

## Tax-Aide Notes for Tax Year 2021

Completing the Tax Return .....	5
Standard Deduction .....	5
Who Must File? .....	5
Who Should File? .....	6
Taxpayer Point of View.....	6
Counselor Point of View .....	6
Intake Interview .....	6
What the Taxpayer Should Bring .....	6
Things to Check For .....	6
Basic Information .....	7
Deceased Taxpayer .....	7
Filing Status .....	7
Dependents .....	8
Income Section .....	8
W-2 – Wages.....	8
1099-B – Brokerage Statement, Capital Gains .....	8
1099-G – CA Income Tax Refund .....	9
1099-DIV – Dividends.....	9
1099-INT – Interest.....	9
1099-R – Retirement or Pension Distribution.....	9
1099-NEC and 1099-MISC – Non-employee Compensation.....	10
1099-S – Sale of Home .....	10
Schedule C .....	10
Schedule K-1 (Forms 1065, 1120S, and 1041).....	12
Adjustments Section .....	12
Educator Expenses .....	12
IRA Deduction.....	12
Student Loan Interest .....	12
Deductions Section .....	13
Miscellaneous Expenses .....	13
Medical Deductions .....	13
Taxes You Paid .....	13
Education.....	13
California Section .....	14
Alimony.....	14
California Lottery Winnings.....	14
Deceased Taxpayer or Spouse.....	14
Estimated Tax Vouchers .....	14
Head of Household.....	14
Healthcare Coverage.....	14
Last Name Changed.....	14
E-Filing Section .....	14
Printing.....	14
Signature .....	15
Paper Filing.....	15
Dependents .....	16
Child and Dependent Care Credit.....	16

Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents .....	16
Child Tax Credit .....	17
Additional Child Tax Credit .....	17
Credit for Other Dependents .....	17
Earned Income Tax Credit .....	17
Exemption for Dependent .....	18
Head of Household Filing Status .....	18
Qualifying Widow(er) Filing Status .....	18
Qualifying Child .....	19
Qualifying Child of More than One Person .....	19
Qualifying Relative .....	19
California Information .....	21
Standard Deduction .....	21
Personal Exemption .....	21
Who Must File a State Return? .....	21
Single or Head of Household .....	21
Married Filing Jointly .....	21
Qualifying Widow(er) .....	21
Deductions Allowed .....	22
Deductions Not Allowed .....	22
Healthcare .....	22
California Earned Income Tax Credit (CalEITC) .....	22
CA Renter's Credit .....	22
Estimated Payments .....	22
General Information .....	24
Age Requirements .....	24
Affordable Care Act (ACA) .....	24
Premium Tax Credit (PTC) .....	24
Federal Poverty Level .....	24
Alimony .....	25
Divorce Before 2019 .....	25
Divorce in 2019 or After .....	25
California .....	25
Credits .....	25
Non-Refundable .....	25
Refundable .....	25
Credits for Sick Leave and Family Leave for Self-Employed Individuals .....	25
Recovery Rebate Credit .....	26
Health Savings Account (HSA) .....	26
HSA Owner Qualifications .....	26
Contribution Limit .....	26
Qualified Expenses .....	26
IRAs .....	26
Contributions .....	26
Required Minimum Distribution (RMD) .....	27
Withdrawals from Traditional IRA .....	27
Withdrawals from Roth IRA .....	27
Qualified Charitable Distributions (QCD) .....	27
Retirement Savings Contribution Credit .....	27
Number Formats .....	27
Routing Numbers .....	28
Non-Citizen Taxpayers .....	28
Scope .....	28
Social Security .....	28
Taxation .....	28

FICA Tax.....	28
Standard Mileage Rates.....	29
Tax Form Codes .....	29
W-2 Codes, Box 12 .....	29
1099-R, Box 7.....	29
Tax Formula .....	30
Tax Rates.....	30
Capital Gains .....	30
Income.....	30
What's Deductible? .....	31
Deductions Allowed - Federal.....	31
Deductions Not Allowed - Federal.....	31
Deductions Allowed - California.....	31
What Is Taxable? .....	31
Income Taxed - Federal .....	31
Income Not Taxed - Federal.....	31
Income Taxed in California.....	32
Income Not Taxed in California .....	32
Scope Summary.....	33
In Scope .....	33
Out of Scope .....	33
Taxpayer.....	33
Credits .....	33
State Return.....	33
Income .....	33
Self Employment .....	33
Capital Gains .....	34
Deductions.....	34
Health Savings Accounts (HSAs) .....	34
Specific Entries on Forms.....	34
Bookmarks .....	36
Information for Taxpayer .....	36
References.....	36
California.....	36
Training.....	36
Tax Forms .....	37
Federal.....	37
California.....	38
TaxSlayer .....	38
Tax-Aide Sites.....	39
The Villages .....	39
Volunteers.....	39
Tax-Aide Sites.....	39
CA-3, District 9, San Jose .....	39
Terminology .....	43
Acronyms .....	43
Tax-Aide .....	44
Definitions .....	44



# Completing the Tax Return

Due date	Monday, April 18, 2022
How long for direct deposit refund	3 weeks
How long for paper check refund	6-8 weeks
How long for amended return	8-16 weeks
How long to save documents	3 years – This is the period of time in which you can amend your return to claim a credit or refund or the IRS can assess additional tax.

## Standard Deduction

Filing Status	65 or Blind	Federal	CA
Married Filing Jointly	Under 65	\$25,100	\$9,606
Married Filing Jointly	One 65 or over	\$26,450	\$9,606
Married Filing Jointly	Both 65 or over	\$27,800	\$9,606
Qualifying Widow(er) with Child	Under 65	\$25,100	\$9,606
Qualifying Widow(er) with Child	65 or over	\$26,450	\$9,606
Head of Household	Under 65	\$18,800	\$9,606
Head of Household	65 or over	\$20,500	\$9,606
Single	Under 65	\$12,550	\$4,803
Single	65 or over	\$14,250	\$4,803
Married Filing Separately	Any age	\$12,550	\$4,803
Married Filing Separately	65 or over	\$14,250	\$4,803

## Who Must File?

- If taxable income is greater than your standard deduction, or
- If taxable income + ½ of Social Security > \$32,000 for MFJ, \$25,000 otherwise, or
- If there is more than \$400 of self-employment income, or
- If you received a Premium Tax Credit when buying healthcare from the Marketplace, or
- If you received advance payments of the Child Tax Credit, or
- If MFS and taxable income is > \$5.

A dependent must file if:

Single with taxable income (under 65) .....	\$12,550
Single with taxable income (65 and over) .....	\$14,250
Single with unearned income (under 65).....	\$1,100
Single with unearned income (65 and over).....	\$2,800

Married with taxable income (under 65) .....	\$12,550
Married with taxable income (65 and over) .....	\$13,900
Married with unearned income (under 65) .....	\$1,100
Married with unearned income (65 and over).....	\$2,450

Kiddie tax applies if:

Is the taxpayer's dependent, and	
Is under 18 or full time student and under 24, and	
Has unearned income of .....	\$2,200

## Who Should File?

### Taxpayer Point of View

- Federal or state taxes were withheld.
- Taxpayer had earned income.
- Taxpayer made estimated tax payments.
- Taxpayer has a qualifying child.
- Taxpayer paid higher education expenses.
- Taxpayer purchased health coverage through the marketplace.
- Taxpayer paid child or dependent care expenses.
- Taxpayer is self-employed and lost workdays due to COVID.

### Counselor Point of View

- If you had taxes withheld
- If you paid estimated taxes
- If you are eligible for a refundable tax credit
  - American Opportunity Credit
  - Child and Dependent Care Credit
  - Child Tax Credit or Additional Child Tax Credit
  - Earned Income Tax Credit
  - Premium Tax Credit
  - Recovery Rebate Credit
  - Sick leave or family leave credit for self-employed taxpayers
- If you want to claim your SSN to prevent identity theft
- If you file a state return

## Intake Interview

- Tax-Aide sites only require one spouse to be present; VITA sites require both spouses to be present.
- It is OK to ask the taxpayer to summarize receipts for donations, itemized deductions, and Schedule C expenses when there is an excessive number of papers.
- The information in the TaxSlayer forms should match what is on the paper forms. Change auto-filled answers to match paper forms.
- Identify as possible dependent anyone who lived with the taxpayer and anyone who the taxpayer supported.
- IRS Letter 6475 is sent to individuals who received a third Economic Impact Payment.
- IRS Letter 6419 is sent to taxpayers who received an Advance Child Tax Credit Payment.

### What the Taxpayer Should Bring

- Intake/Interview form.
- Last year's tax return.
- Void check for direct deposit/debit of refund/balance due.
- Amount of Economic Impact Payment.

### Things to Check For

- Check for a capital loss carry over from last year.
  - Form 1040, line 7, capital gain, will be -3000.
- Check if taxpayer used last year's refund to pay this year's taxes.
  - Form 1040, line 36, amount applied to next year's estimated tax, will not be blank or zero.
- Check if taxpayer used an identity theft pin last year.
  - It will be entered to the right if the taxpayer's signature on form 1040.

- Check if taxpayer owed money on their California income tax last year.
  - Form CA 540, line 111, amount you owe, will not be blank or zero.
  - Enter in this year's Taxes You Paid section.
- Check if taxpayer made any large purchases last year (large amount of sales tax)?
- If taxpayer is 72, make sure they withdrew RMD.
- If taxpayer is 65 and no SSA-1099, ask about Medicare payments.
- Check if 2019 earned income was greater than 2021.
- Check if taxpayer received Advanced Premium Tax Credit.
- Check if taxpayer received Advanced Child Tax Credit.
- Check if taxpayer received Economic Impact Payment.

## Basic Information

### Deceased Taxpayer

- If one spouse is deceased, the surviving spouse should be listed as the primary taxpayer (p4012, B-15).
- When someone other than the surviving spouse is filing the tax return, complete form 1310 Statement of Person Claiming Refund Due a Deceased Taxpayer.

### Filing Status

- If married, you may be able to file MFJ, MFS, or HoH.
- If single, you may be able to file Single, HoH, or Qualifying Widow(er).
- If a spouse dies and the surviving spouse remarries, the deceased spouse must file as MFS.

### Marriage

- If there is no court ordered separation, the taxpayer can file MFJ, MFS or HoH, never single. Abandoned spouse only applies to HoH; it cannot be used to file as single.
- A married person is married even if their spouse lives in another country. If the spouse is a non-resident alien, you must file as MFS, HoH, or elect to treat your spouse as a resident alien, in which case, you can file as MFJ.
- Legally married same sex couples are considered married, but registered domestic partners and civil unions are not.

### MFS Restrictions

- For MFS to be in scope, the following must be true:
  - Must not have lived together during the year,
  - All finances are separate, and
  - No intention of getting back together.
- If one spouse files MFS, then the other spouse must also file MFS.
- If one spouse itemizes deductions, then the other spouse must itemize deductions.
- Cannot claim Earned Income Tax Credit.
- Cannot claim Child and Dependent Care Credit.
- Cannot claim American Opportunities credit or Lifetime Learning Credit.
- Cannot claim student loan interest deduction.
- Each spouse is limited to \$1500 of excess capital loss.
- May be advantageous to file MFS in cases where there is a significant deductible expense that must be greater than a percentage of AGI (e.g. medical expense deduction).
- MFJ cannot be amended to MFS after the due date (April 15), but MFS can be amended to MFJ.
- If a taxpayer is filing MFS and not living with their spouse, the taxpayer is not liable for the spouse's tax obligations. When filing MFJ, both spouses are liable for the taxes due.
- A taxpayer must file a tax return when filing MFS and taxable income is greater than \$5.

## Dependents

- A dependent is a qualifying child or qualifying relative.
- A spouse is never a dependent.
- Add an entry for anyone that is a dependent.
- Add an entry for anyone that would be a qualifying child except they do not meet the support requirement (that is, they provide over half of their own support).
- Check the box that the qualifying child is not your dependent if:
  - The person provides over half of their own support (which means they are not a qualifying child). TaxSlayer uses this to prevent the person from being claimed as a dependent, but allows them to be used for EITC.
  - The person qualifies as your dependent, but is being claimed as a dependent by the noncustodial parent.

## Income Section

### W-2 – Wages

- If CA SDI is entered in box 19 or 20, move it to box 14. This should show up on schedule A, line 5.
- Even if there is no information in the state section of the W-2 form, in box 15, select California and enter the state EIN and enter the state wages in box 16. If you do not do this, these wages will not be applied towards earned income in California and the taxpayer may not get some of the credits they deserve.
- If the Statutory Employee box is checked, TaxSlayer will redirect you to enter or select a Schedule C when the W-2 form is saved.
- If taxpayer has an ITIN and it does not match the SSN on the W-2, use the ITIN for the return and enter the number on the W-2 as shown.

### Medicaid Waiver Payments

- Also called In Home Support Services (IHSS).
- May be excluded from income if the care provider and care receiver reside in the same home.
- May be included in earned income for EITC and ACTC even if excluded from income.
- Employer's name on W-2 is person being cared for.
- Employer's address will be P.O. Box 1717, West Sacramento, CA.
- Employer's EIN will be 94-2629822.
- To exclude the Medicaid Waiver Payment from taxable income:
  - Copy the value from W-2, box 1 to the Medicaid Waiver Payment box under box 13.
  - If care provider did not live with care receiver all year, pro-rate the value based on time together.
  - To include the excluded Medicaid Waiver Payment for EITC and ACTC:
    - Check the box directly above the Medicaid Waiver Payment box.
    - This may give the taxpayer too much income to qualify for the credit, so make sure the amount of the refund increases.

### 1099-B – Brokerage Statement, Capital Gains

- To determine if there is a capital loss to be carried forward, on last year's return:
  - Form 1040, Line 7 (capital gain) will be -3000.
  - Schedule D, line 21 will be -3000 and it will be less than line 16.
  - The amount to be carried forward can be found on the Capital Loss Carryover Worksheet, lines 8 and 13.
- Coalesce entries into the following 4 categories; Make one entry for each:

A	Short term with basis reported to IRS
B	Short term with basis not reported to IRS



- D Long term with basis reported to IRS
- E Long term with basis not reported to IRS
- Do not choose option “M – Reporting Multiple transactions on a single row” (Tax-Aide says we should, but our group decided not to).
- Losses on investment assets are deductible; losses on personal-use assets are not.
- Gains on all assets are taxable.

### Inherited Assets

- Are always treated as a long term gain or loss.
- For date acquired, select Alternate Option -> Inherited - Long Term.
- Basis is the fair market value on the date of death of the owner.

### 1099-G – CA Income Tax Refund

A state income tax refund is only taxable to the extent that the taxpayer benefited from taking the state income tax as a deduction in the tax year that the state income tax was overpaid.

- It is not taxable on the state return.

Not taxable if:

- Did not itemize
- Itemized, but used or should have used sales tax deduction
- SALT tax was reduced by more than the amount of the refund because of the \$10000 limit

Taxable if:

- Last year’s standard deduction + refund < last year’s itemized deduction

Partially taxable if:

- Refund amount not used or partially used because of limit on state and local taxes.
- Refund amount takes you below the standard deduction
- Refund amount takes you below the sale tax
- Refund amount takes taxable income below 0
- If there are unused non-refundable credits

### 1099-DIV – Dividends

- Enter Payer’s name; EIN, and address are not needed.

### 1099-INT – Interest

- Enter Payer’s name; EIN, and address are not needed.
- Box 3, Interest on “U.S. Savings Bonds and Treasury obligations”
  - Not taxable in California.
  - Scroll down to “Amount of interest on U.S. savings bonds you want subtracted from state return”.
  - Copy amount from box 3.
  - Select “California” for the state.
- Box 8, “Tax Exempt Interest”
  - Taxable in California if from out of state bonds.
  - Scroll down to “Taxable State Interest”.
  - Select “Add Interest Item”.
    - Select “California” for the state.
    - Enter amount of interest that should be taxed in California.

### 1099-R – Retirement or Pension Distribution

- If box 2a Taxable Amount is less than box 1 Gross Distribution, make sure taxable amount is carried forward to box 16 State Distribution.
- Annuity: If one spouse dies before starting the annuity, it is not a joint annuity. When one spouse dies after starting the annuity and it started as a joint annuity, it remains a joint annuity for life.

- 1099-R is used for IRA distributions and pension plans. The IRA/SEP/SIMPLE checkbox in box 7 tells you which one it is. If 1099-R, total employee contributions, box 9b is not \$0, then you need to calculate the taxable amount. It is easier to use Bogart’s calculator than TaxSlayer’s because the age is calculated from the birthdays for you and the amount previously recovered is also calculated for you.
- If code is 3, and taxpayer is under retirement age, check disability checkbox.
- If code is G, check and not taxable, check rollover checkbox.

**1099-R with Qualified Charitable Distribution**

- Enter 1099-R for the IRA where QCD was taken.
- Subtract amount of QCD from box 2a Taxable Amount.
- Make sure taxable amount is carried forward to box 16 State Distribution.
- Go to Income->IRA/Pension Distribution->Nontaxable Distributions.
- Check the box “Check here to mark this as a Qualified Charitable Distribution ...”
- Do not enter as a charitable deduction.

**1099-NEC and 1099-MISC – Non-employee Compensation**

- Regardless of which box is used on 1099-MISC, move it to the correct box when entering in TaxSlayer so it will end up in the correct place. For example, if business income is in 1099-MISC, box 3, enter it in 1099-NEC, box 1 instead.

Box in 1099-MISC in TaxSlayer	Location in Return
Box 2, Royalties	Goes to Schedule E
Box 2, From self employment	Goes to 1099-NEC, Box 1
Box 3, Other income	Goes to Schedule 1, line 8

**1099-S – Sale of Home**

- There is no deduction for a loss on the sale of a home.
- Gain is taxed at capital gains rate.
- You may exclude some gains of the sale of your home if:
  - You own the home for at least 2 of last 5 years.
  - You lived in the home for at least 2 of last 5 years.
  - You have not used this exclusion on another home in the 2 years prior to the sale.
- The amount of the exclusion is:
 

MFJ.....	\$500,000
Other Filing Status.....	\$250,000
- You must report the sale of your home if:
  - You cannot exclude all of your gain.
  - The home is not your main residence.
  - You received form 1099-S (even if there is no gain).

**Schedule C**

- Must use Cash Accounting Method (report income when received, deduct expenses when paid).
- Must change “Method used to value closing inventory” to be “Not Applicable”.
- Must check that you “materially participated in the operation of the business”.
- Notary fees are exempt from self-employment taxes (enter as business income, then go to Federal Section->Other Taxes->Self-Employment Tax and enter same amount in Exempt Notary Income).
- Meals are an expense only when traveling away from home.

**Business Codes**

Rideshare service .....	485300
Courier messenger (GrubHub, DoorDash).....	492000
Document preparation .....	561410
Independent artist, writer, or performer .....	711510

Home healthcare .....	621610
Other personal and household repair (handyman).....	811490
Landscaping .....	561730
Working with kids.....	611100
Educational .....	611000
All other personal services (last resort) .....	812990

### Health Insurance

- Enter cost of health insurance in Schedule C->General Expenses->Health Insurance.
- Include health insurance for taxpayer, spouse, dependents, and taxpayer's children under 27.
- Enter Medicare payments from form SSA-1099 here, not on TaxSlayer's SSA-1099 page.
- TaxSlayer will use what it can to offset business profit and automatically carry the rest as a medical deduction on Schedule A.
- Entry does not actually end up on Schedule C, but rather Self-employed Health Insurance Deduction on Schedule 1, line 17; but, do not enter directly as an adjustment in TaxSlayer.
- Enter insurance for health, supplemental, vision, dental, and long term care.
- Apply the age based limits to long term care premiums (limit applies to each person separately):

Age < 41 .....	\$450
Age 41 – 50 .....	\$850
Age 51 – 60 .....	\$1,690
Age 61 – 70 .....	\$4,520
Age >= 71 .....	\$5,640

### Vehicle Expenses

Business mileage rate.....\$0.56

In addition to standard mileage, you can deduct:

- Business part of car loan interest.
- Property tax on car (license fee).
- Parking fees, tolls.

For hire drivers can deduct:

- Cellular service.
- Extra liability insurance if separate from main insurance.

### Qualified Business Income (QBI)

- TaxSlayer handles automatically.
- Deduction for pass through businesses (e.g., sole proprietor).
- Deduct up to 20% of income.

### Out of Scope

- Cannot omit any expenses to prevent showing a loss
- Accounting method must be cash (see schedule C)
- Taxpayer must materially participant in the business (see schedule C)
- Payments to individuals > \$600. Requires filing form 1099-MISC or NEC (see schedule C)
- Auto, except standard mileage (see schedule C)
- Business use of home (see schedule C)
- Depreciation (see schedule C)
- Eligible for Premium Tax Credit
- Equipment costing > \$2,500
- Expense of employees (see schedule C)
- Expenses in excess of \$35,000 (see schedule C)
- Inventory (items made or bought for resale) (see schedule C)
- Net loss (see schedule C)
- Vehicle expenses other than business mileage rate

- Vehicle rental or lease of more than 30 days (see schedule C)

### Schedule K-1 (Forms 1065, 1120S, and 1041)

- Form 1041 is used to report income from an estate or trust.
- Form 1065 is used to report income from a partnership.
- Form 1120S is used to report income gains from an S corporation.

## Adjustments Section

Alimony Paid  
 Domestic Production (form 8903)  
 Educator Expenses  
 Expenses for Performing Artists  
 Expenses for Qualifying Government Employees  
 Expenses for Reservists  
 Health Saving Account  
 IRA Deduction  
 Medical Saving Account  
 Moving Expenses  
 Non-Deductible IRA (form 8606)  
 Penalty for Early Withdrawal on Savings CD  
 Self Employed Health Insurance  
 Student Loan Interest

### Educator Expenses

- \$250 per spouse.
- Eligible educators are teacher, counselor, principal, or aide.
- For supplies used in the classroom or educator's own professional development.
- Not for home schooling, athletic supplies, or health education.
- Must work with grades K-12.
- Must have worked 900 hours.

### IRA Deduction

In Adjustments->IRA Deduction, the question about whether the taxpayer has a retirement plan refers to a retirement plan at work (e.g., 401K). See form W-2, box 13 to get answer.

### Student Loan Interest

- Limited to \$2,500 (same limit for single and MFJ).
- Phased out based on MAGI over \$70,000.
- Loan can be for taxpayer, spouse, or dependent.
- Cannot file MFS.
- Cannot be claimed as someone's dependent.
- Loan cannot be from a relative.
- Loan is to attend eligible educational institution.
- Loan is for tuition, fees, books, supplies, room and board, living expenses, food, transportation.
- Subtract nontaxable reimbursements from loan amount.
- Reported on form 1099-E if taxpayer paid more than \$600.
- Student interest deduction can only be taken by person legally responsible for the loan.
- Interest payments on student loan can be paid by others and deducted by taxpayer.

## Deductions Section

- Taxpayers who do not itemize may deduct up to \$300 (\$600 if MFJ) of cash charitable contributions in 2021 (Federal only). Enter it as an itemized deduction; TaxSlayer will move it if you do not itemize.
- Gains from the sale of personal property (for example, home, car, or boat) are included in gross income, but losses from the sale of personal property are not deductible.
- The value of a person's time and service is not deductible.
- To make the Child Tax Credit and Child and Dependent Care Credit you must go to the Advanced Child Tax Credit menu and check the box that says you have lived in the US for more than 6 months.

### Miscellaneous Expenses

- Except gambling losses, miscellaneous expense deductions are suspended until 2025 for federal tax return.
- California state tax return still allows miscellaneous expense deductions.

### Medical Deductions

Medical mileage rate .....\$0.16

- Threshold for itemized medical deductions is 7.5%.
- On SSA-1099, Medicare payments are automatically carried forward as a deduction for medical insurance. They are not shown on the medical deductions, but they are shown on Schedule A.

### Taxes You Paid

- To be deductible, a tax must be:
  - Imposed on the taxpayer,
  - Paid by the taxpayer,
  - Paid during the tax year.
  - For example, property tax on all property owned by the taxpayer.

### State and Local Income Tax

- Enter money owed on last year's state return.
- Enter final estimated state tax payment from previous tax year if made after January 1<sup>st</sup>.
- Do not enter the following taxes here (TaxSlayer handles automatically from entries elsewhere):
  - State and local taxes from W-2 and 1099s
  - CA SDI from W-2, box 14
  - Estimated state tax payments

### Sales Tax

- Always enter sales tax if itemizing federal or state.
- Enter the zip code and number of days lived in the zip code; let TaxSlayer do the rest.
- If the taxpayer made any large purchases, enter the sales tax you paid on the item in the sales tax calculator in the field "General sales taxes paid".

### Education

- Scholarships are taxable to the student.
- Expenses are claimed by the person that claims the student as a dependent.
- Tax free education assistance must be subtracted from expenses used to claim a credit.
  - Alternatively, taxpayer can pay taxes on the educational assistance.
  - And claim educational credit for all of the expenses.
  - May trigger Kiddie Tax.

### Scholarships

- If scholarship exceeds expenses

- Taxable amount is reported on student's taxes.
- Income->Less Common Income->Other Compensation->Scholarships and Grants
- Goes to 1040, line 1, but not counted as earned income.
- If expenses exceed scholarship
  - Excess expenses are deductible by the person that claims the student as a dependent.
  - Deductions->Credits Menu->Education Credits

## California Section

### Alimony

If you paid alimony:

- Go to "Basic Information->Additional Personal Information".
- Fill in the field "Enter the name of the person you paid alimony to".

### California Lottery Winnings

California does not tax winnings from the California Lottery.

- If winnings from the lottery were included as income on the federal return:
  - Go to "Subtractions from Income->California Lottery Winnings".
  - Enter the amount of the winnings.

### Deceased Taxpayer or Spouse

If the taxpayer or spouse died during the tax year:

- Go to "Basic Information->Complete if the taxpayer or spouse listed on the return is deceased".
- Fill in the information about the person representing the deceased person.

### Estimated Tax Vouchers

- Go to "Miscellaneous Forms->Estimated Payment Vouchers, Form 540ES".

### Head of Household

If filing as Head of Household:

- Go to "Basic Information->Complete California form 3532 (Head of Household)". Note; this option does not appear in the Basic Information section unless you are filing HoH.

### Healthcare Coverage

- Go to "Healthcare Coverage Forms".

### Last Name Changed

If your last name changed since last year:

- Go to "Basic Information->Additional Personal Information".
- Fill in the field "Enter the prior year last name".

## E-Filing Section

- Recommend direct deposit for refunds and paper check for amount due.
- The PIN for Global Carry Forward can be any 5-digit number except all zeros. It is not used for anything.

### Printing

Print the return:

- From **Client List** page by:
  - From the printer icon drop-down menu, select **Print Return**.
- From Tax Return Summary page by:

- Select View/Print Return.
- Select **Print your 20XX Tax Return** from the next page.
- From **Submission** page by:
  - Select One Copy - Federal and State.

You can print a return as it was sent to the federal or state government by:

- From the **Client List** page.
- From the **Tools** drop-down list, select **Client Status**.
- Scroll down to the section Federal Transmissions or State Transmissions.
- Click the printer icon on the right of the transmission you want to print.

## Signature

Tax-Aide sites only require one spouse to be present; VITA sites require both spouses to be present.

- If the taxpayer is filing a paper return, they can sign the return at home before they mail it.
- To E-file the return, both spouses need to sign form 8879 for both the federal and state returns.
  - When only one taxpayer is present, if the taxpayer is known to you, the taxpayer may sign for the spouse as: *“taxpayer’s name for spouse’s name”*.
  - If the taxpayer is not known to you, the taxpayer must return with form 8879 signed by both taxpayers. The spouse does not need to come in.
- If the person has a power of attorney for the taxpayer, they can sign for the taxpayer as: *“taxpayer’s name by POA your name”*.
- If the person is filing for a deceased taxpayer (see Duck Book, 131):
- A surviving spouse may sign for the deceased as *“their name as surviving spouse”*.
- An executor can sign using their own name and title. The title is typically “executor”.

## Paper Filing

- Print three copies of the return: one for federal, one for state, and one to keep.
- The federal and state copies can be printed with the “PAPER FILE COPY” print set.
- Print single sided.
- Sign return
- Include copy B of all W-2 forms.
- Include any other forms showing tax withheld (e.g., 1099, W-2G).
- If bank deposit information is X-ed out on form 1040, attach a voided check.

## Dependents

These are the dependent related tax benefits. Each benefit has different rules for determining if a person qualifies as a dependent as described in the following sections.

- Child and Dependent Care Credit
- Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents
- Earned Income Tax Credit
- Exemption for dependent
- Head of Household filing status
- Qualifying Widow(er) filing status

### Child and Dependent Care Credit

If you receive any dependent care benefits from your employer (see form W-2, box 10) or pay someone to take care of your dependent so you can work, you may be able to exclude part of cost from the taxes you owe.

For 2021, the Child and Dependent Care Credit is refundable if lived in US for more than ½ the year.

Maximum amount of expenses for one qualifying person .....\$8,000  
Maximum amount of expenses for two or more qualifying persons .....\$16,000

Credit is 20% to 50% of taxpayer's expenses.

Credit percentage is reduced if AGI is greater than \$125,000.

Credit is limited to amount of earned income.

- Taxpayer (and spouse if married) must have earned income.
- Complete the additions to income if the taxpayer or spouse was full time student or disabled.

A qualifying person for this credit is one of the following:

- **Qualifying Child** – The person is your qualifying child, is under 13 at the time of the care was provided, and is your dependent, or
- **Spouse** – the person is your spouse and is not physically or mentally able to care for himself, and lived with you for more than half the year, or
- **Dependent** – a person who was not physically or mentally able to care for himself, lived with you for more than half the year, and
  - Was your dependent, or
  - Would have been your dependent, except
    - He had gross income greater than \$4,150
    - He filed a joint return, or
    - You could be claimed as a dependent on someone else's return.

### Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents

The Child Tax Credit (CTC) is not normally refundable, but in 2021, it is fully refundable. If the taxpayer cannot claim the full amount of the CTC (because it is not normally refundable), they may be able to claim the refundable Additional Child Tax Credit (ACTC). If not qualified for the CTC or ACTC, taxpayer may be able to claim the Credit for Other Dependents.

- **Taxpayer (and spouse)** – Must have SSN or ITIN by due date of return to claim CTC, ACTC, or Credit for Other Dependents



## Child Tax Credit

For 2021, if the taxpayer or spouse lived in the US for more than half of 2021, the Child Tax Credit is fully refundable; otherwise, the taxpayer can claim a non-refundable CTC and an ACTC as before.

- If eligible for fully refundable CTC, the taxpayer should have received 50% of their estimated CTC.
- Should receive Letter 6419 in January 2022 stating amount of advanced CTC they received.

The following tests determine if you can claim the CTC:

- **Qualifying Child** – Must be your qualifying child, except the child must be 17 and under.
- **Citizenship** – The child must be a US citizen, US national, or resident alien. Must have an SSN.
- **Dependent** – The child must be claimed as a dependent on your return.

Fully refundable in 2021; otherwise, refundable part limited to \$1400 per child.

Maximum AGI if MFJ.....	\$150,000-\$400,000
Maximum AGI if single, HoH, qualifying widow(er).....	\$75,000-\$200,000
Maximum amount of credit (CTC) per qualifying child (ages 6-17) .....	\$3000
Maximum amount of credit (CTC) per qualifying child (under age 6) .....	\$3600

## Additional Child Tax Credit

Qualifications for the Additional Child Tax Credit are the same as for the Child Tax Credit.

## Credit for Other Dependents

If a dependent is not used to claim the CTC or ACTC, the dependent may be used to claim the Credit for Other Dependents if:

- **Dependent** – The child must be claimed as a dependent on your return.
  - The child does not need to be under 17.
  - The child does can be a qualifying child or a qualifying relative.
- **Citizenship** – The child must be a US citizen, US national, or resident alien.
  - The child does not need to have an SSN, but must have a TIN by the due date of the return.

Maximum amount of credit per qualifying person.....\$500

## Earned Income Tax Credit

The following tests determine if you can claim the Earned Income Tax Credit:

- **Age** – Taxpayer's age is between 25 and 64. For 2021, upper age limit is eliminated and lower age limit is reduced to 19 or older if in school.
- **Income** – Taxpayer must have earned income.
  - Taxpayer's unearned income must be less than \$10,000.
  - For 2021, 2019 earned income can be used instead.
  - Taxpayer 's AGI must be less than:

Num Children	0	1	2	3 or more
MFJ	\$27,380	\$48,108	\$53,865	\$57,414
Otherwise	\$21,430	\$42,158	\$47,915	\$51,464

- **Citizenship** – Taxpayer must be a US citizen, US national, or resident alien all year.
  - Taxpayer (and spouse) must have an SSN.
- **Filing Status** –Special rules when filing MFS.
- **Qualifying Children** – The qualifying children must satisfy the qualifying child tests except the support test is not used (that is, use relationship, age, residency, and joint return tests).
  - Qualifying child is not required to have an SSN beginning in 2021, but will get credit as if taxpayer does not have children.

Maximum amount of credit:

Num Children	0	1	2	3 or more
	\$1,502	\$3,618	\$5,980	\$6,728

## Exemption for Dependent

The following tests determine if you can claim an exemption for a person as a dependent:

- **Qualifying Child or Relative** – A dependent must be a qualifying child or qualifying relative of the taxpayer.
- **Dependent Taxpayer** – You cannot claim a dependent if you (or your spouse) can be claimed as a dependent by another taxpayer.
- **Joint Return** – You cannot claim someone who files as MFJ unless their return is only filed to claim a refund of withheld or estimated taxes.
- **Citizen or Resident** – The person must be a US citizen, US national, resident alien, or resident of Canada or Mexico.

## Head of Household Filing Status

The following tests determine if you can claim head of household filing status:

- **Considered Unmarried** – You are unmarried or considered unmarried. You are considered unmarried if:
  - You lived apart from spouse during last 6 months of the year, or
  - Your spouse is a non-resident alien and not treated as a resident alien.
- **Keep Up a Home** – You paid half the cost of keeping up a home for the year.
- **Qualifying Person** – You have a qualifying person that:
  - Is your qualifying child, and:
    - Is single (does not need to be a US citizen or resident), or
    - Is married and you can claim the person as a dependent.
  - Is a qualifying relative, and:
    - Is your parent, and:
      - You can claim the person as a dependent.
      - Does not need to have lived with you at least half the year.
    - Is not your parent, and:
      - Must be relative listed for qualifying relative (not just member of household).
      - Lived with you at least half the year.
      - You can claim the person as a dependent.

## Qualifying Widow(er) Filing Status

The following tests determine if you can claim qualifying widow(er) filing status:

- You were entitled to file MFJ with your spouse the year your spouse died.
- Your spouse died in one of the two previous tax years (not this tax year).
- You did not remarry before the end of this tax year.
- You have a dependent that is your child or step child (otherwise, use HoH), and
  - That you can claim as a dependent, or
  - Could claim as a dependent, except:
    - The child had gross income greater than \$4,150, or
    - The child filed a joint return, or
    - You could be claimed as a dependent on someone else's return.
- Your dependent lived in your home all year.
- You paid more than half the cost of keeping up your home for the year.

## Qualifying Child

There are five tests to be a qualifying child.

- **Relationship** – The child must be your child, stepchild, foster child, adopted child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them.
- **Age** – The child must be:
  - Any age if permanently and totally disabled, or
  - Younger than you or your spouse if filing jointly (e.g., younger brother, but not older brother), and
    - Under age 19 at the end of the year, or
    - Under age 24 at the end of the year, a full-time student during any 5 months of the year.
- **Residency** – The child must have lived with you for more than half of the year.
- **Support** – The child must not be self supporting (that is, the child must not provide more than half of their own support for the year). The parent does not need to provide more than half the support for the child. A scholarship is not considered support. Income received by the child, but not spent on their own support is not considered support.
- **Joint Return** – The child must not be filing a joint return for the year (unless that return is filed only to get a refund of income tax withheld or estimated tax paid).

## Qualifying Child of More than One Person

When a child is the qualifying child of more than one person, the following rules determine which person can claim the child:

- If only one of the persons is the child's parent, the child is the qualifying child of the parent.
- If the parents are filing MFJ and can claim the child as a qualifying child, the child is the qualifying child of the parents.
- If both parents can claim the child as a qualifying child, the child is the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the child is the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.
- 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 for the year.
- If a parent can claim the child as a qualifying child but no parent does, the child is the qualifying child of the person with the highest AGI, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

## Qualifying Relative

There are four tests to be a qualifying relative. Unlike a qualifying child, a qualifying relative can be any age.

- **Not a qualifying child** – The relative cannot be your qualifying child or the qualifying child of any other taxpayer unless that taxpayer does not file a tax return.
- **Member of household or relationship** – The relative either
  - Must live with you all year as a member of your household and not married, or
  - Must be related to you in one of the ways listed:
    - Your child, stepchild, foster child, or a descendant of any of them,
    - Your brother, sister, half-brother, half-sister, stepbrother, or stepsister,
    - Your father, mother, grandparent, or other ancestor, but not foster parent,
    - Your stepfather or stepmother,
    - A son or daughter of your brother or sister,
    - A son or daughter of your half-brother half-sister,
    - A brother or sister of your father or mother,
    - Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.
- **Gross income** – The relative's gross taxable income for the year must be less than \$4,300.

- **Support** – You must provide more than half of the relative's support for the year. A scholarship is not considered support. Income received by the relative, but not spent on their own support is not considered support.

## California Information

- California is a community property state.
- California does not support common law marriage but supports ones that already exist.
- California supports domestic partners.

Maximum tax rate.....12.3%

### Standard Deduction

Filing Status	Deduction
Married Filing Jointly	\$9,606
Qualifying Widow(er) with Child	\$9,606
Head of Household	\$9,606
Single	\$4,803

### Personal Exemption

Filing Status	Exemption
Single	\$129
Head of Household	\$129
Married Filing Jointly	\$258
Qualifying Widow(er) with Child	\$258
Each Dependent	\$400

### Who Must File a State Return?

#### Single or Head of Household

Age	Dependents	Gross Income
Under 65	0	\$19,310
Under 65	1	\$32,643
Under 65	2 or more	\$42,643
Over 65	0	\$25,760
Over 65	1	\$35,760
Over 65	2 or more	\$43,760

#### Married Filing Jointly

Age	Dependents	Gross Income
Under 65	0	\$38,624
Under 65	1	\$51,957
Under 65	2 or more	\$61,957
One Over 65	0	\$45,074
One Over 65	1	\$55,074
One Over 65	2 or more	\$63,074
Both Over 65	0	\$51,524
Both Over 65	1	\$61,524
Both Over 65	2 or more	\$69,524

#### Qualifying Widow(er)

Age	Dependents	Gross Income
-----	------------	--------------

Under 65	1	\$32,643
Under 65	2 or more	\$42,643
Over 65	1	\$35,760
Over 65	2 or more	\$43,760

## Deductions Allowed

Alimony paid  
Miscellaneous deductions are allowed; threshold is 2%.  
Threshold for itemized medical deductions is 7.5%.

## Deductions Not Allowed

California lottery losses  
Charitable Contribution without itemized deductions  
Contribution to traditional IRA is not deductible on California return.  
Moving expenses

## Healthcare

Taxpayer, spouse, and dependents must have health coverage since 1/1/2021 or they will be assessed the following penalty:

Each adult .....	\$800
Each child under 18 .....	\$400
Or, 2.5% of gross income over filing threshold, whichever is higher	

## California Earned Income Tax Credit (CalEITC)

The following tests determine if you can claim the credit:

- **Age** – Taxpayer must be  $\geq 18$ .
  - Qualifying child must be  $< 6$ .
- **Income** - AGI must be  $\leq \$30,000$ .

Up to \$1000 of the credit is refundable. The maximum amount of the credit is:

Num Children	0	1	2	3 or more
	\$245	\$1,698	\$2,809	\$3,160

## CA Renter's Credit

Eligibility:

- Paid rent for at least 6 months.
- Adjusted gross income less than:
  - Single or MFS.....\$45,448
  - MFJ, HoH, or qualifying widow(er) .....\$90,896

Amount of credit

Single or MFS.....	\$60
Otherwise.....	\$120

## Estimated Payments

- 30 percent First quarter (April 15)

- 40 percent Second quarter (June 15)
- 0 percent Third quarter (September 15)
- 30 percent Fourth quarter (January 15)

# General Information

## Age Requirements

Age	Birthday	Description
<= 13	>= 2008	Credit for Dependent Care Expenses
<= 17	>= 2004	Child Tax Credit
<= 19	>= 2002	Qualifying child
19-24	1997-2002	Fulltime student may be a dependent
25-64	1957-1996	Earned Income Tax Credit
<= 27	>= 1994	Allowed on parents medical insurance
>= 50	<= 1971	Increased retirement plan contribution limit
>= 59½	<= 1962	Withdraw from retirement account without penalty
62-70	1951-1959	Start drawing Social Security
66	1955	Full retirement age for Social Security
>= 65	<= 1956	Increased standard deduction Higher filing requirement Credit for the Elderly or Disabled Earned Income Tax Credit Eligible for Medicare
>=70½	<=1951	Qualified Charitable Distribution (QCD)
>=72	<=1949	Required Minimum Distribution (RMD)

## Affordable Care Act (ACA)

- Shared Responsibility Payment is reduced to \$0 (federal only).

### Premium Tax Credit (PTC)

- The taxpayer will have form 1095-A if they are insured through the Marketplace.
- Eligibility for PTC
  - Taxpayer, spouse, or dependent
  - Enrolled in a Marketplace plan at least one month while not eligible for another MEC plan or the available plan is unaffordable. Use form 1095-C to show employer plan is unaffordable.
  - Premiums will be paid by due date of tax return.
  - Taxpayer's household income is at least 100% of federal poverty level.
  - Taxpayer's household income is less than 400% of the federal poverty level.
  - Cannot be claimed as a dependent on another tax return.
- Household income is the MAGI of the taxpayer (and spouse) plus the MAGI all dependents required to file a federal tax return. MAGI is AGI plus non-taxable Social Security (but not SSI) and tax exempt interest.

### Federal Poverty Level

Number of People in Household	100% Poverty Level	138% Poverty Level	400% Poverty Level
1	\$12,880	\$17,774	\$51,520
2	\$17,420	\$24,039	\$69,680
3	\$21,960	\$30,304	\$87,840
4	\$26,500	\$36,570	\$106,000
5	\$30,040	\$41,455	\$120,160
6	\$35,580	\$35,580	\$142,320



7	\$40,120	\$55,365	\$160,480
8	\$44,460	\$61,354	\$177,840

## Alimony

### Divorce Before 2019

If the divorce decree was before 2019, alimony is taxed as income by the recipient and deductible as an expense by the payer.

### Divorce in 2019 or After

Beginning in 2019, alimony is no longer taxable / deductible for federal income taxes.

### California

California did not change the law; alimony is still taxed as income by the recipient and deductible as an expense by the payer. TaxSlayer should figure this out based on the new entry for the date of the divorce decree next to the alimony entry.

## Credits

All California tax credits are non-refundable except CalEITC and the Young Child Tax Credit.

### Non-Refundable

American Opportunity Credit (60% non-refundable)  
 Credit for the Elderly or Disabled  
 Credit for Other Dependents (see Child Tax Credit)  
 Excess Advance Premium  
 Foreign Tax Credit  
 Lifetime Learning Credit  
 Residential energy credits  
 Retirement Savings Contribution Credit

### Refundable

Additional Child Tax Credit  
 American Opportunity Credit (40% refundable)  
 Child and Dependent Care Credit  
 Child Tax Credit  
 Credit for federal tax on fuels  
 Earned Income Tax Credit  
 Premium Tax Credit  
 Recovery Rebate Credit (\$1,400 per taxpayer for 2021)

### Credits for Sick Leave and Family Leave for Self-Employed Individuals

- If unable to work between 1/1/2021-9/30/2021 because of COVID or the need to quarantine.
- Sick Leave
- If unable to work between 1/1/2021-9/30/2021 because of COVID or the need to quarantine.
  - Up to 10 days (2 weeks).
  - At a rate of profit for the year divided by 260 (max \$511 per day, \$5,110 max)).
- Family Leave – If unable to work in order to care for someone with COVID or to care for a child whose school is closed or child care provider is unavailable due to COVID.
  - Up to 50 days (10 weeks).
  - At a rate of profit for the year divided by 260 times 67% (max \$200 per day, \$10,000 max).

## Recovery Rebate Credit

- An Economic Impact Payment (EIP) is an advanced payment of the Recovery Rebate Credit.
- EIP1 and EIP2 were issued in 2020.
- EIP3 issued in 2021 after March 12.

### Amount of EIP3

- \$1,400 for individuals, \$2,800 if MFJ, plus \$1,400 for each dependent.

### Qualifications

- Taxpayer must be a US citizen or resident alien.
- Taxpayers and dependents do not need to have an SSN, but must have a TIN.
- Payment is phased out if MAGI is:

MFJ or qualifying widow(er) .....	\$150,000-\$160,000
HoH .....	\$112,500-\$120,000
Single .....	\$75,000-\$80,000

## Health Savings Account (HSA)

- Distributions for qualified medical expenses are non-taxable.
- Spouses have separate HSAs.
- Contributions, when not made by employer, can be deducted as an adjustment.
- Employer contributions are excluded from income (W-2, box 12, code W).
- Distributions reported on form 1099-SA.
- Contributions will be reported by trustee, usually on form 5498-SA.

### HSA Owner Qualifications

- Taxpayer must be covered by a high deductible health plan (HDHP).
- Taxpayer has no other health coverage (e.g., cannot be enrolled in Medicare).
- Taxpayer cannot be eligible to be claimed as a dependent by someone else.

### Contribution Limit

- If HDHP is Family Plan, maximum contribution is \$7,200
- If HDHP is Self Only Plan, maximum contribution is \$3,600
- Add \$1,000 if the owner is age 55 or over.
- For MFJ, if either spouse has HDHP coverage, use Family Plan limit.

### Qualified Expenses

- Expenses normally covered by HDHP, but not paid because of the deductible.
- Not health insurance premiums.
- Medical and dental expenses
- Menstrual products
- Prescription medications
- Over the counter medications

## IRAs

### Contributions

- Can be made up to due date for filing return.
- No age limit for either traditional IRA or Roth IRA. (There was an age limit of 70½ for a traditional IRA, but it was repealed in the SECURE Act of 2019).
- Contribution to traditional IRA is deductible unless taxpayer has retirement plan at work (W-2, box 13).

- Contribution is not deductible on a California return.
- Non-deductible contribution requires form 8606; otherwise it will be taxable on withdrawal.
- Maximum contribution to all IRAs (traditional and Roth) is limited to:
  - The amount of earned income (both spouses), and
  - \$6000 per spouse if under 50
  - \$7000 per spouse if over 50

Deductible amount is phased out if MAGI is:

MFJ or qualifying widow(er).....	\$105,000 - 125,000
Single or HoH .....	\$66,000 - 76,000
MFS .....	\$10,000

### Required Minimum Distribution (RMD)

- Age for RMD is 72 (increased from 70½ in the SECURE Act of 2019).
- Inherited IRA must be distributed within 10 years (some exceptions).

### Withdrawals from Traditional IRA

- Must be at least 59½.
- Must begin withdrawal at 72 (required minimum distributions).
- Taxed as ordinary income.

### Withdrawals from Roth IRA

- Must be at least 59½.
- 5 year holding period before withdrawal is allowed.
- No required minimum distribution.
- Tax free.

### Qualified Charitable Distributions (QCD)

- Tax free withdrawals from Traditional IRA.
- Taxpayer must be at least 70½.
- Payment must be made by IRA custodian directly to the charity.
- Taxpayer should have a letter from the charity showing the amount of the donation.
- The QCD counts toward the RMD of the IRA.
- QCD is non-taxable income; do not enter as a charitable deduction.
- Limited to \$100,000 per year (\$100,000 each if MFJ).

### Retirement Savings Contribution Credit

- Applies to both Traditional IRA and Roth IRA.
- TaxSlayer automatically calculates credit for amounts on W-2.
- Maximum credit is \$2,000 if MFJ; otherwise \$1,000.

Maximum MAGI

MFJ.....	\$66,000
HoH.....	\$49,500
Single, MFS, or qualifying widow(er).....	\$33,000

## Number Formats

SSN	xxx-xx-xxxx	9-digits
ITIN	9xx-xx-xxxx	9-digits, begins with 9
ATIN	9xx-xx-xxxx	9-digits, begins with 9
Identity Protection PIN	xxxxxx	6-digits
EIN	xx-xxxxxxx	9-digits
CA State EIN	xxxxxx-x	9-digits or less, (CA12-3456789, 123-4567-8)

IHSS EIN	94-2629822	
Bank Routing	xxxxxxx	9-digits, begin with 01-12 or 21-32
Bank Acct	Up to 17 digits	Include hyphens, but omit spaces and special chars

- To enter the state EIN, remove dashes, spaces, and “CA” if present.
- If no state EIN, enter **999999**.

### Routing Numbers

Bank of America .....	121000358
Charles Schwab .....	031000053
Chase .....	322271627
Commonwealth Central CU .....	321176794
Wells Fargo.....	121042882
Wells Fargo.....	122000247

## Non-Citizen Taxpayers

- An alien is a person in the country that is not a US citizen.
- To be considered a resident alien, the taxpayer either:
  - Has an alien registration card (also called a green card), or
  - Can pass the substantial presence test (see p4012, tab L);
  - Otherwise they are a non-resident alien.
- All persons listed on the tax return must have an SSN, ITIN, or ATIN.

### Scope

- Foreign students require a counselor with the Foreign Student certification.
- If taxpayer is a non-resident alien and not married, it requires form 1040-NR, which is out of scope.
- If taxpayer is US citizen or resident alien and married to a non-resident alien, you can:
  - File as MFS
  - File as HoH if taxpayer has a dependent.
  - File as MFJ and treat the spouse as a resident alien.
    - Worldwide income of both spouses is reported.
    - Requires paper return with a letter of intent, which is out of scope.

## Social Security

- California does not tax social security benefits.

### Taxation

The following table shows the percentage of Social Security that is taxed where combined income is:

AGI (without social security) + nontaxable interest + half of social security

Married Filing Jointly	Other Filing Status	SS Taxed
Less than \$32,000	Less than \$25,000	None
\$32,000 - \$44,000	\$25,000 - \$34,000	Up to 50%
\$44,000 or more	\$34,000 or more	Up to 85%

### FICA Tax

FICA tax is a tax on wages that pays for Social Security, Medicare, and the Affordable Care Act.

Social Security Tax	= 6.2% of wages on first \$127,200.
Medicare Tax	= 1.45% of wages

Affordable Care Act = .9% of wages above \$200,000 if filing single or \$250,000 MFJ.

An additional Medicare tax of 3.8% is imposed on unearned income if MAGI is greater than \$250,000 if filing MFJ or \$200,000 if single.

For self-employed taxpayers, the tax is referred to as self-employment tax and the Social Security and Medicare taxes are doubled (but not the ACA Tax). The limits remain the same. Also, there is a 6% FUTA tax (unemployment tax) paid by employers on the first \$7000 of wages.

## Standard Mileage Rates

Business mileage rate.....	\$0.56
Medical mileage rate.....	\$0.16
Charity mileage rate.....	\$0.14

## Tax Form Codes

### W-2 Codes, Box 12

A	Uncollected social security or RRTA tax on tips
B	Uncollected Medicare tax on tips
C	Taxable cost of group term life insurance over \$50,000 included in boxes 1, 3 (up to social security wage base) & 5.
D	Elective deferrals to a section 401(k) cash or deferred arrangement
E	Elective deferrals under a section 403(b) salary reduction agreement
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan
H	Elective deferrals to a section 501(c)(18)(D) taxexempt organization plan. Included in Box 1 as wages, but see Pub 525 Taxable and Nontaxable Income instructions on how to deduct on Form 1040.
J	Nontaxable sick pay (information only, not included in box 1, 3, or 5)
P	Excludable moving expense reimbursements paid directly to employee
Q	Nontaxable combat pay (Military certification)
R	Employee Contributions to MSA, Out of Scope
T	Adoption benefits (Out of Scope)
W	Employer contributions (including amounts the employee contributes through a cafeteria plan) to employee's health savings account
AA	Designated Roth contributions under a section 401(k) plan
BB	Designated Roth contributions under a section 403(b) plan
DD	Cost of employer-sponsored health coverage (not taxable)
EE	Designated Roth contributions under a governmental section 457(b) plan

Codes D, E, G, AA, BB, and EE also indicate elective (voluntary) contributions which qualify for retirement savings credit.

### 1099-R, Box 7

1	Early distribution, no known exception
2	Early distribution, exception applies
3	Disability Code 3 is for a disability pension.
4	Death
5	Prohibited transaction
6	Tax-free Section 1035 exchange
7	Normal distribution
8	Excess contributions
9	Cost of current life insurance
A	May be eligible for 10-year tax option

B	Designated Roth account distribution
D	Annuity payments from nonqualified annuities
E	Distributions under Employee Plans Compliance Resolution System (EPCRS)
F	Charitable gift annuity
G	Direct rollover of distribution and direct payment
H	Direct rollover of a designated Roth account distribution to a Roth IRA
J	Early distribution from a Roth IRA
K	Distribution of Traditional IRA assets not having a readily available FMV
L	Loans treated as deemed distributions
N	Recharacterized IRA contribution
P	Excess contributions plus earnings/excess deferrals
Q	Qualified distribution from a Roth IRA
R	Recharacterized IRA contribution
S	Early distribution from a SIMPLE IRA in the first 2 years, no known exception
T	Roth IRA distribution, exception applies
U	Dividends distributed from an ESOP
W	Charges or payments for LTC contracts

## Tax Formula

The tax formula parallels the fields on the IRS form 1040.

Gross Income (taxable income)	=	Income from all sources - Non-taxable Income
Adjusted Gross Income (AGI)	=	Gross Income - Adjustments
Taxable Income	=	Adjusted Gross Income - (Deductions + Exemptions <sup>1</sup> )
Tax Due	=	Tax on Taxable Income - Credits

## Tax Rates

- Interest is taxed as income.
- Ordinary dividends are taxed as income.
- Qualified dividends are taxed as capital gains.

### Capital Gains

#### Single

\$0 - \$39,375	0%
\$39,376 - \$434,550	15%
\$434,551 or more	20%

#### Married Filing Jointly

\$0 - \$78,750	0%
\$78,751 - \$488,850	15%
\$488,851 or more	20%

### Income

#### Single

\$0 - \$9,700		10%
\$9,701 - \$39,475	\$970	+ 12% of amount over \$9,700
\$39,476 - \$84,200	\$4,543	+ 22% of amount over \$39,475
\$84,201 - \$160,725	\$14,383	+ 24% of amount over \$84,200
\$160,726 - \$204,100	\$32,749	+ 32% of amount over \$160,725

<sup>1</sup> Exemptions are the personal exemption and an exemption for each dependent. They are currently set to \$0.

\$204,101 - \$510,300	\$46,629	+ 35% of amount over \$204100
\$510301 or more	\$153,798	+ 37% of amount over \$510300

### Married Filing Jointly

\$0 - \$19,400		10%
\$19,401 - \$78,950	\$1,940	+ 12% of amount over \$19,400
\$78,951 - \$168,400	\$9,086	+ 22% of amount over \$78,950
\$168,401 - \$321,450	\$28,765	+ 24% of amount over \$168,400
\$321,451 - \$408,200	\$65,497	+ 32% of amount over \$321,450
\$408,201 - \$612,350	\$93,257	+ 35% of amount over \$408,200
\$612,351 or more	\$164,710	+ 37% of amount over \$612,350

## What's Deductable?

### Deductions Allowed - Federal

- Education expenses can be deducted by the person that claims the student as a dependent
- Medical expenses if they exceed 7.5% of AGI
- Medical expenses incurred by the taxpayer, spouse, or dependents
- Nursing home if readily available medical care is needed
- Assisted living if the resident cannot perform two or more of the activities of daily living
- When taxes are deductible, they must be owed by the taxpayer (or spouse) and paid in the year they are deducted.

### Deductions Not Allowed - Federal

- Medical expenses of someone that is not a dependent
- Education expenses of someone that is not a dependent

### Deductions Allowed - California

- Miscellaneous expenses if they exceed 2% of AGI

## What Is Taxable?

### Income Taxed - Federal

- Alimony received (divorce before 2019)
- IRA Distributions
- Interest from US government bonds
- Jury duty pay
- Lottery / gambling winnings
- Unemployment compensation
- Scholarships are taxable to the student (not the parent)

### Income Not Taxed - Federal

- Alimony received (divorce 2019 or later)
- Child support
- Inheritance
- Interest from state and local bonds (municipal bonds)
- Insurance proceeds
- Reverse mortgage
- Social Security (partially)
- Student loan forgiven (2021-2025)
- Veteran's benefits

- Workers' compensation

### **Income Taxed in California**

- Alimony received
- Interest from out of state bonds

### **Income Not Taxed in California**

- California lottery winnings
- Dividends from mutual funds if 50% of assets are U.S. bonds or California state or local bonds.
- Interest from California state and local bonds
- Interest from US government bonds
- Paid family leave
- Social Security benefits
- Unemployment compensation



# Scope Summary

## In Scope

- Families First Corona Virus Response Act
- Credit for sick leave for self-employed individuals
- Credit for family leave for self-employed individuals
- HSA (see from 8889)

## Out of Scope

- AGI > \$250,000 if MFJ, \$125,000 if MFS and \$200,000 otherwise.
- Adjustments to amounts on tax forms
- Kiddie Tax (see form 8615)
- Innocent Spouse Relief (see form 8857)
- Injured Spouse Relief
- Transactions in bitcoins or other virtual currencies
- Non-deductible contribution to a traditional IRA
- Foreign tax credit over \$300 single or \$600 married filing joint

## Taxpayer

- Taxpayer cannot provide a photo ID
- Taxpayer is a non-resident aliens that does not have an alien registration card (also called a green card) or meet the substantial presence test
- Taxpayer is a foreign student (requires Foreign Student certification)

## Credits

- Residential Energy Credit, Part 1 (see form 5695)
- Renewable energy tax credit
- Plug-in electric vehicle credit (see form 8834)
- Health coverage tax credit (see form 8885)

## State Return

- State tax returns other than California (we can do the federal and California return, but a professional preparer will need to redo the federal return in order to do the other state return.)

## Income

- Income from farming (see schedule F)
- Ministers and members of the clergy (see form 1040, line 1)
- Income from rental property other than land
- Non-profit income
- Income from military service
- Income from performing arts
- Taxable Roth IRA distributions
- Cancelation of debt on residence other than principal residence

## Self Employment

- Cannot omit any expenses to prevent showing a loss
- Accounting method must be cash (see schedule C)
- Taxpayer must materially participant in the business (see schedule C)

- Payments to individuals > \$600. Requires filing form 1099-MISC or NEC (see schedule C)
- Auto, except standard mileage (see schedule C)
- Business use of home (see schedule C)
- Depreciation (see schedule C)
- Eligible for Premium Tax Credit
- Equipment costing > \$2,500
- Expense of employees (see schedule C)
- Expenses in excess of \$35,000 (see schedule C)
- Inventory (items made or bought for resale) (see schedule C)
- Net loss (see schedule C)
- Vehicle expenses other than business mileage rate
- Vehicle rental or lease of more than 30 days (see schedule C)

### Capital Gains

- Sale of assets other than stocks, mutual funds, or personal residence
- Sale of home that was ever used for business or rental property
- Sale of home with a reduced exclusion or a deferral from a previous home sale
- Sale of home that was destroyed, condemned or under threat of condemnation

### Deductions

- Casualty and theft losses (loss from declared disaster OK) (see sched A, line 15)
- Charitable contribution carryover (see schedule A)
- Donations of non-cash items totaling more than \$5,000 (see schedule A)
- Donation of property previously depreciated (see schedule A)
- Donation of property with capital gain (e.g., stock or artwork) (see schedule A)
- Contributions of motor vehicles, boats, airplanes over \$500 (see form 1098-C)
- Investment interest
- Loss or termination of an annuity by a deceased annuitant

### Health Savings Accounts (HSAs)

- Excess contributions to an HSA that are not withdrawn in a timely fashion
- Qualified HSA funding distributions from an IRA
- Death of an HSA holder (when spouse is not the designated beneficiary)
- Additional tax for failure to maintain HDHP coverage
- Archer medical saving accounts (MSA)
- Medicare advantage MSA
- Health reimbursement arrangements

### Specific Entries on Forms

W-2	Box 12 code Q Box 12 code R Box 12 code T	Non-taxable combat pay Employee contribution to MSA Adoption benefits
K-1		Anything other than interest, dividends, capital gains/loss, royalty income, and associated foreign tax credits
1098-T	Box 4 Box 6	Adjustments made for a prior year Adjustments to scholarships or grants for a prior year
1099-B	Box 1f Box 7 Box 8 Box 9 Box 10 Box 11	Accrued market discount Check if loss is not allowed based on amount in 1d Profit or loss realized in 2021 on closed contracts Unrealized profit or loss on open contracts – 12/31/2021 Unrealized profit or loss on open contracts – 12/31/2022 Aggregate profit or loss on contracts

	Box 13	Bartering
	FATCA filing requirement box checked	
1099-C	If part of bankruptcy or insolvency	
1099-DIV	Box 2c	Section 1202 gain
	Box 2d	Collectables (28%) gain
	Box 9	Cash liquidation distributions
	Box 10	Noncash liquidation distributions
	FATCA filing requirement box checked	
1099-G	Box 7	Agriculture payments
	Box 8	Check if box 2 is trade or business income
	Box 9	Market gain
	Unnumbered box next to box 9 is OK.	
1099-INT	FATCA filing requirement box checked	
1099-MISC	Box 5	Fishing boat proceeds
	Box 7	Payer made direct sales totaling \$5000 or more ...
	Box 8	Substitute payments in lieu of dividends or interest
	Box 9	Crop insurance proceeds
	Box 10	Gross proceeds paid to an attorney
	Box 11	Fish purchased for resale
	Box 12	Section 409A deferrals
	Box 13	FATCA filing requirement
	Box 14	Excess golden parachute payments
1099-OID	Box 6	Acquisition premium
	FATCA filing requirement box checked	
1099-R	Box 7 code 5	Prohibited transaction
	Box 7 code 8	Excess contributions
	Box 7 code 9	Cost of current life insurance
	Box 7 code A	May be eligible for 10 year tax option
	Box 7 code E	Distributions under EPCRS
	Box 7 code J	Early distribution from Roth IRA
	Box 7 code K	Distribution of traditional IRA assets without FMV
	Box 7 code N	Recharacterization of IRA contribution
	Box 7 code P	Excess contributions plus earnings/excess deferrals
	Box 7 code R	Recharacterization of IRA contribution
	Box 7 code T	Roth IRA distribution, exception applies
1099-S	Home was used for rental or business purposes	

## Bookmarks

[AARP Volunteer Portal](#)  
[Bogart's Toolbox](#)  
[CA Shared Responsibility Penalty Estimator](#)  
[CA3 TaxInfo](#)  
[CA3 Villages](#)  
[Compare PDF Files](#)  
[Counselor Resources](#)  
[Covered California](#)  
[Franchise Tax Board](#)  
[Internal Revenue Service](#)  
[IRS Forms, Instructions, and Publications](#)  
[Lookup Property Tax](#)  
[Lookup Vehicle License Fee](#)  
[U.S. Federal Poverty Guidelines](#)  
[VITA/TCE Central - Link and Learn](#)

## Information for Taxpayer

[About AARP Tax-Aide](#)  
[Get My \(Economic Impact\) Payment](#)  
[Getting forms and instructions from the IRS](#)  
[Getting help or information from the IRS](#)  
[Site Locator for AARP Tax-Aide](#)  
[Site Locator for VITA/TCE](#)  
[Taxpayer Advocate Service](#)  
[Where's my refund?](#)

## References

<a href="#">Counselor Reference Manual</a>	Duck Book
<a href="#">Tax-Aide Scope Manual</a>	
<a href="#">Pub 3676-B</a>	Services Provide by VITA/TCE
<a href="#">Pub 4012 NTTC</a>	Volunteer Resource Guide (NTTC Version)
<a href="#">Pub 17</a>	Federal Income Tax
<b>California</b>	
<a href="#">Pub CA 5130</a>	California Volunteer Reference Manual
<a href="#">Pub CA 1001</a>	Supplemental Guidelines to CA Adjustments
<b>Training</b>	
<a href="#">Pub 1084</a>	Site Coordinator Handbook
<a href="#">Pub 4491</a>	Training Guide
<a href="#">Pub 4491x</a>	Training Guide Supplement
<a href="#">Pub 4961</a>	Standards of Conduct and Ethics
<a href="#">Pub 5101</a>	Intake Interview and Quality Review Training
<a href="#">Pub 5299</a>	Quality Review Refresher
<a href="#">Pub 6744</a>	Test-Retest Manual

# Tax Forms

## Federal

### [Draft Tax Forms](#)

[Form 13614-C](#)

[Form 1040](#)

[Form 1040-ES](#)

[Form 1040-SR](#)

[Form 1040-V](#)

[Form 1040-X](#)

Intake Interview

Federal Income Tax

Estimated Tax

Federal Income Tax for Seniors

Payment Voucher

Amended Federal Income Tax

## Schedules

[Schedule 1](#)

[Schedule 2](#)

[Schedule 3](#)

[Schedule A](#)

[Schedule B](#)

[Schedule C](#)

[Schedule D](#)

[Schedule E](#)

[Schedule F](#)

[Schedule K-1 \(1041\)](#)

[Schedule K-1 \(1065-B\)](#)

[Schedule K-1 \(1120-S\)](#)

Additional Income and Adjustments

Additional Taxes

Additional Credits and Payments

Itemized Deductions

Interest and Dividends

Business Profit or Loss

Capital Gains and Losses

Supplemental Income and Loss

Farming Profit or Loss

Beneficiary's Share of Income

Partner's Share of Income

Shareholder's Share of Income

## Income

[Form W-2](#)

[Form 1099-A](#)

[Form 1099-B](#)

[Form 1099-C](#)

[Form 1099-DIV](#)

[Form 1099-G](#)

[Form 1099-INT](#)

[Form 1099-K](#)

[Form 1099-MISC](#)

[Form 1099-NEC](#)

[Form 1099-OID](#)

[Form 1099-R](#)

[Form 1099-S](#)

[Form 1099-SA](#)

[Form CSA-1099-R](#)

[Form CSF-1099-R](#)

[Form RRB-1099](#)

[Form RRB-1099-R](#)

[Form SSA-1099](#)

Wages and Other Employee Compensation

Acquisition or Abandonment of Secured Property

Proceeds from the Sale of Stocks or Mutual Funds

Cancellation of Debt

Dividend Income

Government Payments (unemployment, tax refunds)

Interest Income

Payment Card and 3rd Party Transactions (e.g., Uber, Lyft)

Miscellaneous Information

Non-employee Compensation

Original issue Discount

Retirement Plan, Pension, and Annuity Income

Proceeds from the Sale of Real Estate

Distribution from HSA, Archer MSA, or Medicare Advantage MSA

Civil Service Annuity Retirement Benefits

Civil Service Survivor Annuity

Railroad Retirement Board, Tier 1, Social Security Equivalent

Railroad Retirement Board, Tier 2, Retirement Plan

Social Security Benefits

## Other

[Form 1095-A](#)

[Form 1095-B](#)

[Form 1095-C](#)

[Form 1098](#)

[Form 1098-E](#)

[Form 1098-T](#)

[Form W-4](#)

[Form W-4P](#)

ACA Health Insurance Marketplace Statement

ACA Health Coverage Statement (not through the marketplace)

ACA Employer Provided Health Insurance Coverage

Mortgage Interest

Student Loan Interest

Tuition and School Expenses

Withholding Allowance for Employee

Withholding Allowance for Pension or Annuity

[Form W-4V](#)  
[Form W-7](#)

Withholding Allowance for Government Payment (e.g., Social Security)  
Application for Individual Taxpayer Identification Number

## California

[Form 540](#)  
[Form 540 CA](#)  
[Form 540 ES](#)  
[Form 3849](#)  
[Form 3853](#)  
[Form 3895](#)

California Income Tax  
California Adjustments  
California Estimated Taxes  
Premium Assistance Subsidy  
Health Coverage Exemptions and Individual Responsibility Penalty  
CA Health Insurance Marketplace Statement

## TaxSlayer

[TaxSlayerPro Blog](#)  
[TaxSlayerPro Online](#)  
[TaxSlayerPro Practice Lab](#)  
[TaxSlayerPro Springboard](#)  
[TaxSlayerPro User Guide](#) (2019)

## Tax-Aide Sites

### The Villages

Location	Sunset Room, Villages Club House 2800 Fairway Drive, San Jose, CA 95135
Hours	Mondays, 9:00-12:00
Reservations	Evergreen Community Center, 408-270-2220
Evergreen Community Center Manager	Ruth Perez, ruth.perez@sanjoseca.gov
Local Coordinator	Alan Waltho, aewaltho@comcast.net
Site ID	S74050943

### Volunteers

#### Facilitators

Desai, Bharati (Bar-a-tee)	bharti0801@yahoo.com
Iyengar, Kausalya (Koo-sal-ya)	aswathiyengar@yahoo.com
Lohr, Joan	jlohr6@comcast.net
McConnell, Sharon	sharon.mcc1217@gmail.com
Nicholls, Trudy	trudy_nicholls@hotmail.com
Wang, Jingci	jingci.wang@gmail.com

#### Counselors

Blinn, Bruce	bruce_blinn@yahoo.com
Carbonetti, Loretta	carbocrew@yahoo.com
Donohoe, Margaret	margaret@leadershipintransition.org
Frost, Sherle	sherle.frost@gmail.com
Goksel, Ali	goksela@yahoo.com
Hop, Bobbie	bwhop@hotmail.com
Ma, Liiwan	liiwanma@gmail.com
Nelson, Libby	nelsonj2012@yahoo.com
Pham, Suzanne	joeandsuzanne@yahoo.com
Waltho, Alan	aewaltho@comcast.net

## Tax-Aide Sites

### CA-3, District 9, San Jose

Region	Region R-10, Pacific Region, (10 regions)
Region Coordinator	Bob Fishman
State/Area	CA-3 (5 areas in California)
State/Area Coordinator	Jerry Ephraim, jenme@sti.net
District	District D-9, San Jose (13 districts)
District Coordinator	Tom Kemper, tvkemper@aol.com
Training Coordinator	Ernie Brogmus, ecb@lycos.com
Tech Coordinator	Tony Emerson

#### Sites

##### [Site Locator for AARP Tax-Aide](#)

Almaden Community Center Location	6445 Camden Ave, San Jose
--------------------------------------	---------------------------

Reservations	408-268-1133
Hours	Saturdays 9:00-12:45
Other Languages	Tagalog
Local Coordinator	Dona Diloreto
<b>Berryessa Community Center</b>	
Location	3050 Berryessa Rd, San Jose
Hours	Tuesdays 1:00-4:00, Thursdays 1:00-4:00
Reservations	408-251-6392
Other Languages	Mandarin and Cantonese
Local Coordinator	Tom Kemper, tvkemper@aol.com
<b>Camden Community Center</b>	
Location	3369 Union Ave, San Jose
Hours	Mondays 9:00-2:00
Reservations	408-559-8553
<b>Cypress Senior Center</b>	
Location	403 Cypress Ave, San Jose
Hours	Fridays 9:00-12:00
Reservations	408-244-1353
Local Coordinator	Ernie Brogmus, ecb@lycos.com
<b>Southside Senior Center</b>	
Location	5585 Cottle Road, San Jose
Hours	Mondays 9:00-12:00, 1:00-4:00
Reservations	408-629-3336
<b>The Villages</b>	
Location	2800 Fairway Drive, San Jose, CA 95135
Hours	Mondays, 8:30-1:00
Reservations	Evergreen Community Center, 408-270-2220
Local Coordinator	Alan Waltho, aewaltho@comcast.net
<b>Yu-Ai Kai Community Center</b>	
Location	588 North 4th St, San Jose
Hours	Wednesdays 9:00-12:00
Reservations	408-294-2505
Other Languages	Japanese and Cantonese
Local Coordinator	Darren Asing
<b>Other Sites near San Jose</b>	
<b>Cambell Adult Center</b>	
Location	1 West Cambell Ave, Room E46, Campbell
Hours	Tuesdays 1:00-4:00, Fridays 9:00-12:00
Reservations	In person, on site, during open hours
Other Languages	Mandarin
<b>Gardner Senior Center</b>	
Location	520 West Virginia St, San Jose
Hours	Thursdays 9:00-1:30
Reservations	408-279-1498
Other Languages	Spanish
<b>Gilroy Senior Center</b>	
Location	7371 Hanna St, Gilroy
Hours	Tuesdays 8:30-1:00
Reservations	408-846-0414
<b>LGS Adult Recreation Center</b>	



Location	208 E Main St, Los Gatos
Hours	Mondays 9:00-1:00
Reservations	408-354-1514
Other Languages	German
<b>Milpitas Senior Center</b>	
Location	40 N Milpitas Blvd, Milpitas
Hours	Tuesdays 9:00-3:00, Fridays 9:00-3:00
Reservations	408-586-3400
Other Languages	Cantonese
<b>Morgan Hill Senior Center</b>	
Location	171 W Edmundson Ave, Morgan Hill
Hours	Thursdays 8:30-12:30
Reservations	408-782-1284
Other Languages	Mandarin and Russian
<b>Mountain View Community Center</b>	
Location	201 S Rengstorff Ave, Mountain View
Hours	Mondays 9:00-1:00
Reservations	650-947-2797
<b>Mountain View Senior Center</b>	
Location	266 Escuela Ave, Mountain View
Hours	Wednesdays 9:00-12:00, Thursdays 9:00-12:00
Reservations	650-903-6330
<b>Palo Alto Senior Center</b>	
Location	450 Bryant St, Palo Alto
Hours	Fridays 9:00-12:00, 1:00-4:00
Reservations	650-289-5400
<b>Santa Clara Senior Center</b>	
Location	1303 Freemont St, Santa Clara
Hours	Tuesdays 9:00-2:00, Thursdays 9:00-2:00
Reservations	408-615-3170
<b>Saratoga Senior Center</b>	
Location	19655 Allendale Ave, Saratoga
Hours	Thursdays 9:00-1:30
Reservations	408-868-1257
Other Languages	Mandarin and Cantonese
<b>Sunnyvale Senior Center</b>	
Location	550 E Remington Dr, Sunnyvale
Hours	Wednesdays 9:00-2:00
Reservations	408-730-7360
<b>Trinity Church of Sunnyvale</b>	
Location	477 N Mathilda Ave, Sunnyvale
Hours	Mondays 9:00-2:00, Wednesdays 9:00-2:00
Reservations	408-475-1335
<b>Willow Glen Community Center</b>	
Location	2175 Lincoln Ave, San Jose
Hours	Wednesdays 9:00-1:00
Reservations	408-448-6400
<b>Willow Glen Library</b>	
Location	1157 Minnesota Ave, San Jose

Hours  
Reservations

Tuesdays 9:00-1:00  
Self register in person at the library

# Terminology

## Acronyms

<b>ABLE</b>	Achieve Better Life Experience
<b>ACA</b>	Affordable Care Act
<b>ACTC</b>	Additional Child Tax Credit, Advanced Child Tax Credit
<b>AGI</b>	Adjusted Gross Income
<b>AMT</b>	Alternative Minimum Tax
<b>APTC</b>	Advanced Premium Tax Credit (ACA)
<b>ATIN</b>	Adoption Tax Identification Number
<b>CARES</b>	Coronavirus Aid, Relief, and Economic Security (CARES Act)
<b>CDCC</b>	Child and Dependent Care Credit
<b>CTC</b>	Child Tax Credit
<b>EIC</b>	Earned Income Credit (see EITC)
<b>EIN</b>	Employer Identification Number
<b>EIP</b>	Economic Impact Payments (CARES Act)
<b>EITC</b>	Earned Income Tax Credit
<b>ERO</b>	Electronic Return Originator
<b>FATCA</b>	Foreign Account Tax Compliance Act
<b>FICA</b>	Federal Insurance Contributions Act
<b>FPL</b>	Federal Poverty Level
<b>FSA</b>	Flexible Spending Account
<b>FTB</b>	Franchise Tax Board
<b>FTC</b>	Foreign Tax Credit
<b>HDHP</b>	High Deductible Health Plan
<b>HoH</b>	Head of Household
<b>HSA</b>	Health Savings Account
<b>IHSS</b>	In Home Support Services (Medicaid Waiver Payments)
<b>IRA</b>	Individual Retirement Arrangement
<b>ITIN</b>	Individual Tax Identification Number
<b>LTC</b>	Long Term Care
<b>MAGI</b>	Modified Adjusted Gross Income
<b>MEC</b>	Minimum Essential Coverage (ACA)
<b>MFJ</b>	Married Filing Jointly
<b>MFS</b>	Married Filing Separately
<b>MSA</b>	Medical Savings Account
<b>MWP</b>	Medicaid Waver Payments
<b>NTTC</b>	National Tax Training Committee
<b>OID</b>	Original Issue Discount
<b>PAB</b>	Private Activity Bond
<b>PPP</b>	Paycheck Protection Plan (CARES Act)
<b>PSO</b>	Public Safety Officer
<b>PTC</b>	Premium Tax Credit (ACA)
<b>QBI</b>	Qualified Business Income
<b>QCD</b>	Qualified Charitable Distribution
<b>QR</b>	Quality Review
<b>RDP</b>	Registered Domestic Partner
<b>REIT</b>	Real Estate Investment Trust
<b>RMD</b>	Required Minimum Distribution
<b>RRC</b>	Recovery Rebate Credit (CARES)
<b>SALT</b>	State and Local Taxes
<b>SDI</b>	State Disability Insurance

<b>SECURE</b>	Setting Every Community Up for Retirement (SECURE Act)
<b>SEHI</b>	Self-Employed Health Insurance (deduction)
<b>SEP</b>	Simplified Employee Pension (IRA)
<b>SIMPLE</b>	Savings Incentive Match Plans for Employees (IRA)
<b>SLCSP</b>	Second Lowest Cost Silver Plan (ACA)
<b>SRP</b>	Shared Responsibility Payment (ACA)
<b>SSI</b>	Supplemental Security Income (Social Security)
<b>TCE</b>	Tax Counseling for the Elderly
<b>TCJA</b>	Tax Cut and Jobs Act
<b>VITA</b>	Volunteer Income Tax Assistance

### Tax-Aide

<b>DC</b>	District Coordinator
<b>DVRC</b>	District Virtual Return Coordinator
<b>EFIN</b>	Electronic Filing Identification Number
<b>LC</b>	Local Coordinator
<b>QSR</b>	Quality Site Requirements
<b>RC</b>	Regional Coordinator
<b>SC</b>	State Coordinator
<b>SIDN</b>	Site Identification Number
<b>SMT</b>	State Management Team/Training
<b>SVRC</b>	Site Virtual Return Coordinator
<b>TC</b>	Training Coordinator
<b>TRS</b>	Training Specialist
<b>TTT</b>	Train the Trainer
<b>VRC</b>	Virtual Return Coordinator

## Definitions

**Accounting Method** is the way you account for your income and expenses. Cash accounting method reports income when it is received and deducts expenses when paid. The accrual accounting method reports income when earned and deducts expenses when incurred.

**Accrual Method of Accounting** See *accounting method*.

**Adjusted Gross Income (AGI)** is *gross income* (also called taxable income) minus *adjustments*. *Adjustments* (also called above the line deductions) are deductions you can take even if you do not itemize deductions.

$$\text{adjusted gross income} = \text{gross income} - \text{adjustments}$$

**Adjustments** (also called above the line deductions) are deductions that you can take even if you do not itemize deductions (for example, retirement plan contributions). They are subtracted from gross income so they reduce your adjusted gross income (AGI). The standard deduction and itemized deductions are subtracted from AGI; they do not lower your AGI. The distinction between adjustments and deduction is important because AGI is used in many tax calculations.

**Alien** is a person in the country that is not a US citizen. If the person has been issued an alien registration card (also called a green card, although it is no longer green) they are a resident alien (or if they pass the substantial presence test); otherwise, they are a non-resident alien.

**Basis** is the original cost of an item.

**Blind** A person is considered to be blind if they have a statement from a doctor that their vision is worse than 20/200 in their better eye with glasses or their field of vision is less than 20 degrees.

**Cash Method of Accounting** See *accounting method*.

**Community Property State** means the law presumes all property acquired during the marriage is owned equally by both spouses. As a result, the court will divide marital property equally if spouses later divorce. The length of your marriage does not affect the division of assets and debts. California is a community property state.

**Covered Security** the brokerage is required to report the cost basis to both you and the IRS. For non-covered securities, the reporting is sent only to you. Most stocks traded in the U.S. are covered securities.

**De Minimis** is Latin for “about minimal things”.

**De Minimis Safe Harbor Election** allows the taxpayer to set a capitalization threshold so that all amounts that fall below that number are not capitalized for federal tax reporting purposes. This is particularly advantageous for taxpayers who tend to capitalize large amounts of “low dollar” fixed assets including items such as office and computer equipment, software, and office furniture.

**Deduction** is an expense that can be deducted from the taxpayer’s AGI when itemizing deductions. It reduces the amount of income that is taxed.

**Dependent** is the qualifying child or qualifying relative of the taxpayer (a spouse is a personal exemption, not a dependent).

**Disabled** A person is considered permanently disabled if they cannot engage in any substantial gainful activity because of a physical or mental condition, and a doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death (basically, you cannot perform a paying job).

**Dividends** are the most common type of distribution from a corporation or mutual fund. Unless stated otherwise, dividends are ordinary dividends. Ordinary dividends are taxed as income. Qualified dividends are taxed as long term capital gains.

**Earned Income** is income received for working (for example, wages or business income). Unearned income is investment income; for example, passive income, rental income, dividends, and capital gains. It is called unearned income because it is not generated by performing a service.

**Effective Tax Rate** is the percentage of taxes you actually pay, which is your income tax divided by your taxable income. See also *marginal tax rate*.

**Exemption** is a dollar amount that can be deducted from a taxpayer’s total income. There are two types of exemptions: the personal exemption and the dependency exemption. The amount of an exemption is reduced to \$0 for tax years 2018-2015 by the Tax Cuts and Jobs Act.

**FICA Tax** is a tax on wages that pays for Social Security, Medicare, and the Affordable Care Act.

**Gross income** is all taxable income. It includes any income in the form of money, goods, property, and services (for example, wages, interests, dividends, rental income, capital gains, and business income). Income that is not taxable is not included although it may still need to be entered on the tax return (for example, qualified dividends and some portion of Social Security benefits).

**Individual Tax Identification Number (ITIN)** is issued by the IRS to individuals required to have a taxpayer identification number but are not eligible to receive a Social Security number. US citizens and resident aliens have Social Security numbers; non-resident aliens have ITINs.

**Injured Spouse** refers to when one spouse owes a debt to the IRS, the other spouse, the injured spouse, can receive their share of the refund shown on the joint tax return. Otherwise, the IRS would use the entire refund to pay the debt incurred by the louse spouse.

**Innocent Spouse** is a spouse that requests relief from paying tax, interest, and penalties because their spouse (or former spouse) improperly reported items or omitted items on their tax return.

**Kiddie Tax** is a tax for children who have taxable unearned income (form 8615).

**Marginal Tax Rate** is the highest tax bracket that your income is taxed in. See also *effective tax rate*.

**Modified Adjusted Gross Income (MAGI)** is computed by taking the taxpayer's AGI and adding back certain items, such as foreign income, foreign-housing deductions, student-loan deductions, IRA contribution deductions, and deductions for higher-education costs. It is common for the MAGI to be the same as the AGI. MAGI is used to determine whether the taxpayer qualifies for certain tax deductions (for example, how much of an IRA contribution is deductible).

**Municipal Bonds** are bonds issued by states, counties, and cities. They are federally tax free and they are state tax free if they are issued in your state.

**Non-refundable Tax Credit** See *tax credit*.

**Non-resident Alien** See *alien*.

**Non-recourse Debt** See *recourse debt*.

**Ordinary Dividends** See *dividends*.

**Original Issue Discount** is a loan where a payment at maturity is more than the amount of the original loan. The difference between the original amount and the amount due at maturity is interest but is referred to as original issue discount.

**Pass-through Business** is a business that does not pay taxes itself. Instead, the profits and losses are passed through to the owners, who pay taxes for the business on their own individual tax returns. Pass-through businesses include sole proprietorships, partnerships, S corporations, LLCs, and LLPs.

**Primary School** is elementary school.

**Progressive Tax** means that your tax rate increases as your taxable income increases.

**Qualified Dividends** See *dividends*.

**Qualified Charitable Distribution** is an otherwise taxable distribution from an IRA owned by someone who is age 70½ or over that is paid directly from the IRA to a qualified charity.

**Recourse Debt** holds the borrower personally responsible. All other debt is non-recourse debt. With a non-recourse debt (loan), the lender can only take the collateral if the borrower defaults. With a recourse debt (loan), the borrower is still responsible for the remaining debt if the collateral does not cover the debt.

**Refundable Tax Credit** See *tax credit*.

**Resident Alien** See *alien*.

**Schedule** is an attachment to a form.

**Secondary School** is high school.

**Tax-Aide** is a free tax preparation assistance program provided by AARP Foundation.

**Tax Credit** is an amount that can be subtracted from the taxes due. Tax credits can be refundable or non-refundable. A refundable tax credit means that if the tax credit is greater than the amount of taxes due, the balance of the credit can be given to the tax payer as a refund. A non-refundable tax credit can only be used to offset taxes owed.

**Taxable Income** is the amount of income that will be subject to income tax. It is computed by taking your *gross income* (also called total income) and subtracting the *adjustments* (also called above the line deductions), and subtracting the exemptions, and subtracting either the standard deduction or the itemized deductions (below the line deductions).

$$\begin{aligned} \text{taxable income} &= \text{gross income} - \\ &\quad \text{adjustments} - \\ &\quad \text{number of exemptions} * \$0 - \\ &\quad \text{standard deduction or itemized deductions} \end{aligned}$$

**Taxpayer Identification Number** is a Social Security number (SSN), Individual Taxpayer Identification Number (ITIN), or an Adoption Taxpayer Identification Number (ATIN). Any person legally eligible for employment must have an SSN. Any person without a SSN that needs to file a tax return or be listed as a spouse or dependent on a tax return must have an ITIN. A child in the process of being adopted will need an ATIN to claim the child as a dependent.

**U.S. National** is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.

**Unearned Income** See *earned income*.

**Use Tax** is a California tax paid on items purchased out of state but used in the state. This typically applies to items purchased over the Internet, mail orders, or purchases made while outside the state.

**Volunteer Income Tax Assistance (VITA)** program is an Internal Revenue Service program that partners with non-profit organizations, city governments, and major public universities to provide free tax preparation assistance.