

**PREPARE
PROSPER**



WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

VOLUNTEER MANUAL tax year 2019



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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 4012, *Volunteer Resource Guide*; *Minnesota Individual Income Tax* booklet; and *Minnesota Homestead Credit Refund (for Homeowners) and Renters Property Tax Refund* booklet.

PREPARE + PROSPER

WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

70% of households in the U.S. are constrained by income, savings, and/or debt, according to Pew, and one in four doesn't have a bank account or uses an alternative option, according to the FDIC.

When broken down by down by race, the disparities are even more stark—almost 1 in 5 white households compared to 1 in 2 households of color is un- or underbanked.

What does this mean? Many people have unpredictable income and are unprepared to weather a financial shock. Many have no checking or savings accounts, are paying high fees for financial accounts and services like tax preparation, and have no access to affordable credit. This translates into disproportionately high fees and interest rates—hundreds of dollars for a simple tax return, 18% APR on a subprime used car loan, and up to 273% APR on a payday loan.

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

We're working locally and nationally to reshape the financial landscape by partnering and innovating to offer services, products, and options that build wealth—not strip it—for families working hard to build a brighter financial future. We strive to work with people, communities, and systems to break down barriers and develop solutions to financial opportunity and success. We do this through:

- Free tax preparation + financial services
- Money Mentors financial coaching
- FAIR Financial Solution banking option
- Changing systems, both policy and the financial marketplace

We have nearly 50 years of experience creating change in local communities, influencing our field, and making an impact.

We know real change requires work at all levels. 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



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 <\$35,000 and families or sole-proprietors making <\$55,000 annually. All volunteers go through up to 20 hours of training and pass certification tests.

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 Financial Solution: Accounts for households who are financially marginalized and spend too much of their time and money operating in a financial world not well designed to meet their financial needs. FAIR consists of checking, savings, and credit builder accounts, offered in partnership with a bank and distributed through community organizations. FAIR is designed to be scaled nationally.

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. This legislative session we are pushing to increase Minnesota's Working Family Credit, increase funding for free tax prep and integrated financial capability services, and secure funding for FAIR.

2018 Accomplishments

-  12,492 taxpayers filed 27,888 tax returns for free
-  \$23.9 million in tax refunds were returned
-  635 volunteers donated 27,078 hours
-  1,322 taxpayers saved \$1.9 million of their tax refunds
-  166 people reached financial goals in our coaching program
-  1,059 sole-proprietors filed their taxes and many received help managing their businesses
-  54 people enrolled in 96 FAIR products— 34 checking, 34 savings, and 28 credit builder

Learn more:

- Strategic framework for 2018-2022: bit.ly/strategicframe18-22
- Spark online magazine featuring stories + perspectives of people involved in this work: bit.ly/sparkonlinemag
- Tracy Fischman, executive director, 651-262-2155 or tracy@prepareandprosper.org



CONTACT INFORMATION

Volunteer hotlines

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

IRS volunteer hotline	1-800-829-8482 (1-800-TAX-VITA) January 22 - April 15 Monday - Friday: 7 a.m. - 7 p.m.
MN Department of Revenue hotline	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	612-625-5515
Mid-MN Legal Aid Tax Law Project	Minneapolis: 612-334-5970 Statewide: 1-800-292-4150
Volunteer Lawyers Network	612-752-6677

For more information about available referrals, see the *Referrals* handout on pages 20-21.

Taxpayer assistance centers

CITY	ADDRESS	PHONE
IRS assistance centers		
Bloomington	1550 American Blvd East, Ste 700	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	
St. Paul	430 North Wabasha Street	
Minnesota Revenue assistance center		
St. Paul	600 North Robert Street	651-296-3781

VOLUNTEER STANDARDS OF CONDUCT (VSC)

All volunteers are required to ensure the integrity of the Volunteer Income Tax Assistance (VITA) program. The intent of the VSC training is to provide guidance and structure for regulating VITA volunteers and to protect taxpayers. Publication 4961 covers the VSC in detail. In summary, the IRS has determined that VITA volunteers must:

1. Follow the Quality Site Requirements (QSR)

QSR 1: All volunteers must pass the VSC ethics training test. Volunteers who answer tax law questions, teach tax law classes, prepare or review tax returns must successfully pass the applicable IRS tax law certification test. Volunteers whose positions require tax law certification must pass the Intake/Interview and Quality Review test. Reviewers are encouraged to review Pub 5101, *Quality Review 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 before they leave the site.

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 ITINs for everyone listed on the return.

QSR 4: All sites must have at least one copy (paper or electronic) of Publication 4012, *Volunteer Resource Guide*; Publication 17, *Your Federal Income Tax for Individuals*; Volunteer Tax Alerts (VTA) and Quality Site Requirement Alerts (QSRA) available for use. VTAs and QSRA must be discussed with volunteers within five days of issuance.

QSR 5: After passing all required certification tests, volunteers must sign Form 13615 each year prior to working at a site and turn it in to the Volunteer Resources Department.

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: Adherence to security, privacy, and confidentiality guidelines outlined in Pub 4299, *Privacy, Confidentiality, and Civil Rights - A Public Trust*. Guidelines require volunteers to wear name tags with first name and first initial of the last name. (P+P provides name tags.)

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

Taxpayers who want to donate to P+P can make donations online at prepareandprosper.org or give the donation directly to a site manager.

VITA programs are not allowed to have a donation jar at the tax site.

3. Not solicit business from taxpayers they assist or use the knowledge they gained about them for any direct or indirect personal benefits 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 the tax manager. If preparers are not comfortable with the information provided by a taxpayer, they are not obligated 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 scary and “over the top”, but became necessary due to the actions of a few unscrupulous volunteers. P+P has never had cause to be concerned about the integrity of our volunteers, and we want to assure all our volunteers that we have the utmost confidence in our volunteers' ability to carry out their commitment to the program.

The VSC also require that all VITA 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 pesky software nuances.

This environment can make anyone's patience run short! Please remember to take a deep breath and remain calm to create a peaceful and friendly atmosphere. And remember, don't hesitate to reach out to a site manager for help in dealing with a stressful situation or if a break is needed!



Violation or non-compliance with these VSC

Volunteers and/or partners not complying with the VSC may be removed from the VITA program and placed on the IRS-SPEC Volunteer Registry of those who are barred indefinitely from participating in the program. In addition, if the VSC are violated, Prepare + Prosper could be terminated from the program, our IRS grant funds revoked, and our electronic filing number (EFIN) deactivated.

IRS CERTIFICATION INFORMATION

Volunteers must successfully complete the required IRS certification tests prior to their first volunteer shift. Individuals who have not passed the tests within the required time frame will not be able to volunteer as tax preparers or reviewers; however, they may be able to volunteer in another capacity.



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 in-person 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 materials are included in Pub 6744, *Volunteer Assistor's Test/Retest*. Other IRS resources are available to assist volunteers in studying for and taking certification tests. Access Pub 4961, *Volunteer Standards of Conduct - Ethics Training*, Pub 5101, *Intake, Interview, & Quality Review Training*, Pub 4952, *Speciality Course Health Savings Accounts*, and Pub 4012, *Volunteer Resource Guide* online at IRS.gov as needed during testing.

Volunteer Standards of Conduct (VSC): This test is required of all volunteers to ensure that all volunteers are aware of and understand the VSC, which they are required to follow. Passing score: 8 out of 10 correct.

P+P volunteers required to take test: Intake specialists, financial advocates, tax preparers, and reviewers/hybrids

Intake/Interview and Quality Review: This test is required for all tax preparers and reviewers. New tax volunteers are required to view IRS Publication 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: Tax preparers and reviewers/hybrids

Basic Certification: A passing score on the basic certification test is required of all P+P volunteers certifying to prepare returns at the basic level. See chart in Pub 4012 for subjects covered at this level. Passing score: 20 out of 25 correct.

P+P volunteers required to take test: Tax preparers with <80 hours of volunteer experience

Advanced Certification: A passing score on the advanced certification test is required of all P+P volunteers certifying to prepare returns at the advanced level. See chart in Pub 4012 for subjects covered. 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: Tax preparers with >80 hours of volunteer experience and reviewers/hybrids

Health Savings Account (HSA): This test certifies volunteers to assist taxpayers who have an HSA. Volunteers must complete either the basic or the advanced test before taking the HSA test. Passing score: 12 out of 15 correct.

P+P volunteers required to take test: Tax preparers and reviewers/hybrids

ACCESSING CERTIFICATION TESTS ONLINE THROUGH VITA/TCE CENTRAL

How to register at VITA/TCE Central

1. Go to VITA/TCE Central homepage at www.linklearncertification.com.
2. Click “Create Account” and provide the requested information to create an account.
 - Required fields are marked by an asterisk (*); all others are optional.
 - Group: VITA volunteer
 - Choose a login name and password. Password must be 8 characters long and is case-sensitive.
 - A valid email address is required to create a new password if the password is forgotten.
 - Volunteers can use this account in future years to complete their tests.



- **Continuing Education:** Volunteers who are pursuing continuing education (CE) credits should select their CE role from the drop-down menu. Talk to the Volunteer Resources Department beforehand if interested in CE credits.
- **PTIN:** Volunteers who have a PTIN should enter it.

How to complete the certification tests

To navigate within a certification test, use the simple controls available on each test screen.

- Select the desired certification test, starting with the Volunteer Standards of Conduct test, which is a prerequisite to all other tests.
- Click “Launch” on the upper right of the dialog box to start the exam. If there is no “Launch” button, then the necessary prerequisite test has not been passed.
- Read the information in the introduction, then click the “Start Assessment” button.
- To navigate within a test, use the controls available at the bottom of each test screen: back, next, skip, first skipped question, etc.
- For some of the test questions a tax return must be prepared using the TS Practice Lab (see page 11).
- It is possible to stop and close the test at any time and return later to finish.
- At the end of the test, a review screen will appear that summarizes all the questions and the chosen answers. Click “Submit” when ready.
- The Certification Test Results screen will display showing the total test score and results for each question.
- Everyone has two chances to pass each test.



Problems with the website?

- Make sure pop-up blockers are turned off in browser settings.
- Try adding www.linklearncertification.com as a “trusted site” in Internet Explorer.
- Use a different browser, such as Google Chrome or Firefox.

FORM 13615, VOLUNTEER STANDARDS OF CONDUCT AGREEMENT

After completing certification tests, P+P volunteers must submit a signed (electronic signature encouraged) copy of Form 13615, *Volunteer Standard of Conduct Agreement-VITA Programs* to the P+P Volunteer Resources Department.

Generate the form through VITA/TCE Central (www.linklearncertification.com). Check the box to electronically sign. Click to download the PDF copy of your agreement. Email a copy to the P+P Volunteer Resources Department at volunteer@prepareandprosper.org. (Volunteers at other organizations should print or email a copy for their site coordinator.)

Generated From Link & Learn Taxes

Form **13615**
(October 2016)

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 services. VITA/TCE volunteers are required to maintain the highest standards of ethics and integrity.

Instructions: All VITA/TCE volunteers (whether they are preparing returns or not) must pass the VITA/TCE Certification Test, and sign and date Form 13615, *Volunteer Standards of Conduct Agreement-VITA Programs*. In addition, return preparers, quality reviewers, site coordinators, and tax law instructors must pass the VITA/TCE Intake/Interview & Quality Review and tax law sponsoring partner, instructor, or IRS contact coordinator must pass the VITA/TCE Intake/Interview & Quality Review exam.

VITA/TCE Certification Test
My Account

Basic	Advanced	Military	International	Puerto Rico	Foreign Student
<input checked="" type="checkbox"/> You may sign your Volunteer Agreement electronically by checking this box.					
Your name, Date signed					
Click here to open and complete your Volunteer Agreement. Click Print from the file menu to print the page.					
Save the Volunteer Agreement for your records.					

THE TAXSLAYER PRACTICE LAB

Access the online TS software at: <https://vita.taxslayerpro.com/IRSTraining>. The Practice Lab provides a simulated learning environment in the TS Pro Online software to help volunteers practice using the software and prepare returns required for the certification tests.

1. Once on the website, use the generic password “TRAINPROWEB” to get into the lab.
2. Next, create a user name and password.
3. Click “Go to practice lab” to enter the practice lab and start practicing with the TS software. See page 24 for information about starting a new return.



TaxSlayer Practice Lab

<https://vita.taxslayerpro.com/IRSTraining>

Access Link & Learn Taxes

Hello,

Welcome to the Electronic Tax Software Practice Lab for VITA/TCE volunteers. When you enter this site, you will be able to prepare tax returns to practice what you just learned in Link & Learn Taxes. We recommend that you use the problems and exercises contained in Publication 4491 W, VITA/TCE Workbook, Comprehensive Problems and Practice Exercises. These problems and exercises were specifically designed to cover the types of tax returns that VITA/TCE volunteers encounter at their volunteer sites.

To access the practice lab enter below the password you received from the IRS or your site coordinator. If you do not know the password please contact your site coordinator or local IRS Relationship Manager.

If you are not currently a VITA/TCE volunteer and would like to become a volunteer, please click here to get started: <https://www.irs.gov/Individuals/IRS-Tax-Volunteers>. Your information will be forwarded to sponsoring partners in your area for further contact. You will be contacted within 2 weeks after you have submitted your information.

Enter “TRAINPROWEB” as password.

Enter Password

Login



Once you are logged in, you can access other helpful information, including practice problems and training videos, from the Practice Lab home screen.

INTAKE + INTERVIEW PROCESS



USING THE INTAKE FORMS

P+P customers fill out three intake forms. Volunteers should use these forms as screening and interview tools. **Preparers should review the intake paperwork before starting the tax return in TS** to verify the return is within VITA and P+P scope, and that the taxpayer has all necessary documents and information.

- Form 13614-C Intake/Interview & Quality Review Sheet: Required form for all VITA customers nationwide to collect federal tax information.
- P+P Tax Intake Sheet: Collects additional information for preparing a Minnesota return.
- Financial Survey: Assists financial advocates with connecting customers to relevant financial services and products.

Nearly all answers on both tax intake sheets have a direct impact on a customer's tax situation, so **every question must be answered**. If a taxpayer skipped a question or answered "unsure", ask for more information to get a definitive answer.

Write notes while looking over the intake paperwork and completing tax preparation. Reviewers need the information taxpayers provide during screening and preparation to accurately complete quality review, and P+P staff may need the information to follow up with a taxpayer at a later date. During preparation, be sure to:

- Use source documents to print the full name and Social Security number or ITIN of each person listed on the return in the Additional Comments section on page 3 of Form 13614-C.
- Fully complete Part II of Form 13614-C (including shaded sections) to determine filing status and dependents a taxpayer(s) can claim.
- Write down reasons if a particular tax situation appears to apply to a taxpayer but does not (for example, if a taxpayer paid mortgage interest but does not itemize, or a taxpayer paid for school supplies but cannot claim the Minnesota K-12 Education Credit because the taxpayer did not keep receipts).

The P+P Tax Intake Sheet has detailed **volunteer checklists**. Checklists cover: screening, preparation, review and check-out. Checklists offer reminders to complete essential parts of the tax preparation process and/or parts that are easy to forget.

SCREENING A TAXPAYER

Intake specialists often screen customers for missing documents and common out of scope tax topics; however, if the screening checklist is not complete tax preparers must **use the P+P Screening Tool on pages 16-17** to screen the taxpayer. Taxpayers must have appropriate identification and verification of Social Security number or Individual Taxpayer Identification Number (ITIN).

Tax preparers must do a thorough interview whether or not screening was completed, and should use the **P+P Scope of Services and the VITA Scope + Training Certification charts starting on page 18** to verify the certification level necessary to prepare a taxpayer's return and to ensure the return is in scope. Preparing out of scope returns or returns that do not match a volunteer's certification level violates the VITA Volunteer Standards of Conduct.

PREPARE + PROSPER FINANCIAL SERVICES

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

PREPARE + PROSPER

FINANCIAL SURVEY

For volunteer/staff use only:
Customer #: _____ FM/FA initials: _____

Preferred name(s): _____
(Taxpayer) (Spouse)

1. What is a goal you have for your money this year? _____

2. Were you able to save some of your refund last year?

Yes No Unsure I did not get a refund

The Financial Survey helps advocates connect taxpayers with products, services, or referrals that match their goals. Refer taxpayers to the financial advocate at any point in the tax preparation process to:

Save part of their refund

Taxpayers can discuss options with a financial advocate for splitting a refund into multiple accounts and purchasing a U.S. Savings Bond. Tax preparers will enter the account information and bond purchase details in TS (see page 33).

Taxpayers who save part of their refund during the tax season (January through April) can enter the SaveYourRefund contest with a chance to win \$100. Financial advocates can help them get registered.

Open a new account

New savings accounts, checking accounts, or prepaid debit card accounts are available at the tax sites. Taxpayers should discuss options with a financial advocate to choose the best option. Accounts are available regardless of credit and banking history (excluding prior bank fraud).

Look up direct deposit information

Direct deposit is the fastest and safest way for taxpayers to receive their refunds. Taxpayers who did not bring their routing and account numbers may be able to look them up in through their online banking website on their phone or at the financial services station with help from a financial advocate.

If the taxpayer has their account number, use the routing number guide on page 35 to find the routing number for their bank.

Check in on their financial health

Financial advocates are there to discuss financial goals with taxpayers. Whether their goals are increasing savings, getting in touch with their credit, or reducing debt, advocates can help someone take the next step toward achieving their goal. They can provide onsite credit report review or referrals to partners for financial coaching, counseling, or planning.

SCREENING TAXPAYERS WITH ITINS

WHAT IS AN ITIN?

An ITIN is a nine-digit number issued by the IRS to individuals who are required for U.S. tax purposes to have a taxpayer identification number but who do not have, and are not eligible for, an SSN. The ITIN begins with “9” and is for income tax purposes only.

ITINs may be issued for a taxpayer’s dependents who reside in the U.S., Mexico, or Canada, and for a spouse residing in any country. IRS policy only allows an ITIN to be issued when it results in a federal tax benefit. To obtain an ITIN, a taxpayer must submit Form W-7, *Application for IRS Individual Taxpayer Identification Number*, identification documentation, and a federal tax return. P+P has two Certified Acceptance Agents who can assist with Form W-7. Refer taxpayers to the P+P main office at 651-262-2177 to schedule an appointment.

PREPARING RETURNS FOR ITIN HOLDERS

Forms W-2 for ITIN holders will not have the ITIN listed as the taxpayer identification number. Enter the ITIN in the Personal Information section in TS. Enter the SSN listed on Form W-2 when you input the W-2 information in TS. The return can be e-filed.

If a taxpayer needs to apply for or renew an ITIN, do not complete Form W-7 in TS. Refer the taxpayer to call 651-262-2177.

ITIN RENEWALS

Beginning in 2016, ITIN holders must renew their numbers. Renewals happen on a rolling basis based on the middle two digits of a taxpayer’s ITIN. In 2020 renewals are required for people:

- With middle two digits 83, 84, 85, 86, or 87 (9XX-83-XXXX), OR
- With an ITIN that has not been used on a federal return in the last three tax years (2016, 2017, or 2018).

If one of the above bullets applies, ask if the ITINs have been renewed. If the taxpayer does not renew the ITIN before filing, it could delay the refund or return processing. If an ITIN is not renewed before the filing deadline, the taxpayer will not be eligible for certain credits.

If it has not been renewed, prepare and review the return with the expired ITIN(s), but **do not file the return**. Provide the taxpayer with copies to mail, but inform them that the ITIN(s) must be renewed before mailing. Ask the taxpayer to call the P+P main office at 651-262-2177 to schedule an ITIN renewal appointment.

MAKING REFERRALS

During screening and the taxpayer interview, a customer shares a lot of information. Use that information to refer the taxpayer to other resources when helpful. The P+P Referrals handout (copy on pages 20-21) offers referrals for out of scope returns, tax legal assistance, identity theft, and other tax-related assistance.

P+P SCREENING TOOL (FRONT)

PREPARE + PROSPER

SCREENING TOOL - PART 1

PROCESS

- **Tax preparation steps:** Screening, preparation, review, and checkout.
- **Financial services:** Direct deposit and savings options.
- **Wait time:** 2 to 4 hours to complete the process.
- **Questions** about the process?

TYPE OF RETURN

- **2019 income taxes:** Continue screening for required documents and P+P scope.
- **2019 renter or homeowner refund (M1PR):** M1PR with income taxes, continue screening.
 - » M1PR only: see right. →
- **Prior years:** One return (at least) per taxpayer can be prepared. All sites have software for 2016-2019.
 - » Multiple returns: Ask a manager. There may be time for multiple years to be prepared.
 - » Tax years 2015 and prior: Refer to main office.
- **Other:** Ask a manager.

Situations for filing Form M1PR only:

- **No income tax return required:** Continue screening.
- **P+P prepared the 2019 income tax return earlier in the year:** Provide *Homeowner + Renter Info* handout to complete at home.
- **Prepared 2019 income tax return but not with P+P:** Must have a copy of the 2019 federal income tax return. Continue screening. Must finish return on-site.

REQUIREMENTS

- **Spouse is present (if applicable)?** A return cannot be prepared without both spouses or a Power of Attorney (POA) form. Talk to a manager if the customer wants to obtain a POA.
- **SSN/ITIN verification for everyone listed on the return?** Acceptable documents:

✓ Prior-year tax return	✓ SSN card (original, digital, paper copy)	✓ Letter from IRS or Minnesota Revenue
✓ Form SSA-1099	✓ ITIN letter/card (original, digital, paper copy)	✓ SSA benefit letter/statement

 Acceptable documents with truncated SSN okay at manager's discretion.
- **Photo ID for taxpayer and spouse?** Acceptable documents (must be original):

✓ Driver's license	✓ Employer/school ID	✓ Visa (see out of scope section)
✓ Passport	✓ State/national ID card	✓ Military ID (see out of scope section)
- **Meets income limits?** \$35,000 (single) or \$55,000 (family). If over income, provide *Referrals* handout with other tax prep options.
- **Taxpayer has all income statements from the year?** Customers MUST have all W2s and other income statements. Forms may be available online. If not, complete screening for P+P scope and ask taxpayer to return with all required documents. Ask a manager about giving customer a priority slip for next visit.

SCOPE OF SERVICES

- **Self-employment (SE) income?** (Form 1099-MISC or cash income)
 - » If SE income is over \$6,000 but less than \$55,000 or taxpayer has a daycare in home or inventory, refer to 651-262-2169.
 - » If SE income is less than \$6,000, file at site. Preparer must have advanced certification.
- **International student or scholar?** Returns are often out of scope.
 - » Ask if taxpayer needs to file as a non-resident. If yes, the return is out of scope. If no, P+P can prepare the return. If unsure, ask a manager.
- **Out of scope returns:** Provide *Referrals* handout for other tax preparation options, like MyFreeTaxes.com or MN Society of CPAs.
 - » Filed bankruptcy in the tax year or had income from: rental property, active military/national guard duty, driving a cab, acting as a clergy member.

P+P SCREENING TOOL (BACK)

PREPARE + PROSPER

SCREENING TOOL - PART 2

FINANCIAL SERVICES

- **Direct deposit or direct debit:** If taxpayer wants refunds by direct deposit (or a balance due taken by direct debit), ask if they have their routing and account numbers. A document showing the routing and account numbers are preferred, but the taxpayer may write numbers on page 2 of the P+P intake sheet if needed.
- **Savings options:** Inform the customer that they can split their refund into multiple accounts, open a savings account, or purchase a U.S. Savings Bond.
- **Financial services:** Taxpayers who would like to open a new savings, checking, or prepaid card account or seek other offerings should be told to talk with financial services. Share that full options are listed on the Financial Survey.

CERTIFICATION LEVEL CHECK

- **Advanced return situations:** If taxpayer marked “yes” to a question next to an (A) on the IRS intake sheet, then preparer must have advanced certification. Make a note on sign-in sheet.
 - » If retirement income is marked (Income, question 4), look at all 1099-R forms. If forms have an amount in Box 2, it is a basic return.
 - » If items are marked next to Expenses, question 4, treat as a basic return. Preparers will determine if the taxpayer can itemize.
- **HSA return:** If taxpayer marked “yes” to the HSA question on the IRS intake sheet, then preparer must have HSA certification. Make a note on sign-in sheet.
- **Special situations:**
 - » **Out of state return?** P+P only prepares MN returns. The federal and MN returns can be prepared, but any other state returns must be filed elsewhere.
 - » **Cancellation of debt or foreclosure?** A Form 1099-C for personal credit card debt can be prepared at the site. Refer taxpayers with Forms 1099-A or 1099-C for a foreclosure to 651-262-2169. Other cancellation of debt is out of scope.
 - » **Purchased insurance through MNsure?** If the taxpayer purchased health insurance through MNsure (or Healthcare.gov), talk to a manager to determine if taxpayer needs Form 1095-A.

REVIEW + ASSEMBLE DOCUMENTS

- **Intake sheets completed:** Taxpayer should answer all questions on all three intake sheets. If taxpayer needs help, assist if time allows or make a note on sign-in sheet. Have taxpayer read and sign consents (full consent language at preparer stations).
- **Collect documents:** Taxpayer should take out all SSN/ITIN documentation and tax documents. Preparers will sort documents to determine what is needed.
- **Income statements:** Double-check that all income statements are present and determine if the taxpayer needs to look up any information. Required income statements are listed on the IRS Intake Sheet.
- **Homeowner or renter refund (MIPR):** Need a property tax statement or CRP (or both for mobile home owners). Income tax returns can be filed without MIPR documents - provide *Homeowner and Renter Info* handout to file MIPR later.
- **Taxpayer envelope:** Verify taxpayer name and number/appointment time is on the envelope and that there is an envelope for each tax year.



Ask questions! Managers are there to help.

Write notes! Keep track of situations needing special attention on the sign-in sheet.

SCOPE OF SERVICES

VITA sites nationwide have a shared scope of service. Pub 4012 has an extensive chart outlining VITA scope. **Always consult the chart in Pub 4012 if the P+P manual is unclear.**

P+P income guidelines	Prepare at site	Refer to P+P for appt.	Out of scope
Income is \$35,000 or less for a single taxpayer with no dependents	x		
Income is \$55,000 or less for a married or single taxpayer with dependents or taxpayers with self-employment income (see below)	x or	651-262-2169	
Income is over limits stated above. Check with manager for exceptions			x
Self-employment income	Prepare at site	Refer to P+P for appt.	Out of scope
Self-employment income over \$55,000, or income of any amount if: <ul style="list-style-type: none"> Income from driving a taxi cab Income as clergy member Farming or hobby income Rental property income Day trading income Corporation or partnership Business with employees Partner limited liability corporation (LLC) income 			x
Self-employment gross income over \$6,000 but less than \$55,000, or income of any amount (under \$55,000) if: <ul style="list-style-type: none"> Inventory More than one business Daycare 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 of up to \$6,000 including: <ul style="list-style-type: none"> Paper carrier, Uber driver, Lyft driver, or other couriers Income reported on 1099-K (including Uber and Lyft) 	x		
Tax return amendments	Prepare at site	Refer to P+P for appt.	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> prepared at a P+P tax site		651-287-0187	
Minnesota property tax refund	Prepare at site	Refer to P+P for appt.	Out of scope
Needs property tax return prepared, and federal or state return <u>WAS</u> prepared earlier at a P+P tax site		See page 186	
Needs property tax return prepared, and federal or state return <u>WAS NOT</u> prepared at a P+P tax site	See page 184		

Other tax issues	Prepare at site	Refer to P+P for appt.	Out of scope
IRS Forms 1099-A, Abandonment of Property, or 1099-C, Cancellation of Debt from main home foreclosure		651-262-2159	
IRS Form 1099-C, Cancellation of Debt for nonbusiness credit card	See page 93		
IRS Form 1099-C, Cancellation of Debt for business credit card, student loan, repossessed vehicle, or other			x
Bankruptcy			x
IRS Form 1098-C, auto donation over \$500			x
Non-cash (clothing, furniture, etc.) donations over \$500 (must be reported on Form 8283)			x
IRS 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 73		
Schedule K-1 reporting interest, dividends, capital gains/losses, tax-exempt interest and royalty income	See page 95		
Schedule K-1 with income other than listed above			x
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 and theft loss			x
Active military income (refer to MN Revenue website)			x
International student or Nonresident alien, Form 1040-NR			See page 43
Divorced or legally separated, sharing health care premiums for a MNsure plan and filing separate returns			x
Married in 2019 and at least one person within the family received the advance PTC during 2019			x

Taxpayer examples, what if...

The taxpayer brings a copy of an ITIN letter or SSN card?	Yes, we can accept a copy. See Screening Tool on page 16 for a list of acceptable documentation.
Spouse lives in another country and wants to apply for an ITIN?	Have taxpayer call 651-262-2177 to schedule an appointment for assistance in completing the Form W-7 application.
Spouse lives in another country and doesn't have or want an ITIN or SSN?	Determine if Head of Household status applies or use Married Filing Separately status (prepare a paper return).
The taxpayer has a student visa?	See page 43 and decision tree in Pub 4012, Tab L, page L-1.
The taxpayer's spouse lives in a nursing home or is homebound and can't come to the tax site?	Taxpayer must have IRS Form 2848, <i>Power of Attorney</i> , signed by the spouse giving the taxpayer authorization to file the return. See page 44.
A couple is not married and one of them wants to claim the other as a dependent?	If the person meets the tests to qualify as a Qualifying Relative (page 58), then that person can be listed as a dependent on the return.

P+P REFERRALS HANDOUT (FRONT)

**PREPARE
PROSPER** +

WORKING TOWARD A BRIGHTER FINANCIAL FUTURE

REFERRALS

651-287-0187
www.prepareandprosper.org

Internal Revenue Service (IRS)



Online and Phone Assistance

Get federal tax information or check your refund status at www.irs.gov, 1-800-829-1040 or by downloading the free IRS2Go mobile app.



In-Person Assistance

At an IRS Taxpayer Assistance Center you can get federal tax information, drop off a completed federal return, process ITIN renewals, or make a tax payment. Most services require an appointment. Offices are open Monday-Friday, 8:30 a.m.-4:30 p.m. Call 844-545-5640 to schedule an appointment.

430 N Wabasha St.
St. Paul, MN 55101

1550 American Blvd. E. #700
Bloomington, MN 55425

	What info do you need?	Ways to get your tax info from the IRS
Get your federal tax information	<p>Wage and income transcript: shows data from W-2s, 1099s and 1098s reported to the IRS.</p> <p>Tax return transcript: shows most line items from your original tax return, including forms and schedules.</p>	<p>Online: Visit www.irs.gov/individuals/get-transcript. You need an email address and mobile phone.</p> <p>In person: Visit a Taxpayer Assistance Center. You must make an appointment.</p> <p>By mail: Submit Form 4506-T by mail to the IRS to receive a transcript delivered to your address. Takes up to 45 days.</p> <p>By phone: Call 1-800-908-9946 to request a tax return transcript only.</p>

Minnesota Revenue



Online and Phone Assistance

Get Minnesota tax information or check your refund status at www.revenue.state.mn.us or 651-296-3781.



In-Person Assistance

At the Minnesota Revenue office you can get Minnesota tax information, drop off a completed state return or make a tax payment. Offices are open Monday- Friday, 8 a.m. to 4:30 p.m. at 600 N Robert St., St. Paul, MN 55101.

	Get MN tax withholding and employer identification numbers	Get a copy of your MN return
Get your MN tax information	<p>By phone: Call 651-296-3781 and speak with a representative.</p> <p>In person: Visit the Minnesota Revenue office and request state copies of your W-2s and 1099s.</p>	<p>By mail: Submit Form M100 and a check or money order for \$5 (payable to Minnesota Revenue).</p> <p>In person: Visit the Minnesota Revenue office and request a copy of your tax return. You need to have a government-issued ID and \$5 for a processing fee.</p>

P+P REFERRALS HANDOUT (BACK)

Other Tax Preparation Resources

IRS Free File—The IRS offers access to several free, easy-to-use software options for filing taxes online. View options with free Federal and Minnesota state filing at revenue.state.mn.us/free-tax-preparation-help.

MyFreeTaxes.com—If you made less than \$66,000 and have a simple return, you can file your federal and state tax return for free at www.myfreetaxes.com.

Military tax assistance—Minnesota residents currently deployed or who have returned from deployment within the last 12 months qualify for free tax preparation. More information: 1-888-234-1274.

MN Society of CPAs—Get a referral to a Certified Public Accountant by calling 952-831-2707 or online at www.mncpa.org.

International Student and Scholar Services—If you are a non-resident for tax purposes, you can get tax information and make an appointment for tax assistance at www.iss.umn.edu/taxes. You do not need to be a University of MN student.

Taxpayer Advocate

You can get help resolving tax issues through the federal or Minnesota taxpayer advocate offices when you are unable to resolve the issue through the IRS or Minnesota Revenue directly.

Federal Taxpayer Advocate—651-312-7999 or www.taxpayeradvocate.irs.gov

Minnesota Taxpayer Rights Advocate—651-556-6013

Tax-Related Legal Assistance

Mid-Minnesota Legal Aid—The Tax Law Project provides advice and representation for many types of tax cases. More information: www.justice4mn.org or 612-334-5970.

University of Minnesota Law School—The Ronald M. Mankoff Tax Clinic provides free representation for taxpayers who have a controversy with the IRS. Taxpayers must be working on federal tax issues and meet guidelines for income and amount in controversy. More information: 612-625-5515.

LawHelpMN.org—Assistance with legal questions, information about local legal aid offices and other legal resources, information on tax credits, refund recapture and tax scams. More information: www.lawhelpmn.org.

Identity Theft and Your Taxes

Tax-related identity theft usually results in a fraudulently filed tax return with a stolen Social Security Number. If you have experienced tax-related identity theft, you should report it to the IRS and Minnesota Revenue.

IRS Identity Protection Specialized Unit—1-800-908-4490 and Form 14039 Identity Theft Affidavit. If you lost your Identity Protection PIN (IP PIN), go to www.IRS.gov/getanippin.

Minnesota Revenue—651-296-3781

IdentityTheft.gov—Get help after experiencing identity theft or having information exposed in a data breach. More information: www.identitytheft.gov.

Other Resources

Refund Offset Inquiry—Call 1-800-304-3107 to find out if your federal tax refund will be used to repay outstanding debts.

Minnesota Collection and refund offsets—Call 651-556-3003 to find out if your state tax refunds will be used to repay outstanding debts.

Social Security Administration—Request an application for a new Social Security card or Social Security income verification by calling 1-800-772-1213, online at www.ssa.gov or in person at 1811 Chicago Avenue S., Suite 2, Minneapolis, MN 55404.

United Way 2-1-1—Free and confidential referrals available 24/7 that help connect people to local resources, including housing options, food support, emergency resources, and health care information. Access online at www.211unitedway.org or call 2-1-1.



TAXSLAYER



LOGGING IN TO TAXSLAYER

Password: Username and password are required to log in to TS. Usernames and passwords are case-sensitive. You will be required to change your password every 90 days. Passwords must be at least 8 characters and must contain:

- At least 1 uppercase letter,
- At least 1 lowercase letter,
- At least 1 number, and
- At least 1 special character.

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



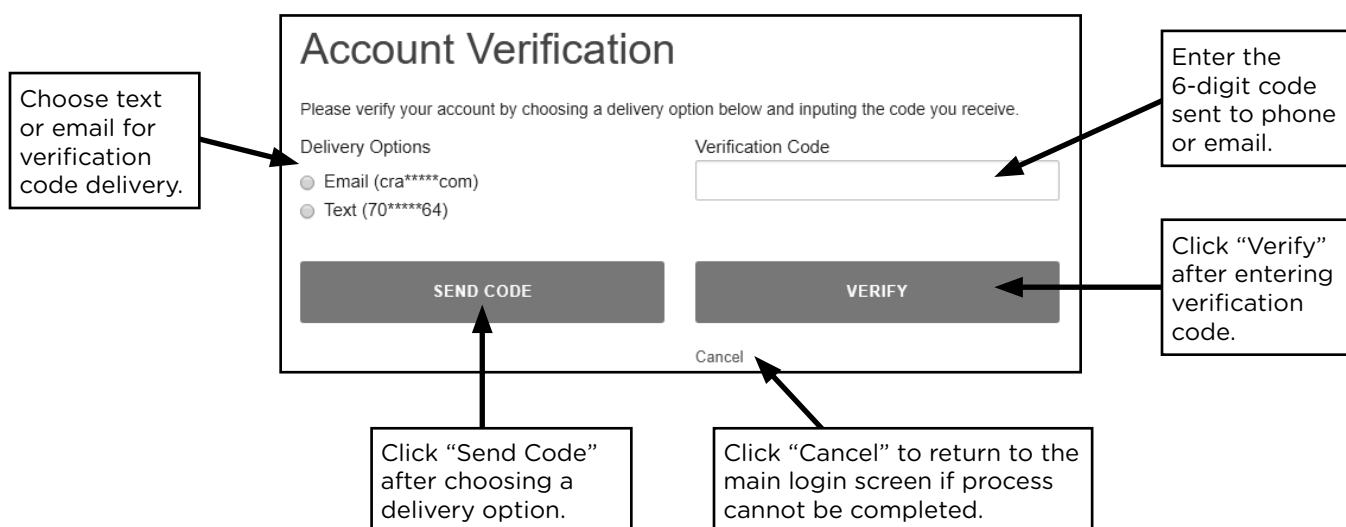
Volunteers should not keep usernames or passwords on a post-it note inside a tax manual or with other supplies used at the site. This is not secure. Keep a password hint as a reminder instead of the password itself.

Multi-Factor Authentication (MFA): MFA makes the TS sign-in process more secure against cyber-security threats.

Periodically, volunteers will need a six-digit verification code to log in. The code can be sent via text message or by email. Volunteers should notify their site coordinator of any changes in phone number or email addresses. New codes are required when:

- A volunteer logs in to a new computer for the first time
- A volunteer uses a different browser on the same computer
- The authentication time has expired (7-30 days)
- Username and password are entered incorrectly three times
- A volunteer uses the “Forgot Password” feature

Time out: TS 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

For messages from TS and confirmation that reviewed returns are approved.

Click to start or open prior-year returns for 2016, 2017, or 2018.

Log out of TS.

Start a new 2019 return.

Open an existing 2019 return.

The screenshot shows the '2016 Tax Program' interface. At the top, it says 'Current User: IRS' and 'Change Tax Year'. The main content area is titled 'Welcome to The Practice Lab' and includes a 'Message Center' with a notification icon and a 'Rejected Clients' button. Below this are two sections: 'Start New Tax Return' with a 'Select' button and 'Client Search' with a 'Select' button. A left sidebar contains various menu items like 'Main Menu', 'Client Status', and 'IRS website'. At the bottom, there is a footer with '2017 All Rights Reserved'.

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) using a source document listed on the P+P Screening Tool (page 16).

- 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, talk to a manager to move the return to the correct username.

Available Taxpayer Profiles

Enter Social Security Number

Social Security Number

Confirm Social Security Number

Start Return

Profiles are templates for specific returns. Do not use profiles.

Enter the taxpayer's SSN or ITIN from a source document.

Click "Start Return" to open the return.

The screenshot shows a form titled 'Available Taxpayer Profiles'. It has a dropdown menu for 'Enter Social Security Number'. Below this are two rows of input fields for 'Social Security Number' and 'Confirm Social Security Number', each with a hyphen and '00' to indicate the format. At the bottom right is a 'Start Return' button. Callouts point to the dropdown menu, the input fields, and the button.

USING CARRY FORWARD DATA

Taxpayer data from a return prepared the year prior may be available. A prompt will appear asking what data the preparer wants pulled 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 carefully using intake sheets and source documents as taxpayers may have moved, changed jobs, etc.



Carry forward data

Use this check box if information has not changed or select items individually below.

Pull Data To Current Return

TaxSlayer Pro will automatically transfer your name, address and filing status from last year's return when you start this year's return. Please review the additional information below before pulling it forward to your current return. Uncheck any item(s) that you do not wish to pull forward. When you are done, choose "Continue to Next Step" at the bottom of the page.

Please review your information below and uncheck any item(s) that you do not wish to import to this year's return.

Here Are the Items We Will Pull Forward

Select All Available Toggle all details ⌵

Dependents Close Details ^

PULL ITEM?	SSN	FIRST	LAST	AGE
<input checked="" type="checkbox"/>	xxx-xx-xxxx	DON	SECO	4

****We have pulled the following information from last year: Social security number, first & last name, date of birth, number of months they lived with you, and whether or not they were disabled or a full time student. When you get to the dependent section of your return please verify all information.**

W-2 Items Close Details ^

PULL ITEM?	EMPLOYEE	EMPLOYER
<input checked="" type="checkbox"/>	Taxpayer	Pro auto
<input checked="" type="checkbox"/>	Spouse	Next Step
<input checked="" type="checkbox"/>	Taxpayer	theUncompany

FILING STATUS

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

What's your filing status?

- Single
- Married Filing Joint
- Married Filing Separate
- Head of Household
- Qualifying Widow(er) with Dependent

Need help determining your filing status?

▶ Filing Status Wizard

The filing status wizard is a guide to help determine filing status. Use if unsure what the proper filing status should be.

PERSONAL INFORMATION

Remember to turn on *Caps Lock* before starting the return. Most information in the Personal Information section comes from page 1 of Form 13614-C, Part I.

Personal Information

Taxpayer Information

Primary First Name	MI	Last Name	Suffix (Jr, Sr, etc.)
ELIZABETH		BENNET	---

Social Security Number: 111 - 00 - 1111

Date of Birth: 10 / 30 / 1988

Occupation: HEALTH CARE ASSISTANT

Check here if the Taxpayer can be claimed as a dependent on someone else's return.
 Check here if ELIZABETH was over age 18 and a full-time student at an eligible educational institution.
 Check here if Taxpayer is blind.
 Check here if Taxpayer is deceased.
 Check here if the Taxpayer wishes to contribute \$3 to the Presidential Election Campaign Fund.
 Check here if the Taxpayer or Spouse served in a Combat Zone during the current tax year.

Address and Phone Number

Enter the name of the taxpayer/spouse 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, correct it here.

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

Combat pay requires the military certification. This is out of scope for P+P.

If the city (autopopulated by the zip code) is incorrect, change it. This is important for data collection.

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

NAVIGATING A RETURN

TAXSLAYER ICONS

CONTINUE

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

CANCEL

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

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

BEGIN

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

\$20,187

AGI AMOUNT

\$5,063

FEDERAL REFUND

\$1,480

MIN REFUND AMOUNT

Refund + AGI monitor: The monitor shows AGI as well as Federal and Minnesota refunds. The monitor will not show the MIPR refund. Refunds will fluctuate when new, relevant information is added.

QUICK FILE

Use Quick File to add a series of forms to the tax return. This simplifies entry of information from many of the income documents on the tax return. The forms listed on the right will be displayed one after another to speed up data entry for this portion of the return.

Many forms cannot be added using Quick File. These include any that do not have a search term and all Minnesota forms.

The screenshot shows the 'Quick File' section of the software. On the left, a dropdown menu is open, showing options: 'Your Office', 'Scanned Documents', '¿SÍ HABLAS ESPAÑOL?', 'Notes', 'Helpful Tools', 'Quick File', and 'Save & Exit Return'. Callouts point to 'Notes' and 'Quick File'. Below the menu are several 'Edit' buttons and a 'Continue' button. The main 'Quick File' area has a search box with the text 'Search for tax forms by keyword or title:'. Below the search box is a list of forms: '1098', '1098-T, Tuition and Fees Statement', '1098-E, Student Loan Interest', '1098, Mortgage Interest Statement', and 'Real Estate Taxes'. Callouts point to the search box and the '1098-E' form. To the right, there is a preview of a document with two pages: 'W-2, Wages and ...' and '1099-INT, Interest...'. A 'Continue' button is at the bottom right of the 'Quick File' area.

Click to add a note for the reviewer.

Select to use Quick File to start the return.

Quick File

Begin typing the form name or description in the box below then select the form or forms you need to visit. Don't worry if you don't see a form you need. You will have the opportunity to enter additional items at the end of this process. When you have completed your list, select CONTINUE and we will guide you to those specific forms to enter.

Search for tax forms by keyword or title:

1098

1098-T, Tuition and Fees Statement

1098-E, Student Loan Interest

1098, Mortgage Interest Statement

Real Estate Taxes

Type form number or search term here.

Select desired form from list.

ADD NOTES IN TAXSLAYER

Add notes about unique circumstances for the reviewer. Notes will carry forward with the tax return, so add the date to your note. Write notes when:

- A return is filed with Power of Attorney (POA). Include representative's name.
- When a return must be paper-filed, write the reason it is not being e-filed.
- If return is incomplete, make note of why it is unfinished (e.g. list missing documents).

The screenshot shows the 'Add a new note' dialog box. On the left, the same dropdown menu from the previous screenshot is shown, with callouts pointing to 'Notes' and 'Quick File'. The dialog box has a title 'Add a new note' and a close button. It contains a 'Note Name' field, a 'Text for this note' field, and a 'Color' selection area with four colored squares. At the bottom, there are 'Cancel' and 'Save' buttons. Callouts point to the 'Note Name' field, the 'Text for this note' field, and the 'Save' button.

Click to add a note for the reviewer.

Select to use Quick File to start the return. See above.

Add a new note

Note Name

Text for this note

Color

Click "Save".

LEFT-HAND MENU

Left-hand menu: Returns should generally be prepared going down the menu, section to section, in this order:

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

Instead of clicking “continue” to move through the return, you can skip from section to section when ready by clicking on the left-hand menu.

- When done with all entries in the Federal Section, click on the State Section.
- Click on Summary/Print any time during the preparation process to see 1040 or a PDF of the return.
- Click “e-File” when ready to finish return.

Search bar (top left corner of TaxSlayer screen): Enter form numbers or keywords to jump directly to that form’s section; keywords are listed throughout the P+P Volunteer Tax Manual and in Pub 4012, Tab O, pages O-6 through O-11.

- TIP: Use when comparing different scenarios such as with education credits. You can enter one field, and then search for another to go directly there.
- TIP: Enter the minimum number of letters or numbers needed to see form in drop-down menu.

The image shows a screenshot of the TaxSlayer software interface. On the left, a vertical menu is displayed with the following items: Basic Information, Filing Status, Personal Information, Dependents / Qualifying Person, Federal Section, Health Insurance, State Section, Summary/Print, e-File, 2016 Amended Return, Save & Exit Return, Help & Support, and another Save & Exit Return. A search bar at the top left of the menu contains the text "Enter the Form Number...".

Callouts with arrows point to various elements:

- An arrow points from the search bar to a box: "Enter search term to move directly to another form."
- An arrow points from the "Health Insurance" menu item to a box: "Enter Health insurance information."
- An arrow points from the "Summary/Print" menu item to a box: "View Form 1040 and print return."
- An arrow points from the "e-File" menu item to a box: "Only select if completing an amended return."
- An arrow points from the "e-File" menu item to a box: "Enter bank account information and finish return."
- On the right side of the main screen, three boxes labeled "AGI", "Federal refund amount", and "State refund amount" have arrows pointing to their respective input fields.
- An arrow points from a box at the bottom: "Press 'Continue' to save your work and proceed to the next screen. TS does not auto-save." to the "Continue" button.

SUMMARY/PRINT

From this screen, click on the “Go to last checkpoint” button to jump directly to the screen you last worked on before visiting this page.

The Calculation Summary screen has two view options, Summary View or 1040 View. Click on the green button in the upper-right corner to toggle between them. This screen is also where you can see a PDF of the entire return by clicking the “View/Print Return” button.

In the **Summary View**, sections expand 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 W2 section).
- Return to the Calculation Summary screen by clicking the Summary/Print option in the left-hand navigation menu (not available from the E-file section).

The **1040 View** displays the entire 1040. All lines that are blue are “live” and clicking on them brings up that section.

- TIP: In the 1040 View, the left-hand menu collapses. Click anywhere on the minimized menu to expand it.



Summary View and 1040 View

Summary/Print Section

The screenshot shows the IRS Calculation Summary interface. The top navigation bar includes the year 2018, a Help & Support link, the user name JUANA LOPEZ SANTA, and a Logout button. The main heading is "Calculation Summary".

Summary View (Left Panel): Shows a "GO TO LAST CHECKPOINT" button, a "BACK" button, and "Form 1040 page: 1 2 3". Below is a preview of the 1040 form with fields for Filing status (Single/Married), Name (JUANA), Spouse standard deduction, Home address (5221 WEST AVE, ST PAUL MN 55114), and Dependents (CARLOS BARRADA LOPEZ).

1040 View (Right Panel): Shows the same "GO TO LAST CHECKPOINT" and "BACK" buttons, but includes a "VIEW/PRINT RETURN" button and a "CONTINUE" button. It features a "Prior Year Comparison" toggle set to "1040 View". The main content is a table of tax figures:

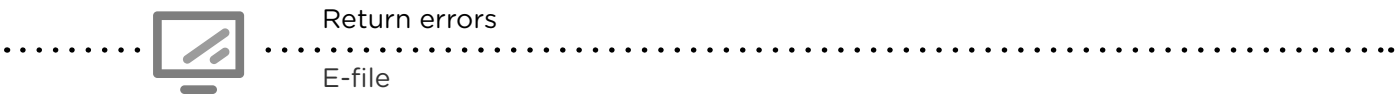
Category	Amount
Total Income	\$40,000.00
Adjusted Gross Income	\$40,000.00
Tax and Credits	\$2,000.00
Total Tax	\$371.00
57 Self-employment tax	\$0.00
58 Unreported social security and Medicare tax	\$0.00
59 Additional tax on IRAs other qualified retirement plans	\$0.00
60a Schedule H	\$0.00
60b First-time Homebuyer Repayment	\$0.00
61 Health care: individual responsibility	\$0.00
62 Other Taxes	\$0.00
Payments	\$4,947.00
Refund	\$4,576.00

FINISHING A RETURN

REVIEWING NOTES AND ERRORS

Screens showing federal return errors or state validation errors will appear, if applicable, in the E-file Section in TS. 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 also display in the E-file Section in TS.

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



Errors Concerning Your Federal Return

The following errors concerning your Federal return were found.
Our records indicate the Health Insurance section is incomplete. Select Visit to correct this information.

Visit

< Back

Click here to correct the errors TS found.

Click "Back" to return to the Summary/Print page and navigate to the error.

State Validation Errors

The following state returns will not be sent electronically at this time due to the errors listed below. You may still continue to the e-file process and e-file any other returns you have prepared. However, the returns listed below will NOT be included in the current e-file.

If you are able to fix the problem, please select the 'Make Corrections' button below. Once you have corrected the problems, resubmit your return through the Efile Section.

If the problems indicated are ones that cannot be corrected, you will need to print your state return forms and paper file by mail. You can print your state return(s) by clicking "View Return Summary" from the 1040 Main Menu.

Minnesota - Federal W-2 - Employer ID for State of MN must be 7 digits.

Make Corrections

Continue

Navigate to the error. Often the Make Corrections button does NOT direct to the screen with an error.

Clicking "Continue" ignores the error and will prevent Minnesota returns from being filed.



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

RETURN TYPE

Most tax returns can be electronically filed. E-filed returns are processed securely and more quickly. Returns with special circumstances must be sent in by mail.

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 32-35).

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

	Tax return sent by mail*	Tax return sent electronically
Refund or balance due sent by mail*	Paper Return	E-file: paper check E-file: mail payment
Refund or balance due sent electronically	Paper Return with direct deposit	E-file: Direct Deposit E-file: Direct Debit

*2016 and earlier returns cannot be e-filed. Select "Paper Return".

Return type descriptions from TS

Available for federal and Minnesota 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 where the refund will be deposited.
- **Paper Return:** The return will NOT be e-filed. The taxpayer must mail the return and will receive their refund via check.

Available for federal and Minnesota returns with a zero balance or 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 taxpayer will have the balance due withdrawn from a checking/savings account. Discuss this option carefully with the taxpayer to ensure it's okay for funds to come out of an account automatically.
- **Paper Return:** The return will NOT be e-filed. The taxpayer must mail the return.



Share the refunds or amounts due with the taxpayer. Let the taxpayer know the amounts may change in review. These questions can help encourage saving when revealing the refund amount:

- *How much of your refund would you like to save today?*
- *Did you know you can split your federal refund? That makes it easy to save.*
- *Would you like a chance to win \$100? By splitting your refund between a checking account, and a savings account or bond, we can enter you to win 10 weekly \$100 prizes as part of the national SaveYourRefund promotion.*



Return Type

E-file

Select to send a M1PR only return (see page 184).

Select return type (see description on page 31).

Return Type

Your return is now ready to be e-Filed to the IRS.

⚠ Please make sure that all information you enter below is correct.

In order for us to transmit your client's return to the IRS you must complete all Steps in the e-File Process.

CAUTION: Your client's return will not be sent to the IRS unless you complete ALL steps. None of the information is saved until all information is entered and the "Continue" button below is clicked.

To continue the e-File process, please first select a return type and the form will ask for all required information.

Refund summary

Send State Only

Federal Return Type

E-file: Direct Deposit

Return Type

Tax Preparation and E-File Information

State Return(s)

Choose how you would like to file your state returns:

State	Refund/Due	Return Type
MN	Due: \$ 229.00	E-file: Direct Debit
MNM1PR	Refund: \$ 414.00	E-file: Direct Depos

REFUND OPTIONS

Taxpayers due a refund have the following options:

1. **Direct deposit** into taxpayer's account at bank, credit union, prepaid debit card, or other financial institution. Most refunds sent via direct deposit come within 21 days. Enter routing and account numbers into TS. For state refunds, taxpayer must deposit refund into same account used for a federal refund. View common bank routing numbers on page 35.
2. **Taxpayers may split their federal refund** between multiple bank accounts.
3. **Purchase U.S. savings bonds on the federal return.** The taxpayer can use part or all of their federal refund to purchase Series I savings bonds (see page 34).
4. **Receive a paper check.** Be sure that taxpayers opting to receive a paper check know that opening an account or prepaid debit card at P+P is an option. Refund checks are mailed to the address on the return and are generally mailed 6-8 weeks after the return is filed.
5. **Apply all or a portion of the refund to 2019 taxes.** Enter in Payments section of TS.

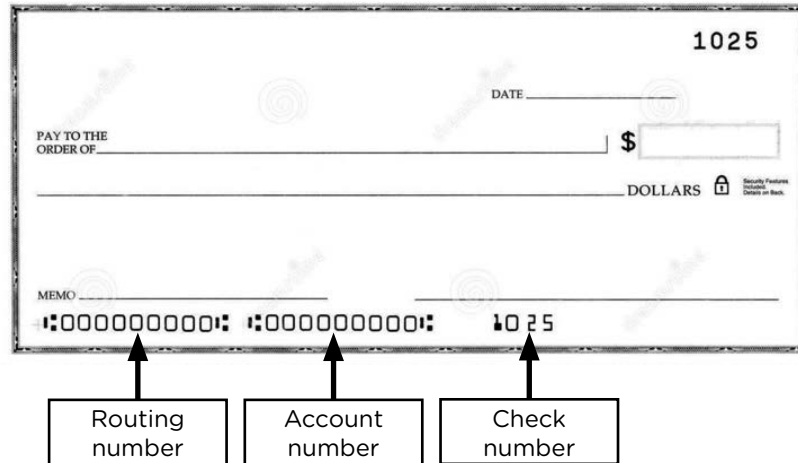


Check out savings and direct deposit options available from P+P's financial services. See page 14.

Direct deposit and debit

Enter direct deposit account and routing numbers in the bank account section. If the taxpayer does not have their routing number, reference the bank routing number guide on page 35.

If the taxpayer wants to split a refund, add another account and routing number to the return. 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. These numbers are frequently different from the taxpayer's routing and account number. Use a canceled check or bank statement to enter the information. If a taxpayer needs to look up direct deposit information, have them work with a financial advocate to access online banking.



Direct Deposit information

E-file » Taxpayer Bank Account Information

DIRECT DEPOSIT OR DIRECT DEBIT

If you get a refund, how would you like to receive it? You can check more than one.

Direct deposit into checking or savings account. Provide a document showing your routing and account numbers. If you do not have a document, write the numbers in the box.

Savings account
 Checking account
 Routing #:

Bank Accounts

If you Enter bank account information where you would like your refund deposited.

Account Type	Bank Name	Routing Number	Account Number	Deposit Amount
Checking		091000022	123456	\$3194.00
Savings		091000022	89101112	\$2000.00
Checking				\$0.00

NOTE: TS entry screen requires duplicate entry of account information (not shown here).

State refunds will be deposited into the first account listed.

Enter amount to be deposited into each account.

A bank name is not required.

Enter routing number for each account. (Refer to bank routing number guide on page 35.)

Enter account number for each account.



Incorrect routing or account numbers can delay the refund up to 8 weeks.



Customers receive a refund quicker on a prepaid debit card than by paper check. Refer to a financial advocate for more information about applying for a prepaid debit card.



Purchase of U.S. savings bonds

E-file » Taxpayer Bank Account Information (scroll down)

Paper Check Allocation

Allocate portion of the refund to be issued as a paper check.

Purchase Savings Bonds

You can purchase up to 3 savings bonds with the remainder of your refund.

Bond amounts must be in \$ 50 increments

Uncheck to purchase a bond for the taxpayer.

Purchase A Bond I do not want to purchase this bond

Amount to be used for bond purchase for yourself

Uncheck to purchase a bond for someone else.

Purchase another bond for yourself or someone else I do not want to purchase this bond

Bond Amount

Enter the owner's name (First then Last) for the bond registration

If you would like to add a co-owner or beneficiary, enter the name here (First then Last)

Is Beneficiary?

Check box to indicate if name above is a beneficiary.

Taxpayers can choose to receive part of a refund by check and part by direct deposit or purchase bonds.

Use for bonds in the taxpayer's name. Enter amount.

Enter amount of the savings bond.

Enter owner's first and last name.

Enter co-owner or beneficiary's name (if any).

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. Taxpayers can help jump-start the savings and dreams 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.

Bank routing number guide

Visit routingnumber.aba.com to search by financial institution. If a taxpayer does not know their account number, a financial advocate may be able to help look it up via online banking.

296076301	Affinity Plus Federal Credit Union
291074722	Firefly Credit Union (formerly US Federal Credit Union)
296075933	Hiway Federal Credit Union
096001013	Sunrise Banks (including FAIR Financial Solution)
291070001	TCF Bank (account opened in MN)
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

PAYMENT OPTIONS

Taxpayers who owe a balance due are often unsure about what to do next.

Payments are due by the filing deadline (April 15) even if the taxpayer files for an extension. Filing or paying late may cause penalties. Taxpayers who have a large balance due may also have an additional penalty added. Calculating the penalties is out of scope. The IRS and Minnesota Department of Revenue will do those calculations.

Taxpayers who have a balance due have the following options:

- Option 1: Pay in full by the tax deadline.** Payment can be made by:
 - Direct debit from a savings or checking account (information entered in TS E-file Section). Payment date can be as late as the filing deadline.
 - Online using routing and account numbers at www.irs.gov/payments for federal taxes, or for Minnesota taxes, at www.revenue.state.mn.us.
 - Check or money order payable to U.S. Treasury or Minnesota Revenue, mailed along with payment voucher or dropped off in person.
 - 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.
- Option 2: Pay in part or in full after the tax deadline.** Use options B, C, or D from Option 1.
- Option 3: Set up an installment agreement.** For federal taxes, file Form 9465, *Installment Agreement Request*, either online at the IRS website or on paper. For Minnesota, call the Minnesota Department of Revenue. Fees may be charged.
- Option 4:** Seek help from a free tax legal assistor or get more options from the taxpayer advocate office (see *P+P Referrals handout* available at the site and on page 20). Taxpayers with a large balance due, with balances for multiple years, or who cannot pay without experiencing financial hardship should seek this assistance before paying.



Direct debit is one of several payment options. If a taxpayer chooses direct debit, discuss withdrawal dates with taxpayer. If they don't have sufficient funds in their account or do not expect the payment to be processed by direct debit, they may face overdraft fees or be unable to pay other important expenses.

FINAL STEPS

Entering taxpayer email address

Taxpayers can stay connected with P+P throughout the year by receiving email and/or text messages. The P+P Tax Intake sheet has a place for the taxpayer to opt in to these messages. Enter the email address in the Tax Preparation and E-file Information menu in the E-file Section of TS.

STAY IN TOUCH

Get useful info and news from us throughout the year! We'll only contact you about once a month (and no more than four) and won't share your information. Message and data rates may apply with texting. *Leave blank if you do not want to join our contact list.*

- Email _____ @ _____
- Would you like to receive text messages from us? Yes No



Entering taxpayer email address

Tax Preparation and E-File Information

Refund summary

Fees

Calculated Prep Fee	\$ 0.00
Preparer Fee	\$ 0.00
Electronic Filing Fee	\$ 0.00
Total	\$ 0.00

Client Email

Pin Numbers

Taxpayer's PIN	14567
ERO's PIN	98765

Do not complete fee section.

This is not used for communication with the IRS. It is only used by the organization preparing the return.

Do not edit this information.

Third party designee information

Most taxpayers do not designate a third party to receive information. Volunteer preparers cannot serve as a third party designee. Leave this section blank.

Entering Taxpayer Survey responses

Enter Taxpayer Survey responses from P+P Tax Intake Sheet. The responses to these questions are used for grant reporting, fundraising, and evaluating our programs. This survey is not required for tax preparation.

Enter all taxpayer responses in the software. Only one response can be entered for each question. If a taxpayer does not want to answer a question, select "No response". Only questions marked REQUIRED must be answered.



TAXPAYER SURVEY

A. What do you consider yourself?

- African
- African American or Black
- American Indian or Alaskan Native
- Asian or Pacific Islander
- Hispanic or Latino
- White, Non-Hispanic
- Multi-Racial or Ethnic
- Not listed

C. Are you or a member of your household considered a person with a disability?

- Yes
- No

B. What language do you primarily speak at home?

- English
- Spanish
- Somali
- American Sign Language
- Hmong
- Vietnamese

Questions

1. Other than English what language is spoken in your home?
2. Are you or your spouse a Veteran from the US Armed Force?
3. Do you or any member of your household have a disability?
4. Was this return prepared using a Virtual or Drop-Off method?

REQUIRED What do you consider yourself?

REQUIRED What language do you primarily speak at home?

REQUIRED Are you or a member of your household considered a person with a disability?

REQUIRED What is your gender?

Please Select

Please Select

Please Select

Please Select

White, Non-Hispanic

English

Yes

Female

Skip numbered questions that are not marked REQUIRED.

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

Permission to use taxpayer’s personal information

Taxpayers do not need to agree to the consents to have their returns prepared. If taxpayers decline any of the consents, their returns must be paper-filed to ensure the integrity of the request. If any consent is declined, P+P will not keep an electronic copy of the return. **See page 38 for more information if the taxpayer declines.**

The Permission to Use Your Personal Information handout will be available at every preparer station. Taxpayers should review the full language of the consents and sign the form on the P+P Tax Intake Sheet. The taxpayer will receive a copy of each consent with their return.

Review the P+P Tax Intake sheet to determine whether the taxpayer gave consent. Answer any questions the taxpayer has about the consents. Ask a manager for help if needed.

TS Global Carry Foward

All free tax preparation sites can carry forward some basic tax return information for many taxpayers who used a free tax preparation service in the previous year

Participation is optional, and taxpayers can opt-in by signing the consent on page 4 of the IRS intake sheet. Taxpayers who do not respond to the consent sheet are considered to deny consent. A signature is not required to decline. Declining the consent to global carry forward does not impact whether or not P+P can e-file the return.

If taxpayers decline P+P consent to disclose + use

A taxpayer does not need to agree to the consents in order to have their return prepared; however their consent to use and disclose information provides benefits to both the taxpayer and P+P. If someone declines, explain:

- 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. If they have questions or need to make changes to their return later, P+P can help. They can also get another copy of their return later, if needed.



TS global carry forward consent

E-file » Consent to Disclose/Use Info to VITA Programs Relational Office

Use the taxpayer's zip code.

Consent to Disclose/Use Information to the VITA programs Relational Offices

Defined Terms

3 Years - Disclosure: Tax Preparer will disclose the Personal Information to the Software Developer through Software Developer's tax preparation software. The software Developer will disclose the Personal Information to the VITA program Relational Offices

3 Years - Purpose: The purpose of the Disclosures is for the Software Developer to make available the Taxpayer's Personal Information to the VITA program Relational Offices in order for them to provide support and administrative assistance to the Tax Preparer

Consent Status

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/Use Information to the VITA programs Relational Offices" as stated above.

I / we, the Taxpayer have read the above information. By typing in my / our taxpayer PIN(s) and checking this input, I / we hereby **DENY** consent to "Consent to Disclose/Use Information to the VITA programs Relational Offices" as stated above. I / we, the Taxpayer also understand that by **DENYING** consent to "Consent to Disclose/Use Information to the VITA programs Relational Offices", my tax return cannot be e-Filed.

Primary PIN (enter 5 numbers)

Primary PIN Date

Secondary PIN (enter 5 numbers)

Secondary PIN Date

PERMISSION TO USE YOUR INFORMATION

Review the Prepare + Prosper (P+P) **Permission to Use Your Information** handout. If you choose "no" for any of the consents below, P+P cannot e-file your tax return and you will receive a paper copy to mail to the IRS and Minnesota Revenue.

- P+P may keep an electronic copy of my tax return for 3 years. Yes No
- P+P may use data containing tax return dollar amounts for marketing, fundraising, or other non-fundraising activity. Yes No
- P+P may disclose my personal information to TaxSlayer (our tax preparation software) to e-file my tax return, and TaxSlayer may disclose my personal information to P+P for tax return follow-up. Yes No

Taxpayer signature _____ Date _____

Spouse signature _____ Date _____

Consent to Disclose

Consent to Use

Submission



Return Submission

E-file » Save

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.

Submission < Back

Please review all information on this screen. To finalize your return please click on the submit button located below.

P+P Customer Copy
Print Return

ERO Information

EFIN: 410000
Company Name: Prepare + Prosper

Client Information

Client Name: Nea
Primary Email Address: Main Office

Return Information

Type of Return: E-file: Direct Deposit
Federal Refund: \$96.00

State Return Information

MN	Refund \$29.00	E-file: Direct Deposit
MNM1PR	Refund \$296.00	E-file: Direct Deposit

Personal Bank Account

Bank Name: _____
Routing Number: 041000000

Return/Transmit Status

Is Complete

Ready For Review

Approved
Failed
Approved

REVIEWERS ONLY: Select "Is Complete". Return must be marked Approved before this option is available.

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

Return Tag(s)

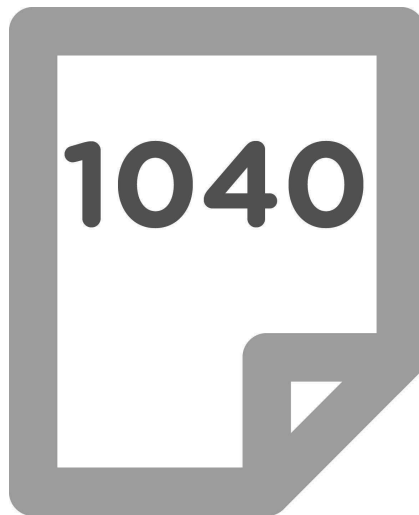
<input type="checkbox"/> Paper return	<input checked="" type="checkbox"/> E-file 1040	<input checked="" type="checkbox"/> E-file M1	<input checked="" type="checkbox"/> E-file M1PR
<input type="checkbox"/> Hold return: see notes	<input type="checkbox"/> Nothing to file: see notes	<input type="checkbox"/> Delete return	<input type="checkbox"/> SE clinic return
<input type="checkbox"/> Drop off return	<input type="checkbox"/> Saver	<input type="checkbox"/> Power of Attorney (POA)	

REVIEWERS ONLY: Approve the review.

Tag the return with all relevant tags.

P+P Customer Copy
Print Return
Save And Return
< Back
Save And Exit Return

FEDERAL TAX INFORMATION



FEDERAL INFORMATION

NEW THIS YEAR

A more comprehensive list of federal tax law changes can be found in the Important Changes for 2019 section of Publication 4491, *VITA/TCE Training Guide*. The following summarizes several changes that extend beyond inflation adjustments.

Affordable Care Act: Starting tax year 2019, there is no penalty on the tax return for not having health coverage. Taxpayers no longer need to report coverage or apply for an exemption. Qualifying taxpayers can still qualify for the Premium Tax Credit.

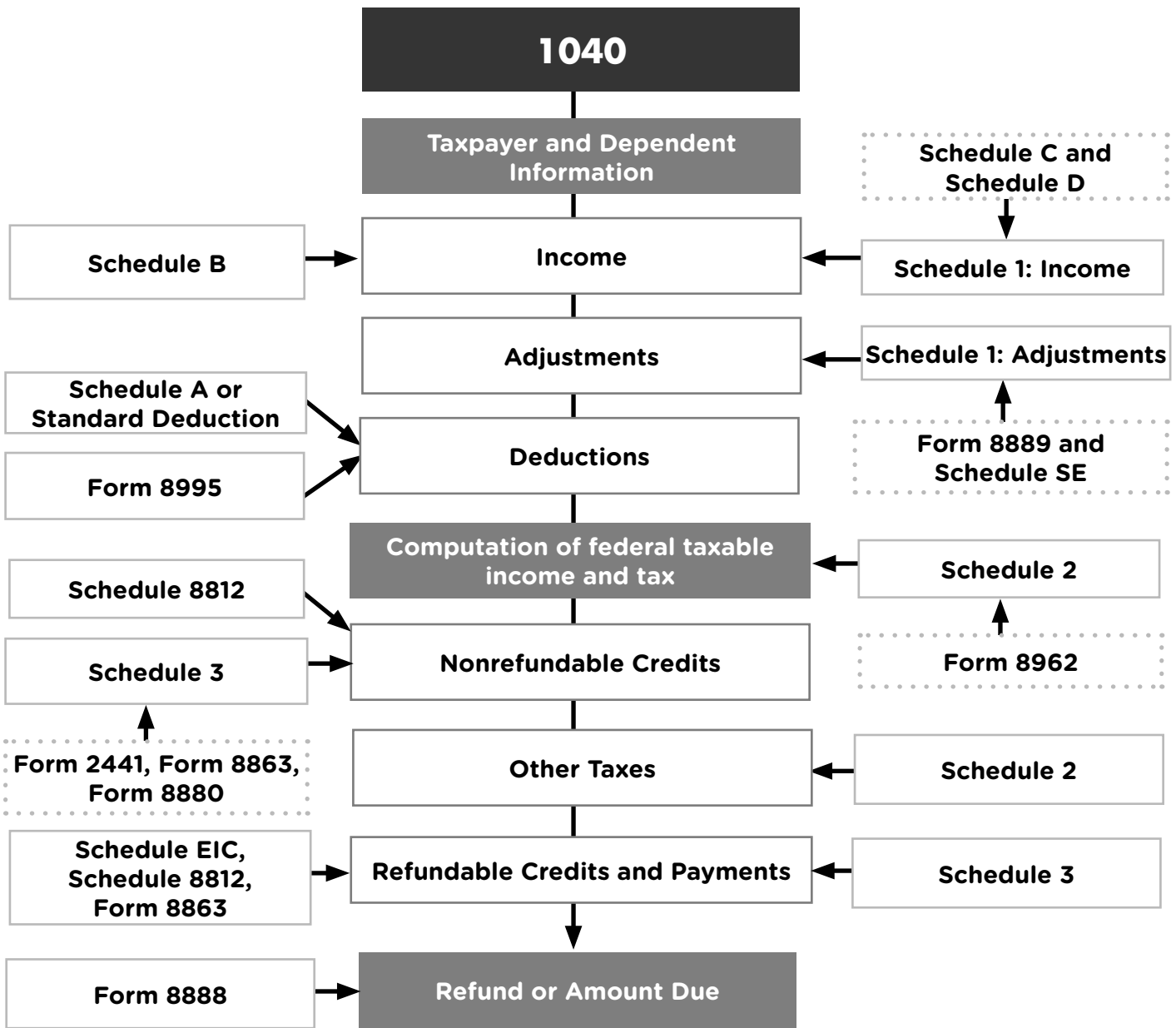
Extended and Expired Legislation: Several tax provisions were not extended by the Tax Cuts and Jobs Act and have not been extended for 2019 at the time this manual went to print. These provisions are likely to **remain expired**:

- Exclusion from gross income of discharge of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Tuition and fees deduction (education credits still remain)
- Credit for nonbusiness energy property (residential energy credit)

Form 1040 and other form updates: Form 1040 and its schedules have been updated; Schedules 1-6 from the 2018 Form 1040 have been condensed onto 3 schedules. Form 8965 for health coverage exemptions and Schedule C-EZ have been eliminated. Form 8995 has been added to calculate the Qualified Business Income Deduction.

Form W-4: The 2020 Form W-4 has been redesigned and no longer uses allowances to calculate withholding. Employees are not required to submit a new Form W-4 before 2020. Employers will continue withholding based on the employee's most recently submitted Form W-4. However, the new Form W-4 and the updated IRS Withholding Calculator may allow taxpayers to more accurately estimate withholding.

INTRO TO THE FORM 1040



Federal Schedules and Forms:

Schedule 1	Additional Income and Adjustments to Income	Form 2441	Child and Dependent Care Expenses
Schedule 2	Additional Taxes	Form 8812	Additional Child Tax Credit
Schedule 3	Additional Credits and Payments	Form 8863	Education Credits
Schedule A	Itemized Deductions	Form 8880	Credit for Qualified Retirement Savings Contributions
Schedule B	Interest and Ordinary Dividends	Form 8888	Allocation of Refunds
Schedule C	Profit or Loss from Business	Form 8889	Health Savings Accounts
Schedule D	Capital Gains and Losses	Form 8962	Premium Tax Credit
Schedule EIC	Earned Income Credit	Form 8995	Qualified Business Income Deduction
Schedule SE	Self-employment Tax		

FILING REQUIREMENTS

These are the filing requirements for most people. Lower requirements may apply for dependents, self-employed taxpayers, or those with special situations. See Pub 4012, Tab A.

Filing Status	Age at the end of 2019	Required to file a return if income is over these amounts:
Single	under 65	\$12,200
	65 or older	\$13,850
MFJ	under 65 (both spouses)	\$24,400
	65 or older (one spouse)	\$25,700
	65 or older (both spouses)	\$27,000
MFS	any age	\$5
HH	under 65	\$18,350
	65 or older	\$20,000
QW	under 65	\$24,400
	65 or older	\$25,700

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, determine if the taxpayer should file a resident or nonresident return.

Non-citizens may be considered resident aliens or nonresident aliens for tax purposes. Nonresident aliens are taxed differently from resident aliens, and it is extremely important to determine their residency status. Use the *Nonresident Alien or Resident Alien? Decision Tree* in Pub 4012, Tab L, page L-1.

- **Resident:** Person 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.
- **Nonresident:** Person who is not a U.S. citizen or 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.
- **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. For a certain period of time (variable based on visa type), they are considered exempt from the substantial presence test.
- **ITIN holders:** Most ITIN holders will meet the substantial presence test and should file a resident tax return.



Nonresident returns are out of scope at Prepare + Prosper, however some specialized VITA sites prepare or assist with self-preparation of nonresident returns.

Provide the Referrals handout available at the site (also on page 20) for Other Tax Preparation Resources.

See Pub 4012, Tab L, page L-1, and Pub 519, *U.S. Tax Guide for Aliens*, for further information.

POWER OF ATTORNEY (POA) (FORM 2848)

A taxpayer may use a Power of Attorney to grant authority to a third party to file the taxpayer's federal and/or state tax return. IRS Form 2848, *Power of Attorney and Declaration of Representative*, is used to give representatives authorization to sign a tax return on behalf of another individual.

Examples of representatives who may use a POA include:

- A married taxpayer filing on behalf of his or her spouse because the spouse 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 a tax return 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.

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 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.



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 representative section).

Line 3:

Description of Matter	Tax Form Number	Year(s)
Income	1040	Tax year being filed
<i>For state returns:</i> Minnesota Individual Income Tax and Minnesota Property Tax Refund	<i>For state returns:</i> M1 and M1PR	POA may also list up to three future tax years and 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 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 - spouse, parent, grandparent, grandchild, stepparent, stepchild, brother or sister).

Preparing a return with POA

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

Finishing a return with POA

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

1. Ensure Form 2848 is entered in TS correctly.
2. Make two copies of the original signed Form 2848 and prepare for the taxpayer to mail following the steps below. Mailing labels and envelopes may be available at the site—ask a manager.
 - Print and complete one copy of Form 8453, *Income Tax Transmittal for an IRS e-file*, and check the box for Form 2848.
 - **Federal POA:** Staple copy of Form 2848 to Form 8453 and inform the representative to mail the forms to Internal Revenue Service, 1973 Rulon White Blvd, MS 6737, Ogden, UT, 84201 or fax to 855-214-7522.
 - **State POA:** Inform the representative to mail Form 2848 (or REV184 if applicable) to Minnesota Revenue, Mail Station 4123, St. Paul, MN 55146-4123.
3. Tag the return as POA, and add a note in TS stating that the return was filed using POA and that the representative was provided with copies of the POA to mail the IRS and Minnesota Revenue.

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.

To qualify, the “injured spouse” cannot 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, or medical bills. 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.

Form 8379 allocates income, deductions, credits, and payments between spouses. Allocate each as if the taxpayers had filed separate returns (e.g., dependents should be allocated to the taxpayer who would have claimed them if filing separately). See Form 8379 instructions for Part III if clarification is necessary.

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.



Minnesota does not have an injured spouse program and handles requests differently based 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.

Provide the Referrals handout available at the site (also on page 20).



Innocent Spouse Relief is often confused with Injured Spouse Allocation, and is out of scope. 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 the Referrals handout available at the site (also on page 20) with information on Tax Related Legal Assistance.

Taylor and Sam file MFJ with two dependent children. Taylor has student loans in default from before they were married. Both had jobs, and Taylor earned \$12,500 and Sam earned \$22,000. Allocations for 8379 in TS would be:



- Wages: \$22,000 (Sam's wages)
- Standard deduction: \$12,000 (half the MFJ standard deduction)
- Number of exemptions: 3 (taxpayers choose who would have claimed if filing separately, and greatest tax benefit would be for Sam to claim dependents)
- Credits: \$4,000 (Child Tax Credit follows the exemptions for the dependents)



Injured Spouse Form 8379

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 (does not owe the debts).

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 taxpayers qualify for EIC or the Additional Child Tax Credit.

Check if the injured spouse is entitled to claim any other refundable credits.

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

Enter the exemptions the injured spouse would have claimed if filing separately.

Enter the credits the injured spouse would have been entitled to if filing separately (match with exemptions allocated to injured spouse as needed).

Form 8379 Injured Spouse Form

Is the Primary Taxpayer the Injured Spouse?

Are you divorced or separated from the spouse with whom you filed the joint return AND do you want the refund check issued in your name only?

Did (or will) the IRS use the joint overpayment to pay any of the following legally enforceable past-due debt(s) owed only by your spouse?
 Federal tax State income tax Child support
 Spousal support Federal nontax debt (such as a student loan)

Are you 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 your main home in a community property state (AZ, CA, ID, LA, NV, NM, TX, WA, or WI)?

Did you make and report payments, such as federal income tax withholding or estimated tax payments?

Did you have earned income, such as wages, salaries, or self-employment income?

Did (or will) you claim the earned income credit or additional child tax credit?

Did (or will) you 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	\$31,500.00	\$
Interest income or loss	\$0.00	\$
Business income or loss	\$3,137.00	\$
Farm income or loss	\$0.00	\$
Capital gain or loss	\$0.00	\$
Pensions and/or IRA's	\$0.00	\$
Other income or loss	\$0.00	\$
Adjustments to income	\$222.00	\$
Standard -or- itemized deductions	\$12,600.00	\$
Number of exemptions	4	
Credits	\$2,000.00	\$
Other taxes	\$443.00	\$
Federal tax withheld	\$3,000.00	\$
Estimated tax payments	\$	\$

Note: According to the IRS, there may be a portion of your refund when filing Form 8379, Injured Spouse Allocation.

Enter income for the injured spouse.

Enter taxes and payments made by the injured spouse.

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 in the past (generally within the past 3 years), the IRS will mail Notice CP01A in January with a new 6-digit Identity Protection PIN (IP PIN). Taxpayers will need a new IP PIN each year. IP PINs help reduce identity theft by rejecting e-filed returns that do not include the IP PIN. A taxpayer, spouse, and/or dependents can receive IP PINs.

Received or requested an IP PIN

The IP PIN must be entered in TS, or the return will be rejected. Taxpayers **who never received or lost an IP PIN** can create a user profile to get their current IP PIN at www.irs.gov/getanippin. The IRS does not provide IP PINs over the phone. If they are unable to get their IP PIN online, taxpayers can call the IRS identity theft line at 1-800-908-4490 for instructions.

There are two options for tax preparation if the taxpayer needs but does not have an IP PIN at the site:

1. Taxpayer can return with the IP PIN, which will allow the return to be e-filed.
2. Prepare paper federal and state returns to mail. Show the taxpayer where to enter the IP PIN on the federal return before they mail it. The IP PIN applies to the federal return only. Filing a return without an IP PIN for someone who needs one can delay return processing for up to 9 months.

Experienced tax identity theft but will not have a 2019 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 on submitting the return.
2. Taxpayer must complete Form 14039, Identity Theft Affidavit, and send it to the IRS. Filing this form allows the IRS to place an “identity theft indicator” on the taxpayer’s tax account. Provide Form 14039 to the taxpayer (available at www.IRS.gov).



Identity Protection PIN

Federal Section » Miscellaneous Forms » IRS Identification Pin
 Search keyword: “Pin”

<p>Department of Treasury Internal Revenue Service Kansas City Service Center -SP Kansas City, MO 64999-0017</p>	<p>The IP PIN is generally in the bottom left corner of the letter.</p>	<table border="1"> <tr><td>Notice</td><td>CP01A</td></tr> <tr><td>Tax Year</td><td>2017</td></tr> <tr><td>Notice date</td><td></td></tr> <tr><td>To contact us</td><td>Phone 1-800-XXX-XXXX</td></tr> </table>	Notice	CP01A	Tax Year	2017	Notice date		To contact us	Phone 1-800-XXX-XXXX
Notice	CP01A									
Tax Year	2017									
Notice date										
To contact us	Phone 1-800-XXX-XXXX									
<p>Sample Taxpayer 123 Pretty Street City One, WI, 12345</p>	<h3>IRS Identity Protection Pin</h3> <p>If you have received a notice from the IRS containing an Identity Theft Pin please enter the Pin here in order to ensure that your tax return is processed without delay.</p> <p>RAYMOND RODRIGUEZ (XXX-XX-5555) <input type="text" value="123456"/></p> <p>ARACELI RODRIGUEZ (XXX-XX-1111) <input type="text"/></p>									
<p>Important information We assigned you an Identity Protection Pin</p>	<p>When and where to enter it:</p> <ul style="list-style-type: none"> - If filing a paper return, enter your IP PIN in the gray box marked "Identity Protection PIN" to the right of "Spouse's signature and occupation". 									

Enter IP PIN next to the correct taxpayer's name.

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.

Enter the date of death in the *Personal Information* section, and 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 dependent if it is not filed by a surviving spouse. Court appointment documents and a death certificate are often required. See Pub 4012, Tab K, page K-11 and Minnesota Income Tax Fact Sheet 9, *Filing on Behalf of a Deceased Taxpayer* for more detailed requirements if needed.



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.

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)

Answer according to claimant's situation.

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 ▾

Information for Claimant **EDIT**

If you are claiming the decedent's Homestead Credit Refund (for Homeowners) or Renter's Property Tax Refund, select below that which applies.

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

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

Claiming Income Tax Refund I am the trustee and...

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.

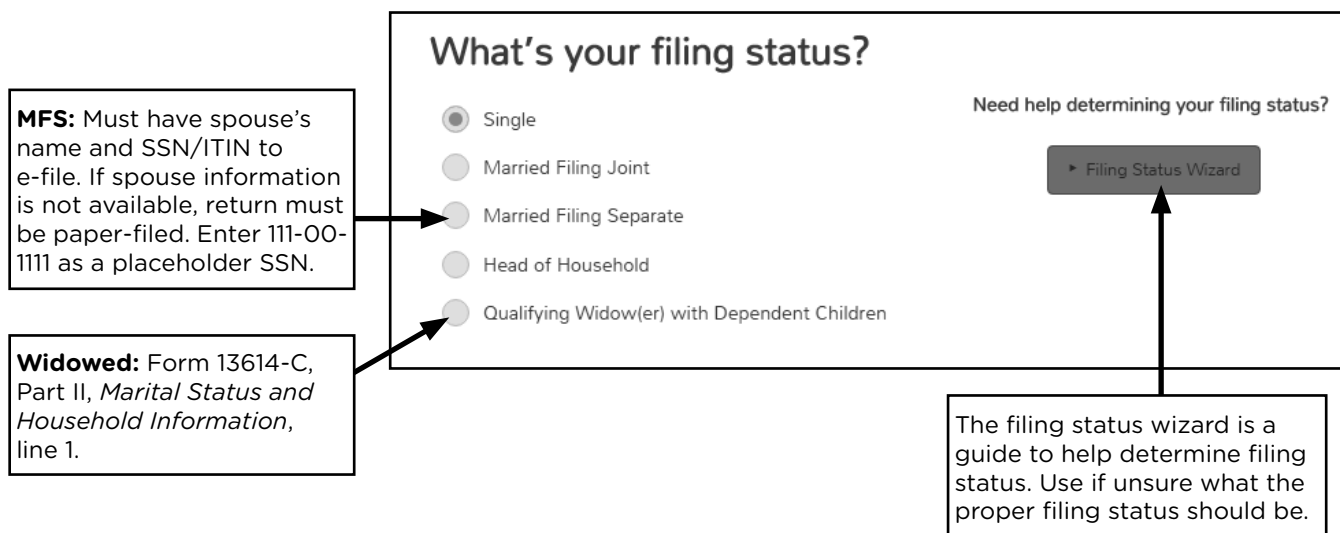
FILING STATUS

Determine the filing status based on an interview with the taxpayer(s) and information written in Part II, *Marital Status and Household Information*, Form 13614-C. The filing status determines the standard deduction amount, tax rate, and impacts calculations or eligibility for some tax benefits.



The marital status box checked by taxpayer on the intake sheet (Form 13614-C) is only one factor in determining the correct filing status. See page 50 for more information.

Filing status	Marital Status on 12/31/19	Other Information Pub 4012, Tab B, B-7 Determination of Filing Status decision tree
Single	Unmarried, divorced, or legally separated	<ul style="list-style-type: none"> • Legal separation requires a decree by a court or a written separation agreement. • May qualify for HH or QW if they have a Qualifying Child or Qualifying Relative.
Married Filing Jointly (MFJ)	Married	<ul style="list-style-type: none"> • See definition of marriage on page 50. • Spouses qualify whether they live together or apart. • A taxpayer still qualifies for MFJ for the tax year in which the spouse dies.
Married Filing Separately (MFS)	Married and choose to file separate returns	<ul style="list-style-type: none"> • See definition of marriage on page 50. • Consider HH status if taxpayer can be “considered unmarried” (see page 51). • See important notes below about MFS.
Head of Household (HH)	Unmarried, or “considered unmarried”	<ul style="list-style-type: none"> • Taxpayer paid more than 1/2 the cost of keeping up a home for the tax year (see worksheet in Pub 4012, Tab B, page B-9); and • A Qualifying Person lived with taxpayer in the home for more than 1/2 the year, except for temporary absences such as school. • If the Qualifying Person is the taxpayer’s parent, they do not have to live with the taxpayer to be a Qualifying Person for HH.
Qualifying Widow or Widower (QW)	Spouse died in 2017 or 2018, and taxpayer did not remarry	<ul style="list-style-type: none"> • Taxpayer paid more than 1/2 the cost of keeping up the home for the tax year (see worksheet in Pub 4012, Tab B, page B-9); and • Taxpayer is entitled to use MFJ status for the year in which their spouse dies; and • Child or step child lived with the taxpayer all year, except for temporary absences (see Pub 4012, Tab B, page B-7 if child/stepchild was not a dependent.



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

MARRIED FILING SEPARATELY (MFS)

- The tax rate is generally higher than on a joint return.
- Not eligible for Earned Income Tax Credit, Working Family Credit, federal and state dependent care credits, education credits, student loan interest deduction or the MN K-12 Education Credit.
- 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 or Qualifying Relative, consider using HH status if they meet the definition of "considered unmarried" (see page 51).
- Ask the taxpayer(s) why they choose to file MFS. If the decision to file MFS is due to their current spouse's outstanding prior debt, such as past due child support, student loans or other tax liability, suggest they consider filing MFJ using Form 8379, *Injured Spouse Claim and Allocation* (see page 45).
- If filing MFS and the spouse's Social Security number is not available, use the placeholder 111-00-1111, and the return must be paper filed.



Check if the taxpayer lived with the spouse in 2019.

Check if the spouse is not filing and the listed conditions apply.

Married Separate

Check here if the Spouse lived with the Taxpayer at any time during the year:

Check here to claim the exemption for your spouse if he/she has NO Gross Income, is NOT filing a return, and CANNOT be claimed as a dependent on another person's return

HEAD OF HOUSEHOLD (HH)

Taxpayers with a Qualifying Person who are unmarried or considered unmarried for tax purposes can claim the HH filing status. Rules for who is a Qualifying Person for HH differ slightly from rules for who is a dependent, and the Qualifying Person rules are different for unmarried taxpayers and taxpayers who are considered unmarried. Also see interview questions on Pub 4012, Tab B, page B-9 or use filing status wizard in TS.

HH for unmarried taxpayers

Unmarried taxpayers (single, divorced, or legally separated at the end of the tax year ^A) must meet these qualifications to claim HH 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-11).
2. Have a Qualifying Person such as a:
 - Qualifying Child (page 55) living in the taxpayer's home for more than half the year, including a child who is not claimed by the custodial parent under the special rule for divorced or separated parents (page 57).
 - Parent who is a Qualifying Relative (page 58) and living in the taxpayer's home or in another residence (taxpayer must pay more than half the cost of the parent's home upkeep).
 - Qualifying Relative (page 58) living in the taxpayer's home for more than half the year who is a son, daughter, stepchild, foster child, or a descendent 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.

^A See rules for a taxpayer with a spouse who died in 2017 or 2018 in Pub 4012, Tab B, page B-8.

HH for taxpayers who are considered unmarried

Married taxpayers can be considered unmarried and qualify for HH filing status if:

- 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-11).
- The taxpayer's spouse did not live in the taxpayer's home at any time during the last six months of the tax year (spouse is considered to live in the home while they are temporarily absent due to special circumstances, such as illness, education, business, or vacation).
- The taxpayer's home was the main home of the taxpayer's child, stepchild, or foster child for more than half the year, and the taxpayer qualifies to claim an exemption for the child (even if the child is not claimed as a dependent by the custodial parent under the special rule for divorced or separated parents).

2019 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's parents meet the tests to be his dependents.**

What filing status should Carlos use? _____

2. **Scott and Kathy separated in April 2019 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 \$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 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 \$2,500 in income.**

Can Abdullah claim Head of Household filing status? _____

Answers are on page 194.

DEPENDENTS

Enter the taxpayer and use the information on Form 13614-C to determine if they can be claimed as or qualify to claim a dependent. See pages 55 and 58 for more information on the Qualifying Child and Qualifying Relative tests. **Remember to complete the shaded dependent section on Form 13614-C.**

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 amount is currently \$0, but many tax rules still use the exemption definition.



Taxpayers may still claim a deduction of \$4,250 for each dependent claimed on the Minnesota return. Personal exemptions for the taxpayer/spouse are no longer allowed.

CLAIMING A DEPENDENT

Claiming a dependent may make a taxpayer eligible to claim several tax benefits. Each benefit has additional rules, and most are added to the return automatically by TS based on the dependent information entered in the Basic Information section (see page 59).

Tax benefits for claiming a dependent may include:	
Head of Household filing status See page 49.	<ul style="list-style-type: none"> Federal and Minnesota Dependent must be a Qualifying Person
Child Tax Credit See page 110.	<ul style="list-style-type: none"> Federal Dependent must be a Qualifying Child under 17 and have an SSN
Additional Child Tax Credit See page 125.	<ul style="list-style-type: none"> Federal Dependent must be a Qualifying Child under 17 and have an SSN
Credit for Other Dependents See page 111.	<ul style="list-style-type: none"> Federal Dependent must meet relationship and residency tests
Child and Dependent Care Credit See page 111 and 161.	<ul style="list-style-type: none"> Federal and Minnesota Dependent must be under 13 or incapable of self-care
Earned Income Credit See page 122.	<ul style="list-style-type: none"> Federal Dependent must be a Qualifying Child and have an SSN
Working Family Credit See page 162.	<ul style="list-style-type: none"> Minnesota Dependent must be a Qualifying Child and have an SSN
American Opportunity Credit See page 130.	<ul style="list-style-type: none"> Federal Dependent must be a postsecondary student in their first four years of school
Lifetime Learning Credit See page 130.	<ul style="list-style-type: none"> Federal Dependent must be a postsecondary student
K-12 Education Credit/Subtraction See page 163, then page 149.	<ul style="list-style-type: none"> Minnesota Dependent must be a Qualifying Child in grades K-12
Exemption deduction See page 145.	<ul style="list-style-type: none"> Minnesota Follows dependent rules

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-7, *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"

Personal Information

Taxpayer Information

Primary First Name	MI	Last Name	Suffix (Jr, Sr, etc.)
ELIZABETH		BENNET	---

Social Security Number	Date of Birth
111 - 00 - 1111	10 / 30 / 1988

Occupation
HEALTH CARE ASSISTAN

Check here if the Taxpayer can be claimed as a dependent on someone else's return.

Taxpayer is claimed as a dependent on someone else's return. *

Yes
 No

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



Example: The "dependent" young adult files their tax return first and incorrectly claims they aren't a dependent. The parents file their tax return second and correctly claim the young adult on the return. The parents' return will be rejected.

Result: The parents' refund is delayed, and the young adult must file an amended return. The young adult may be required to pay back part or all of the refund.

RULES FOR CLAIMING A DEPENDENT - QUALIFYING CHILD

A taxpayer/spouse cannot be claimed as a dependent by another person and still claim a dependent. To be claimed as a dependent, a person must meet the tests below to be the taxpayer's Qualifying Child or the tests on page 58 to be the taxpayer's Qualifying Relative. See Pub 4012, Tab C, page C-1 for 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 the taxpayer's Qualifying Relative, and the taxpayer may be able to claim the child as a dependent.
- 4. Support:** The child must not have provided more than half of their own support for the year^{D,E}. Review the Worksheet for Determining Support in Pub 4012, Tab C, page C-7.
- 5. Joint:** The child is not filing a joint return for the year (unless the return is filed only as a claim for refund of income tax withheld).
- 6. If the child meets eligibility criteria 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 56).

^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, Filing Status 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 168) such as MFIP, SSI, GA and DWP are generally considered support provided by the state and not the child. A proposed rule on which taxpayers may choose to rely treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. 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 and the taxpayer had earned income, the child may still be a Qualifying Child for EIC.



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. Refer any taxpayer with a dependent to a financial advocate to learn more.

QUALIFYING CHILD OF MORE THAN ONE PERSON

If the child meets the conditions to be the Qualifying Child of more than one person, only one person can claim the child as a Qualifying Child for all of the following tax benefits, unless the special rule for children of divorced or separated parents applies (see page 57).

- Dependency exemption (Minnesota return)
- Head of Household
- Child Tax Credit
- Earned Income Credit
- Child and Dependent Care Credit
- Exclusion from income for Dependent Care Benefits from an employer

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. 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: A grandmother, her daughter and the daughter’s son all live together. The child meets the conditions to be a Qualifying Child for both the grandmother and the daughter. Under the rules above, the daughter, parent of the child, is entitled to treat her child as a Qualifying Child.

However, if the grandmother’s AGI is higher than the daughter’s (parent of the child) AGI, the daughter can choose to let her mother treat the child as a Qualifying Child. But remember, if the grandmother claims the child, the daughter cannot use the child as a Qualifying Child for any other tax purpose, such as EIC.



If a parent can claim the child as a Qualifying Child but neither parent does so, the child is treated as the Qualifying Child of the person who had the highest AGI for the year, but only if that person’s AGI is higher than the highest AGI of any parent who can claim the child.

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

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, in some circumstances the noncustodial parent can claim some tax benefits for a child. For more interview tips, see Pub 4012, Tab C, page C-6.

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 will 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-6 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 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 Working Family Credit (WFC)
- Minnesota K-12 Education Credit or Subtraction

Instructions for preparation

Preparer: For noncustodial parents, note in the Additional Comments section of Form 13614-C that the document required to meet test 4 above was provided.

Reviewer:

1. Make a copy of Form 8332 or relevant divorce decree pages to keep with the intake sheets.
2. Make a note on Tax Return Log.

No documentation available?: 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-4 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 above, the person must meet all four of the Qualifying Relative tests.

- 1. Not a Qualifying Child:** The person cannot be the taxpayer's Qualifying Child or the Qualifying Child of any other taxpayer. However, a child **can** be claimed by a taxpayer **not** related to that child, if that 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). Cousins can meet the relationship test **only** if they live with the taxpayer for the entire year.
- 3. Gross Income:** The person's gross taxable income for the year must be less than \$4,200.^B
- 4. Support:** Taxpayer must provide more than half of the person's total support for the year (exceptions for multiple support agreements, children of divorced or separated parents, and kidnapped children). See Pub 4012, Tab C, page C-7, for *Worksheet for Determining Support*.^C

^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

^B 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.

"Gross 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).

^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. A proposed rule on which taxpayers may choose to rely treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. 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

Dependent/Qualifying Child Information

CANCEL
CONTINUE

Date of Birth *

Social Security Number * - -

Check box if the dependent does not have an SSN/ITIN/ATIN

Was this person a U.S. citizen, U.S. national, or U.S. resident alien? (See Pub. 519 for the definition of a 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 *

Number of months this person lived in your home during 2018

Note: If this dependent was born in 2018, you must select 12 months

Check All That Apply:

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 \$4,150 of income

This dependent qualifies for a Multiple Support Declaration.

Enter first and last name as shown on source documents to ensure the correct spelling.

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

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 needed¹.

Enter relationship to the taxpayer from Form 13614-C.

Enter months in home as shown on Form 13614-C. For a child born in 2019, enter 12 months.

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

Select appropriate option.

The dependent's name still appears on Form 1040, but will not generate tax benefits the non-custodial parent can claim. See page 57.

¹A 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 2019, and
- 183 days during the 3-year period that includes 2017, 2018, and 2019 counting:
 - All the days they were present in 2019, plus
 - 1/3 of the days they were present in 2018, plus
 - 1/6 of the days they were present in 2017.

For more information about the substantial presence test, see Pub 4012, Tab L, page L-1.



Adding a dependent or qualifying child

Basic Info » Dependents/Qualifying Person » Enter Dependent

Search keyword: N/A

Dependent or Qualifying Child

First Name	Last Name	Social Security Number
SAMANTHA	BENNET	111-00-0001

Edit
Delete

+ Add a Dependent or Qualifying Child

Click to add additional dependents to the return.

2019 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 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 \$2,500 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.**

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 \$4,500 to help pay for his car insurance and some of his college expenses. Janice earned \$36,000 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 2013. Their daughter, Araceli, and son, Matteo, live with Hope. Gilly's AGI is \$28,000 and Hope's AGI is \$19,000. 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 2019, a full-time student, and worked part-time. Rebecca lived in an apartment off campus. Her parents paid for her rent and all of her living expenses. She made \$5,000 and used the money to pay for her cell phone and car insurance.**

Rebecca is a Qualifying Child for her parents, but they decided not to claim Rebecca as a dependent on their return. Since Rebecca's parents are not claiming her, does Rebecca need to file her own return as a dependent?

Answers are on page 194.

INCOME

WAGES, SALARIES, TIPS, AND TAXABLE SCHOLARSHIP

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 Form 4852 (substitute W-2) Form 1098-T (scholarships) 	<ul style="list-style-type: none"> IRS: Income - lines 1, 2, or 3 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 1 M1: lines A and 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 TS 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...
<ul style="list-style-type: none"> If 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.
<ul style="list-style-type: none"> If the Social Security number on Form W-2 is incorrect (not a typo) and the taxpayer <u>does not</u> have an ITIN 	Do not start the return. Ask the taxpayer to obtain a corrected copy from the employer.
<ul style="list-style-type: none"> If 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 Social Security number on Form W-2 in the <i>W-2 Wage Statement</i> in TS.
<ul style="list-style-type: none"> If it appears that someone has altered the W-2 	<u>Do not</u> start the tax return. Tell the taxpayer to contact the employer to request another copy of the W-2.
<ul style="list-style-type: none"> If 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.
<ul style="list-style-type: none"> If the name is incorrect for any other reason (other than a typographical error) 	Ask the taxpayer to obtain a corrected copy of the W-2 from the employer.
<ul style="list-style-type: none"> If 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.

Substitute W-2

After March of the tax year, a taxpayer may create a substitute W-2 using Form 4852, if an employer cannot or will not issue Form W-2. The taxpayer must make a good faith effort to obtain an original form. Taxpayers should complete Form 4852 before having their return prepared using pay stubs or other payment records.

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-6 has a list of common codes.

Codes to watch for:

- **Code W:** Requires 8889 and preparer must have HSA certification, see more on page 97.
- **Codes D, E, F, G, H, S, AA, and BB:** Voluntary contributions to retirement plans which qualify for Savers Credit and should transfer automatically to the Form 8880, see more on page 116.
- **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.

Taxable scholarship income may need to be reported if scholarships, fellowships, and grants paid to the taxpayer or spouse were not used for qualified education expenses. This includes amounts paid for room and board, parking, health insurance, or other living expenses. See page 135 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 TS, but include the amount as nontaxable income to figure credits on Form M1PR and Schedule M1ED (see page 169).

Tip income may need to be reported for taxpayers with a job that often 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 TS. Rely on the taxpayer's records for the amount of unreported tips. Preparers must have advanced certification to do this.

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 must be excluded from gross income and earned income according to IRS Notice 2014-7. To exclude qualified Medicaid Waiver payments, enter the Form W-2, then enter qualified payments in the box labeled, "Medicaid Waiver Payment in Box 1." Remember to add back payments into Minnesota household income.

Medicaid Waiver payments can be difficult to identify unless the taxpayer states the income is through a Medicaid Waiver program or brings a letter/statement from the employer. Payments are qualified and must be excluded if they are made by a certified Medicaid provider to the taxpayer for nonmedical support services provided to an individual living in the taxpayer's home.

See page 84 if payments are reported on Form 1099-MISC.



Excluded Medicaid Waiver payments must be added back into household income used to figure credits on Form M1PR and Schedule M1ED (see page 169).



W-2

Federal Section » Income » Wages and Salary

Search keyword: "W2"

a Employee's social security number 543-XX-XXXX		Safe, accurate, FAST! Use IRS e-file Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 40-XXXXXXX		1 Wages, tips, other compensation 1,700.00	2 Federal income tax withheld 200.00
c Employer's name, address, and ZIP code ITASCA CO 25 IMPERIAL LANE YOUR CITY, STATE ZIP		3 Social security wages 1,700.00	4 Social security tax withheld 105.40
d Control number		5 Medicare wages and tips 1,700.00	6 Medicare tax withheld 24.65
e Employee's first name and initial Last name ADAM MARTIN 129 PENNINGTON PLACE YOUR CITY, STATE ZIP		7 Social security tips	8 Allocated tips
f Employee's address and ZIP code		9	10 Dependent care benefits
15 State Employer's state ID number YS 40-XXXXXXX	16 State wages, tips, etc. 1,700.00	17 State income tax 67.00	

If there is no MN state ID number, enter 9999999 for the state ID number.

Check box to indicate whether it is a standard, corrected, or substitute W-2.

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

If the taxpayer has an ITIN, the ITIN/SSN box will appear here. Enter the SSN shown on the W-2.

Enter 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.

Enter amount paid for dependent care and fill out Form 2441 (see page 111).

Enter tips not previously reported by the employer in box 8 (see page 62).

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.

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.

W-2

a Control Number
Not needed for e-filing

IRS Verification Code (If provided)

This is a standard W-2
 This is a corrected W-2
 This is a substitute W-2

Employee
Whose W-2 is this?
ADAM MARTIN
 Check here if foreign address
Address (Number and Street)
129 PENNINGTON PLACE
Zip Code
55114 -
City, Town, or Post Office
Saint Paul
State
Minnesota

Employer
b EIN
40 - 0000000
c Employer Name
ITASCA CO
 Check here if foreign address
Address (Number and Street)
25 IMPERIAL LANE
Zip Code
55114 -
City, Town, or Post Office
Saint Paul
State
Minnesota
Note: Information entered above must match the IRS Master File. Please Verify.

Wages

1 Wages, Tips	\$ 1700	2 Federal Tax Withheld	\$ 200
3 SS Wages	\$ 1700	4 Soc. Sec. Tax Withheld	\$ 105.4
5 Medicare Wages	\$ 1700	6 Medicare Tax	\$ 24.65
7 SS Tips	\$	8 Allocated Tips	\$
9	RESERVED	10 Dependent Care	\$
11 NonQual Plan	\$	Unreported Tips	\$
12 Code	Amount	13	14 Code
a	\$	<input type="checkbox"/> Statutory Employee <input type="checkbox"/> Retirement Plan <input type="checkbox"/> Third Party Pay	\$

Minnesota Information

15 State Name Minnesota	State EIN 4000000000	16 St Wages \$ 1700	17 St Tax Paid \$ 67
18 Local Wages \$	19 Local Tax Paid \$	20 Local Name	

Enter amount for Medicaid Waiver exclusion here (see pages 62 and 84).

INTEREST

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-INT Account statement 1099 composite Form 1099-OID Sch K-1 	<ul style="list-style-type: none"> IRS: Income - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 2a, 2b, and Sch B M1: lines 1, 2, 7, Sch M1M, and Sch M1ED line 5 M1PR: lines 1 and 5 	Basic

Overview: Interest income is most common for taxpayers with savings accounts, certificates of deposit (CDs), and U.S. government bonds. If a taxpayer received a small amount of interest, it's possible no form will be issued. The interest still goes on the tax return!

U.S. Savings Bond Interest

Taxpayers who cash U.S. Savings Bonds may have special reporting requirements depending on the type of bond and how it was used. Review the savings bond information in the *Wages, Interest, etc.* Chapter of Pub 4491.



Interest earned on out-of-state municipal bonds must be added back to Minnesota income. See page 148 for more information.

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.



Interest income for 1099-INT

Federal Section » Income » Interest and Dividends » Interest or Dividend Income » Interest Income
Search keyword: "1099INT"

Interest Income

Type of transaction: **Interest Income**

Payer's Name *

Interest Income (Box 1) **Box 1:** Enter interest income.

Early Withdrawal Penalty (Box 2) **Box 2:** Enter early withdrawal penalty.

Interest on U.S. Savings Bonds and Treasury obligations (Box 3) **Box 3:** Enter interest income from a U.S. savings bond.

! (Note: Enter Taxable amount only)

Federal Tax Withheld (Box 4)

Foreign Tax Paid (Box 6)

Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return **Box 3:** Enter interest income from a U.S. savings bond here as well. This will subtract it from the Minnesota return.

DIVIDENDS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-DIV 1099 composite Sch K-1 	<ul style="list-style-type: none"> IRS: Income - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 3a, 3b, 6, Sch B, 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 capital gains (see page 75) and preparers with basic certification may prepare returns with capital gain distributions.

Ordinary dividends, qualified dividends, and capital gain distributions are eligible for a lower tax rate. Capital gains distributions will carry over to Form 1040, line 6 and be combined with other capital gains.



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 148 for more information.



Dividend income for 1099-DIV

Federal Section » Income » Interest and Dividends » 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)	\$	<input style="width: 90%;" type="text"/>		Box 1a: Enter ordinary dividends.
Qualified Dividends (amount of ordinary dividends that are considered qualified) (Box 1b)	\$	<input style="width: 90%;" type="text"/>		Box 1b: Enter qualified dividends.
Capital Gain to Schedule D (Box 2a)	\$	<input style="width: 90%;" type="text"/>		Box 2a: Enter total capital gain distributions.
Unrecaptured Section 1250 Gain (Box 2b)	\$	<input style="width: 90%;" type="text"/>		
Section 1202 Gain (Box 2c)	\$	<input style="width: 90%;" type="text"/>		
Collectibles (28%) Gain (Box 2d)	\$	<input style="width: 90%;" type="text"/>		
Nondividend Distributions (Box 3)	\$	<input style="width: 90%;" type="text"/>		
Federal Income Tax Withheld (Box 4)	\$	<input style="width: 90%;" type="text"/>		Box 4: Enter federal withholding.
Foreign Tax Paid (Box 6)	\$	<input style="width: 90%;" type="text"/>		Box 6: Enter foreign tax paid.
Nominee Dividend	\$	<input style="width: 90%;" type="text"/>		

IRAS, PENSIONS, AND ANNUITIES DISTRIBUTIONS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-R Form RRB 1099-R Form CSA 1099-R Form CSF 1099-R 	<ul style="list-style-type: none"> IRS: Income - line 11 P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 4a, 4b, 4c, 4d, Form 5329, and Sch 2 line 6 M1: line 1 M1PR: lines 1 and 5 	Basic (Advanced if taxable amount has NOT been determined)

Overview: Retirement income may come from an employer plan or a retirement plan 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”).



Some distributions reported on Form 1099-R are out of scope for VITA. See page 70 and Pub 4012, Tab D, pages D-39 and D-40 for more information.

When will retirement income be taxable?

Retirement plans are funded by either pre-tax or post-tax contributions. “Pre-tax” means that the taxpayer did not pay taxes on the money at the time it was contributed. “Post-tax” means the taxpayer paid taxes on the money before it was contributed. The way a retirement account was funded (pre- or post-tax) determines the taxability of the distributions.

Taxpayer contributions	Contributions		Taxability of distributions		
	Pre-tax	Post-tax	Fully	Partially	Non-taxable
No	-	-	Yes	-	-
Yes	Yes	-	Yes	-	-
Yes	-	Yes	-	Yes	-
Yes, Roth	-	Yes	-	-	Yes

Individual Retirement Arrangements (IRA)

There are four kinds of IRAs, each with different tax implications. See Pub 590-A and Pub 590-B, *Individual Retirement Arrangements*, for more information.

1. Traditional IRAs are generally funded with pre-tax dollars, generally have deductible contributions, and distributions are generally fully-taxable. (If the taxpayer made nondeductible contributions to a traditional IRA, records are required, and the return is out of scope.)
2. Roth IRAs are funded with post-tax dollars, and contributions are not deductible. Distributions are tax-free when:
 - A. The taxpayer is taking out contributions only and any earnings are left in the account,

OR

 - B. The distribution is a qualified distribution, defined as:
 - A distribution made after the 5-year period beginning with the first day of the first taxable year for which a contribution was made to a Roth IRA set up for the taxpayer's benefit, *and*
 - The distribution is:
 - Made on or after age 59 1/2, or
 - Made because the taxpayer was disabled, or
 - Made to a beneficiary or to an estate, or
 - To pay certain qualified first-time homebuyer amounts.
3. SIMPLE IRAs generally have fully-taxable distributions.
4. SEP IRAs generally have fully-taxable distributions.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		Form 1099-R	
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	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		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.
		2a Taxable amount			
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
				Employee contributions / Designated Roth contributions or insurance premiums	
RECIPIENT'S name TERESA MARTIN Street address (including apt. no.) 129 PENNINGTON PLACE City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		7 Distribution code(s) 1	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other	This information is being furnished to the Internal Revenue Service.
		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	

Railroad Retirement Board income

Railroad Retirement benefits have two components: tier 1, blue form (Social Security equivalent benefits), and tier 2, green form (treated as qualified employee retirement plan distributions). For information about tier 1 benefits, see page 73.

Tier 2 income from the Railroad Retirement Board is not taxed by the state and will be subtracted on the Minnesota return using Schedule M1M. TS transfers the subtraction automatically.

PAYERS' NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD		20XX		ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD			
844 N RUSH ST CHICAGO IL 60611-2092		3. Employee Contributions	\$15,397.25	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.			
PAYER'S FEDERAL IDENTIFYING NO. 15-6XXXXXX		4. Contributory Amount Paid	\$9,397.25				
1. Claim Number and Payee Code		5. Vested Dual Benefit					
2. Recipient's Identification Number 231-XX-XXX		6. Supplemental Annuity					
Recipient's Name, Street Address, City, State, and Zip Code Mark D. Austin 657 Eagles Landing Way Your City, State and Zip Code		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	

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



When preparing only a renter or homeowner refund form, enter Railroad Retirement benefits in the federal return section in TS 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 after-tax contributions to a retirement account, a portion of the payment has already been taxed and is not taxable now. If the payer did not figure the taxable amount (box 2a on Form 1099-R), complete the *Simplified Method Worksheet* in TS. For more information, see Pub 4012, Tab D, pages D-35 and D-36

To complete the *Simplified Method Worksheet*, you will need to know:

- The cost in the plan (available on Form 1099-R).
- Starting date of the annuity payments.
- 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 already received, which 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 TS (plan cost, start date of the annuity, and age at start date). Click Continue, and TS will display the taxable amount for 2019. 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.



Example: Eric received a gross amount of \$8,400 from his annuity, and had an original plan cost of \$7,900. The TS simplified method worksheet calculates that \$8,035 is taxable. At the end of 2019, Eric has received the annuity for 165 months.

$\$8,400 - \$8,035 = \$365$ tax free in 2019

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

$165 \text{ months} * 30.42 = \$5,019$ previously recovered



Simplified method worksheet

Federal Section » Income » IRA/Pension Distributions » Add or Edit 1099-R »
click here for options **Search keyword:** “-r” (second result)

Simplified General Rule Worksheet

Gross distribution amount (from 1099-R):	\$6,000.00
Plan cost at annuity start date	\$ <input style="width: 100%;" type="text"/>
Starting date of annuity	MM <input style="width: 20px;" type="text"/> DD <input style="width: 20px;" type="text"/> YYYY <input style="width: 20px;" type="text"/>
<input type="checkbox"/> Check here if this is a Joint or Survivor Annuity.	
Death benefit exclusion	\$ <input style="width: 100%;" type="text"/>
Age of recipient at start date: <small>*If joint or survivor annuity, add ages of recipients</small>	<input style="width: 100%;" type="text"/>
Number of months paid in 2015	<input style="width: 100%;" type="text"/>
Amounts previously recovered	\$ <input style="width: 100%;" type="text"/>

Enter amount shown in box 9b on Form 1099-R or CSA-Form 1099-R. Enter amount from box 3 on Form RRB-1099-R.

Enter the date that the taxpayer started receiving payments from the annuity.

Enter the number of months the recipient received payments in 2019.

Enter total amount excluded in prior years, if known, or enter the amount that could have been recovered tax-free in prior years even if not claimed.

Distribution codes for retirement income

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-39 and D-40.

- 1 Early distribution, no known exception
- 2 Early distribution, exception applies - may be **out of scope**¹
- 3 Disability (See footnote B on page 55)
- 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.

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 the taxpayer must have deposited the full amount into an appropriate account within 60 days of the distribution.

For more information, see Pub 4012, Tab D, page D-37 or Pub 4491, page 12-6.



IRA/pension rollover for 1099-R

Federal Section » Income » IRA/Pension Distributions » 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.

Rollover or Disability

Check here if all/part of the distribution was rolled over, and enter the rollover amount.

\$6000

Check here to report on Form 1040, Line 7 (Distribution code must be a "3")

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 made to:

- A taxpayer who is permanently and totally disabled; or
- A beneficiary of a deceased IRA owner; or
- A taxpayer who used the distributions to pay deductible medical expenses to the extent they have deductible, unreimbursed medical expenses that exceed 10% of their AGI (whether or not they itemize their deductions for the year).

In TS, complete Form 5329 to exclude distributions from the penalty.



For a list of more exceptions for early distributions from IRAs or retirement plans, see Pub 4012, Tab H, page H-5. There is no exception to the penalty for general hardships.



Claiming exception to early distribution penalty

Federal Section » Other Taxes » Tax on Early Distribution

Search keyword: "5329"

Form 1099-R Distribution Penalty

Your distribution code (Box 7) indicates that your 1099-R is reporting an early distribution.

Generally, if you receive a 1099-R with a Distribution Code of either '1' or 'J', you are subject to the 10% Early Withdrawal Penalty. If you receive a 1099-R with a Distribution Code of 'S', you are subject to the 25% Withdrawal Penalty.

Vita TCE Contract will automatically calculate the appropriate penalty for you for distributions from a TCE Contract. If you receive a 1099-R with a Distribution Code of 'J' for early ROTH distribution, you must complete Distributions from Roth section of taxable earnings. Form 8606 is found in the Adjustment portion of the Deductions section.

What type of plan did you receive this distribution from? (one of these must be selected)

Retirement Plan

Qualified Tuition Plan

ROTH Distributions After Conversion

There are certain circumstances in which the IRS will allow you to make an early withdrawal and not have to pay the appropriate penalty. Not sure if your withdrawal qualifies to be exempt from the penalty?

If you have indicated that part of your distribution meets one of the exceptions to the penalty and you wish to exclude the qualifying part of your distribution(s) from the penalty, be sure to enter the appropriate amount and reason on Form 5329, Tax on Early Distribution. This form can be found once you finish entering other required information for your return by selecting Other Taxes Menu from the sub-navigation menu above.

Part I - Additional Tax on Early Distributions

Form belongs to
Taxpayer

SIMPLE Retirement Distributions that are not subject to 25% Tax

\$

Early Distributions that are not subject to 10% tax

\$ 1500

Select the reason for exemption

Total and permanent disability

Enter amount not subject to additional tax. Enter full amount for disability exemption.

Select exemption type.

Check box if an exception applies, then add Form 5329



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

Federal Section » Income » IRA/Pension Distributions » Add or Edit 1099-R
Search keyword: "1099R" (second result)

Federal Section » Income » IRA/Pension Distributions » RRB-1099-R
Search keyword: "RRB"

Whose 1099-R is this?

Recipient Taxpayer **Check to indicate taxpayer or spouse statement.**

Payer Information

Payer's ID *
[] - []

Payer Name *
[]

Check here if foreign address

Address (Number and Street) *
[]

Zip Code *
[] - []

City, Town, or Post Office *
[]

State *
- Please Select -

Recipient Information

Check here if foreign address

Address (Number and Street) *
[]

Zip Code *
[] - []

City, Town, or Post Office *
[]

State *
Minnesota

Rollover or Disability

Check here if all/part of the distribution was rolled over, and enter the rollover amount.

Check here to report on Form 1040, Line 7 (Distribution code must be a "3")

State/Local Information 1

Tax W/H \$ []
13a State - Please Select -
13b ID []

1099-R Information

1 Gross Distribution *
\$ [] **Box 1: Enter total distribution.**

2a Taxable Amount
\$ [] **Box 2a: Enter taxable amount of the distribution.**

Do you need to calculate your taxable amount?
Click here for options **Box 2a: If the taxable amount is not shown, click here for the Simplified Method Worksheet (see page 68),**

2b
 Taxable amount not determined
 Total distribution

3 Capital gain
\$ []

4 Federal income tax withheld
\$ [] **Box 4: Enter amount of federal withholding.**

5 Employee contributions or insurance premiums
\$ []

6 Net unrealized appreciation in employer's securities
\$ []

7 Distribution Code(s) *
[] **Box 7: Enter distribution code and check box if IRA distribution.**

IRA/SEP/Simple

8 Other (Not collected)

9a Your percentage of total distribution
[] %

9b Total employee contributions
\$ []

10 Amount allocable to IRR within 5 years
Not needed for e-filing

If distribution was rolled over, check this box and enter the rollover amount.

TS Alert: If box 7 is code 3 (disability, under retirement age), check box to transfer amount to 1040, line 1, making income eligible for the EIC.

Box 12: Enter amount of state withholding.

SOCIAL SECURITY BENEFITS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form SSA-1099 Form RRB-1099 	<ul style="list-style-type: none"> IRS: Income - line 13 P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 5a and 5b M1: lines B and 1 M1PR: lines 1 and 2 	Basic
<p>Overview: Social Security benefits and Railroad Retirement benefits include monthly retirement, survivor, and disability insurance (RSDI). 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.</p> <p>Do not report Social Security benefits paid to the taxpayer's dependent even if the taxpayer is a representative payee.</p> <p>Social Security (SSA or RSDI) and Supplemental Security Income (SSI) are different.</p>			

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, 85% of the benefits are taxable.

Railroad Retirement benefits

Railroad Retirement benefits have two components: tier 1, blue form (Social Security equivalent benefits) and tier 2, green form (treated as a qualified employee retirement plan distributions). Treat tier 1 benefits the same as Social Security benefits. For more information about the pension portion (tier 2), see page 68.

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 year, or years, are listed as well. The net benefits reported will include lump-sum payments.

Taxpayers with lump-sum payments may elect to report the whole payment in the current tax year. If the lump-sum payment causes part or all of the payment to be taxable, refer the taxpayer to 651-262-2167 to schedule an appointment.



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

Comparison Chart for RSDI and 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 print out from the Social Security Administration
Payment amount	Based on the beneficiary's earnings history. Adjusted annually based on cost of living index.	2019 maximum for individuals is \$771. Adjusted annually based on cost of living index. Amount may change monthly based on a taxpayer's other income.
Payment date	Generally, paid on the 2nd, 3rd or 4th Wednesday of the month. May be paid on the third of the month when SSI is also received, and for others with special situations.	Generally paid on the first of the month.
TS entry	Enter in the Federal Income section.	Enter as household income on Schedule M1ED (see page 165) and Form M1PR (see page 173).

Sample Social Security benefit statement

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	DESCRIPTION OF AMOUNT IN BOX 4
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:	Box 6. Voluntary Federal Income Tax Withholding
Benefits for 2014: \$15,000	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 of June 21, 2014 - Subject to Change

- Box 2:** If using this for proof of Social Security number, use this number.
- Box 5:** Enter this amount as Social Security income on the tax return.
- Box 3:** Check for any lump-sum payments.
- Box 3:** Check the description for Medicare payments.
- Box 6:** Check for federal withholding.
- Box 8:** This may not be the taxpayer's SSN if they are receiving certain benefits. Do not use this for proof of SSN.



Social Security SSA-1099/RRB-1099 Tier I

Taxpayer's Social Security Benefit (Generally Box 5 of Form SSA-1099)

Taxpayer's Federal Tax Withheld (Amount from Box 6 of Form SSA-1099)

Taxpayer's Medicare Premiums

Lump-Sum Payments

Enter amount shown in box 5 of Form SSA-1099 or RRB-1099.

Enter federal withholding found in Form SSA-1099 box 6, or Form RRB-1099, box 10.

Enter Medicare premium payments as shown in *Description of Amount in Box 3*, Form SSA-1099, or box 11, Form RRB-1099.

The Lump-Sum Payment Worksheet is only used when a portion of the lump sum is taxable. Refer the taxpayer to 651-262-2167 for an appointment if this needs to be completed.

CAPITAL GAINS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-B 1099 composite Form 1099-S Sch K-1 Form 1099-A Form 1099-C 	<ul style="list-style-type: none"> IRS: Income - line 9, Life Events - line 2 and line 8 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 6, 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 who have or inherited investment accounts or taxpayers who have sold their home are 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 the relevant 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 the 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).

Sample Form 1099-B

Hilltop Securities Inc.		Proceeds from Broker and Barter Exchange Transactions				Account 017 67017017S1	
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 & E- Reported (Gross or Net)	Date acquired	Cost or other basis	Accrued mkt disc (D) & Wash sale loss disallowed (W)	7- Loss not allowed (X) also not reported (Z)	Additional information
MINNESOTA ST HSG FIN AGY TAXABLE- FULL CALL @ 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

Capital Gains Transaction

Description of Property *

Date Acquired
 * Alternate Option: If Date Acquired is not known, select an option here
 MM DD YYYY

Date Sold
 * Alternate Option:
 Check here if a short sale.
 MM DD YYYY

Sales Price
 \$
 * Alternate Option: If Sale Price is Expired, leave the sales price blank and select an option here

Select cost basis type *
 - Please Select -

Cost
 \$
 * Alternate Option: If Cost is Expired, leave the cost blank and select an option here

- Enter number of shares and company name.**
- Box 1b:** Enter date acquired. If date is unknown, check "Alternate Option" to select "various" or "inherited".
- Box 1c:** Enter date sold. Check "Alternate Option" to select "worthless". If you use "worthless", the last day of the year is used as the sold date.
- Box 1d:** Enter sales price. If worthless, check "Alternate Option" and select "worthless".
- Box 1e:** Answer whether the cost basis was reported.
- Box 1e:** Enter cost or basis. The taxpayer may choose to report the basis as \$0. If so, select "Alternate Option".

Select an adjustment explanation to match what is reported on Form 1099-B.

Adjustments

Enter any necessary adjustments to Gain or Loss
 NOTE: If this entry is to be shown as a loss, please enter a negative sign before the number.

If you entered an adjustment amount above, please select all adjustment explanations that apply.

- B - Form 1099-B with Basis shown in Box 3 is Incorrect
- T - Form 1099-B & Type of Gain/Loss shown in Box 1c is Incorrect
- N - Received 1099-B/1099-S as a Nominee for the Actual Owner of the Property
- H - Exclude Some/All of the Gain from the Sale of Your Main Home
- D - Form 1099-B showing accrued market discount in box 1g
- Q - Exclude Part of the Gain from the Sale of Qualified Small Business Stock
- X - Exclude Gain from DC Zone Assets or Qualified Community Assets
- R - Rollover of Gain from QSB Stock, Empowerment Zone, Publicly Traded Securities
- W - Nondeductible Loss from a Wash Sale
- L - Nondeductible Loss other than a Wash Sale
- E - Form 1099-B or 1099-S with Selling Expenses or Options not Reflected on Form
- S - Loss from the Sale of Small Business Stock more than Allowable Ordinary Loss
- C - Disposed of Collectibles
- M - Reporting Multiple Transactions on a Single Row
- O - Other Adjustment Not Explained Above

Collectible Exchange

Is this a Collectible Exchange?

Enter adjustment as a negative number. Adjustments may include commissions paid to sell a stock, or adjustments to offset the gain or loss on the sale of a main home.

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 TS.

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 site on a later day.



Capital loss carryover

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

Other Capital Gains Data	
Adjust Section 1250 Amounts	\$ <input type="text"/>
Adjust 28% Gain	\$ <input type="text"/>
Short Term Loss Carryover from 2015 (enter as a positive number)	\$ <input type="text"/>
Long Term Loss Carryover from 2015 (enter as a positive number)	\$ <input type="text"/>

Enter the amount of the short-term loss as a positive number.

Enter the amount of the long-term loss as a positive number.

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 Pub 523, *Selling Your Home*, or Pub 4012, Tab D, pages D-28 through D-31.

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 cancelled 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, the taxpayer should call 651-262-2169 to schedule an appointment at the self-employment clinic.



It is unlikely you will see a reportable, taxable gain on the sale of a home. However, all nontaxable gain must be included in Minnesota household income. Enter it as household income on Form M1PR and Schedule M1ED. See page 169 for more information.

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

<p>STEP 1</p>	<p>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, <i>Proceeds from Real Estate Transactions</i>, use the amount in box 2, which shows the gross proceeds received from the sale.</p>			
<p>STEP 2</p>	<p>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.</p> <p style="text-align: center;">Examples of eligible improvement costs</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> • 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 </td> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> • 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 </td> <td style="vertical-align: top; width: 33%;"> <ul style="list-style-type: none"> • Insulation, such as attic, walls, floors, pipes and duct work <p>Alert: <i>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.</i></p> </td> </tr> </table>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Insulation, such as attic, walls, floors, pipes and duct work <p>Alert: <i>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.</i></p>
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Insulation, such as attic, walls, floors, pipes and duct work <p>Alert: <i>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.</i></p>		
<p>STEP 3</p>	<p>Determine the gain or loss on the sale by subtracting the adjusted basis from the sale price of the home. If the taxpayer received Form 1099-S:</p> <ol style="list-style-type: none"> 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 TS <i>even though it is not deductible</i>; or 2. If you determine the gain is excludable, the sale should still be recorded in the Sale of a Home page in TS. <p>See Pub 4012, Tab D, page D-29, for information on how to enter the exclusion of capital gains on the sale of a main home.</p>			



A taxable gain must be reported on Form 8949. (TS 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) for any reason, they should call 651-262-2169 to schedule an appointment at the P+P self-employment clinic.

TAXABLE STATE REFUND

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-G Prior-year tax return 	<ul style="list-style-type: none"> IRS: Income - line 5 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a and Sch 1 line 1 M1: line 6 M1PR: line 1 	Basic

Overview: State tax refunds will only count as income if a taxpayer itemized and received a state refund in the previous tax year.

If a taxpayer itemized deductions on their 2018 federal tax return and deducted state or local income taxes, all or part of the taxpayer's 2018 state income tax refund may be taxable in 2019.

- Scenario 1:** Taxpayer used the standard deduction on their 2018 tax return. The state refund is not taxable.
- Scenario 2:** Taxpayer received a state tax refund and itemized deductions (Schedule A) on their 2018 tax return. If the checkbox on line 5a of Schedule A is checked for general sales tax, the state refund is not taxable.
- Scenario 3:** On the 2018 tax return, the taxpayer received a state tax refund, itemized deductions and line 5a on Schedule A shows income taxes deducted. Some or all of the state refund may be taxable on the federal return. Add the State Refund Worksheet in TS and calculate the taxable portion. (See instructions below.)

Taxpayers may look up their Form 1099-G with state refund information using the Minnesota Revenue lookup tool at <https://tinyurl.com/1099g-lookup>.



State and local refunds

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

State Refund Worksheet

Bypass State Refund Worksheet
Enter an amount here to bypass worksheet and enter the full amount as taxable on form 1040

Section 1 - State and Local Refunds

State Tax Refunds (all refunds from 1099-G or similar statements)

Last year's (2015 Tax Return) Standard/Itemized Deductions found on line 40 Form 1040 or line 24 Form 1040A. If you filed your 2015 return on form 1040EZ, please enter 0.

Last Year's (2015 Tax Return) Filing Status *

Last Year's (2015 Tax Return) Deductions for Age 65 and over or Blind:

Check here if Taxpayer claimed the Age 65 and older deduction last year.
 Check here if the Spouse claimed the Age 65 and older deduction last year.
 Check here if the Taxpayer claimed the Blind deduction last year.
 Check here if the Spouse claimed the Blind deduction last year.

Line 7: Enter filing status from the 2018 tax return.

Line 1: 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".

Line 2: Enter total amount from line 8 on the 2018 Form 1040.

Check the appropriate box if over 65 or blind in 2018.

Section 2 - If the filing status on your 2015 Form 1040 was married filing separately and you were forced to itemize because your spouse itemized in 2015, fill out this section ONLY.

State Tax Refunds (all refunds from 1099-G or similar statements)

Enter state refund if taxpayer filed Married Filing Separately in 2018.

If no Form 1099-G is available, subtract refundable credits from 2018 state refund amount on Form M1, line 28.

ALIMONY RECEIVED

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records (e.g. divorce decree or bank statements) 	<ul style="list-style-type: none"> IRS: Income - line 6 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a 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 2019 are not included as income (applies to decrees modified after 2019 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 100) and must be included in the spouse’s or former spouse’s income.



Alimony agreements made in 2019 or later do not result in taxable income for the recipient nor 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)

Alimony Received

Taxpayer Amount of Alimony Received

Enter the total amount of alimony received for the year.

SELF-EMPLOYMENT INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-MISC Form 1099-K Taxpayer records (e.g. bank statement, cancelled checks, and invoices) 	<ul style="list-style-type: none"> IRS: Income - lines 7 and 8 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a, 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 is 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 will likely need help identifying income and expenses. Always consider expenses to offset income.

Taxpayers may need time to find or recreate records of income or expenses, and may need to come back another day. Refer the taxpayer to the P+P self-employment clinic if they have over \$6,000 in self-employment income. See the scope chart on page 18 for other common referrals.



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 information about minimum filing thresholds, see Pub 4012, Tab A, Page A-3.

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

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 on Schedule 1, line 8.

Uber, Lyft, or other courier income

Some taxpayers receive income from driving for Uber, Lyft, or other courier services. Self-employment tax rules remain the same, and mileage needs to be classified as commuting, business or personal.

Uber and Lyft drivers usually receive Form 1099-MISC or Form 1099-K reporting their compensation. In some cases, they also receive a mileage report listing business miles driven during the year. However, these reports may be missing key business miles - the mileage driven from the last customer drop-off site to the new customer's location. The taxpayer may need to create a supplemental mileage log for these miles. For an explanation of commuting and business miles, see page 88.



If a taxpayer is highly motivated and ready to make changes to get a handle on their money, our financial coaching program, Money Mentors, may be a great fit. Refer them to the financial advocate at your site to learn more.

Compensation that may or may not be self-employment income

Some income may be included on Form 1099-MISC, box 7, but is not considered self-employment income, such as jury duty or income as a medical subject. AmeriCorps education awards are reported on Form 1099-MISC, box 3.

Hobby income, state agency payments for childcare, Qualified Medicaid Waiver payments, and plasma donations may or may not be treated as self-employment income depending on the situation.

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

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-MISC in either box 7 or box 3. State agencies may not know if the grandparents are operating a daycare business and may report the payments on Form 1099-MISC, box 7, when box 3 would have been correct. Cash payments must also be included as income for the grandparents.

- If grandparents are not conducting a business of caring for children, this income is reported on Schedule 1, line 8. Expenses are not subtracted from income.
- If the grandparents are conducting a business of caring for children, this income is reported on Schedule C. Eligible expenses can be deducted.

Qualified Medicaid Waiver payments

IRS issued Notice 2014-7 which states that qualified payments must be excluded from gross income and earned income; however, they must be added back into household income to figure credits on Form MIPR and Schedule MIED. Payments may be reported on Form 1099-MISC or on Form W-2. See page 62 if payments are reported on Form W-2.

If payments are reported on Form 1099-MISC, Box 3, enter Form 1099-MISC in TS and the amount will transfer to Schedule 1, line 8. Add a negative entry for the amount that should be excluded with description "Notice 2014-7".

Enter in: Federal Section » Income » Other Income » Other Income Not Reported Elsewhere

If the payments are reported in Box 7, enter Form 1099-MISC in TS and add to a new Schedule C under business code 621610 for home health care services. Enter the amount that should be excluded under Other Expenses on Schedule C with description "Notice 2014-7".

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 contributions 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* Not Reported Elsewhere (Schedule 1, line 8).

Enter in: Federal Section » Income » Other Income » Other Income Not Reported Elsewhere

Starting Schedule C

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



Review the self-employment scope of services chart on page 18 before starting a Schedule C return to determine if the return can be prepared at the site or must be referred to 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

Schedule C

This business belongs to
Taxpayer

Name and Address

Business Name
Leave blank if no separate business name.

Employer ID
Leave blank if EIN = SSN

Address (Number and Street) *

Zip Code *

City, Town, or Post Office *

State *

- Please Select -

Business Type

Business Code
Click here for a list of Business Codes

Description of Business *

Enter taxpayer's business name, if any. **Do not** enter the business shown on Form 1099-MISC.

Generally, taxpayer will not have an EIN. **Do not** enter the payer's EIN shown on Form 1099-MISC.

Enter address only if the taxpayer has a specific business address, such as barber renting a station at a barbershop.

Enter business code. Click below for a full list of business codes.

This will auto-fill.

Schedules C common business codes

Complete list is available in TS. 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	Daycare
621610	Home health care or Indian Health Contract	541930	Interpreter	561720	Janitor or maintenance
561730	Landscaper	812990	Massage therapist or other personal services	561110	Office administrative services
238320	Painter	812910	Pet care services	541920	Photographer
454390	Product Sales	238160	Roofer	611000	Tutor

Self-employment income



1099-MISC

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

Form 1099-MISC

Whose 1099-MISC is this?

Recipient Taxpayer ← Select who earned the income.

Payer Information

Use Payer's SSN as ID

Payer's Federal ID * - → Enter Payer's EIN.

Payer's Name *

Payer's Address * → Enter payer's address.

Check here if foreign address

Address (Number and Street) *

Zip Code * -

City, Town, or Post Office *

State *

Recipient Information

Recipient's Name * → Enter recipient's name.

Recipient's Address * → Enter recipient's address.

Check here if foreign address

Address (Number and Street) *

Zip Code * -

City, Town, or Post Office *

State *

Account Number

1099-MISC Information

1 Rents \$

2 Royalties \$

3 Other income \$ → **Box 3:** Enter other income here. This amount may not be self-employment income. See pages 84, 85, and 92.

4 Federal income tax withheld \$ → **Box 4:** Enter federal income tax withheld.

5 Fishing boat proceeds \$

6 Medical and health care payments \$

7 Nonemployee compensation \$ → **Box 7:** Enter income amount. If there is an amount in Box 7, remember to link to or create a Schedule C. This income must be linked to Schedule C to be reported on the tax return.

8 Substitute payments in lieu of salary \$

9 Payer made direct sale of real estate to buyer (recipient) for resale \$

10 Crop insurance proceeds \$

11 Foreign tax paid \$

12 Foreign country or U.S. possession

13 Excess golden parachute payments \$

14 Gross proceeds paid to attorney \$

15a Section 409-A Deferrals \$

15b Section 409-A Income \$

State Information 1

16 State tax withheld \$ → **Box 16:** Enter state income tax withheld.

18 State income \$ → **Box 18:** Enter income earned in the state.

State → **Box 17:** Select state from dropdown list.

Payer's State No. → Enter state ID number. Enter 9999999 if none listed.



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

Income:

Total Income from Form 1099-MISC \$19,800.00
 This value will be automatically added. Do not include it on this form.

Gross receipts or sales \$ 1200

Income reported to you on Form W-2 as Statutory Employee \$

Returns and allowances \$

Income on a 1099-MISC flows here.

Enter amount of cash income received.



After entering Form 1099-MISC, add it to a new or existing Schedule C when amounts are in box 7. Amounts in box 3 will transfer to Schedule 1, line 8.

Self-employment expenses

Self-employed taxpayers may deduct certain expenses incurred when operating the business. Common expenses include:

- Mileage¹
- Office supplies
- Advertising
- Business liability insurance
- License fees
- Legal/professional services
- Cell phone^{2, 3}
- Computer²
- Internet access²
- Parking fees
- Rental of space for business
- Supplies needed for business use
- Interest paid on a business credit card or checking account
- *Regular clothing and shoes are not deductible expenses unless they are job-related only (like a uniform) or are required for safety (such as steel-toed boots)*

¹ Business mileage is 58 cents per mile for 2019. See page 88 to determine allowable business mileage.

² Calculate % used for business only.

³ The first phone line into the residence is not deductible. However, taxpayers may deduct any long distance calls made for business purposes, or the cost of internet or fax attachments to the main line when these devices are for the business.



Many self-employed taxpayers will qualify for the qualified business income (QBI). The deduction lowers the taxable income subject to income tax and has no impact on self-employment tax or Schedule C calculations. See page 110 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	\$
Mortgage interest	\$	Meals and entertainment (50%) Enter 100% of the expenses.	\$
Other interest	\$	Meals and entertainment (80%) Enter 100% of the expenses.	\$
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 on Schedule 1, line 16.

Commuting or business mileage

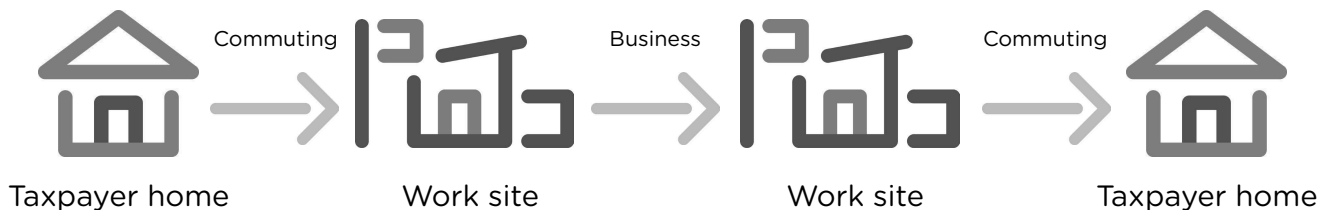
Taxpayers without a home office typically have three types of mileage: **commuting**, **business**, and **personal**. Commuting mileage is travel from home to a work site, and returning from a work site to the home. Business mileage is from one work site to another work site, and personal mileage is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

- 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 89).
- 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.
- Mileage must be documented to be used as an expense. A mileage log can be re-created using Google Maps or MapQuest.
- In addition, travel from a regular job (W-2 situation) to a work site to perform self-employment tasks (or vice versa) is considered business mileage.

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. A mileage log can be re-created using Google Maps or MapQuest. Encourage P+P taxpayers to use the Mileage Log on P+P's website: www.prepareandprosper.org/customer-tax-tools.



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

Schedule C Car and Truck Expenses

Car and Truck Expenses

Please Note: Actual car or truck expenses must be entered in the depreciation menu for this business.

Description of Vehicle *

Date you placed your vehicle in service for business purposes *

Of the total number of miles you drove your vehicle during the tax year, enter the number of miles you used your vehicle for each of the following.

Business miles * Commuting Other

Check if you have (or your spouse has) another vehicle available for personal use.

Check if your vehicle was available for personal use during off-duty hours.

Check if you have evidence to support your deduction.

If yes, check if the evidence is written.

Annotations:

- Enter commuting miles if taxpayer does not have a home office. (points to Commuting input)
- Enter business miles. (points to Business miles input)
- Select each that applies. **NOTE: Mileage must be documented to be an eligible expense.** (points to checkboxes)
- Enter first date the vehicle was first put in service for business use. (points to Date input)
- Enter personal miles, if applicable. (points to Other input)

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 at 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 daycare facility, **and**
2. Taxpayer had no other fixed location where they could conduct substantial administrative or management activities for their trade or business.

RENTAL REAL ESTATE INCOME, ROOMMATES, AND BOARDERS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Form 1099-Misc • Form 1099-K • Sch K-1 • Taxpayer records (e.g. rental agreement and bank statement) 	<ul style="list-style-type: none"> • IRS: Income - line 14 • P+P: N/A 	<ul style="list-style-type: none"> • 1040: line 7a, 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 give rise to taxable income for any of the parties.

However, when the relationship is more formal – landlord and tenant, or main signatory on an apartment lease and 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 179.

UNEMPLOYMENT COMPENSATION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-G 	<ul style="list-style-type: none"> IRS: Income - line 12 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a 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 Monday-Friday, 6:00am-6:00pm.

Repayment of unemployment benefits

If the taxpayer repaid the benefits in the same year they were received, use the "Repayment of Unemployment Benefits" page in TS to report these on the return. If the taxpayer repaid benefits received in prior year, those benefits cannot be subtracted from benefits received in the current tax year. Rather, they can only be claimed as an itemized deduction, and the return is out of scope. Refer them to a paid preparer.



Unemployment Compensation for 1099-G

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

Payer Information	1099-G Information
EIN * <input type="text"/>	Unemployment Compensation * <input type="text"/>
Payer Name * <input type="text"/>	2 State or local income tax refunds, credits, or offsets (Not collected)
Address (Number and Street) * <input type="text"/>	3 Box 2 Tax Year (Not collected)
Zip Code * <input type="text"/>	Federal Tax Withheld <input type="text"/>
City, Town, or Post Office * <input type="text"/>	State Information
State * <input type="text"/>	State <input type="text"/>
Phone * <input type="text"/>	State ID No. <input type="text"/>
	State Tax Withheld <input type="text"/>

Enter Employer Identification Number (EIN).

Box 1: Enter unemployment amount.

Box 4: Enter federal withholding.

Box 11: Enter state withholding.

OTHER INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-Misc Form W-2G Form 1099-C Taxpayer records 	<ul style="list-style-type: none"> IRS: Income - line 15 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a 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.

- Nonbusiness credit card debt cancellation (see below)
- Most payments reported on Form 1099-MISC in box 3 (including sheltered workshop participants - see page 93)
- Gambling winnings, including lotteries and raffles (see page 92)
- Certain tribal payments (see page 94)
- Jury duty pay
- Some settlement payments (see Pub 4345, *Settlements - Taxability*)
- Prizes and awards (including AmeriCorps education awards)
- Most payments to medical research participants

Gambling winnings

Taxpayers must report the full amount of gambling winnings on Schedule 1, line 8, whether or not Form W-2G was issued. Taxpayers who itemize deductions can deduct gambling losses on Schedule A - Miscellaneous Deductions, but only up to the amount of their winnings. See page 109 for instructions on how to enter a loss into TS.



Form W-2G shows winnings of \$2,500. The taxpayer kept a record of losses and winnings. The record documents losses of \$3,700. Only \$2,500 in losses can be deducted on Sch A.

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code		1 Gross winnings	2 Date won	OMB No. 1545-0238
HIGHLANDS CASINO 20 S. 1st STREET YOUR CITY, STATE ZIP		\$ 2,500.00	1/11/2014	
PAYER'S federal identification number 61-1XXXXXX		3 Type of wager SLOTS	4 Federal income tax withheld \$ 250.00	This information is being furnished to the Internal Revenue Service
PAYER'S telephone number YOUR PHONE #		5 Transaction	6 Race	
WINNER'S name ELLIOT BLACKBURN		7 Winnings from identical wagers \$	8 Cashier VP	10 Window 11 First I.D. YS987654 12 Second I.D. YS 316-XX-XXXX
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		9 Winner's taxpayer identification no. 316-XX-XXXX	13 State Payer's state identification no.	
		10 Window	18 Name of locality	

Box 4: Check for federal withholding.

Box 15: Check for state withholding.



Gambling Winnings for W-2G

Federal Section » Income » Other Income » Gambling Winnings
 Search keyword: "W2G"

Sheltered workshop

- 1. Individuals in training** - Form 1099-MISC, box 3 - report on Schedule 1, line 8
 A rehabilitation training program is designed to prepare individuals for placement in private industry. These individuals are not employees of the workshop for federal employment tax purposes. Payment received for participation in the training does not qualify them for the EIC or the Working Family Credit.
- 2. Regular workshop employees** - Form W-2 - report on Form 1040, line 1
 Individuals who complete the training, but continue to work in the sheltered workshop because they are unable to compete in regular industry, are considered employees for federal employment tax purposes. They are eligible for the EIC and the Working Family Credit.
- 3. Individuals working at home** - Form 1099-MISC, box 7 - report on Schedule C
 Individuals who are incapable of working in the workshop, but produce salable articles to sell wherever they want are not considered employees. The individuals are considered self-employed, and they are eligible for the EIC and the 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 may send a letter or other form of notification. Generally, taxpayers must include all canceled amounts (even if less than \$600) on Schedule 1, line 8.

If the taxpayer was solvent (i.e., taxpayer's assets were greater than their liabilities) immediately before the debt was canceled, then it is within VITA scope. See Pub 4012, Tab D, page D-60 for *Insolvency Determination Worksheet*. If the taxpayer was insolvent, refer them to a paid preparer. Insolvency is out of scope, but may allow the taxpayer to exclude canceled debt from their income.

See Pub 4012, Tab D, page D-59, for screening tips.



If the taxpayer had any other debt canceled (e.g., student loan forgiveness or auto loan cancellation), 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 → Enter creditor's name.
Creditor's federal identification number	11 - 1111111 → Enter creditor's EIN.
Amount of debt cancelled	\$5438 → Box 3: Enter amount of canceled debt.



If taxpayers experienced a foreclosure during the tax year, refer them to 651-262-2169 to make an appointment at the P+P self-employment tax clinic.

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. See below to enter income reported on Form 1099-MISC into TS. (Revenue Ruling 59-354 does not apply to tribal board and committee members, grazing officials or judges.)



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 152



Taxable tribal payments

Federal Section » Income » Other Income » Other Income Not Reported Elsewhere

Search keyword: N/A

Other Income

Description of other income

Amount of other income

! If you are entering information from Form 1099-MISC, only enter an amount here if it is located in Box 3, Other Income or Box 8, Substitute Payments. DO NOT enter an amount from any other box on Form 1099-MISC here.

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

Enter amount of income on 1099-MISC.

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

Per Capita Payments

(enter on Schedule 1, line 8)

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 on Schedule 1, line 8)

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

Exempt from Federal Taxes

(do not enter on Schedule 1, line 8)

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 federal mandated funds (Rev. Rul. 68-38) to unemployed and underemployed residents of an Indian reservation

SCHEDULE K-1

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Sch K-1 	<ul style="list-style-type: none"> IRS: Income - lines 4 and 9 P+P: N/A 	<ul style="list-style-type: none"> 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 Schedule D
- Tax-exempt interest income - flows to Form 1040, line 2a
- Royalty income (only in scope when reported on Schedule K-1 or 1099-Misc, box 2) - flows to Schedule E

See Pub 4012, Tab D, pages D-45 through D-48 for more information about Schedule K-1.



Schedule K-1

Federal Section » Income » Other Income » K-1 Earnings » Schedule K-1 Form 1041
Search keyword: “K-1” (third result)

Select TS Form that matches the number on the taxpayer’s document.

Form 1041 K-1

Part I - Information About the Estate/Trust

Estate/Trust Belongs To: HATTIE JONES

Estate/Trust Name:

Estate/Trust EIN Number: -

Address (Number and Street):

Zip Code: -

City, Town, or Post Office:

State:

Part II - Beneficiary's Share of Income, Deductions, Credits, etc

1 Interest Income	<input type="text" value="\$1"/>	11a Excess Deductions on Termination	<input type="text" value="\$"/>
2a Ordinary Dividends	<input type="text" value="\$143"/>	11b Short Term Capital Loss Carryover	<input type="text" value="\$"/>
2b Qualified Dividends	<input type="text" value="\$59"/>	11c Long Term Capital Loss Carryover	<input type="text" value="\$"/>
3 Net Short-Term Capital Gain(Loss)	<input type="text" value="\$"/>	11d Net Operating Loss Carryover for Regular Tax Purposes	<input type="text" value="\$"/>
4a Net Long-Term Capital Gain(Loss)	<input type="text" value="\$"/>	12a Adjustment for Minimum Tax Purposes	<input type="text" value="\$"/>

Box numbers are different on different K-1s. Match the box names to enter the data. Reference the above list to determine if the K-1 income is in scope.

FEDERAL ADJUSTMENTS

EDUCATOR EXPENSES DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Taxpayer records (e.g. receipts) 	<ul style="list-style-type: none"> • IRS: Personal Information - line 5 and Expenses - line 6 • P+P: N/A 	<ul style="list-style-type: none"> • 1040: line 8a and Sch 1 line 10 • M1: N/A • M1PR: line 5 	Basic

Overview: This deduction rarely comes up. 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 \$250 for supplies used in the classroom. These expenses must be ordinary and necessary expenses (e.g. books, supplies, or equipment).



Educator Expenses for Deductions

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

Income	Deductions	Other Taxes	Payments & Estimates	Miscellaneous Forms
<h3>Educator Expense</h3> <p>Taxpayer's Educator Expenses (Limited to \$250) <input type="text" value="\$250"/></p> <p>Spouse's Educator Expenses (Limited to \$250) <input type="text" value="\$"/></p>				

Enter amount paid for educator expenses.

HEALTH SAVINGS ACCOUNT DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 box 12 code "W" Form 5498-SA Taxpayer records (e.g. account statement) 	<ul style="list-style-type: none"> IRS: Life Events - line 1 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 8a, Sch 1 line 12, and Form 8889 M1: N/A M1PR: line 5 	HSA and Basic
<p>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.</p>			



To prepare tax returns with an HSA distribution or contribution, tax preparers must pass the Health Savings Account certification test after passing either the basic or advanced certification test.

A health savings account (HSA) is a medical savings account designed to pay for current medical expenses and to save for future medical expenses on a tax-free basis. HSAs are owned by individuals, but contributions may be made by an employer or any other person. HSA balances can accumulate and carry over years. See Pub 4012, Tab E, pages E-5 and E-6 to identify HSA issues that are out of scope for VITA.

Eligible individual for an HSA

An eligible individual must meet 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, *Health Savings Accounts & Other Tax-Favored Health Plans*, 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

Each spouse who is an eligible individual who wants to have an HSA must open a separate HSA. Married couples cannot have a joint HSA, but distributions can be used for either spouse.

Spotting a Health Savings Account

- The taxpayer has Form W-2 with the entry code W for employer contributions and employee pre-tax contributions. In TS, Form 8889 must be added to the return (see page 99). However, contributions reported on Form W-2 are not deductible since they have been excluded from taxable income already.
- The taxpayer may receive Form 5498-SA for their HSA contributions. If the taxpayer does not have this form, they can provide amount of their HSA contributions based on their records.
- The taxpayer has Form 1099-SA with an "X" in box 5 showing distributions from an HSA.

Distributions from an HSA

All distributions must be reported on Form 8889. Any distributions not used for qualified medical expenses (see Pub 4942, page 11) are taxable and subject to an additional 20% tax. This additional tax does not apply if the account beneficiary dies, becomes disabled, or is age 65 or older.

Contributions to an HSA

The taxpayer can claim a deduction on Form 8889 for contributions made by the taxpayer or someone other than an employer. The taxpayer can make contributions in 2020 prior to the filing deadline (April 15, 2020) and choose to count them as contributions made in 2019 or 2020. The deduction can be entered even if the contribution has not been made when the taxes are prepared.

Contributions to HSAs are limited by the type and length of coverage as well as the taxpayer's age. The annual limits are:

Self Only	Family Coverage	55 or older
\$3,500	\$7,000	+\$1,000

Taxpayers without full-year coverage have a pro-rated contribution limit based on the number of months they were eligible. (See Pub 4942, *VITA Specialty Course - Health Savings Accounts*, for more information.)

Contributions to an HSA by an employer may be excluded from gross income, but count towards the annual contribution limits; this includes contributions made through a Section 125 cafeteria plan.

Highlights in Pub 4942, VITA Specialty Course - Health Savings Accounts

- Definition of high-deductible health plan - Pub 4942, page 6
- Rollovers or transfers - Pub 4942, page 10
- Qualified Medical Expenses - Pub 4942, page 11
- Qualified insurance premiums for HSA purposes - Pub 4942, page 12
- Whose medical expenses qualify? - Pub 4942, pages 12-13

HSA benefits

- The contributions remain in the account from year to year until the taxpayer uses them.
- The interest and other earnings on the assets in the account are tax-free.
- Distributions used to pay unreimbursed, qualified medical expenses are tax-free.
- An HSA stays with the taxpayer even if they change employers or leave the workforce.

Other types of tax-favored arrangements:

Flexible Spending Arrangements (FSAs) allow employees to be reimbursed for medical expenses and are not reported on an individual tax return. FSAs are usually funded through a voluntary salary reduction.

The below types are out of scope:

Health Reimbursement Arrangements (HRAs) are funded with contributions from the employer and not the employees. Contributions are not included in income.

Archer Medical Savings Accounts (Archer MSAs) are only used by self-employed taxpayers or employees of small employers.

Medicare Advantage Medical Savings Accounts (MA MSAs) are available to taxpayers enrolled in Medicare and contributions can only be made by Medicare.



Health Savings Account deductions for Form 8889

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

Form 8889 - Health Savings Account

Form belongs to:
Taxpayer

Coverage under high deductible health plan *

Check here if you and your spouse have separate HSAs.

HSA Contributions

HSA Contributions you made for 2016

- * INCLUDE contributions made from Jan 1 to Apr 15 of this year that were for 2016.
- * DO NOT INCLUDE employer contributions, contributions through a cafeteria plan, or amounts that were rolled over into your HSA(s).

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

Amount you and your employer contributed to your Archer MSAs for 2016 from Form 8853, lines 3 and 4. If you and your spouse had family coverage under an HDHP at any time during the tax year, also include any amount contributed to your spouse's Archer MSA.

Employer Contributions made to your HSA for 2016

- We will automatically pull your employer contributions from your W-2. DO NOT enter amounts from your W-2.

Qualified HSA Funding Distributions from IRA or ROTH IRA

HSA Distributions

Total distributions received during 2016 from all HSAs.

- (Usually shown in Box 1 of Form(s) 1099-SA)

Distributions used for qualified medical expenses

- * If you do not enter an amount here your entire distribution will be considered taxable.

Distributions you received in 2016 that you rolled over into another HSA. Also include any excess contributions (and the earnings on those excess contributions) included above that were withdrawn by the due date of your return.

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

Check here if you meet any of the exceptions to the 20% tax.

HSA Adjustments

Limitation - Adjust amount of limitation from worksheet

- Note: This amount will adjust a calculated amount.

Adjust your share of high-deductible health plan, if you and your spouse had separate HSAs AND had family coverage under an HDHP, see Page 4 of the Instructions for the amount to enter.

- Note: This amount will adjust a calculated amount.

If you were age 55 or older at the end of the tax year, married, AND you or your spouse had family coverage under an HDHP at any time during the year, enter your Additional Contribution Amount.

Line 1: Check whether self (single) or family coverage.

Line 2: Enter contributions made by employee (do not include employer contributions for the year). Contributions may be shown on Form 5498-SA. Contributions made by relatives or friends are considered to be made by the taxpayer.

TS transfers this amount from Form W-2.

Line 14a: 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.

Line 15: 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 on line 15.

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

ALIMONY PAID BY THE TAXPAYER

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records (e.g. divorce decree) 	<ul style="list-style-type: none"> IRS: Expenses - line 1 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 8a and Sch 1 line 18a 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, but payments made can be deducted in most situations. The taxpayer needs the recipient's name and Social Security number to e-file the return. Alimony received from divorce decrees made after 2019 are not included as income by the receiver and cannot be deducted (applies to decrees modified after 2019 to match the new rules).



Alimony Paid for Deductions

Federal Section » Deductions » Adjustments » Alimony Paid
 Search keyword: "Alimony" (second result)

Alimony Paid

Recipient's SSN 111 - 11 - 1222

Amount Paid \$6000

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
<ul style="list-style-type: none"> Form 5498 Taxpayer records (e.g. account statement) 	<ul style="list-style-type: none"> IRS: Life Events - line 2 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 8a Sch 1 line 19 M1: N/A M1PR: N/A 	Advanced

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

Contributions to a traditional IRA are deductible. Roth IRA contributions cannot be deducted. The taxpayer can make contributions in 2020 prior to the filing deadline (April 15, 2020) and choose to count them as contribution for 2019 or 2020. Contributions to a traditional or Roth IRA may qualify the taxpayer for the Savers Credit (see page 116) and for a subtraction on Form M1PR. The deduction can be entered even if the contribution has not been made when the taxes are prepared.

Taxpayers can contribute to a traditional IRA only if they are younger than 70 1/2 years old at the end of the tax year. The contribution limit is \$6,000 (\$7,000 if over age 50) OR the taxpayer’s taxable compensation, whichever is less. The contribution limit includes both traditional and Roth IRA contributions. See Pub 4491 pages 12-12 and 12-13 for information on excess contributions as they may be out of scope.



Traditional IRA Deduction

Federal Section » Deductions » Adjustments » IRA Deduction

Search keyword: “5498” (First Result)

IRA Deduction

Enter amount of IRA Contribution made by Taxpayer
(Generally this is from a Traditional IRA):
(This deduction may be limited. To see the deductible amount, go to the "Summary" tab located on the navigation bar above after continuing through this page.)
If you entered over \$5,500 (\$6,500 if age 50 or older), visit Form 5329, Part III to report any excess contribution amount for the current year.

\$2000

Taxpayer Retirement Plan

Taxpayer has a retirement plan.

Taxpayer DOES NOT have a retirement plan.

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
<ul style="list-style-type: none"> Form 1098-E Taxpayer records (e.g. account statement) 	<ul style="list-style-type: none"> IRS: Expenses - line 8 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: line 8a and Sch 1 line 20 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 pay the loan, and the loan must have been to pay education expenses for the taxpayer, their spouse, or someone they claimed as a dependent when the loan was taken out. Taxpayers who are claimed as dependents or filing MFS cannot claim the deduction.

Minnesota has a credit based on payments taxpayers make toward loans for their own education.



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		OMB No. 1545-1576	Student Loan Interest Statement
FINANCIAL AID PARTNERS 666 LINCOLN YOUR CITY, STATE ZIP		Form 1098-E	
RECIPIENT'S federal identification no.	BORROWER'S social security number	1 Student loan interest received by lender	Copy B For Borrower <small>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</small>
38-9XXXXXX	208-XX-XXXX	\$ 700.00	
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 y

Student Loan Interest Deduction

Total interest paid on qualified student loans

\$ 700

Enter amount paid for student loan interest.



Minnesota has a non-refundable credit for student loan payments. See page 159.

FEDERAL TAXABLE INCOME

ADJUSTED GROSS INCOME (AGI)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none">Form 1040 lines 1-8a and Sch 1	<ul style="list-style-type: none">IRS: N/AP+P: N/A	<ul style="list-style-type: none">1040: line 8bM1: line 1M1PR: 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
<ul style="list-style-type: none">Taxpayer records	<ul style="list-style-type: none">IRS: Expenses - line 4P+P: N/A	<ul style="list-style-type: none">1040: line 9M1: line 4M1PR: N/A	Basic

Overview: Most taxpayers have a choice between using a standard deduction (determined by the IRS) or itemizing deductions to reduce their taxable income. Taxpayers may take the larger of the two options. The standard deduction is primarily based on filing status.

Few taxpayers filing at a VITA site will itemize rather than take the standard deduction.

The standard deduction increases for taxpayers who are blind or 65 and older. The increase is \$1,650 for single or HH filers, and \$1,300 per spouse for married or qualifying widow(er) filers.

\$24,400 Married Filing Jointly and Qualifying Widow(er)

\$18,350 Head of Household

\$12,200 Single and Married Filing Separately

Standard deduction for dependents

The standard deduction for dependents may be reduced. TaxSlayer computes the standard deduction when the applicable box is checked in the *Taxpayer Information* Section of the *Personal Information* screen (see page 54). See Pub 4012, Tab F, page F-2 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"

Force Itemized Deduction Instead of Standard Deduction

Please choose one:

- Use better of standard deduction or itemized deduction.
- Force to use itemized deduction.
- Must itemize because spouse itemized.

If MFS, check box if the taxpayer's spouse itemizes deductions.

ITEMIZED DEDUCTIONS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: Expenses - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 9, 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. Minnesota allows taxpayers to itemize even if they take the standard deduction on the federal return.

Taxpayers may only benefit from itemizing if they have large expenses in these categories: medical bills, state taxes, charitable contributions, mortgage interest, and unreimbursed employee business expenses (MN only).



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 those deductions would benefit taxpayer, refer to a paid preparer.

The following summary identifies typical expenses seen at the tax site. For interview questions to determine whether a taxpayer should itemize, see Pub 4012, Tab F, pages F-3 and F-4.

Medical and dental expenses

Taxpayers may deduct amounts paid for their *unreimbursed* medical and dental expenses that exceed 10% 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 in Pub 4012, Tab F, page F-3.

Enter total unreimbursed medical expenses. TS will calculate the deductible portion above 10% of AGI. For a list of qualifying expenses, see Pub 4012, Tab F, page F-5.



Medical and Dental Expenses for Schedule A

Federal Section » Deductions » Itemized Deductions » Medical and Dental Expenses

Search keyword: "Med"

Schedule A - Medical Deductions

Medical and dental insurance Enter total amount paid for insurance.

i Note: We automatically pull over the following

- Medicare premiums paid on your 1099SSA (Social Security).
- Self employed health insurance you have already entered.
- Do not include medical/dental premiums deducted from your pay through a cafeteria plan (pre-taxed).

Amount paid to doctors/dentists	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	Click to itemize amounts within each category.
Prescriptions	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	
X-Rays, lab work, etc	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	Enter miles the taxpayer and spouse drove for medical care. In tax year 2019, the medical mileage rate is 20 cents per mile.
Nursing help (not for healthy baby or housework)	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	
Hospital care (including meals and lodging)	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	
Medical aids (hearing aids, crutches, wheelchairs, etc)	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	If expenses do not fall into categories above, list them as "other medical expenses".
Medical mileage driven (in miles)	<input type="text"/>	<input type="button" value="Itemize"/>	
Other medical expenses	<input type="text" value="\$"/>	<input type="button" value="Itemize"/>	
Add/Edit Qualified Long-Term Care Premiums	<input type="button" value="Add Premiums"/>		

Taxes paid



The deduction for state and local income, sales, and property taxes is limited to a combined total deduction of \$10,000.

State & local taxes or Sales taxes

- State income taxes withheld from W-2s, 1099s, estimated payments, *or other tax payments for an earlier year paid during the current tax year* are deductible on Schedule A. **OR**
- If the taxpayer had little or no state income tax withholding, a large amount of nontaxable income, or they paid sales tax on a major purchase, using the general sales tax deduction may be more beneficial. Sales tax calculation includes 6.875% tax for Minnesota and a local sales tax rate.

Go to www.irs.gov and search for “Sales Tax Deduction Calculator”. The IRS calculator will provide local general sales tax percent to be entered into TS (see page 107). If the taxpayer’s residence makes them subject to more than one local sales tax rate, the IRS Calculator will do the calculation.

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 17, *Selling Your Home* chapter).

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 at 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 at www.mndriveinfo.org.



Deductible taxes for Schedule A

Federal Section » Deductions » Itemized Deductions » Taxes You Paid

Taxes Paid

Additional State and Local Income Tax (DO NOT INCLUDE AMOUNTS FROM W-2, 1099, W-2G or Estimates.)

State and Local Sales Tax Paid

Prior Year 4th Quarter State Estimates paid after 12/31/2015

Real Estate Taxes (Non-Business Property) Real Estate Taxes entered here will overwrite any real estate taxes paid already entered.

Personal Property (ex: Car Registration) Enter in your Ad Valorem tax, exclude amount paid for actual car tags.

Other Taxes

Description	Amount
<input type="text"/>	<input type="text" value="\$"/>

Do not include taxes from Form W-2, 1099-R, or estimated taxes. TS transfers them automatically.

Link to *Sales Tax Worksheet* (see below).

Enter real estate taxes on property owned by the taxpayer. From the total, subtract any property tax refund received.

Enter car tabs registration tax. Subtract \$35 from the total.

Enter other taxes paid, along with a description.

Sales Taxes Deduction

To calculate your sales tax deduction, complete the information below. If you would rather enter the deduction amount from your receipts, select the 'Override' button below.

State *

Zip Code of Locality *

Number of days lived in the state *

Local general sales tax percent %

State general sales tax percent %

The calculation using the IRS tables do not take into account sales tax paid on large purchases such as a car or boat. Enter the sales tax amount paid on single purchases such as cars, trucks, RV's, and boats.

General sales taxes paid

Use the override option and calculate sales tax using the Sales Tax Deduction Calculator on www.irs.gov. Add actual sales tax paid on large purchases based on taxpayer records.

If using the override feature, DO NOT enter information in these fields.

Mortgage interest and points

Form 1098 shows amounts paid for mortgage interest (box 1) and points (box 6). Some limitations apply to interest deducted on mortgages entered into after December 15, 2017 (see Pub 4012, Tab F, page F-9). Deducting the amount paid for points requires additional information; see Pub 17, Interest Expense chapter.

Mortgage insurance premiums were deductible in some previous tax years, but this deduction was not extended for tax year 2018 or 2019.



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 business use of the home, refer them to 651-262-2169 to schedule an appointment at the P+P self-employment tax clinic.



Mortgage interest and points for Schedule A

Federal Section » Deductions » Itemized Deductions » Mortgage Interest and Expenses » Mortgage Interest Reported on 1098 **Search keyword: "1098"**

Mortgage Interest Reported on 1098

Add/Edit Interest Reported Add Interest & Points Paid

Real Estate Taxes (Non-Business Property)

Real Estate Taxes (Non-Business Property) \$2294

Real Estate Taxes entered here will overwrite any real estate taxes paid already entered.

Click here to enter mortgage interest and points from Form 1098. (See below screenshot.)

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.

Mortgage Interest Reported on 1098

Recipient/Lender's Name [Redacted]

Interest Paid \$ [Redacted]

Points Paid \$ [Redacted]

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 not deductible include: the cost of raffle, bingo or lottery tickets; value of a person's time or service; direct contributions to an individual; or that part of a contribution that benefits the taxpayer, such as the fair market value of a meal eaten at a charity dinner. For a longer list of nondeductible donations, see Pub 4012, Tab F, page F-10.

Cash donations to charity

A taxpayer can deduct donations made with cash or checks to charitable organizations during the tax year. The taxpayer must keep records to prove the amount of the contributions, but is not required to bring those records to the tax site. Records may include a written receipt from the organization, a credit card statement, a bank statement or cancelled check, that reflects the contribution.

Non-cash donations to charity

Items donated to charities must be in good used condition or better. The taxpayer must determine the fair market value (FMV) of the items donated. 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.

The taxpayer can deduct mileage costs at 14 cents per mile when using their vehicle for charitable work.



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)

Charity Cash Contributions

i To group all cash contributions as one single entry, select the "Override" button below.

Charity Name *

Description

Date of Donation *

Amount Donated *

Schedule A Gifts to Charity Information

Charitable Miles

Non-Cash Less Than or Equal to \$500

Carryover from Prior Year

Use the override feature to enter a total from taxpayer records rather than individual entries.

Enter charity name.

Enter date of donation.

Enter cash charitable contributions.

Enter charitable miles driven by the taxpayer and spouse. TS calculates deduction based on 14 cents per mile.

Enter non-cash charitable donations up to \$500 (if over \$500, out of scope).



Enter charitable donations over \$500 even if the taxpayer will not itemize deductions. Minnesota allows a subtraction from income for these donations (see page 150).

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 92)
- Impairment-related work expenses of a taxpayer with a disability

Certain other miscellaneous deductions were previously allowed, but no longer qualify after tax year 2017.



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 portion of expenses that exceed 2% of the taxpayer's AGI.

At the time this manual was printed, expenses were entered in the Federal Section of TS and transferred to the Minnesota return.

QUALIFIED BUSINESS INCOME DEDUCTION

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-Misc Form 1099-K Taxpayer records (e.g. bank statement, cancelled checks, and invoices) 	<ul style="list-style-type: none"> IRS: Income - lines 7 and 8 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 10, 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. TS will calculate the deduction automatically based on entries on the Sch C. The QBID does not affect self-employment tax or any calculations on Sch C. Special rules for the QBID may apply for taxpayers with incomes above VITA guidelines.

FEDERAL NONREFUNDABLE CREDITS

CHILD TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Intake sheet 	<ul style="list-style-type: none"> IRS: Marital Status and Household Information P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 13a, 18b, and Form 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. TS calculates the credit automatically. Noncustodial parents and taxpayers filing MFS may qualify. The taxpayer may claim the refundable Additional Child Tax Credit (see page 125) 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.

Qualifying Child for the Child Tax Credit:

- Is under age 17 at the end of the tax year (i.e., 16 years or under);
- Was a U.S. citizen, U.S. national, or resident of the United States;¹
- Is claimed as a dependent on the return;²
- 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;
- Did not provide over half of their own support for the year;
- Lived with the taxpayer for more than half of the year (exceptions apply, see Pub 4012, Tab G, page G-3); and
- Must have a valid Social Security number by the filing deadline.

¹ See rules for residency on page 43.

² See special rule for divorced or separated parents on page 57.

CREDIT FOR OTHER DEPENDENTS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Intake sheet 	<ul style="list-style-type: none"> IRS: Marital Status and Household Information P+P: N/A 	<ul style="list-style-type: none"> 1040: line 13a M1: N/A M1PR: N/A 	Basic

Overview: Taxpayers with qualifying dependents may claim a \$500 nonrefundable credit. This credit is only for dependents who do not qualify for the Child Tax Credit. Generally, qualifying children who are over age 17 and qualifying relatives who reside in the U.S. will qualify. TS calculates the credit automatically.

Who qualifies for the Credit for Other Dependents?

- Does NOT qualify for the Child Tax Credit
- Has a Social Security number or ITIN before the filing deadline
- Was a U.S. citizen, U.S. national, or resident of the U.S.

FOREIGN TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-INT Form 1099-DIV 1099 Composite Sch K-1 	<ul style="list-style-type: none"> IRS: Income - line 15 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 13b, Sch 3, line 1, and Form 1116 M1: N/A M1PR: N/A 	Advanced

Overview: Taxpayers with investment accounts or mutual funds may have foreign taxes paid listed on their tax forms for the accounts, and receive a credit based on the amount paid. TS will calculate this credit automatically for small amounts of foreign tax paid (up to \$300 or \$600 if filing MFJ). Form 1116 is out of scope. It is required if large amounts of foreign tax are paid.

CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 box 10 Taxpayer records (e.g. daycare invoice or babysitter receipt) 	<ul style="list-style-type: none"> IRS: Expenses - line 5 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 13b, Sch 3 line 2, and Form 2441 M1: line 26, Form M1REF line 1, and Form M1CD M1PR: N/A 	Basic

Overview: Taxpayers paying for care of a qualifying person may be able to claim a nonrefundable credit of up to \$1,050 (\$2,100 for two qualifying people). Only custodial parents and those not filing MFS can claim the credit. To qualify, the taxpayer must have earned income and paid for the care so they could work or look for work. MFJ filers may still qualify if one spouse was a full-time student or incapable of self-care (see Pub 4012, Tab G, page G-10). If the taxpayer received employer Dependent Care Benefits listed in Box 10 of Form W-2, Form 2441 must be completed. This credit requires a lot of data entry in TS.

Qualifying Person Test

The person must live with the taxpayer for more than 1/2 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 in 2019, use only the expenses incurred before age 13.)
2. Any person who was physically or mentally incapable of self-care who could have been claimed as a dependent (including a person who could have been claimed but had gross income of more than \$4,200).
3. A spouse who was physically or mentally incapable of self-care.²

¹ The special rule for divorced and separated parents (page 57) allows only the custodial parent to claim this credit.

² Definition of incapable of self-care: can't dress, clean, or feed themselves because of physical or mental problems. Also includes persons who must have constant attention to prevent them from injuring themselves or others.

Qualifying Expenses

Expenses must be paid 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 daycare programs
- A day camp may be a work-related expense even if the camp specializes in a particular activity, such as computers or soccer (overnight camp is not considered a work-related expense)

Provider Information

Payments must be made to someone other than a person the taxpayer can claim as a dependent. If payments are made to the taxpayer's child, that child cannot be a dependent and must be age 19 or older by the end of the year.

Child care providers generally provide a statement showing total costs paid for each child and an EIN/TIN. If the provider refuses to give an EIN/TIN, the taxpayer can still claim the credit. The return cannot be e-filed without the provider's EIN/TIN, but a paper return can be prepared and mailed. See Pub 17, *Your Federal Income Tax*, Child and Dependent Care Credit chapter, paragraph on provider refusal.



The federal credit is non-refundable, and the Minnesota credit is refundable. Enter expenses in the federal section, and they will transfer to Schedule MICD.



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		\$16,850.00
Total Amount Paid To Providers	-	\$16,850.00
<hr/>		
Difference	-	\$0.00

The difference should be zero when the form is finished.

- Step 1 - Child Care Providers

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	
LEARNING TOGETHER	35-9000000	\$16,850.00	<input type="button" value="Edit"/> <input type="button" value="Delete"/>

Select "Edit" to enter each childcare provider's information and the amount paid to each.

Add a Child Care Provider

- Step 2 - Dependents

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	
ARTIS JOHNSON	456-45-6456	\$16,850.00	<input type="button" value="Edit"/> <input type="button" value="Delete"/>

Select "Edit" to enter the amount of qualifying expenses paid for each Qualifying Person listed.

- Step 3 - Qualifying Persons

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

Add all Qualifying Persons not listed in step 2 here even if they didn't have qualifying expenses.



Child care provider information

Federal Section » Deductions » Credits Menu » Child Care Credit » Add a Child Care Provider

Search keyword: "2441"

SSN/ITIN: Check if an individual is providing the childcare.

EIN: Check if a daycare center is caring for the individual.

Enter Employer Identification Number (EIN) or Taxpayer Identification Number (SSN or ITIN). If no ID number is available and the provider refused to provide it, the return must be paper-filed. Enter 111-00-111.

Enter daycare provider's name.

Enter daycare provider's address.

Enter total amount paid, including amounts paid with Dependent Care Benefits reported on Form W-2, box 10.

Leave blank. Provider's phone number is not required for either the federal or Minnesota tax return.

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) 35 - 9000000

Provider's Name LEARNING TOGETHER

Provider's Address Check here if foreign address

Address (Number and Street) 303 TWIGG LANE

Zip Code 55413 -

City, Town, or Post Office Minneapolis

State Minnesota

Check here if provider is Tax Exempt

Check here if you were living abroad and used a foreign care provider

Amount Paid to Provider for Child Care \$ 16850

Hawaii Tax ID Number
Enter the 8 or 10 digit number (numbers only)

Provider's Phone Number
* You MUST provide a phone number if you intend to file a CALIFORNIA state return.



U.S. savings bonds can be purchased at tax time and earn tax-free interest if used to pay for education expenses. Refer any taxpayer with a dependent to the financial advocate to learn more. More information on page 34.



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

Additions to Income for Spouse for this credit

NOTE: If the spouse was a full-time student or disabled, enter any additional income.

Figuring the amount to enter:

Step 1: Figure out how many months your spouse was a student (or disabled) and did not work. Be sure to include any month in which both you and your spouse were 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 Spouse.

Additional Income for Spouse for purposes of this credit

(If you are married filing separately and are eligible to file the 2441, please enter the taxpayers income)

Figuring the amount to enter:

Step 1: Figure out how many months your spouse was a student (or disabled) and did not work. Be sure to include any month in which both you and your spouse were 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 Spouse.

Additional Income for Spouse for purposes of this credit

Benefits (Do not enter an amount from your W-2)

Employer-paid Dependent Care Benefits

Forfeited Employer-paid Benefits

Benefits Received from Sole Proprietorship or Partnership

If the taxpayer/spouse is a full-time student or disabled, enter \$250 per month if one child is claimed, or \$500 if 2+ children are claimed.
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 Dependent Care Benefits on Form W-2 box 10 are higher than expenses, ask if benefits expired/were forfeited. Enter amount forfeited if applicable.

CREDIT FOR QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 box 12 various codes Form 5498 Taxpayer records 	<ul style="list-style-type: none"> IRS: Expenses - line 2 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 13b, Sch 3 line 4, and Form 8880 M1: N/A M1PR: N/A 	Basic

Overview: Taxpayers making contributions to a qualified retirement plan may be eligible 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, taxpayers cannot be a full-time student or claimed as a dependent. TS will calculate the credit and automatically transfer eligible contributions listed on a W-2, however preparers must identify and enter any other qualifying contributions.

The taxpayer’s AGI must be under \$64,000 for MFJ, under \$48,000 for HH, and under \$32,000 for any other filing status. Distributions taken from retirement accounts during the tax year, before the filing deadline (April 20, 2020), and 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 an employer-sponsored retirement plan will be shown on Form W-2, box 12, using codes D, E, F, G, H, S, AA or BB. An entry in box 14 could also indicate a contribution to a state retirement system which may be eligible for this credit. If these are employer contributions or mandatory contributions, they are not eligible for the credit.



Contributions to an IRA made by April 15, 2020 can be characterized as 2019 contributions and used for the credit (or IRA deductions, see page 101). Taxpayers should work with their IRA provider to designate the contributions to the correct year. If a taxpayer intends to make the contributions but has not done so yet, the tax return can be filed including the contributions. An amendment will be necessary if the contributions are not made.



Retirement Savings Credit for Form 8880

Federal Section » Deductions » Credits Menu » Retirement Savings Credit

Search keyword: “8880” or “Savings”

Retirement Savings Contributions Credits

TAXPAYER

Enter Any ROTH Distributions in 2015, 2014, or 2013 \$

Enter Any Other Taxable Distributions in 2015 or 2014 \$

Enter Any Current Year Roth IRA Contributions \$ 1000

Elective Deferrals from W-2(s) \$2,000.00

Enter any Elective Deferrals to a 401(k) or other Qualified Plan not reported on a W-2 \$

Enter Roth distributions (shown on Forms 1099-R) received in years 2016, 2017 or 2018.

Enter any distributions (shown on Forms 1099-R) received in years 2017 or 2018.

Enter total Roth contributions not made through an employer-sponsored plan.

Enter total traditional IRA contributions not made through an employer-sponsored plan.

If amount entered in box 12 on W-2 Wage Statement, the amount transfers here.

CREDIT FOR THE ELDERLY OR DISABLED

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-R Form SSA-1099 Taxpayer records 	<ul style="list-style-type: none"> IRS: Personal Information - lines 4, 6b, 7, and 9b P+P: N/A 	<ul style="list-style-type: none"> 1040: line 13b, Sch 3 line 6, and Sch R M1: N/A M1PR: N/A 	Basic

Overview: Elderly or disabled taxpayers may qualify for a nonrefundable credit if they fall within narrow income thresholds and have taxable income. After the increases to the standard deduction in tax year 2018, taxpayers filing MFJ or HH cannot qualify due to the credit's thresholds. Disabled taxpayers need to be able to produce a physician's statement (sample statement available on IRS.gov). Minnesota has a subtraction for elderly and disabled taxpayers that has broader income guidelines (see page 151).



Schedule R must be added to the return for qualifying taxpayers; TS does not automatically add the form based on age. Be sure to add Social Security benefits to ensure correct calculation of the credit.

Schedule R income limits

Filing Status	AGI must be less than	AND total nontaxable income must be less than
Single, HH, or QW	\$17,500	\$5,000
MFJ and only one spouse is at least 65 or disabled	\$20,000	\$5,000
MFJ and both spouses are at least 65 or disabled	\$25,000	\$7,500
MFS and taxpayer lived apart from spouse for all of 2019	\$12,500	\$3,750

For more qualification information and interview questions, see Pub 4012, Tab G, page G-17.



Elderly and Disabled Credit for Schedule R

Federal Section » Deductions » Credits Menu » Credit for the Elderly or Disabled
Search keyword: "Elderly"

Schedule R Retired/Disability Question

Choose one:

- Both spouses were 65 or older.
- Both spouses were under 65, but only one spouse retired on permanent and total disability.
- Both spouses were under 65 and both retired on permanent and total disability.
- One spouse was 65 or older and the other spouse was under 65.
- One spouse was 65 or older, and the other spouse was under 65.

Check box that applies. There will be fewer options for Single and HH filers.

Statement of Disability

- IF You filed a physician's statement for this disability for 1983 or an earlier year
- OR You filed or got a statement for tax years after 1983 and your physician signed line B on the statement,
- AND Due to your continued disabled condition, you were unable to engage in any substantial gainful activity in 2015.

Required if the taxpayer is claiming this credit based on disability. Do not check the box if the taxpayer does not have a statement, but do advise the taxpayer to get one.

Check this box only if this entire statement is true.

OTHER TAXES

SELF-EMPLOYMENT TAX

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-Misc Form 1099-K Taxpayer records (e.g. bank statement, cancelled checks, and invoices) 	<ul style="list-style-type: none"> IRS: Income - lines 7 and 8 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 7a, Sch 1 lines 3 and 14, Sch C, Sch SE, and Sch 2 line 4 M1: line 1 M1PR: line 1 	Advanced

Overview: Self-employed taxpayers with income above \$400 will pay self-employment tax. This tax is similar to Social Security and Medicare tax withheld from an employee's wages. 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 taxes paid on Form 1040, Sch 1. TS 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
<ul style="list-style-type: none"> Form 1099-R Form RRB 1099-R Form CSA 1099-R Form CSF 1099-R 	<ul style="list-style-type: none"> IRS: Income - line 11 P+P: N/A 	<ul style="list-style-type: none"> 1040: lines 4a, 4b, 4c, 4d, Form 5329, and Sch 2 line 6 M1: line 1 M1PR: lines 1 and 5 	Basic

Overview: If a taxpayer received an early distribution from an IRA, annuity or other qualified retirement plan, they may owe this tax. TS calculates the tax depending on the code entered in Box 7 of the *Pensions, Annuities, and Retirement Plans Statement*. See page 71 for distributions that qualify for exclusion from this tax.



Taxpayers must begin taking distributions from their Traditional IRAs by April 1 following the year in which they turn 70 1/2 years old. If, rather than choosing to receive all of their balance in the IRA before that date, they choose to receive periodic distributions, a Required Minimum Distribution (RMD) must be made each year. The additional tax for failure to take the RMD is 50% of the difference between the RMD and the amount actually distributed.

FIRST-TIME HOMEBUYER CREDIT REPAYMENT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records of repayment or prior year tax return 	<ul style="list-style-type: none"> IRS: Life Events - line 7 P+P: N/A 	<ul style="list-style-type: none"> 1040: Sch 2 line 7a and 7b, 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 TS 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"

Form 5405 - First-Time Homebuyer Credit and Repayment

! Married Filing Joint customers are required to file two separate 5405 forms with individual repayment amounts.

Form belongs to Taxpayer

Did the home stop being your primary residence? * Yes No

Repayment of Credit

Check here if you purchased your home in 2008.

Please enter the full credit amount you received on Form 5405 for 2008, 2009, 2010, or 2011. (This amount would have been 10% of the purchase price up to either \$7,500 or \$8,000) *

Enter the full amount repaid with your prior year tax returns

We automatically calculate your required payment amount based on the total credit you received. If you would like to add an additional amount to what is already calculated, enter that amount here

Check box if the taxpayer bought the home in 2008.

Answer "Yes" or "No".

Enter the amount taxpayer claimed for the original First-Time Homebuyer Credit.

Enter the total amount the taxpayer repaid on their tax returns from 2010 to 2018.

Enter the amount taxpayer wants to repay with the 2019 tax return. The minimum repayment amount is \$500.

FEDERAL AND MINNESOTA PAYMENTS

INCOME TAX WITHHELD

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 Form 1099 	<ul style="list-style-type: none"> IRS: N/A P+P: N/A 	<ul style="list-style-type: none"> 1040: line 17 M1: line 24 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 filled out for the employer. Taxpayers who do not have enough withheld will have balance due. If taxpayers withheld too much, it will all be returned to the taxpayer as a refund. In either case, taxpayers may want or need to update their W-4 to correct the amount.

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 Calculator 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.

ESTIMATED TAX PAYMENTS AND AMOUNTS APPLIED FROM PREVIOUS TAX YEAR

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records of payment or prior year tax return 	<ul style="list-style-type: none"> IRS: Life Events - line 4 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: lines 18d and 22 and Sch 3 line 8 M1: lines 25 and 33 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 2018 tax refund toward their 2019 tax liability than other VITA customers.



Federal estimated taxes paid

Federal Section » Payment & Estimates » Federal Estimated Payments for 2019
Search keyword: "Payments"

Payments - Estimated Payments	
Amount Applied from Prior Year Refund	\$
Estimated Federal Tax Paid(4/15/2015)	\$ 500
Estimated Federal Tax Paid(6/15/2015)	\$ 500
Estimated Federal Tax Paid(9/15/2015)	\$ 500
Estimated Federal Tax Paid(1/15/2016)	\$ 500

Enter amount applied from a prior-year refund. See line 21 of the 2018 Form 1040.

Enter each quarterly estimated tax payment.



If a taxpayer expects to owe over \$1,000 in tax and does not have tax withholding, generate estimated tax vouchers for 2020 using the "Vouchers for next year's estimated payments" screen in the Payments & Estimates section of TS.



Minnesota Estimated Payments

Federal Section » Payments & Estimates » State Estimated Payments
Search keyword: "Payments" (second result)

Payments - State Estimated Payments	
Amount Applied from Prior Year Refund	\$
Estimated State Tax Paid on(4/15/2016)	\$
Estimated State Tax Paid on(6/15/2016)	\$
Estimated State Tax Paid on(9/15/2016)	\$
Estimated State Tax Paid ON or BEFORE(12/31/2016)	\$
Estimated State Tax Paid AFTER(12/31/2016)	\$
State Name *	- Please Select -

Enter amounts applied from a prior-year refund. See line 33 of the 2018 Form M1.

Enter each quarterly estimated tax payment.

Enter amount of estimated tax payments paid to MN.

Select Minnesota.



If a taxpayer expects to owe over \$500 in Minnesota tax and does not have tax withholding, generate estimated tax vouchers for 2020 using the "Estimated Payment Vouchers, Form M14" screen in the Miscellaneous Forms menu of the state section of TS.

FEDERAL REFUNDABLE CREDITS

EARNED INCOME CREDIT (EIC)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Intake sheet 	<ul style="list-style-type: none"> IRS: Life Events - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 18a M1: N/A M1PR: N/A 	Basic

Overview: Most P+P taxpayers filing a federal return qualify for this refundable credit. TS calculates the EIC automatically, but data entry errors can cause a taxpayer to miss out on the credit. Do not enter data in the EIC section of TS 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/HH, income less than:	MFJ, income less than:	Maximum credit:
0	\$15,570	\$21,370	\$ 529
1	\$41,094	\$46,884	\$3,526
2	\$46,703	\$52,493	\$5,828
3 or more	\$50,162	\$55,952	\$6,557

Summary of EIC Eligibility Requirements

Part A Rules for everyone	Part B Rules with a Qualifying Child	Part C Rules with no Qualifying Child
<ul style="list-style-type: none"> Taxpayers and Qualifying Children must all have a Social Security Number that is valid for employment¹ Filing status cannot be MFS Must be a U.S. citizen or resident alien all year Cannot file Form 2555 (relating to foreign earned income) Investment income² must be \$3,600 or less Cannot be a Qualifying Child of another person 	<ul style="list-style-type: none"> Child must meet the relationship, age, residency and joint return tests but not the support test (see page 123). 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 	<ul style="list-style-type: none"> Must be at least age 25 but under age 65 as of December 31 Cannot be the 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 son, daughter, stepchild, adopted child, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of these relatives including a grandchild, niece or nephew.
3. **Residence:** The child must have lived with the taxpayer in the U.S. for more than half of the year. Exceptions for temporary absences, but *no exception in the case of divorced or separated parents*.
 - If the child qualifies more than one person, see tie breaker rules on page 56.
 - 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.

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-1 for a more detailed summary.

Social Security Number (SSN) and Individual Taxpayer Identification Number (ITIN)

Taxpayers and any Qualifying Children must have a Social Security Number by the filing deadline to be eligible for the EIC. If an SSN card has the *Not Valid for Employment* imprint, and the cardholder obtained the SSN solely to get federally-funded benefits, such as Medicaid, the SSN is **not** valid for EIC. If the card reads *Valid for work with INS/DHS approval*, then the SSN is valid for EIC if the taxpayer had that authorization.

Taxpayers with ITINs are not eligible for EIC. Taxpayers with SSNs are not automatically disqualified because they are claiming someone with an ITIN on their tax return (see chart below). Taxpayers may not claim EIC for prior years if they did not have an SSN by the relevant filing deadline.

EIC and ITIN rules for taxpayers with children

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	Child with SSN qualifies taxpayer for EIC, but child with ITIN does not

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 if this applies. If this applies, stop here.

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.

Each Qualifying Child will have a separate box. Select and answer the questions below for each Qualifying Child.

Child One -
 Number of days this child lived with you in the US during the tax year

i 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.

Enter number of days the child lived with you, including qualifying temporary absences.

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

Select *Use my main address* to use the address in the *Personal Information* section. If the taxpayer and Qualifying Child only lived at one address together in 2019, stop here.

Enter the address(es) where you and the child lived together during the tax year.

Address One
Use my main address

Address (Number and Street) *

 Zip Code *
 -
 City, Town, or Post Office *

 State *

Address Two
Use my main address

Address (Number and Street) *

 Zip Code *
 -
 City, Town, or Post Office *

 State *

Enter second and third addresses as needed.

Check if this applies, and enter each person’s name and relationship.

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.



Taxpayer's status may have changed since Social Security card was issued. Double-check before overriding EIC calculations.

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 Number with the message *Not Valid for Employment*.
- EIC was denied due to reckless or intentional disregard of the EIC rules.
- EIC was disallowed due to fraud.



Ineligible for the EIC

Federal Section » Deductions » Credits » Earned Income Credit » Not eligible for EIC

Search keyword: "8862" (third result)

Check box if the taxpayer is ineligible to claim EIC.

Not Eligible for EIC

Check here if this return is NOT eligible to receive the Earned Income Tax Credit (EITC)

I understand that checking the box above determines whether this return might be able to receive the Earned Income Tax Credit (EITC), and if the box is checked this return will not receive EITC.

Check box indicating that the above box was checked correctly.

ADDITIONAL CHILD TAX CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • IRS: Marital Status and Household Information • P+P: N/A 	<ul style="list-style-type: none"> • 1040: line 18b • 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 full nonrefundable Child Tax Credit (see page 110). The Additional Child Tax Credit is refundable up to \$1,400 per child. The taxpayer must have more than \$2,500 of earned income or three or more qualifying children. TS automatically calculates the credit.

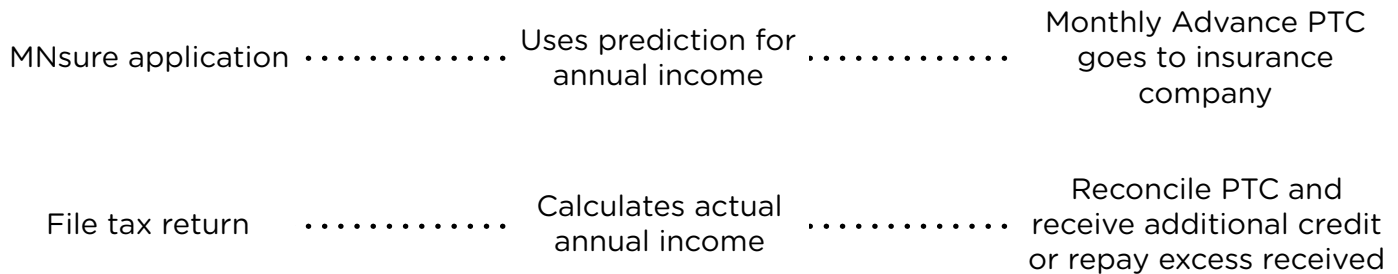
PREMIUM TAX CREDIT (PTC)

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1095-A 	<ul style="list-style-type: none"> IRS: Life Events - line 9 P+P: N/A 	<ul style="list-style-type: none"> 1040: line 18d, 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 many taxpayers who purchase a health insurance plan through MNsure. Most P+P customers qualify for MinnesotaCare or Medical Assistance and cannot claim the credit. Taxpayers can check their MNsure accounts at www.mnsure.org to see which benefits they receive.

Taxpayers with a MNsure plan must have Form 1095-A and are required to include Form 8962 with their return. 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).



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, pages H-6 through H-13 to ensure correct TS 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. While not required to complete PTC reconciliation, the taxpayers with income at or below 400% of FPL should include Form 1095-A information when filing (preparers must look up the SLCSP premium at www.tinyurl.com/MN-Plan-Finder). Including this information will determine the amount of PTC. See Pub 4012, Tab H, page H-17 for FPL benchmarks based on family size.

If any of the following situations apply, consult Pub 4012, Tab H, pages H-6 to H-13, 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.



If someone received 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)

Did you receive a 1095-A statement or any Premium Tax Credits to assist you in paying for your health care for 2016? *

- Yes
- No

Did the taxpayer receive Form 1095-A or advance PTC?

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

Generally answer "No." See Pub 4012, Tab H, page H-8 for more information.

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

Does Form 1095-A show any changes in monthly amounts?

Please enter your annual Advance Premium Tax Credit information

Premium Amount (Form 1095-A, line 33A)

Enter monthly premium amount from Form 1095-A.

Annual Premium Amount of SLCSP (Form 1095-A, line 33B)

Enter annual premium amount for the Second Lowest Cost Silver Plan (SLCSP) from 1095-A. If column is blank, use the Plan Lookup Tool at www.tinyurl.com/MN-Plan-Finder. Refer to prior year P+P manuals for step-by-step look-up instructions.

Annual Advance Payment of PTC (Form 1095-A, line 33C)

Enter total advance PTC.



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 for 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

A taxpayer is **not** eligible for either credit if:

- Taxpayer was claimed as a dependent on another person's tax return (for example, a parent's return)¹.
- Taxpayer uses the filing status Married Filing Separately.
- Taxpayer was a nonresident alien for any part of the tax year and did not elect to be treated as a resident alien for tax purposes. See Pub 4012, Tab L, page L-1 for decision tree for determining residency status.
- Taxpayer's modified adjusted gross income is above certain income limits (above P+P guidelines).

¹ See special rules for dependents below and for taxpayers under age 24 on page 131 if claiming an education credit.

For full eligibility requirements, see page 130.

CREDITS FOR DEPENDENT STUDENTS

When the 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.

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 expenses needed for maximum credit).	Up to \$2,000 per return (\$10,000 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 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 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 132 for details on qualified expenses, including books, supplies, or equipment, if not included on Form 1098-T.	
Additional eligibility factors	<ul style="list-style-type: none"> • 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 including the educational institution's EIN 	

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.

1. Has the Hope Scholarship Credit or American Opportunity 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 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 year, the student had not been convicted of a federal or state felony for possessing or distributing a controlled substance.

TAXPAYERS UNDER AGE 24 - AMERICAN OPPORTUNITY CREDIT

Taxpayers under age 24 may only claim the refundable portion of the American Opportunity Credit if any of the following apply to them:

- Taxpayer was 18 or older and their earned income¹ was at least 1/2 of their support²
- Taxpayer was 19 or older and was not a full-time student³
- Neither of the taxpayer's parents was living at the end of the tax year
- The taxpayer is married and files a joint return

Taxpayers 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-9.

¹ TS 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. 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. Scholarships are not considered support. For more information, see Pub 970, *Tax Benefits for Education*.

³ The student is full-time for 2019 if during any part of any 5 calendar months in 2019, 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.

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HAMLIN UNIVERSITY 1536 HEWITT AVE ST. PAUL, MN 55104		1 Payments received for qualified tuition and related expenses \$ 14,756	OMB No. 1545-1574	Tuition Statement
FILER'S employer identification no. 58-4567552 STUDENT'S TIN 123-33-3333		2	Form 1098-T	
STUDENT'S name RENEE KING		4 Adjustments made for a prior year \$	5 Scholarships or grants \$ 8,745	Copy B For Student 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		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 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code BROOKLIN PARK, MN 55429		8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)		10 Ins. contract reimb./refund \$		
Form 1098-T (keep for your records)		www.irs.gov/Form1098T		Department of the Treasury - Internal Revenue Service

Form 1098-T reports tuition and related expenses as well as scholarships and grants. It also indicates if a student was enrolled at least halftime or was a graduate student. Boxes showing adjustments to tuition or scholarships may have an impact on a prior-year return.

While there are exceptions to when the 1098-T is required, the overall benefit for claiming the credits and the times when scholarship income must be reported make this a form taxpayers should have if anyone on the return attended postsecondary education.

TOTAL QUALIFIED EXPENSES

Tuition and related expenses on Form 1098-T	+	Additional qualified expenses	=	Total qualified expenses
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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 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 what year they were received.

Additional qualified expenses for the American Opportunity Credit

For the American Opportunity Credit, required course-related materials, such as books, supplies, or equipment can 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 in 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.

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.

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 or subsistence grants or may be for qualified education expenses. When figuring taxable and nontaxable educational assistance, do not include housing or subsistence grants. Fellowships, employer-provided educational assistance, and VA payments generally will not be reported on Form 1098-T. A student may have a letter or student account transcript from the school's website showing the amounts.

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

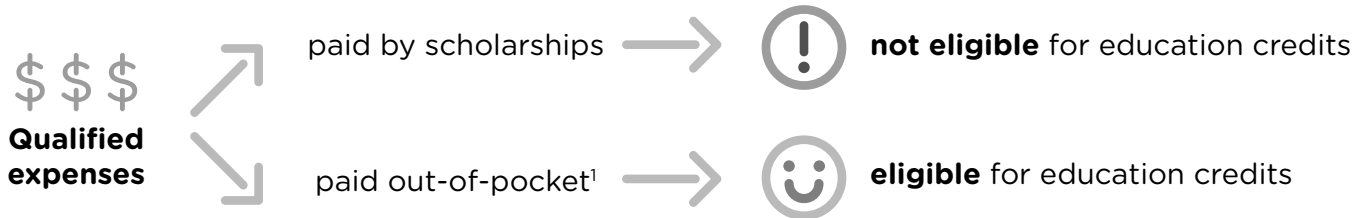
Some scholarships and grants can be used to pay qualified or non-qualified expenses. These non-restricted scholarships and grants can be used for any qualified education expense, or for room and board or other living expenses. Non-restricted scholarships and grants may be paid directly to the school or the student, and any excess amount will be paid to the student. **Pell Grants, Minnesota State Grants (MSG) and Minnesota Supplemental Educational Opportunity Grants (SEOG) are all non-restricted.**



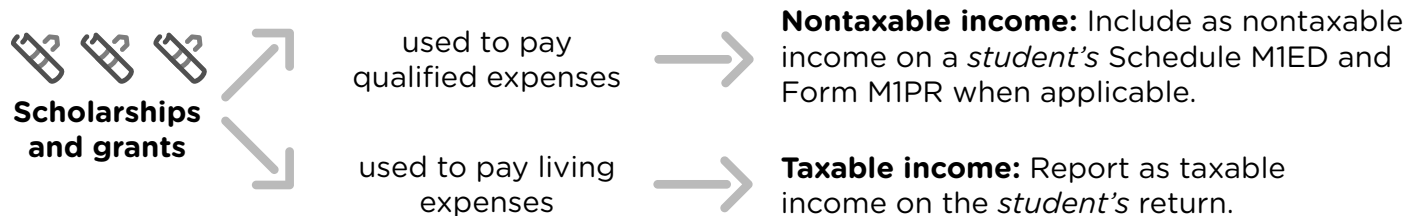
Many scholarships and grants are tax-free, but must be reported as household income on a student's Form M1PR and Schedule M1ED (page 169).

TAXABILITY OF SCHOLARSHIPS AND ADJUSTED EDUCATIONAL EXPENSES

The values on form 1098-T are rarely what is entered in TS. Understanding the relationship between qualifying 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.



¹Out-of-pocket payments include cash payments, student loans, gifts, and amounts paid by other individuals.



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 as income on the dependent'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 136 to finalize the amounts of taxable and nontaxable educational assistance and how they should be reported.

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.

EDUCATION CREDITS WORKSHEET (PAGE 1)

PREPARE + PROSPER

EDUCATION CREDITS WORKSHEET

This worksheet helps determine **Eligible Expenses for Credits**, the **Taxable Educational Assistance**, and the **Nontaxable Educational Assistance**. See page 138 in the P+P Volunteer Tax Manual for definitions of these terms. See pages 129-143 for more information about education credits.

1. **Student is the:** Taxpayer Spouse Dependent

2. **What credit does the student qualify for?**

See chart on page 130 of P+P Volunteer Tax Manual.

American Opportunity Credit (AOC)

Lifetime Learning Credit (LTLC)



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 133 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	\$ _____
<ul style="list-style-type: none"> 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	\$ _____
<ul style="list-style-type: none"> 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.

EDUCATION CREDITS WORKSHEET (PAGE 2)

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 141 in P+P Volunteer Tax Manual).

See samples of this worksheet on page 142 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				<i>Enter in Education Credits section.</i>	
Taxable educational assistance				<i>Enter in Other Compensation section</i>	<i>Reported on dependent's return.</i>
Nontaxable educational assistance				<i>Enter in State section on M1ED & M1PR</i>	<i>Not reported: M1ED & M1PR n/a for dependents.</i>
Federal Refund or Balance Due				<i>Discuss the best tax advantage with the taxpayer.</i>	<i>Discuss impact on taxpayer's and dependent's returns</i>
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 TS. See the Education Credits Worksheet on page 136 (and available at the site) 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, but often additional steps to maximize an education credit will greatly benefit the taxpayer. **Additional steps will not be needed when:**

- A student qualifies for the American Opportunity Credit and Form 1098-T reports tuition of \$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 are greater, total qualified expenses or scholarships and grants?

Expenses are greater	Scholarships and grants are greater
Baseline value for: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.



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 qualifying expenses	-	\$5,000 grants	=	\$1,500 eligible expenses for credits
--------------------------------------	---	-------------------	---	--

Hector's entire grant was used to pay tuition, so it is all nontaxable.



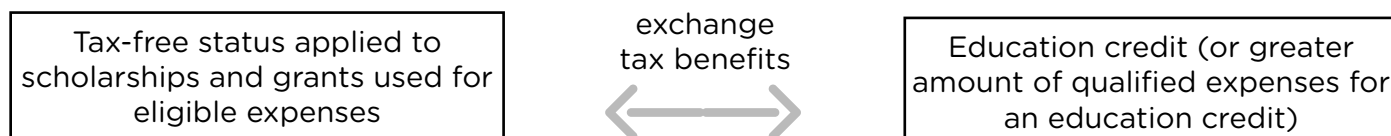
Mai's Form 1098-T reports \$3,500 paid for tuition. She borrowed her books from a friend taking the same classes. She received \$4,750 of scholarships from her college. The scholarships are greater than the qualified expenses, so Mai's baseline value for eligible expenses for the American Opportunity Credit equal \$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
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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.



The taxpayer may choose to treat all or a portion of scholarships and grants as used to pay living expenses instead of qualifying education expenses and consequently make that amount taxable. Qualifying 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 134). Additionally, students with \$4,000+ of total qualified expenses qualify for the maximum credit and do not gain a greater 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 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 2019 can be up to \$12,200. See Pub 4012, Tab F, page F-2 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. If a dependent is required to file (see Pub 4012, Tab A) AND the taxable scholarship income exceeds \$2,200, then include Form 8615 on the dependent's return.

Form 8615 calculates a different tax rate for a dependent's scholarship income. It does not mean that dependents will have tax liability. The educational assistance plus wage income earned by the dependent is often less than the standard deduction so no tax is owed.



Beginning in 2018, Form 8615 does not require information from the parents' or siblings' returns. This form was out of scope for VITA in past years, but now is in scope for purposes of reporting taxable scholarships and grants. Other types of unearned income requiring a dependent to file (such as taxable interest, ordinary dividends, capital gains, or royalties) remain out of scope.

OVERALL TAX RETURN IMPACT

Make the fullest 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 choice 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. 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 full information about the impact 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 return, 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 <small>+1,800</small>	\$4,000 <small>-1,000</small>	\$3,000	Enter in Education Credits section.
Taxable educational assistance	\$0 <small>+1,800</small>	\$1,800 <small>-1,000</small>	\$800	Reported on dependent's return.
Nontaxable educational assistance	\$3,400 <small>-1,800</small>	\$1,600 <small>+1,000</small>	\$2,600	Not reported: MIED & MIPR 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 in 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 <small>+2,900</small>	\$2,900 <small>-500</small>	\$2,400	Enter in Education Credits section.
Taxable educational assistance	\$2,800 <small>+2,900</small>	\$5,700 <small>-500</small>	\$5,200	Enter in Other Compensation section.
Nontaxable educational assistance	\$2,900 <small>-2,900</small>	\$0 <small>+500</small>	\$500	Enter in State section on MIED & MIPR
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!



Education Credits for Form 8863

Federal Section » Deductions » Credits Menu » Education Credits

Search keyword: "8863" or "Education"

Choose the most beneficial tax benefit.
Changing from a credit to a deduction will remove institution information.

Enter eligible expenses.
If more than one Form 1098-T, combine the totals here.

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.

Choose the student from the drop-down menu.
This cannot be changed later without re-entering the 1098-T information.

Form 8863 - Educational Credit

Select an Eligible Student

Select the type of credit *

- American Opportunity
- Lifetime Learning
- Tuition and Fees Deduction

Qualified Expenses *
 Please ensure that you reduce the amount entered for "qualified expenses" by any scholarships / grants received, pursuant to IRS Publication 970.

Institution 1
 Name *

Check here if foreign address

Address (Number and Street) *

Zip Code *
 -

City, Town, or Post Office *

State *

Did the student receive Form 1098-T from this institution for 2016? *
 Yes
 No

Did the student receive Form 1098-T from this institution for 2015 with Box 2 filled in and Box 7 checked? *
 Yes
 No

Enter the Institution's Federal Identification Number (from Form 1098-T) *
 -

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 2016? *
 Yes
 No

Was the student convicted, before the end of 2016, of a felony for possession or distribution of a controlled substance? *
 Yes
 No

Answer each question carefully.
Additional questions will be added in TS if the taxpayer qualifies as a dependent or is under age 24.



MINNESOTA TAX INFORMATION



MINNESOTA INFORMATION

NEW THIS YEAR

In 2019 Minnesota passed legislation to conform with many of the federal tax changes in the Tax Cuts and Jobs Act. The following highlights changes that will most impact customers at P+P.

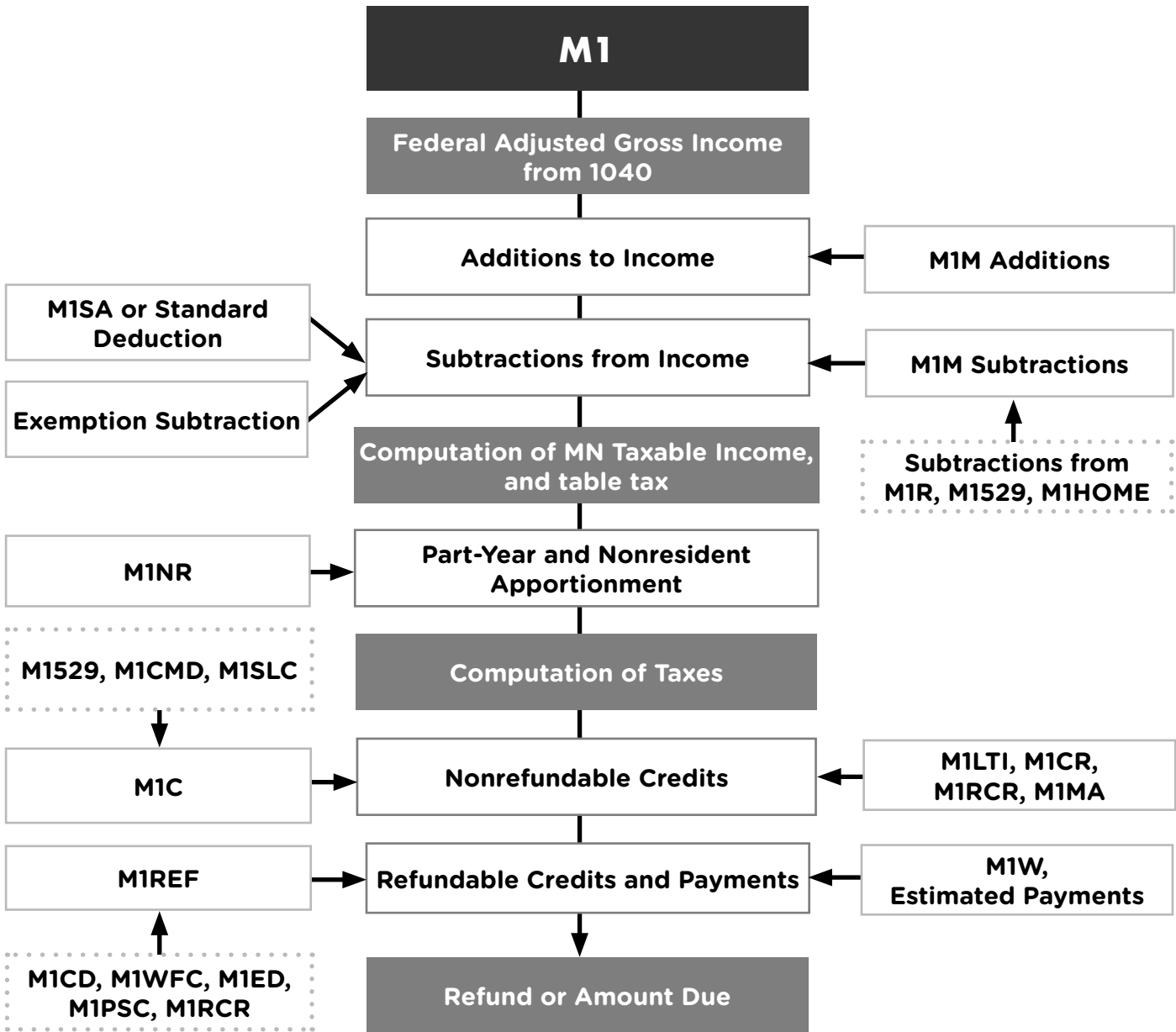
Minnesota Standard Deduction: Minnesota conformed to the federal standard deduction changes and are now equal to the federal standard deductions.

Working Family Credit (WFC): Starting tax year 2019, the WFC was greatly expanded. The WFC now calculates based on up to 3 children (based on up to 2 in previous years). Taxpayers without children aged 21-24 will now also qualify for the WFC. Additionally, the maximum credit increased significantly for filers without children.

Schedule M1SA and Minnesota itemized deductions: Minnesota has generally conformed to the federal changes to itemized deductions with just a couple exceptions. Minnesota will still allow Unreimbursed Employee Business expenses. Taxpayers may elect to itemize on their Minnesota return if they take the standard deduction on the federal return.

Minnesota exemptions: Minnesota has eliminated personal exemptions, but has maintained dependent exemptions for Form M1 and Form M1PR. The exemption amount has increased to \$4,250 from \$4,150.

INTRO TO THE M1



MN uses federal AGI for calculations on many schedules and forms. For simplicity, these relationships are not being shown in this flow chart.

Minnesota Schedules:

M1529	Education Savings Account Contribution Credit or Subtraction	M1MA	Marriage Credit
M1C	Other Nonrefundable Credits	M1NR	Nonresident/Part-Year Resident
M1CD	Child and Dependent Care Credit	M1PSC	Credit for Parents of Stillborn Children
M1CMD	Credit for Attaining Master's Degree in Teacher's Licensure Field	M1R	Age 65 or Older/Disabled Subtraction
M1CR	Credit for Income Tax Paid to Another State	M1RCR	Credit for Income Tax Paid to WI
M1ED	K-12 Education Credit	M1REF	Refundable Credits
M1HOME	First-Time Homebuyer Savings Account	M1SA	Minnesota Itemized Deductions
M1LTI	Long-Term Care Insurance Credit	M1SLC	Student Loan Credit
M1M	Income Additions and Subtractions	M1W	Minnesota Income Tax Withheld
		M1WFC	Minnesota Working Family Credit

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. TS adds a full-year resident return based on the address in the personal information section of TS.

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 TS, change the Minnesota return to a “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 TS, 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.

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 \$12,200. In TS, 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

State Return

! If you need to change your state residency status just delete the current return and start again. State forms differ by the type of residency you select.

+ Add Another State Return

State	Return Type
Minnesota	Resident

Click to delete the full-year resident return. This will delete any previous data entry in the MN return.

Select your Minnesota Return Residency

Please choose a return type

Resident: You are a Resident if Minnesota was your domicile for the entire year OR you owned, rented or leased a home in Minnesota for the tax year AND spent more than 183 days in the state.

Part Year: You are a Part Year Resident if you moved your permanent home into or out of Minnesota during the tax year.

Non-Resident: You are a Nonresident if you were not a resident of Minnesota but earned Minnesota income.

Click here if the taxpayer was a part-year resident of Minnesota.

Click here if the taxpayer was not a resident of Minnesota.

Select your state of residency

Enter Beginning Residency Date for Minnesota (Enter as follows: yyyyMMdd)

Enter Ending Residency Date for Minnesota (Enter as follows: yyyyMMdd)

Is the address on your return a New Address?

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
<ul style="list-style-type: none"> Form 1099-INT 1099 composite Form 1099-OID Sch K-1 	<ul style="list-style-type: none"> IRS: Income - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 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.

Minnesota requires several other additions to income that are excluded on the federal return. A full list of additions is available on Sch M1M or in the *MN Individual Income Tax* booklet. Interest and dividends on out-of-state municipal bonds are rare and other additions are unlikely at a VITA site.



Interest on Municipal Bonds for Schedule M1M

State Section » Minnesota Return » Additions to Income » Federally tax-exempt interest income from obligations of other states

Minnesota State Return

Federally tax-exempt interest income from obligations of other States

Enter 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

Minnesota State Return

Federally tax-exempt Dividend income from Other State Bonds

Enter Federally tax-exempt 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. A full list of subtractions is available in the *MN Individual Income Tax* booklet. The following are more likely at a VITA site.

Interest or dividends on U.S. savings bonds

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-INT 1099 composite Form 1099-OID Sch K-1 	<ul style="list-style-type: none"> IRS: Income - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 18 M1PR: N/A 	Basic
<p>Overview: U.S. bond interest is not taxable on the Minnesota return. TS automatically calculates this subtraction based on amounts entered in the federal section with savings bond interest that is taxable on the federal return.</p>			

K-12 education expenses

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records (receipts, credit card statements, canceled checks, and online statements) 	<ul style="list-style-type: none"> IRS: Marital Status and Household Information P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 19 M1PR: N/A 	Basic
<p>Overview: Taxpayers will benefit more from the refundable K-12 Education Credit than from this subtraction if they qualify (see page 163). The maximum subtraction is \$1,625 for students in grades K-12 and \$2,500 for students in grades 7-12. TS does not apply this limit automatically. Taxpayers must have record of the expenses, but the documentation does not need to be present at the time of tax preparation.</p> <p>Taxpayers can only claim expenses they do not use for the credit, and some expenses, like private school tuition, only qualify for the subtraction.</p>			

- To qualify, the taxpayer must have purchased education services or required materials to help the child's education. See page 164 for a list of qualified education expenses.
- The child must (a) be 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; (b) have been in grades K-12 in 2018; and (c) have 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

Minnesota State Return
K-12 Education Expense Subtraction

The maximum amount of education expenses you may subtract is \$1,625 for each child in grades K through 6, and \$2,500 for each child in grades 7 through 12

Enter the total Education expenses for all qualifying children and complete the student information below

(1) Student

\$ 150

BEGIN

Enter education expenses claimed for the subtraction for all students.

Click here to add student information.

Minnesota State Return
(1) Student

First Name: Araceli

Middle Initial:

Last Name: Gonzalez

Grade of Student: 5th Grade

Enter qualifying student's grade. For children who were in 6th and 7th grade during the tax year, the taxpayer should use the grade at the end of the tax year (7th grade) to determine which limit to apply. High school seniors who started college during the tax year should use the 12th grade limit.



TS 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.

Charitable contributions over \$500

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records (e.g. donation statement and canceled checks) 	<ul style="list-style-type: none"> IRS: Expenses - line 4 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 20 M1PR: 	Basic

Overview: Always add charitable contributions in the federal itemized deductions section of TS (see page 108). Taxpayers who do not itemize may subtract 50% of their contributions over \$500 from their Minnesota return. For example, a taxpayer may receive a \$100 subtraction for \$700 of charitable contributions.

Age 65 and over or disabled

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: Your Personal Information - line 4, 6, 7, or 9 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7, Sch M1R, and Sch M1M line 23 M1PR: N/A 	Basic

Overview: Elderly or disabled taxpayers may qualify for this subtraction, modeled after the federal credit (see page 117). It automatically calculates if a taxpayer qualifies based on being elderly (age 65+), but must be added if the taxpayer qualifies based on disability status¹. The credit has limited income thresholds (see below) and few taxpayers are likely to qualify.

Filing Status	Form M1R Income Limits	
	AGI ² must be less than	Total Railroad Retirement Benefits (RRB) and nontaxable Social Security must be less than
Single, HH, or QW	\$33,700	\$9,600
MFJ and only one Spouse is at least 65 or disabled	\$38,500	\$12,000
MFJ and both spouses are at least 65 or disabled	\$42,000	\$12,000
MFS and Taxpayer lived apart from Spouse 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 2019, and
- Received federally taxable disability income in 2019.
- Have a physician's statement.

² AGI for this purpose is federal AGI from line 37 less any taxable RRB.



Deductions for age 65 or older/Disabled for Schedule M1M

State Section » Minnesota Return » Subtractions from Income » Deductions for Age 65 or Older/Disabled

Deduction for Age 65 or Older/Disabled (Sch M1R)

To qualify for this subtraction, you (or your spouse if filing a joint return) must meet the age and disability requirements and the income requirements

To complete Schedule M1R, select YES and enter the additional information needed below

Enter the disability pensions and insurance payments included on Line 7 of Federal Form 1040 or 1040A

Enter total Railroad Retirement Board benefits as reported on your RRB-1099 form

Enter the Taxable Railroad Retirement Board benefits included on line 16b of Federal Form 1040 or line 12b of Form 1040A

--Select--

\$

\$

\$

If the taxpayer is disabled, select "Yes".

Enter the amount of taxable disability income.

Enter total RRB (tier 1 and tier 2).

Enter taxable amount from Form 1040, line 4b.

Railroad Retirement Board benefits

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form RRB-1099 	<ul style="list-style-type: none"> IRS: Income - line 13 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 24 M1PR: N/A 	Basic
<p>Overview: Railroad Retirement 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 68 and 73 for TS entry).</p>			

Income earned on an Indian reservation

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer income statements Taxpayer records (residency and tribal enrollment verification) 	<ul style="list-style-type: none"> IRS: Income - all lines P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 26 M1PR: N/A 	Basic
<p>Overview: American Indians may subtract taxable income they earned while living and working on a reservation from their Minnesota return. 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 very rare at P+P tax sites, but very 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.</p>			

Types of income earned on the reservation may include:

- 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. Minnesota Chippewa Tribe members can exclude income regardless of which of the Minnesota Chippewa Tribe reservations they live and work on. 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

Minnesota State Return

Indian Reservation Income

Enter the amount earned on an Indian Reservation

Organ donor unreimbursed expenses

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: N/A P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 30 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
<ul style="list-style-type: none"> Form 1099-R 	<ul style="list-style-type: none"> IRS: Additional Information and Questions Related to the Preparation of Your Return - line 10 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 32 M1PR: N/A 	Basic

Overview: Taxpayers may subtract their taxable military retirement pension from their 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 158). Taxpayers cannot claim the credit and 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

AmeriCorps education award

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-Misc Taxpayer records (e.g. award letter) 	<ul style="list-style-type: none"> IRS: Income - line 15 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 7 and Sch M1M line 34 M1PR: N/A 	Basic

Overview: If an AmeriCorps program post-service education award was reported as other 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 interest attributable to the award. 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

Minnesota State Return

AmeriCorps National Service Program

Enter the Post service education awards received for service in an AmeriCorps National Service Program

Enter amounts not used for the Student Loan Interest Deduction.

Contributions to a 529 plan

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Taxpayer records 	<ul style="list-style-type: none"> • IRS: N/A • P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 7, Sch M1M line 38, 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 158). 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

Taxable Social Security benefit

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Form SSA-1099 	<ul style="list-style-type: none"> • IRS: Income - line 13 • P+P: N/A 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 7 and Sch M1M line 39 • M1PR: N/A 	Basic

Overview: Taxpayers reporting taxable Social Security benefits may be able to deduct all or a part of them. TS calculates the deductible portion automatically. The maximum subtraction depends on filing status: \$5,150 for MFJ; \$4,020 for S or HH; \$2,575 for MFS.

First-Time Homebuyer Savings Account interest

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Taxpayer records 	<ul style="list-style-type: none"> • IRS: N/A • P+P: N/A 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 7, Sch M1M line 40, and Sch M1HOME • M1PR: N/A 	Basic

Overview: Taxpayers may open, designate, and contribute to a First-Time Homebuyer Savings Account. Interest earned on this account can be subtracted on the Minnesota return. Distributions from this account can only be used on qualified expenses or else a tax penalty applies. Designations for the account happen when filing a tax return, and it is rare for taxpayers to take this action or claim the interest subtraction. For more information see instructions for Sch M1HOME.



First-Time Homebuyer Account Interest for Schedule M1M

State Section » Minnesota Section » Subtractions from Income » First-Time Homebuyer Savings Account Subtraction

MINNESOTA NONREFUNDABLE CREDITS

MARRIAGE CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Intake sheet 	<ul style="list-style-type: none"> IRS: Martial Status and Household Information - line 1 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 16 and Sch M1MA M1PR: N/A 	Basic

Overview: TS automatically calculates this nonrefundable credit (up to \$419) for MFJ filers. To qualify: both spouses must have taxable income, joint taxable income must be at least \$39,000, and the lesser-earning spouse must have income of at least \$25,000.

CREDIT FOR LONG-TERM CARE INSURANCE PREMIUMS

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: N/A P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 17 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 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 Sch A and 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

Minnesota State Return

Long Term Care Insurance Premiums Credit

Minnesota offers a credit against tax based on premiums you paid in 2016 for a qualified long-term care insurance policy for which you did not receive a federal tax benefit. [CLICK HERE](#) for eligibility requirements.

Are you eligible for Long Term Care Insurance Premiums Credit?

Policy Information (Taxpayer)

First Name of Insured

Last Name of Insured

Enter the name of the Insurance Company

Enter the Policy Number

Enter premium amounts in the Federal Section of TS (see page 105).

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
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: N/A P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: lines 18, 26, 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 to different state, the credit is structured the same, 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 taxes paid to another state

Select the other state

Enter the amount of federal adjusted gross income that was tax by Minnesota and the Other State

Enter the amount of income tax paid to the other state(s). This is generally indicated as "total tax" on the other state return. If income entered above is less than the other state's total income, prorate the tax amount entered. DO NOT enter your other state withholding shown on your W-2 or other reporting form.

Select other state.

Enter AGI that was taxed in both Minnesota and the other state.

Enter income tax paid to the other state.

CREDIT FOR PAST MILITARY SERVICE

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form 1099-R 	<ul style="list-style-type: none"> IRS: Additional Information and Questions Related to the Preparation of Your Return - line 10 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 19 and Sch M1C 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: received honorable discharge and a military pension/retirement pay; served in the military for at least 20 years; or received a service-related disability the the US Department of Veteran's Affairs rated 100% total and permanent.

Minnesota also has a military pension subtraction (see page 154). Taxpayers cannot claim the credit and subtraction, so compare and choose the greater benefit if the taxpayer qualifies for both.



Credit for past military service

State Section » Minnesota Return » Credits » Credit for past military service

If you (and/or your spouse if filing a joint return) are a veteran of the military, including the National Guard and Reserves, you may each qualify for a credit of up to \$750 for past service. You may qualify if you have been separated from service, your federal AGI is less than \$37,500 and:

1) had served in the military for at least 20 years, or 2) have a service-related disability rated by the US Department of Veterans' Affairs as being 100% total and permanent disability.

Are you a veteran of the military including National Guard and reserves and meet the qualifications above?

Taxpayer

No

Spouse

Yes

If taxpayer/spouse meets the qualifications listed, select "Yes".

EDUCATION SAVINGS ACCOUNT CONTRIBUTION CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: N/A P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 19, Sch M1C, and 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 155) 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
<ul style="list-style-type: none"> • Taxpayer records 	<ul style="list-style-type: none"> • IRS: N/A • P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 19 and Sch M1C line 5 • M1PR: N/A 	Basic

Overview: It's unlikely to see this credit claimed 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 tax year. However, expenses are included for all years of study. See the instructions for Schedule M1CMD for a list qualifying programs.

STUDENT LOAN CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Form 1098-E • Taxpayer records (account statement) 	<ul style="list-style-type: none"> • IRS: Expenses - line 8 • P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 19, Sch M1C line 6, and Sch M1SLC • M1PR: N/A 	Basic

Overview: Taxpayers may qualify for a nonrefundable credit for making payments toward 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 tax calculated on the Minnesota return after other credits are applied? (See Form M1, line 21.)
- Did the taxpayer pay more than this threshold?

$$(\text{AGI} - \$10,000) \times 10\%$$

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.



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.

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: $(\$34,100 - \$10,000) \times 10\% = \$2,410$. She does not qualify and does not need to look up additional information.



Student Loan Credit

State Section » Minnesota Return » Credits » Student Loan Credit

Student Loan Credit (Schedule M1SLC)	
Total amount paid toward qualified student loans	
Taxpayer: \$	← Enter the total amount paid including interest.
Spouse: \$ 4200	
Total amount of qualified student loans taken out	
Taxpayer: \$	← Enter the amount taken out or \$5,000, whichever is lesser.
Spouse: \$ 50000	
Interest portion of eligible loan payments	
Taxpayer: \$	← Enter interest from Form 1098-E.
Spouse: \$ 3100	

MINNESOTA REFUNDABLE CREDITS

CHILD AND DEPENDENT CARE CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Form W-2 box 10 Taxpayer Records (e.g. daycare invoice, babysitter receipts) 	<ul style="list-style-type: none"> IRS: Expenses - line 5 P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: line 13b, Sch 3 line 2, and Form 2441 M1: line 26, Form M1REF line 1, and Form M1CD M1PR: N/A 	Basic

Overview: This credit is a refundable 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 TS to transfer to the Minnesota return (see page 111).

Taxpayers who file MFJ and had a child born during the year may 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 111). 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 the taxpayer and spouse had or adopted a baby born in 2019 and file MFJ, they may be 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 daycare and cares for a child of their own under age 6, they may be eligible to 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 TS if the taxpayer is:

- Filing MFJ and had a child born in the year
- A licensed daycare provider claiming the credit for their own child
- An American Indian with earned income that is taxable in Minnesota



If a taxpayer operates a daycare in the taxpayer's home, refer to 651-262-2169 to make an appointment at 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.

Total Welfare Received Including MFIP, MSA, SSI

\$

Do you have any children that were born in 2017 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 2017; • 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 Min

\$

Worksheet for Child Born in 2017 and you were not required to file a Federal 2441 OR you did not have actual expenses for child born in 2017.

BEGIN

Do not enter information. This credit is no longer based on household income.

Select "Yes" if applicable. Option will display if a dependent entry shows a birthday in the tax year.

Enter information if taxpayer lived and worked on reservation.

Click "BEGIN" to enter information for a child born in the tax year.

WORKING FAMILY CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Intake sheet 	<ul style="list-style-type: none"> IRS: Life Events - line 4 P+P: N/A 	<ul style="list-style-type: none"> 1040: N/A M1: line 26, Sch M1REF line 2, and Sch M1WFC M1PR: N/A 	Basic

Overview: This credit is Minnesota's version of the EIC. TS automatically calculates the WFC. The eligibility requirements are the same as for the federal EIC (see page 122), with one exception. Taxpayers age 21-24 with no qualifying children may be eligible for the WFC (effective tax year 2019).

Part-year residents may be eligible for this credit based on their income taxable in Minnesota. Nonresidents of Minnesota do not qualify.

American Indians living on a reservation do not need to apportion income taxable to Minnesota when figuring the WFC (effective tax year 2017).

Qualifying children	Single/HH, income less than:	MFJ, income less than:	Maximum credit:
0	\$22,700	\$ 28,600	\$279
1	\$41,500	\$ 47,300	\$1,117
2	\$47,600	\$ 53,500	\$2,156
3 or more	\$51,200	\$57,000	\$2,500

MINNESOTA K-12 EDUCATION CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Taxpayer records (receipts) 	<ul style="list-style-type: none"> • IRS: Marital Status and Household Information - line 2 • P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> • 1040: N/A • M1: line 26, Sch M1REF line 3, Sch M1ED • M1PR: N/A 	Basic

Overview: This credit allows taxpayers to receive a refundable credit of up to \$1,000 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 receipts with them to claim the credit. However, the credit is highly audited and taxpayers need to be able to access records or receipts at home.

Taxpayers may claim the K-12 Education Subtraction (see page 149), however the credit is more beneficial for taxpayers who qualify.

Qualifying expenses used for the K-12 education credit cannot be used to claim both the credit and the subtraction. However, a taxpayer may claim both tax benefits with different expenses. For example, a taxpayer with one qualifying child and \$1,500 of qualifying expenses may claim the full credit based on \$1,333 of expenses and use the remaining \$167 to claim the subtraction.

Taxpayers can qualify for this credit even if they are not required to file a federal or state return. Additionally, American Indian taxpayers whose income is entirely exempt from Minnesota taxes can qualify.

Eligibility test for the K-12 Education Credit

All of the following requirements must be met:

- 1. Income limit:** Household income (see page 168) must be below \$37,500 with one or two Qualifying Children. The income limit increases by \$2,000 for each additional Qualifying Child.
- 2. Filing status:** Filing status cannot be MFS.
- 3. Qualifying child:** The child must be a Qualifying Child using the federal EIC definition (see page 123).
- 4. Qualifying expenses:** Expenses must be paid for helping a child improve or expand their knowledge and skills in the core subjects taught in public schools (see page 164).



The K-12 Education Subtraction and Credit are highly audited. If audited, the taxpayer must provide receipts, such as itemized cash register receipts, invoices, or canceled checks. If a taxpayer files a return that fraudulently claims a credit, the taxpayer will be assessed a penalty equal to 50% of the fraudulently-claimed credit.

Qualifying expenses for the K-12 Education Credit and Subtraction

<p>Enrichment or academic classes taken outside the regular school day or school year</p>	<ul style="list-style-type: none"> • 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 camps. 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 (<u>unless</u> used for the Child and Dependent Care Credit). • Taxpayers <u>cannot</u> deduct fees paid for sport camps/lessons.
<p>Individual instruction</p>	<ul style="list-style-type: none"> • Tutoring* • Music and dance lessons*- do not include expenses paid for costumes, shoes, props, or travel.
<p>Required school materials</p>	<ul style="list-style-type: none"> • 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 <u>exclusively</u> for physical education class are deductible. • Taxpayers <u>cannot</u> deduct fees paid for materials and textbooks purchased for use in a program that teaches religious beliefs. • Taxpayers <u>cannot</u> deduct books and materials used for tutoring, enrichment programs, academic camps or after-school activities. • Taxpayers <u>cannot</u> deduct the cost of school lunches, backpacks, or uniforms for school, band, or sports.
<p>Musical instruments</p>	<ul style="list-style-type: none"> • Purchase or rental of musical instruments used during the regular school day. • Purchase of reeds required for the musical instruments.
<p>Transport costs paid to others</p>	<ul style="list-style-type: none"> • Fees paid to others for transportation to/from school or for field trips during the normal school day, if the school is located in Minnesota, Iowa, North Dakota, South Dakota or Wisconsin. • Taxpayers <u>cannot</u> 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 <u>cannot</u> deduct travel expenses, lodging and meals for overnight class trips.
<p>Computer hardware or educational software</p>	<ul style="list-style-type: none"> • 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 149). The remaining \$150 computer expense is not allowed for the credit or the subtraction. • Taxpayers <u>cannot</u> 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*
- *Passed a teacher competency test*
- *Teaches in an accredited private school*
- *Has a baccalaureate degree*
- *Is a member of the MN Music Teachers Association*



K-12 Education Credit for Schedule M1ED

State Section » Minnesota Return » Credits » K-12 Education Credit

K-12 Education Credit (Schedule M1ED)

You may qualify to receive a credit if you paid qualifying education-related expenses in 2016 for your qualifying children in grades K-12.

Are you eligible for the K-12 Education Credit? Yes ▾

Enter the total welfare received (including benefits from MFIP and MSA) \$ Enter total public benefits. See page 168.

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 Enter up to \$200 for computer expenses. If computer expenses are over \$200, enter remaining amount (up to \$200) for education subtraction on Schedule M1M.

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

1) Student Information BEGIN Click here to add each individual student & their expenses.

2) Student Information BEGIN



Nontaxable income for Form M1PR and Schedule M1ED

State Section » Pencil » Additional Nontaxable Income

Minnesota State Return

Additional Nontaxable Income (Forms M1CD, M1ED, M1PR)

Enter any "Other Nontaxable Income" not included on Federal return \$4225 Enter other nontaxable income (see page 168). Do not include public benefits.

Enter the description of "Other Nontaxable Income" above SCHOLARSHIPS Enter description of other nontaxable income.



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. Refer any taxpayer with a dependent to a financial advocate to learn more.



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 \$1,000 (based on 75% of expenses). Excess expenses not used for the credit can be entered in the K-12 Education Subtraction (see page 149).

PARENTS OF STILLBORN CHILDREN CREDIT

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> Taxpayer records 	<ul style="list-style-type: none"> IRS: N/A P+P: Minnesota Tax Information 	<ul style="list-style-type: none"> 1040: N/A M1: line 26, Sch M1REF line 4, Sch M1PSC M1PR: N/A 	Basic

Overview: Parents who experienced a stillbirth 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, obtained a Certificate of Birth Resulting in Stillbirth, and could have claimed the child as a dependent if the child had been born alive.



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 TS stating, "More info needed to complete M1PSC." The taxpayer should call 651-262-2167 with the certificate information to complete their return.

To claim the credit, the parent(s) must have:

- Experienced a stillbirth in 2019 in Minnesota,
- 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.



Parents of Stillborn Children Credit for Schedule M1PSC

State Section » Minnesota Return » Credits » Credit for Parents of Stillborn Children » Stillborn Child Information

Stillborn Child Information (1)

Did you Experience the birth of stillborn child in current year? Yes ▼

Did you receive a Certificate of Birth Resulting in 2016 Stillbirth from the Minnesota Department of Health? Yes ▼

Would you have claimed the child as your Dependent in 2016 had the child been born alive? Yes ▼

Name of Parent 1 on Certificate of Birth JACK TAXPAYER

Name of Parent 2 on Certificate of Birth JILL TAXPAYER

Date of Delivery on the Certificate of Birth of Stillborn child (Enter as follows: MMddyyyy) 12182016

State File Number on the Certificate of Birth S-XXXXXXXX

Document Control Number on the Certificate of Birth 2017XXXXXX

Select "Yes" if the taxpayer qualifies for the credit and has the required certificate.

Enter the information from the Certificate of Birth Resulting in Stillbirth.

MINNESOTA HOUSEHOLD INCOME

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Statements showing nontaxable income • Taxpayer records (e.g. county statements, bank statement, or verbal confirmation from the taxpayer) 	<ul style="list-style-type: none"> • IRS: N/A • P+P: Renters/ Homeowners + K-12 Education Credit Only 	<ul style="list-style-type: none"> • 1040: N/A • M1: M1ED lines 4 and 5 • M1PR: line 4 and 5 	Basic

Overview: 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. This income often needs to be entered into TS on Schedule M1ED (see page 165) and Form M1PR (see page 173).

Minnesota household income is the federal adjusted gross income plus certain nontaxable income and government benefits. Failure to include nontaxable income when calculating Minnesota refundable credits and the property tax refund has caused Minnesota Revenue to audit returns, resulting in additional taxes and interest owed by some taxpayers.

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
- Gifts or inheritances
- Dependent's income, including Social Security
- Nontaxable Holocaust settlement payments
- State income tax refunds not included in federal taxable income

Nontaxable Household Income from public benefits

Diversionsary 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-funded program that pays for room and board costs for low-income adults. Generally, recipients are elderly or persons with disabilities, and the goal is to reduce homelessness and institutional living.

Minnesota Family Investment Program (MFIP) is Minnesota's welfare reform program for low-income families with children. MFIP helps families move to work and has a 5-year lifetime limit on benefits. Most families will also participate in the Diversionsary Work Program (see above).

Minnesota Supplemental Aid (MSA) is a program that provides a monthly cash benefit to people who are aged, blind or disabled, and who get SSI.

Pay-for-Performance Success Payments (HAMP) are payments from HUD to prevent certain homeowners from defaulting on their mortgage payments.

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.

Supplemental Security Income (SSI) is a federal supplemental income 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. See page 74 for information about RSDI Social Security benefits.



Repayment of program benefits: If program benefits were repaid during the year, subtract the amount of those repayments from the amount reported.

Other nontaxable household income

Automatically transfers in TaxSlayer

Nontaxable income:

Tax-deferred retirement accounts
 Contributions to a dependent care and/or medical expense account
 Health Savings Account deductions
 Educator expenses
 Distributions from a Roth IRA or other nontaxable retirement distributions

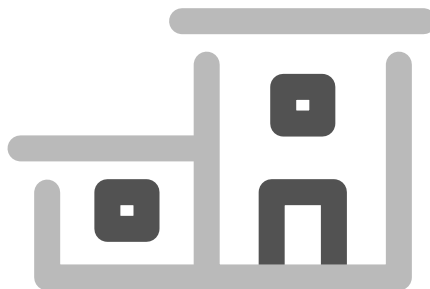
Amounts transfer from:

W-2 Wage Statement, box 12
W-2 Wage Statement, boxes 10 + 12
 Form 1040, Schedule 1
 Form 1040, Schedule 1
 Form 1040, line 4a

The amounts listed below must be entered into TS on Schedule M1ED (see page 165) and Form M1PR (see page 173).

- Veterans' benefits
- 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 79)
- Debt forgiveness not included in federal adjusted gross income (Form 1099-C)
- Qualified Medicaid Waiver payments (see page 62)
- Homeowners filing an M1PR: Income of another adult living in the home (see page 179)
- Married taxpayers filing separate M1PRs: Spouse income for the period of time they lived together (see page 172)

**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 2019 must be claimed before August 15, 2021.

This section provides an overview of Form M1PR rules. Tax preparers are encouraged to use the Form M1PR Instruction Booklet (available online and onsite) as an additional resource.

NEW THIS YEAR

Form M1PR changes: The form has been reorganized and the refund amounts have been moved to page 2. **New!** Schedule M1PR-AI assists in the totaling of household income.

Certificate of Rent Paid (CRP) changes: The 2019 form has been redesigned. CRPs will now show only the total rent paid and not the 17% stated to be counted as property tax paid (TS will still calculate this amount). The form will now indicate whether rent was paid for a mobile home lot or the mobile home itself. Landlords will now divide rent evenly regardless of renters' marital status (married filers previously counted as one renter). Landlords can electronically generate CRPs through Minnesota Revenue and forms may have an Electronic Certificate Number (number does not need to be entered in TS).

HOUSING STATUS AND SOURCE DOCUMENTS

- 1. Renter:** Taxpayer lived in a rental unit for any part of the year. Taxpayer needs a Certificate of Rent Paid (CRP) for each rental unit (see page 175).
- 2. Homeowner:** Taxpayer owned and lived in taxpayer's home on January 2, 2020. Taxpayer needs Property Tax Statement Payable in 2020 (see page 179).
- 3. Nursing home or adult foster care resident:** Taxpayer lived in a group home, nursing home, adult foster care, intermediate care, or assisted living center for any part of the year. Taxpayer needs a CRP for each rental unit.
If taxpayer received benefits from Medical Assistance housing assistance, Supplemental Security Income (SSI), Minnesota Supplemental Aid (MSA), or Housing Support (formerly GRH), a special calculation is required. Refunds are apportioned based on the taxpayer's income that is not from public benefits (see TS notes on pages 174 and 178).
- 4. Mobile home owner:** Taxpayer owned and lived in the mobile home on January 2, 2020, and rented the property on which it was located. Taxpayer needs CRP and Property Tax Statement Payable in 2020 (see pages 179 and 182).
- 5. Renter and homeowner:** If a taxpayer owned and rented in 2019, the order in which they owned and rented impacts whether they qualify as renter and/or homeowner, and source documents used to claim a refund.
 - a. Taxpayer rented during 2019, and then owned and lived in their home on January 2, 2020. Follow steps for both homeowner and renter. Needs CRP and Property Tax Statement Payable in 2020. Choose both statuses in TS.
 - b. Taxpayer owned and then rented. Follow steps for renter only. The taxpayer does not qualify as a homeowner (did not own and live in the home on January 2, 2020).



When choosing the status for nursing home resident, adult foster care resident, or mobile home owner, also select a corresponding housing type on the CRP to correctly calculate the taxpayer's refund.

MARRIED TAXPAYERS AND FORM M1PR

If taxpayer was **married for the entire year and** –

- 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 2019. Enclose an explanation and paper-file.
- One spouse lived in a nursing home and the other spouse lived elsewhere, file separate returns.

If taxpayer **got married during 2019**, 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.

ADDITIONS AND SUBTRACTIONS TO INCOME

Credits for homeowners and renters are based on household income, which requires adding most nontaxable income to federal AGI and allows some subtractions. Additions to income are reported on Schedule M1PR-AI and are covered on page 168. Taxpayers may claim subtractions for:

Age 65 or older: \$4,250 subtraction for taxpayer or spouse. TS calculates automatically. Taxpayers may take a subtraction for age or disability status, but not both.

A person with a disability: \$4,250 subtraction for taxpayer or spouse. Select this option in the M1PR section of TS (see page 174 for disability definition). Taxpayers may not take both this subtraction and the one for over age 65.

Claiming dependents: Subtraction amount determined by number of dependents. TS calculates this automatically.

Retirement Account Contributions: Up to \$6,000 per taxpayer. Subtraction is equal to the actual contributions up to the max. TS will transfer amounts entered in the federal section.



Starting Form M1PR

State Section » Property Tax Refund » Begin/Edit » Pencil

Minnesota M1PR Return	
Complete your Minnesota Property Tax Rebate (Form M1PR)	BEGIN
Enter your total Household Income for Forms M1PR and M1H	BEGIN
Enter a Miscellaneous Electronic Statement, if required	BEGIN
Amended Property Tax Refund (M1PRX)	EDIT

Select to start/edit Form M1PR.

Select to enter total public benefits for Forms M1PR. See page 173 for other household income.

Use statement if total income is less than amount of rent paid or property tax.



If the rent or property taxes paid is greater than the taxpayer's household income, ask what funds they used to pay. 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.



Entering household income and retirement account subtractions on Form M1PR

State Section » Property Tax Refund » Edit » Pencil » Enter your total Household Income

Enter any MFIP, GA, and other public benefits not included on the line below.

Enter any MSA and SSI. Housing Support entered on the CRP will transfer automatically.

Enter retirement account contributions, including contributions to a Roth IRA. Do not enter amounts on Form W-2 or contributions used for the IRA deduction. Those transfer automatically.

Enter Social Security benefits received by part-year residents while living in another state.

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 Group Residential Housing (GRH) assistance

Homeowners - Income of Persons other than spouse or renter

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)



Contributions to a retirement account are subtracted from household income on Form M1PR. If taxpayer contributed to a Roth IRA, include the amount here. Most other retirement contributions will transfer from entries on the federal return.



Nontaxable income for Form M1PR and Schedule M1ED

State Section » Pencil » Additional Nontaxable Income

Minnesota State Return

Additional Nontaxable Income (Forms M1CD, M1ED, M1PR)

Enter any "Other Nontaxable Income" not included on Federal return

Enter the description of "Other Nontaxable Income" above

\$4225

SCHOLARSHIPS

Enter other nontaxable income (see page 168).

Enter description of other nontaxable income. Do not include public benefits.



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.

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?

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 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 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 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

For Renters, Mobile Home Owners who rent their land, and residents of Nursing Homes and Assisted Living

Enter Form MN-CRP received

BEGIN

For Homeowners or Mobile Homeowners

Enter Form PROPST received

BEGIN

To see the M1PR refund, you must create a PDF.

Indicate whether the taxpayer or spouse was disabled¹. See IRS Intake Sheet.

Select the correct housing type. Select only one unless taxpayer rented, then owned (see page 171).

Select "Yes" if the taxpayer lived in any type of assisted living situation.

Click to add CRP.

Click to add Property Tax Statement.

¹ **Disabled:** On or before December 31, 2019, taxpayer was: Certified as disabled by the Social Security Administration, unable to work for at least 12 consecutive months because of a disability, or legally blind.



Select "Yes" for taxpayers with disabilities. A disability qualifies the taxpayer for a subtraction from household income which often increases refunds.

RENTER'S PROPERTY TAX REFUND

Source Documents	On Intake Sheets	On Tax Returns	VITA Certification
<ul style="list-style-type: none"> • Certificate of Rent Paid (CRP) • Rent Paid Affidavit (RPA) 	<ul style="list-style-type: none"> • IRS: N/A • P+P: Renters/ Homeowners + K-12 Education Credit Only 	<ul style="list-style-type: none"> • 1040: N/A • M1: N/A • M1PR: line 18 	Basic
<p>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 \$2,190. Taxpayers must have a Certificate of Rent Paid (CRP). If a taxpayer did not receive a CRP, they can apply for a Rent Paid Affidavit (RPA) from Minnesota Revenue. Taxpayers who complete an income tax return and do not have their CRP or RPA with them may fill out the <i>Homeowner + Renter Info handout</i> to submit to P+P later.</p>			

To qualify for the Renter's Property Tax Refund, a taxpayer must:

1. Have a household income of less than \$62,340 for 2019;
2. Not qualify to be someone else's dependent*;
3. Resided in a rental unit(s) that was subject to property taxes; **and**
4. Paid all or part of the rent from taxpayer's own funds.

**Dependents do not qualify even if the person entitled to claim the dependent chooses not to do so. See page 55 for Qualifying Child definition and page 58 for Qualifying Relative definition.*

CERTIFICATE OF RENT PAID (CRP)

Renters file using a CRP issued by the landlord, which should be provided by January 31. Taxpayers who do not receive a CRP should contact the landlord to request a copy.

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.

If a taxpayer lived in more than one rental unit during the year, do not prepare a return 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*.

Missing CRP

Owners of buildings that are exempt from property tax (e.g., college dormitories and nonprofit nursing homes) do not issue CRPs.

If the landlord refuses to issue a CRP, the taxpayer can request a Rent Paid Affidavit (RPA) from Minnesota Revenue after March 1. Taxpayers using an RPA must paper-file their M1PR. Provide the *Homeowner + Renter handout* available at the site (also on page 186) for information on requesting a RPA.

RENTER SITUATIONS

Taxpayer lives with an adult dependent, and the taxpayer pays all of the rent. The landlord may issue one CRP to the parent and one to the dependent. The taxpayer can claim the amounts from both CRPs. Add together the rent from both CRPs and enter as one CRP in TS.

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 lived in the units.

Entering CRPs with overlapping dates in TS:

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 2 CRPs that overlap by 5 days in April. They started paying rent for their new unit while still living at their old unit. The CRP shows they paid \$600/month at each place. Divide the rent by the number of days in the month ($\$600/30 \text{ days} = \20 per day) and calculate the amount of rent at the new unit that should not be claimed ($5 \text{ days} \times \$20 \text{ per day} = \100). Reduce the amount of rent paid on the CRP for the new unit by \$100.

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 pays their child's off-campus rent** to attend school and the child is a dependent on the parents' return, neither the parent nor the child qualifies to claim the property tax refund for the rent paid.

Taxpayer paid rent for a garage or storage unit. The amount is included if the additional spaces are a part of the rental agreement.



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.



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

mn DEPARTMENT OF REVENUE FINAL DRAFT 10/1/19

2019 CRP, Certificate of Rent Paid

Renter/Unit Information

Renter First Name and Initial _____ Renter Last Name _____ Electronic Certificate Number (ECN) _____

Rental Unit Address _____ Unit _____ City _____ State _____ ZIP Code _____ County _____

Rented from (MM/DD/YYYY) to (MM/DD/YYYY) _____ Total Months Rented _____ Number of Adults Living in Unit _____

Property Information

Place an X if the property is:

Adult Foster Care Assisted Living Intermediate Care Facility

Nursing Home Mobile Home Mobile Home Lot

Property ID or Parcel Number _____

Rent Details

A. Was any rent paid by medical assistance (Medicaid)? Yes No

B. Did the renter receive housing support? Yes No

Total Rent

1 Renter's share of rent paid.

2 Caretaker rent reduction

3 Total rent (Add lines 1 and 2)

Property Owner

Property Owner Name _____

Property Owner Address _____ City _____

Sign Here

I declare that this certificate is correct and complete to the best of my knowledge as Owner or Agent Signature _____

Managing Agent Name, if Applicable (please print) _____

Renter Instructions

Use this certificate to complete Form M1PR, Homestead Credit Refund (HCR) Form. It must attach all CRPs used to determine your refund. Keep copies of Form M1PR and CRPs.

Note: The property owner or managing agent is required to give each renter a copy of this certificate, regardless of the portion actually paid.

For forms and tax-related information, go to our website at www.revenue.state.mn.us

Minnesota M1PR Return Complete The Renters Information

Is this Name and Address on the CRP the same as the Name and Address on the Federal Return? (Note: The Federal Address must be a US Address). If you answer yes, then this information will be completed for you and you do not need to re-enter.

Yes

Choose "Yes" if the CRP address is the same as the taxpayer's current address.

Complete the renters information below

Enter the Renters First Name as shown on your Form CRP

Enter the Renters Middle Initial as shown on your Form CRP

Enter the Renters Last Name as shown on your Form CRP

Enter the Street Address of Rental Property

Enter the City of Rental Property

Do not enter information here if the address is the same and "Yes" is selected above.

Enter the State of Rental Property

--Select--

Enter the ZIP Code of Rental Property

Enter the Beginning Date of Rental

01/01/2017

Enter the Ending Date of Rental

12/31/2017

Enter the Number of Units on this property

1

Is this CRP being filed by a Married Couple?

No

Enter the Number of Adults living in the rental property (Count Married Couple as 1)

1



If the Property Identification (ID) number or landlord's information is missing from the CRP, look it up using the county's property information search. Rent paid cannot be found online. If a landlord's phone number is missing, ask if the taxpayer has it.



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?

If the Owner is a Business, enter the Business Name:

Individual Owner First Name

Individual Owner Middle Initial

Individual Owner Last Name

Enter Owners US Address information below:

Enter the Owners US Street Address

Enter the Owners US City

Enter the Owners US State

Enter the Owners US ZIP Code

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)

Enter the Property ID number

Enter the Property County

Is the Owner a Nursing Home?

Is the Owner a Intermediate Care facility?

Is the Owner an Adult Foster Care facility?

Is the Owner an Assisted Living facility?

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

Did a government housing agency pay you part of the rent?

Was any part of rent paid for a mobile home lot?

Did renter received reduced rent for being caretaker?

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.

Enter information for a business or 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 (CRP line B).

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
<ul style="list-style-type: none"> Property Tax Statement 	<ul style="list-style-type: none"> IRS: N/A P+P: Renters/ Homeowners + K-12 Education Credit Only 	<ul style="list-style-type: none"> 1040: N/A M1: N/A M1PR: line 25 	Basic

Overview: Homeowners may be eligible for a refund of up to \$2,820 based on their household income in the tax year and their property taxes in the following year. This means the 2019 property tax refund is based on the 2020 property tax statement. Counties usually send 2020 statements in mid-March. Taxpayers who complete an income tax return and do not have their property tax statement with them can fill out the *Homeowner/Renter Info* *handout* to submit to P+P later.

To qualify for the Homestead Credit refund, a taxpayer must:

1. Have household income of less than \$115,020 in 2019

2. Not qualify to be a dependent

See page 55 for Qualifying Child definition and page 58 for Qualifying Relative definition.

3. Own and occupy a home on January 2, 2020

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 2020

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 15, 2020 may still qualify. At least one of the owners must have a valid SSN to qualify for residential homestead status. 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 2019. 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 2019. (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 2019. In TS, use the co-occupant worksheet (see page 180).

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. Include a parent’s income if the parent lives with the taxpayer and is a co-owner (see page 180).

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	<input type="text"/>
Co-Occupant Income	
Federal AGI	<input type="text" value="\$"/>
Social Security and Railroad Benefits not included in Federal AGI	<input type="text" value="\$"/>
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)	<input type="text" value="\$"/>
Nontaxable IRA Distributions	<input type="text" value="\$"/>
Additional Nontaxable Income	<input type="text" value="\$"/>
Description of Nontaxable Income	<input type="text"/>
Schedule M1NC Adjustments	<input type="text" value="\$"/>
Over 65 or Disabled Subtraction	<input type="text" value="\$"/>
Dependent Subtraction	<input type="text" value="\$"/>
Retirement Account Subtraction	<input type="text" value="\$"/>

Enter number of months that the co-occupant lived with the taxpayer.

Enter income based on the number of months the co-occupant or co-owner lived with the taxpayer.

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, 2019 and January 2, 2020; **and**
2. A net property tax increase of more than 12% from 2019 to 2020; **and**
3. An increase in property tax of \$100 or more.



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	<input type="button" value="BEGIN"/>
2) 2017 Property Tax Statement	<input type="button" value="BEGIN"/>
3) 2017 Property Tax Statement	<input type="button" value="BEGIN"/>
4) 2017 Property Tax Statement	<input type="button" value="BEGIN"/>
5) 2017 Property Tax Statement	<input type="button" value="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?

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 2018 special refund amount 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.

MOBILE HOME OWNERS

Taxpayers generally own a mobile home, but rent the lot on which it is located. Taxpayers need a CRP for the lot rental and a 2020 Property Tax Statement. 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 complete 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 TS. The taxpayer must paper-file with an explanation for the overlapping months.

PROPERTY TAX STATEMENT

Use the 2020 Property Tax Statement to file the 2019 Form M1PR (or the 2019 Property Tax Statement to file the 2018 Form M1PR). Do not use a proposed tax statement. Minnesota Revenue will not accept Form M1PR for a homeowner prior to mid-March, when most counties issue final statements.

RAMSEY COUNTY
Property Records & Revenue
P.O. Box 64097
St. Paul, MN 55164-0097

Shanea Johnson
1166 Raleigh St.
St. Paul, MN 55108

Tax Statement 2015 052823440029

052823440029

2015 Property Tax Statement

2014 Values for Taxable Payable in

Step	2014	2015
1	Estimated Market Value \$	148,500
	Improvements Excluded	
	Homestead Exclusion	23,900
	Taxable Market Value	124,600
	New Improvements/ Expired Exclusions	
Property Classification	Res Hstd	Res Hstd
Value Notice sent March 2014		
2	PROPOSED TAX NOTICE Proposed tax sent in November 2014. \$ 2,094.00 *Note: Did not include special assessments or referenda approved by the voters at the 2014 November election.	
3	PROPERTY TAX STATEMENT First-half taxes due 5/15/2015: 1,076.00 Second-half taxes due 10/15/2015: 1,076.00 Total Taxes Due in 2015: 2,152.00	

\$\$\$ REFUNDS? You may be eligible for one or even two refunds to reduce your property tax. Read the back of the tax stub form to find out how to apply.

Use the 2020 Property Tax Statement to file the 2019 Form M1PR.

This must be residential homestead for taxpayers to qualify for the credit.

If box is checked, taxpayer is delinquent on taxes. Once taxes are paid, taxpayer can paper-file Form M1PR.

PROPERTY IDENTIFICATION NUMBER (P.I.N.) 052823440029

151

TAXES PAYABLE YEAR	2014	2015
	\$ 2,239.74	\$ 2,098.48
Property Tax and Credits		
1. Property taxes before credits	2,239.74	2,098.48
2. Agricultural credits that reduce property taxes	0.00	0.00
3. Property taxes after credits	2,239.74	2,098.48

1. Use this amount on Form M1PR to see if you're eligible for a property tax refund. File by August 15. If box is checked, you owe delinquent taxes and are not eligible.

2. Use these amounts on Form M1PR to see if you are eligible for a special refund.



Homeowner and Property Tax information

State Section » Property Tax Refund » Edit » Pencil » Complete your MN Property Tax Rebate » Enter Form PROPST received » 2019 Property Tax Statement

Minnesota State Return

Taxpayer information

Enter the Taxpayer(s)' First Name: SHANEA

Enter the Taxpayer(s)' Middle Initial: []

Enter the Taxpayer(s)' Last Name: JOHNSON

Enter the Taxpayer(s)' Street Address: 1166 RALEIGH ST

Enter the Taxpayer(s)' City: ST PAUL

Enter the Taxpayer(s)' State: Minnesota

Enter the Taxpayer(s)' Zip Code: 55108

Enter the Property ID or Parcel Number: 052823440029

Enter the County that the property is located: RAMSEY

List owner and address as shown on Property Tax Statement.

A: Enter property ID number.

Enter county where the property is located.

First column information

Enter the 2016 information reported found in "Step 1" (first column)

Enter the 2016 Estimated Market Value: \$ []

Enter the 2016 New Improvements/Expired Exclusions: \$ []

Enter the 2016 Taxable Market Value: \$ []

Enter the 2016 Property Classification: --Select--

Enter the 2016 information found in "Tax Detail for Your Property" (first column)

Enter the 2016 Property Taxes, Line 2: \$ []

Enter the 2016 Property Tax after State-Paid Credits, Line 5: \$ []

Caution: Don't enter the Homestead Exclusion here.

B: Enter 2019 estimated market value.

D: Enter 2019 taxable market value.

Select property class.

G: Enter line 2 from Property Tax Statement.

H: Enter line 5 for 2019 from Property Tax Statement.

Second Column Information

Enter the 2017 information reported found in "Step 1" (second column)

Enter the 2017 Estimated Market Value: \$ []

Enter the 2017 New Improvements/Expired Exclusions: \$ []

Enter the 2017 Taxable Market Value: \$ []

Enter the 2017 Property Classification: --Select--

Enter the 2017 information found in "Tax Detail for Your Property" (second column)

Enter the 2017 Property Taxes, Line 1: \$ []

Enter the 2017 Property taxes after State-Paid Credits, Line 5: \$ []

Enter the percentage NOT used for Business (If 100 Percent used for personal use, then leave blank) (Ex. 50% would be entered as 50000): []

C: Enter 2020 estimated market value.

E: Enter 2020 taxable market value.

Select property class.

F: Enter line 1 from Property Tax Statement.

I: Enter line 5 for 2020 from Property Tax Statement.

See note on page 178. Must be done at P+P self-employment tax clinic.

M1PR ONLY RETURN

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 available at the site (also on page 186). Taxpayers who are unsure if their prior-year returns were completed by P+P may call 651-287-0187 to find out.

FOR TAXPAYERS NOT REQUIRED TO FILE A FEDERAL OR STATE 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 "Send State Only" box in the E-file Section of TS.
2. Select "E-file: Mail Payment" as the federal return type.
3. Select "Paper Return" as the Minnesota M1 return type.
4. Select Minnesota M1PR return type appropriate for the taxpayer's situation.



M1PR Only

E-file Section

Return Type ▾

Your return is now ready to be e-Filed to the IRS.

⚠ Please make sure that all information you enter below is correct.

In order for us to transmit your client's return to the IRS you must complete all Steps in the e-File Process.

CAUTION: Your client's return will not be sent to the IRS unless you complete ALL steps. None of the information is saved until all information is entered and the "Continue" button below is clicked.

To continue the e-File process, please first select a return type and the form will ask for all required information.

Refund summary

Send State Only ← 1

Federal Return Type

E-file: Mail Payment ▾ ← 2

Choose how you would like to file your state returns:

State	Refund/Due
MN	Refund: \$ 0.00
MNM1PR	Refund: \$ 407.00

By using a computer system and software to prepare and transmit this return elec
create this return and to the electronic transmission of this tax return to the Depart

Return Type ▾ ← 3

Paper Return ▾

E-file: Paper Check ← 4

Not Selected

Paper Return

E-file: Paper Check

Paper Return with Direct Deposit

E-file: Direct Deposit

FOR TAXPAYERS WHO FILED FEDERAL AND MINNESOTA TAX RETURNS ELSEWHERE

Many taxpayers have income tax returns prepared elsewhere and need assistance completing only 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 Form M1PR without re-creating the federal return.

Entry in TS:

1. Complete the Basic Information section
2. Enter Social Security benefits in the Federal Section in TS.
3. Enter the federal AGI minus any taxable Social Security benefits (2018 Form 1040, line 5b) from the original return in Other Income labeled “AGI FOR M1PR ONLY”.
4. Verify that the AGI in the refund monitor 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 (see page 168). Because tax forms were not entered, TS cannot automatically transfer amounts it normally would from the entered information (e.g., deferred compensation, HSA contributions, etc). Be careful, conduct a thorough interview, and make notes for reviewers.
6. Complete E-file screen (see page 184).
 - Verify the “Send State Only” box is checked.
 - Select “E-file: Mail Payment” as the Federal Return Type.
 - Select “Paper Return” as Minnesota M1 Return Type.
 - Select Minnesota M1PR return type appropriate for taxpayer.



Entering AGI for M1PR Only

Federal Section » Income » Other Income » Other Income Not Reported Elsewhere

Other Income	
Description of other income	AGI FOR M1PR ONLY
Amount of other income	\$ 25690

Enter description “AGI for M1PR only”.

Enter total AGI from their previously-filed federal return.



Failure to select “Send State Only” will cause an M1PR only return to be rejected. This can delay refunds or prevent the return from being electronically-filed. Federal returns cannot be e-filed with an AGI of \$0.

P+P PROPERTY TAX HANDOUT (FRONT)

PREPARE + PROSPER

651-287-0187
www.prepareandprosper.org



HOMEOWNER + RENTER INFO

If Prepare + Prosper (P+P) filed your federal + state income tax return, but you didn't have your 2019 Certificate of Rent Paid (CRP) or Statement of Property Taxes Payable in 2020, we can still complete and file your Property Tax Refund (also called the Renter's Property Tax Refund, "renter's rebate," or Homestead Credit Refund).

Please do the following:

1. Answer all questions on the reverse side of this handout. We cannot complete the return unless ALL questions are answered.
2. Mail or fax the reverse side of this handout with a copy of your CRP(s) and/or Property Tax Statement.

By mail:

Prepare + Prosper
Attn: tax department
2610 University Ave W, Ste 450
St. Paul, MN 55114

By fax:

Attn: tax department
651-287-0190
Don't forget to include the reverse side!

3. Wait for a copy of your completed forms to arrive by mail. Please note, we will prepare these returns AFTER April 15, 2020. The due date for your 2019 property return is August 15, 2021.

	Renter	Homeowner	Mobile home owner
Required forms	Your landlord is required by law to send you a completed Certificate of Rent Paid (CRP) by January 31. If you do not receive it, contact the landlord to request a copy be mailed to you. If your landlord refuses to give you a CRP, contact Minnesota Revenue after March 1, to request a Rent Paid Affidavit (see below).	The correct form for the 2019 return is the Property Tax Statement Payable in 2020 . The county mails this tax statement in March. A copy of your statement may be available online starting in March at your county website in the property tax section.	If you own your mobile home and rent the land on which it is located, you must have both the Property Tax Statement and a CRP to file . Property tax statements for mobile home owners are generally mailed in June by your county.

Rent Paid Affidavit information	Gather this information before calling Minnesota Revenue to request a Rent Paid Affidavit (RPA) at 651-296-3781 or 1-800-652-9094. A return with an RPA must be paper-filed. (1) Landlord's name, address and phone number (2) Address and county of rental unit (3) Your (spouse) Social Security Number(s) or Individual Taxpayer Identification Number(s) (4) Number of renters in the unit (5) Receipts with dates and amount of rent paid (include these if possible when filing) (6) Amount of rent subsidized (Section 8, HUD, etc.) (7) If the unit was an assisted living facility
--	--

P+P PROPERTY TAX HANDOUT (BACK)

Tax site location: _____ Today's date: _____ Tax Year: _____

Name(s) listed on the return: _____

Last four numbers of Social Security number or ITIN: X X X - X X - _____

Phone: _____

1. How would you like to receive your refund?

Direct deposit to the **same account** listed for my federal or state refunds (circle option)
Savings Checking

Direct deposit to a **different account** (circle option and enter account information)
Savings Checking Routing: _____ Account: _____

Paper check sent to the address listed on my tax return

2. If your address has changed since filing your return, please enter your new address below.

3. Are you or your spouse considered a person with a disability?

Yes No

4. Did you claim a deduction for business use of home?

Yes No Unsure

5. Homeowner or mobile homeowner: Do you have any other person living with you that is not a boarder, renter, parent, or other person not listed on your tax return?

Yes No

6. Did you receive any of the following nontaxable sources of income? Do not include income received by your child or any dependents.

Yes No If yes, please enter the amounts below.

MN Supplement Aid (MSA) \$ _____ enter full amount received in 2019

Supplemental Security Income (SSI) \$ _____ enter full amount received in 2019

MN Family Investment Program (MFIP) \$ _____ enter full amount received in 2019

General Assistance (GA) \$ _____ enter full amount received in 2019

Housing Support (formerly GRH) \$ _____ enter full amount received in 2019

Emergency Assistance (EA) \$ _____ enter full amount received in 2019
Do not include energy assistance.

Workers' compensation \$ _____ enter full amount received in 2019

Veterans' benefits \$ _____ enter full amount received in 2019

Rent reduction for being a caretaker \$ _____ per month for _____ months in 2019

Scholarship, fellowship, grants for college \$ _____ enter amount from Box 5 on Form 1098-T

Other nontaxable income Type: _____

\$ _____ enter amount received in 2019

For staff/volunteer use only.
 Logged Prepared Reviewed \$ _____ Transmitted Letter mailed



PRIOR-YEAR RETURNS



AMENDMENTS

Taxpayers may file an amended return to correct a return that was filed with incorrect or incomplete information. A taxpayer filing to claim an additional refund should wait until the original refund is received before mailing the amendment. If the taxpayer owes additional tax and the filing deadline has not passed, file Form 1040X and pay the tax by the filing deadline for that year to avoid penalties and interest. **At P+P, all amended return requests should be referred to the main office.** Volunteers must be certified to the appropriate level for all tax issues on the return.

Reminders

- Taxpayer must have a copy of the originally-filed return or a transcript.
- Form 13614-C is required to prepare the amended return.
- Amended tax returns cannot be e-filed.
- P+P main office volunteers: Before you start the return, ask for the amendment handout.
- Pub 4012, Tab M offers additional guidance.



If P+P prepared the original return, the taxpayer should call 651-262-2167 for assistance. If another tax service prepared the original return, the taxpayer should call 651-287-0187 to schedule an appointment at the P+P main office in St. Paul.

PRIOR-YEAR RETURNS

Prior-year returns can be prepared at all tax sites for tax years 2016, 2017, and 2018. Volunteers must be certified to the appropriate level for the return. Prior-year versions of TS require additional questions in some sections. See the following summaries which highlight tax law issues that differ from tax year 2019.

Returns for tax years 2015 and prior must be prepared at the P+P main office using TaxWise software and a prior-year P+P Volunteer Tax Manual for TaxWise instructions. Refer taxpayers to 651-287-0187 to schedule an appointment.

Until April 15, 2020, taxpayers can claim income tax refunds back to 2016. Until August 17, 2020, taxpayers can claim their M1PR refunds for 2018. Tax returns for 2017 and 2018 can be e-filed. Returns for 2016 and prior must be paper-filed.

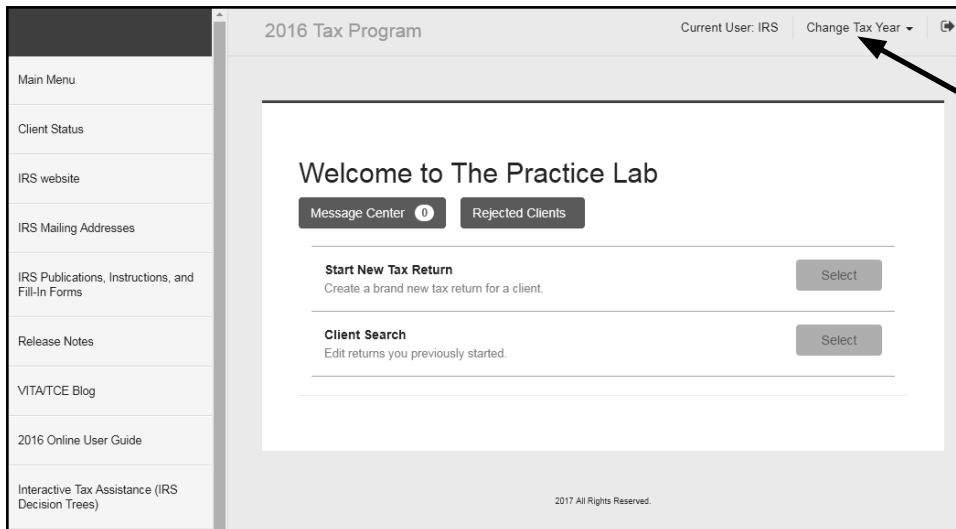


Returns for tax years 2015 and prior must be prepared at the Prepare + Prosper main office. Refer the taxpayer to 651-287-0187 to schedule an appointment.



Preparing prior year returns

Main menu



Select the appropriate tax year to open the main menu for a prior year: 2016, 2017, or 2018.

2018 TAX YEAR

Income tax refunds for tax year 2018 can be claimed until the tax filing deadline in April of 2022. Refunds for Form M1PR expire August 17, 2020.

From tax year 2014 through tax year 2018, the Affordable Care Act (ACA) required every person 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 one of these tax years, seek the P+P volunteer manual and/or Pub 4012 for the appropriate year if anyone on the return did not have coverage to ensure all exemption options are considered. Entry instructions for TS and information on forms and tax law are also available in prior year resources.

Minnesota did not conform to the federal tax law changes before the filing deadline for tax year 2018. However, retroactive conformity legislation was passed in 2019, and it effectively left tax calculations as they were.



2018 Minnesota property tax returns expire on August 17, 2020. M1PR returns for 2017 and prior are expired. Do not prepare M1PR returns for 2017 or any previous year. Refunds will not be issued.

2017 TAX YEAR

Income tax refunds for tax year 2017 can be claimed until the tax filing deadline in April of 2021. Refunds for Form M1PR are expired.

In December of 2017, Congress passed significant federal tax law changes, commonly called the Tax Cuts and Jobs Act (TCJA). This reform made broad changes for tax laws impacting tax years following 2017. Always use resource material specific to the tax year if preparing returns for 2017 or prior. TCJA made dramatic changes to the standard deductions and allowable itemized deductions. 2017 was also the final year to claim the Residential Energy Credit, the Tuition and Fees Deduction, and exclusion for discharge of qualified principal residence indebtedness.

Minnesota introduced several new credits and subtractions.

Minnesota did not conform to the federal tuition and fees deduction, mortgage insurance premiums.

2016 TAX YEAR

Income tax refunds for tax year 2016 can be claimed until the tax filing deadline in April of 2020. Refunds for Form M1PR are expired.

Minnesota Child and Dependent Care change (Schedule M1CD)

Tax year 2016 and all years prior require a household income calculation for taxpayers claiming the Minnesota Child and Dependent Care credit (Schedule M1CD), similar to the K-12 education credit (see page 163). In following tax years, the credit is based on federal AGI.

ACA SUMMARY

From tax year 2014 through tax year 2018, the Affordable Care Act (ACA) required every person 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 one of these tax years, seek the P+P volunteer manual and/or Pub 4012 for the appropriate year if anyone on the return did not have coverage to ensure all exemption options are considered. Entry instructions for TS and information on forms and tax law are also available in prior year resources.

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Filing Status Quiz Answers (page 52)

1. HH
2. Yes; MFS
3. No
4. No
5. No
6. Yes

Dependency Quiz Answers (page 60)

1. No
2. Yes
3. Yes
4. Yes
5. No
6. Hope
7. Mike
8. Yes



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