loan repayment, credit card debt, and first-time homebuyer programs.

- ☐ I would like to meet with an LSS financial counselor regarding:
  - ☐ Student loans and/or understanding repayment options
  - ☐ Credit card debt
  - ☐ First time homebuyers information

CHILD SAVINGS ACCOUNTS (Saint Paul Residents Only): CollegeBound provides a college savings account with $50 for each child who lives in Saint Paul and is born on or after January 1, 2020.

- ☐ I am a resident of Saint Paul and have a child born on or after Jan 1, 2020.
- ☐ I am currently expecting a child and live in Saint Paul.
- ☐ My child is already enrolled in CollegeBound.

☐ **I am not interested in any of the programs or services offered here.**

Consent to share information

By signing below, I give Prepare + Prosper consent to share the above contact information with the organization(s) I am requesting referrals for. This consent is valid for one year from today.

Signature: ____ Date:_______________

Can we text you regarding your financial referrals*? ☐ Yes ☐ No

*We will never send any sensitive financial information or any personally identifiable information via text.

STOP HERE! OFFICE USE ONLY!

VOLUNTEER CHECKLIST: Follow this checklist for each service or referral that is of interest to the customer.

- ☐ **Initial details:** I shared details of the referral or service and ensured the customer is eligible.
- ☐ **Resources:** I provided a handout or brochure for each referral/service requested.
- ☐ **Consents:** The customer signed the consent to share data for each referral/service requested.
- ☐ **Financial Services Log:** I logged the customer information on paper financial services log.
- ☐ **Tracking form:** I recorded the customer's name and the referrals/services requested in the online financial services tracking form **www.tinyurl.com/fstracker2024**
- ☐ **Next steps:** I explained next steps for each referral/service requested.

Referral Notes (add to online tracking form)

____

____

P+P VOLUNTEER CHECKLISTS

Customer's preferred name: ___________________

Appointment time and number: _____________

Screening Checklist

Volunteer name: ____________________________

- ☐ **Process:** Explained the clinic process.
- ☐ **Joint return:** If filing jointly, both spouses are present.
- ☐ **Picture ID:** Viewed proof of identity for taxpayer and spouse.
- ☐ **SSN/ITIN:** Viewed SSN/ITIN verification for all people on the tax return.
- ☐ **Income guidelines:** Total is within P+P limits:
    - $40k for single filers; $60k for families
    - More than $10k of self-employment income – refer to SE clinic
- ☐ **P+P scope:** No common out-of-scope issues.
    - Renting property to another person
    - Active military or national guard duty
    - Driving a cab (not including Uber/Lyft)
    - Cryptocurrency transactions
    - Bankruptcy filed or pending
- ☐ **Customer envelope:** Name, appointment time, and number written on the envelope.
- ☐ **Tax documents:** Taxpayer confirmed that all tax documents are present.
- ☐ **Direct Deposit:** Asked if taxpayer's direct deposit information is available or if new direct deposit options are needed.
- ☐ **Financial Services:** Informed the taxpayer that a volunteer will follow up about options on the Boost Your Money form.

------------*When paperwork is complete*------------

- ☐ **Intake sheets:** Verified that all intake questions are answered.

Certification level: If Advanced, write topics.

- ☐ Basic
- ☐ Advanced

  IRS intake Part _________________________

  IRS intake Question # __________________

Preparation checklist

Volunteer name: ____________________________

If a checklist item is not applicable, write N/A next to the checkbox.

- ☐ **Screening checklist** completed.
- ☐ **SSN/ITIN verification:** Source documents present for everyone on return.

I conducted a taxpayer interview:

- ☐ All questions on IRS and P+P intake sheets answered (none left blank/unsure).
- ☐ Correct filing status determined.
- ☐ Shaded dependency section completed.
- ☐ P+P consents answered and signed.

- ☐ **Boost Your Money Form:** Taxpayer completed the form, and a CSV received it.
- ☐ **Supplemental worksheets:** Completed worksheets for education credits and/or SE income (SETO), if needed.
- ☐ **MN household income:** Nontaxable income entered on Form M1PR, if needed.
- ☐ **M1PR only:** "Send state only" marked in the TaxSlayer E-file section, if needed.
- ☐ **Paper file:** If applicable, wrote notes about reason for paper filing.
- ☐ **Refund Savings:** Discussed saving, splitting, and Save + Win contest and connected savers to a CSV.
- ☐ **Refund or balance due options:** Completed Preparer Use section on the P+P intake sheet.
- ☐ **Ready for Review:** "Ready for Review" marked in the TaxSlayer E-file Section.
- ☐ **Filing M1PR later:** Put a Homeowner + Renter Info sheet in the customer envelope, if needed.
- ☐ **Documentation:** Included source documents in the customer envelope.

Expected refund or (balance due):

Federal__________________ MN_______________

MN Property________________

Notes from Screening or Preparation ____

____

P+P VOLUNTEER CHECKLISTS PAGE 2

Review checklist

Volunteer name: ___________________________

If a checklist item is not applicable, write N/A next to the checkbox.

- ☐ **Screening and preparation checklists** completed.

Reviewed all the following:

- ☐ Names and SSN/ITINs for everyone on the return from source documents.
- ☐ Birthdates from the IRS intake sheet.
- ☐ Filing status.
- ☐ Phone number and address, including apartment number, from IRS intake sheet.
- ☐ All income listed on source documents and intake sheet is reported.
- ☐ All important info from forms W2, 1099-R and 1099-NEC was entered correctly.
- ☐ All significant answers on the intake sheets are reflected on tax return.

If applicable, reviewed the following:

- ☐ Self-employment income and expenses are entered correctly.
- ☐ Education credits and scholarship entries optimize the tax benefits.
- ☐ Dependency checkbox is marked if the taxpayer is a dependent.
- ☐ All available tax credits are claimed.
- ☐ MN household income is on M1PR.
- ☐ Disability subtraction is on M1PR.

- ☐ **Return types:** Verified return types set for federal and state returns.
- ☐ **Direct deposit/debit:** Double-checked routing and account numbers.
- ☐ **Tags:** Checked boxes for appropriate tags.
- ☐ **Approved review:** Clicked “Approve” button.
- ☐ **Marked complete:** Marked the Complete box.
- ☐ **P+P paperwork:** Stapled all P+P intake paperwork with Form 8879 on top.
- ☐ **Customer envelope:** Wrote refund or (balance due) and enclosed a tax return copy and all taxpayer documents.
- ☐ **Extras:** Included a saver pig, balance due handout, payment vouchers, or mailing envelopes, if needed.
- ☐ **Reviewer log:** Return data is recorded.
- ☐ **Closed PDF:** Tax return PDF is closed.

Refund or (balance due) if changed:

Federal__________________ MN__________________

MN Property_________________

Why? ____

Checkout checklist

Volunteer name: ____________________________

If a checklist item is not applicable, write N/A next to the checkbox.

- ☐ **Documents returned:** Returned SSN cards, ITIN letters, and photo IDs.
- ☐ **Refund or balance due:** Shared final amounts.
- ☐ **Summary sheet:** Taxpayer(s) reviewed and verified ALL names, SSN/ITINs, and birthdates as well as address and phone number.
- ☐ **Direct deposit:** Taxpayer verified account and routing numbers.
- ☐ **Balance due:** Taxpayer confirmed payment method, and I explained payment options using the Paying a Balance Due handout, if needed.
- ☐ **Boost Your Money Form:** Ensured all financial referrals and services requests were received.
- ☐ **Savers:** Confirmed Save + Win entry and provided a saver pig, if needed.
- ☐ **Return approval:** Before signing Form 8879 or paper returns, I informed the taxpayer: By signing, you agree that your return is true, correct, and complete, and that you are responsible for the information reported.

E-file return (2023, 2022, and 2021): *Keep Form 8879 and intake paperwork for P+P records.*

- ☐ Taxpayer(s) signed Form 8879 to authorize e-filing.
- ☐ Shared that P+P will e-file returns and follow up only if there are issues.

Paper return: *Keep intake paperwork for P+P records. No Form 8879 required.*

- ☐ Taxpayer(s) signed returns, and I provided envelopes for mailing returns to IRS and MDOR.
- ☐ Confirmed that taxpayer must mail paper-filed returns.

- ☐ **Refund tracking:** Used customer envelope to share IRS and MDOR websites and phone lines for tracking refund or return status.
- ☐ **Homeowner/Renter Info handout:** Pointed out submission options if form is included in customer envelope.
- ☐ **Questions:** Asked if the customer had any questions and answered them.

Additional notes

____

____

____

INDEX

Prepare + Prosper strives to prepare an error-free and useful manual each year. If you uncover an error or have a suggestion for improvement, please send an email to volunteer@prepareandprosper.org.

F

G+H

I

K+L

M

N+P

Q

R

S

T

U+V

W