

Tax-Aide Notes for Tax Year 2022

Completing the Tax Return	4
Standard Deduction	4
Who Must File?	4
Who Should File?	5
Intake Interview	5
What the Taxpayer Should Bring	5
Things to Check For	5
Basic Information	6
Deceased Taxpayer	6
Filing Status	6
Dependents	6
Income Section	7
W-2 – Wages	7
W-2G – Gambling Income	8
1099-B – Brokerage Statement, Capital Gains	8
1099-C – Cancelation of Debt	8
1099-G – CA Income Tax Refund	8
1099-DIV – Dividends	9
1099-INT – Interest	9
1099-LTC – Long Term Care	9
1099-R – Retirement or Pension Distribution	9
1099-NEC and 1099-MISC – Non-employee Compensation	11
1099-S – Sale of Home	11
Schedule C	11
Schedule K-1	12
Jury Duty Pay	12
Adjustments Section	13
Educator Expenses	13
IRA Deduction	13
Student Loan Interest	13
Deductions Section	14
Mortgage Interest	14
Miscellaneous Expenses	14
Medical Deductions	14
Taxes You Paid	14
Charitable Donations	15
Credits	15
Education	15
California Section	15
Alimony	15
California Lottery Winnings	15
Deceased Taxpayer or Spouse	16
Estimated Tax Vouchers	16
Head of Household	16
Healthcare Coverage	16
Last Name Changed	16
Middle Class Tax Refund	16
E-Filing Section	16
Printing	16
Signature	17

Paper Filing.....	17
Dependents.....	19
Child and Dependent Care Credit.....	19
Child Tax Credit and Additional Child Tax Credit	20
Credit for Other Dependents.....	20
Earned Income Tax Credit.....	20
Exemption for Dependent	21
Head of Household Filing Status	21
Qualifying Surviving Spouse Filing Status	21
Qualifying Child.....	22
Qualifying Child of More than One Person.....	22
Qualifying Relative	23
California Information.....	24
Standard Deduction	24
Personal Exemption.....	24
Who Must File a State Return?.....	24
Single or Head of Household.....	24
Married Filing Jointly.....	24
Qualifying Surviving Spouse.....	24
Deductions Allowed.....	25
Deductions Not Allowed	25
Healthcare	25
California Earned Income Tax Credit.....	25
Estimated Payments	25
Foster Youth Tax Credit.....	26
Middle Class Tax Refund (MCTR)	26
Renter's Credit	26
Young Child Tax Credit.....	27
General Information	28
Age Requirements	28
Affordable Care Act (ACA).....	28
Premium Tax Credit (PTC).....	28
Federal Poverty Level.....	28
Alimony.....	29
Divorce Before 2019.....	29
Divorce in 2019 or After.....	29
California.....	29
Credits.....	29
California.....	29
Non-Refundable	29
Refundable	29
E-Mail Addresses	29
Foreign Currency Conversion	30
Health Savings Account (HSA).....	30
HSA Owner Qualifications	30
Contribution Limit.....	30
Qualified Expenses.....	30
IRAs.....	30
Contributions.....	30
Required Minimum Distribution (RMD).....	31
Withdrawals from Traditional IRA	31
Withdrawals from Roth IRA	31
Qualified Charitable Distributions (QCD).....	31
Retirement Savings Contribution Credit	31

Lost Refunds	31
Number Formats	32
Routing Numbers.....	32
Non-Citizen Taxpayers.....	32
Scope.....	32
Social Security	33
Taxation	33
FICA Tax.....	33
Tax Formula	33
What's Deductible?	33
Deductions Allowed - Federal.....	34
Deductions Not Allowed - Federal.....	34
Deductions Allowed - California.....	34
Deductions Not Allowed - California	34
What Is Taxable?	34
Income Taxed - Federal	34
Income Not Taxed - Federal.....	35
Income Taxed in California.....	35
Income Not Taxed in California	35
Scope Summary.....	36
In Scope	36
Out of Scope	36
Filing Status	36
Taxpayer.....	36
Credits	36
State Return.....	36
Income	36
Self Employment	37
Capital Gains	37
Deductions.....	37
Health Savings Accounts (HSAs)	37
Specific Entries on Forms.....	37
Bookmarks	39
Information for Taxpayer	39
References.....	39
California.....	39
Training.....	39
Tax Forms	40
Federal.....	40
California.....	41
TaxSlayer	41
Tax-Aide Sites	42
CA-3, District 9, San Jose	42
The Villages	43
Volunteers.....	43
Terminology	44
Acronyms	44
Tax-Aide	45
Definitions	45
Questions	50

Completing the Tax Return

Due date	Tuesday, April 18, 2023 (May 15 in CA disaster areas)
How long for direct deposit refund	3 weeks
How long for paper check refund	6-8 weeks
How long to process paper return	16 weeks
How long to process amended return	16 weeks
How long to save documents	7 years – The IRS has up to 6 years from date of filing to assess additional taxes.

Standard Deduction

Filing Status	65 or Blind	Federal	CA
Married Filing Jointly	Under 65	\$25,900	\$10,404
Married Filing Jointly	One 65 or over	\$27,300	\$10,404
Married Filing Jointly	Both 65 or over	\$28,700	\$10,404
Qualifying Surviving Spouse	Under 65	\$25,900	\$10,404
Qualifying Surviving Spouse	65 or over	\$27,300	\$10,404
Head of Household	Under 65	\$19,400	\$10,404
Head of Household	65 or over	\$21,150	\$10,404
Single	Under 65	\$12,950	\$5,202
Single	65 or over	\$14,700	\$5,202
Married Filing Separately	Any age	\$12,550	\$5,202
Married Filing Separately	65 or over	\$14,250	\$5,202

Who Must File?

- If taxable income is greater than the standard deduction.
- If taxable income + ½ of Social Security > \$32,000 for MFJ, \$25,000 otherwise.
- If taxpayer received a 1099-S (sold a home).
- If taxpayer received an HSA distribution.
- If there is more than \$400 of self-employment income.
- If taxpayer received a Premium Tax Credit.
- If MFS and taxable income is > \$5.

A dependent must file if:

Single with taxable income (under 65)	\$12,950
Single with taxable income (65 and over)	\$14,700
Single with unearned income (under 65).....	\$1,150
Single with unearned income (65 and over).....	\$2,900
Married with taxable income (under 65)	\$12,550
Married with taxable income (65 and over)	\$14,350
Married with unearned income (under 65)	\$1,150
Married with unearned income (65 and over).....	\$2,550

In California, a dependent must file if their gross income is greater than their CA standard deduction, which is:

MFJ, QSS, or HoH	\$10,404
Single	\$5,202

Kiddie Tax

- Kiddie tax is in scope for the federal return but out of scope for the California return.
- Applies if:
The child is taxpayer's dependent, and
Is under 18 or full time student and under 24, and
Has unearned income of (taxable scholarship is unearned income).....\$2,300

Who Should File?

- Tax-Aide recommends all taxpayers file a tax return
- To help prevent identity theft
- If taxpayer had taxes withheld
- If taxpayer paid estimated taxes
- Received form 1099-S
- If taxpayer is eligible for a refundable tax credit
 - American Opportunity Credit
 - Additional Child Tax Credit
 - Earned Income Tax Credit
 - Premium Tax Credit
- If taxpayer file a state return
- To be eligible for distributions only given to tax filers (e.g., COVID relief, CA MCTR)

Intake Interview

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

What the Taxpayer Should Bring

- Intake/Interview form.
- This year's tax documents.
- Last year's tax return.
- Void check for direct deposit/debit of refund/balance due.

Things to Check For

- Check for a capital loss carry over from last year.
 - 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.
- 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 taxpayer received Advanced Premium Tax Credit.
- Form 13614-C asks if the taxpayer or spouse is disabled. This is not entered in TaxSlayer, but if it is checked, the counselor should determine if the taxpayer or spouse is eligible for the Credit for the Elderly or the Disabled.

Basic Information

Deceased Taxpayer

- If one spouse is deceased, the surviving spouse should be listed as the primary taxpayer so the surviving spouse will get carryover information next year.
- When someone other than the surviving spouse is filing the tax return and a refund is due, complete form 1310 Statement of Person Claiming Refund Due a Deceased Taxpayer.
 - Print an extra copy of form 1310 to be mailed to the IRS.

Filing Status

- If married, taxpayer may be able to file MFJ, MFS, or HoH.
- If single, taxpayer may be able to file Single, HoH, or QSS.
- 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.
- A married person is married even if their spouse lives in another country. If the spouse is a non-resident alien, taxpayer must file as MFS, HoH, or elect to treat the spouse as a resident alien, in which case, the taxpayer 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 have lived apart for the entire 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 unless lived part past 6 months.
- 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 capital losses.
- 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 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.
- Possible dependents are:
 - Anyone who lived with the taxpayer, and
 - Anyone who the taxpayer supported.
- Add an entry for a dependent in TaxSlayer for:
 - All dependents.
 - 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 "Check if this 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 the taxpayer's dependent, but is being claimed as a dependent by the noncustodial parent.

Income Section

- All income is taxable unless there is a provision to say it is not.

W-2 – Wages

- See pub 4012, page D-8 for a description of the codes in box 12.
- 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 this is not done, 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. Statutory employees receive Form W-2 for their pay and have taxes withheld; however, statutory employees may report their income and deduct their expenses on Schedule C.
- Retirement plan indicates that the employee participated in the employer's retirement plan.
- 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 SSN on the W-2 as shown.
- Box 10 is used by employers to report dependent care benefits paid to the taxpayer. Complete Form 2441 Child and Dependent Care Expenses to determine if this is taxable and the allowable amount of dependent care credit.

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.
- On a CA return, MWP can be either included or excluded as earned income.
 - Box 1 is the taxable income (always enter as shown on W2)
 - Box 16 is earned income (copy from box 1 or change to 0 to exclude from earned income).
- Try each combination to see what works best for taxpayer:

Federal Not Taxable	Federal Not Earned	CA Not Earned
Federal Not Taxable	Federal Not Earned	CA Earned
Federal Not Taxable	Federal Earned	CA Not Earned
Federal Not Taxable	Federal Earned	CA Earned

Federal Taxable	Federal Earned	CA Earned
-----------------	----------------	-----------

- The other combinations where it is taxable on the federal return are never advantageous to the taxpayer.

W-2G – Gambling Income

- Gambling winnings are income.
- Losses up to the amount of winnings are deductible if the taxpayer itemizes deductions.
 - Do not subtract losses from winnings.
- Go to Income->Other Income->Gambling Winnings W2-G.
 - Both winnings and losses can be reported on this page.

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.
- Brokers are required to track cost basis on shares purchased on or after January 1, 2011.
- 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

 - If you use the M option, it is not necessary to enter the buy or sell dates (select Alternate Option for both).
 - If there is a wash sale, it is entered as a positive number in the Adjustments field and enter code W.
 - Losses on investment assets are deductible; losses on personal-use assets are not.
 - Gains on all assets are taxable.
 - In community property states (e.g., California), when either spouse dies, the basis of community property (e.g., stock) becomes the current fair market value of the property.
 - Basis on brokerage statement is likely to be the original basis, not the stepped up basis.
 - If taxpayer is widowed look for stocks that were purchased before the death of the spouse and verify the basis with the taxpayer.

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-C – Cancellation of Debt

- Cancellation of debt is only in scope for:
 - Principal residence
 - Credit card
 - Student loan forgiveness (2020-2026)

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 \$10,000 limit.

Partially taxable if:

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

Itemized deduction < Standard deduction

Not taxable

Standard deduction + Refund < Itemized deduction

Fully taxable

Standard deduction < Itemized deduction < Standard deduction + Refund

Partially taxable

Example:

Standard deduction	\$14,000
Refund	\$500

If itemized deductions are \$14,000 or less, the refund is not taxable

If itemized deductions are \$14,500 or more, the refund is fully taxable.

If the itemized deductions are greater than \$14,000 but less than \$14,500, the refund is partially taxable.

1099-DIV – Dividends

- Enter Payer's name (abbreviation is OK).
- EIN and address are not needed.

1099-INT – Interest

- Enter Payer's name (abbreviation is OK).
- 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 5, Investment Expense, TaxSlayer knows this is deductible on CA return; do not add as a deduction.
- 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-LTC – Long Term Care

- Entered on form 8853.
- Per diem payments are payments of a fixed amount made on a periodic basis without regard to actual expenses incurred. They are not reimbursement for actual expenses incurred.
- Per-diem payments are not taxed up to \$390/day (form 8853, line 21).
- You can deduct non-reimbursed medical expenses on schedule A.

1099-R – Retirement or Pension Distribution

- See pub 4012, page D-43 for a description of the codes in box 7.
- RRB 1099-R is the equivalent of form 1099-R for railroad employees, but entered on separate page in TaxSlayer.

- CSA 1099-R is the equivalent of form 1099-R for U.S. government employees and it is entered on same page in TaxSlayer.
- If box 2a Taxable Amount is less than box 1 Gross Distribution, make sure taxable amount is carried forward to box 16 State Distribution.
- 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, after-tax contributions were made. You need to calculate the taxable amount.
- If box 5 is the amount of health insurance premiums (usually only CSA 1099-R), manually enter it for schedule A medical expense.
- For distributions that you do not want to affect the Retirement Savings Contribution Credit, check the "Does not carry to Form 8880" box (usually, some type of roll over).

Early Withdrawal

- If code is 1, this is an early distribution.
- Medical exemption can only be used for expenses over 7.5% of AGI.
- To enter an exemption, go to form 5329.
 - Complete Part 1.
 - See pub 4012, page H-5 for a description of the exemptions.

1099-R with Qualified Charitable Distribution (QCD)

- Must be 70½ years old.
- 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.

Disability Pension

- If code is 3, this is a disability pension.
- Determine the minimum retirement age for that employer.
- I think code 3 will change to code 7 when the person reaches retirement age.
- If taxpayer is less than retirement age:
 - The entire distribution is taxable until the taxpayer reaches retirement age (even if 9b is not \$0).
 - Check the box to report on 1040, line 1.
 - This may qualify the taxpayer for EIC.
 - For CA return, this is not handled automatically by TaxSlayer.
 - Go to State->Credits->CA Earned Income Credit.
 - Enter the amount from box 2a into the first field.

Public Safety Officer (PSO)

- If health insurance premiums were paid directly from pension they are tax exempt up to \$3000.
 - Usually shown in box 5.
- Subtract cost of insurance from box 2a Taxable Amount up to \$3000.
 - If insurance cost is more than \$3000, the balance can be deducted as a medical expense.
- Go to Income->Nontaxable Distributions.
 - Check the 3rd box for Public Safety Officer.

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

- Enter amount in the TaxSlayer box that directs the income to the correct location even if different from the paper 1099-NEC or 1099-MISC.
 - Business income in 1099-MISC, box 3, enter in 1099-NEC, box 1.
 - Non-business income in 1099-NEC, box 1 (e.g., honorarium), enter in 1099-MISC, box 3.
 - Royalties in 1099-MISC, box 2 from self-employment (writers, singers, etc.), enter in 1099-NEC, box 1; otherwise, leave in 1099-MISC, box 2 so goes to schedule E.

1099-S – Sale of Home

- There is no deduction for a loss on the sale of a home (personal property, not investment property).
- Gain is taxed at capital gains rate.
- Taxpayer may exclude some gains from the sale of a home if:
 - The taxpayer owned the home for at least 2 of last 5 years.
 - The taxpayer lived in the home for at least 2 of last 5 years.
 - The taxpayer has 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
- The taxpayer must report the sale of a home if:
 - The taxpayer cannot exclude all of the gain.
 - The taxpayer received form 1099-S (even if there is no gain).
- In community property states (e.g., California), when either spouse dies, the total fair market value of the community property becomes the basis of the entire property, including the part belonging to the surviving spouse.
- When entering the 1099-S:
 - 5 years is $5 * 365 = 1825$ days.
 - Check the box that you qualify for the maximum exclusion.

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 the taxpayer “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.
- Enter LTC with health insurance; do not use the LTC entry.
- Apply the age based limits to LTC premiums (limit applies to each person separately):

Age < 41	\$450
Age 41 – 50	\$850
Age 51 – 60	\$1,690
Age 61 – 70	\$4,510
Age >= 71	\$5,640

Vehicle Expenses

Business mileage rate 1/1/2022 – 6/30/2022	58.5 cents
Business mileage rate 7/1/2022 – 12/31/2022	62.5 cents

In addition to standard mileage, the taxpayer 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 if income is less than \$340,200 for MFJ and \$170,050 otherwise.

Out of Scope

- Cannot omit any expenses to prevent showing a loss
- Business cannot be a Limited Liability Company (LLC) or other legal entity
- 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)
- Business use of home (see schedule C)
- Depreciation (see schedule C)
- Eligible for Premium Tax Credit
- Equipment costing > \$2,500
- 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 rental or lease of more than 30 days (see schedule C)
- Vehicle, except standard mileage (see schedule C)

Schedule K-1

- 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 from an S corporation.

Jury Duty Pay

- Jury duty pay must be entered as income even if the taxpayer turned it over to their employer.

- Go to Income->Other Income->Other Income Not Reported Elsewhere
 - Select Jury Duty Pay from the drop down list.
 - Enter amount of jury duty pay.
- If the taxpayer turned over their jury duty pay to their employer:
 - Go to Deductions->Adjustments->Other Adjustments
 - Enter amount of jury duty pay.

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 of Savings or CD
 Self Employed Health Insurance
 Student Loan Interest

Educator Expenses

- \$300 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.
- 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

- Reported on form 1099-E if taxpayer paid more than \$600.
- Limited to \$2,500 (same limit for single and MFJ).
- 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.
- 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.
- Maximum MAGI is:

MFJ	\$145,000-\$175,000
Otherwise	\$70,000-\$85,000

Deductions Section

- 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.

Mortgage Interest

- Interest and points paid during the current tax year are deductible.
 - Interest on loan up to \$750,000 loan (\$1,000,000 if loan originated before 12/15/2017) is deductible.
 - If the loan is greater than \$750,000, the interest must be divided into deductible and non-deductible portions.
 - Use deductible amount from last year's taxes; it won't change until balance drops below \$750,000.
- Seller-financed mortgage is entered at Deductions->Itemized Deductions->Mortgage Interest and Expenses->Mortgage Interest Not Reported on Form 1098.
- Private Mortgage Insurance is currently not deductible in 2022.
 - If it becomes deductible, there will be an entry at Deductions->Itemized Deductions->Mortgage Interest and Expenses-> Private Mortgage Insurance Deduction.

Miscellaneous Expenses

- Except gambling losses, miscellaneous expense deductions are suspended until 2025 for federal tax return.
- Continue to enter miscellaneous deductions into TaxSlayer because California state tax return still allows miscellaneous expense deductions.

Medical Deductions

Medical mileage rate 1/1/2022 – 6/30/202218 cents
Medical mileage rate 7/1/2022 – 12/31/202222 cents

- Threshold for itemized medical deductions is 7.5%.
- Expenses must be for the taxpayer, spouse, or dependents.
- 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.
- 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 paid on the item in the sales tax calculator in the field "General sales taxes paid".

Charitable Donations

Charity mileage rate 1/1/2022 – 6/30/2022	14 cents
Charity mileage rate 7/1/2022 – 12/31/2022	14 cents

Credits

The following credits are discussed in the section on Dependents:

- Child and Dependent Care Credit
 - Child Tax Credit and Additional Child Tax Credit
- | | |
|--|--------|
| Maximum amount able amount of CTC per qualifying child | \$2000 |
| Maximum amount able amount of ACTC per qualifying child..... | \$1500 |
- Credit for Other Dependents
 - Earned Income Tax Credit

Education

- Student must be the taxpayer, spouse, or a dependent.
- Expenses are claimed by the person that claims the student as a dependent.
- Expenses can be paid by anyone.
- Scholarships are taxable to the student.
- Tax free education assistance must be subtracted from expenses used to claim a credit.
 - Alternatively,
 - The taxpayer can claim the educational assistance as income, and
 - Claim educational credit for all of the expenses.
 - This may trigger Kiddie Tax.
- Expenses
 - American Opportunity Tax Credit
 - Include any required expenses regardless where bought.
 - Lifetime Learning Credit
 - Only include what was required to be paid to the school.
- Scholarships are taxable except when used for qualified expenses.

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 taxpayer 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 the taxpayer is filing HoH.

Healthcare Coverage

- Go to “Healthcare Coverage Forms”.

Last Name Changed

If taxpayer’s last name changed since last year:

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

Middle Class Tax Refund

- If no 1099-MISC, ignore it; it is a non-taxable welfare payment.
- If a 1099-MISC was received,
 - Enter the 1099-MISC as usual with the amount in box 3, Other Income.
 - Go to Income->Other Income->Other Income Not Reported Elsewhere.
 - Select “Other Income” as the description.
 - An additional description text field will appear; enter “CA MCTR payment”.
 - Enter the MCTR amount as a negative number.

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.
- 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 taxpayer is filing a paper return, they can sign the return at home before they mail it.

Power of Attorney

- 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*”.
- Tax-Aid policy is not to include POA in electronic return and not to send it with form 2848.
 - IRS may contact taxpayer to request it later.

Deceased Taxpayer

- 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”.
- When someone other than the surviving spouse is filing the tax return and a refund is due, complete form 1310 Statement of Person Claiming Refund Due a Deceased Taxpayer.
 - In some cases, TaxSlayer may block electronic filing and return will need to be filed by paper.

Paper Filing

- Print a copy of the return for the taxpayer to keep.

Federal Return

- Print federal return single sided.
- The federal and state copies can be printed with the “PAPER FILE COPY” print set.
 - Include 1040 and all schedules; no worksheets.
 - Assemble schedules in sequence number order (upper right corner) behind 1040.
 - Put W-2 and forms showing withholding in front of 1040.
 - 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.
- Sign return
- If you owe money, pay separately using any of the ways the IRS allows you to pay.
 - You can use form 1040-V if you want to mail a check.
- The mailing address for the return is listed in the Duck Book immediately following the table of contents.

California Return

- Print state return, and maybe federal return, single sided.
- The federal and state copies can be printed with the “PAPER FILE COPY” print set.
 - Put W-2 and forms showing California withholding in front of 540.
 - If the Federal return contains only a 1040 and Schedules A and B, it does not need to be included with the CA return; otherwise include entire federal return.
 - If itemizing for state but not federal, print the Schedule A to include with the CA return
- Sign return
- If you owe money, enclose payment with return (do not staple to return).
- The mailing address for the return is listed in the Duck Book immediately following the table of contents.

Which Returns Cannot Be E-Filed

- Amended CA return (e-filing amended state return is allowed, but not supported by TaxSlayer).
- Taxpayer cannot find their identity protection PIN.
- The first four character of the last name are incorrect on any tax form.
- Substitute W-2 form.
- Missing or invalid EIN on a W-2 form.
- No SSN for person receiving seller financed mortgage payments.
- No SSN for person receiving alimony payment.
- No ITIN for taxpayer and/or is submitting form W-7 with return.
- No EIN/SSN for child care provider.
- No EIN for education institution in education credit.
- SSN is incorrect on any tax forms.
- MFS return when spouse's SSN is not known.
- Deceased taxpayer is due a refund, and the return is not being filed by the spouse (see form 1310), TaxSlayer may block electronic filing and it will be necessary to file by paper.
- Amended returns must be filed by paper if:
 - It is beyond the most recent two tax years (only amended returns for the two most recent prior years can be e-filed).
 - The original return was a paper return filed in the current processing year.
 - The primary Social Security number is different from the one provided on the original return,
 - The spouse's Social Security number (if applicable) is different from the one provided on the original return.
 - The original return was filed as a surviving spouse.
 - Responding to an IRS notice and including other changes to the return not included in the notice (send to address on notice)
 - Your site did not prepare the original return and you are unable to recreate the original return with all documents.

Dependents

These are the dependent related tax benefits.

- Child and Dependent Care Credit
- Child Tax Credit and Additional Child Tax Credit
- Credit for Other Dependents
- Earned Income Tax Credit
- Exemption for Dependent
- Head of Household Filing Status
- Qualifying Surviving Spouse Filing Status

- Qualifying Child
- Qualifying Relative

Child and Dependent Care Credit

The Child and Dependent Care Credit is a non-refundable credit.

If the taxpayer received any dependent care benefits from their employer (see form W-2, box 10) or paid someone to take care of their dependent so they could work, the taxpayer may be able to exclude part of cost from the taxes they owe.

Credit is 20% to 35% of taxpayer's expenses.

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

The following tests must be met to claim the Child and Dependent Care Credit:

- **Qualifying Person** – The taxpayer must have a dependent that is one of the following:
 - **Qualifying Child** – The person is the taxpayer's qualifying child,
 - Is under 13 at the time of the care was provided, and
 - Is the taxpayer's dependent, or
 - **Spouse** – the person is the taxpayer's spouse and
 - Is not physically or mentally able to care for them self, and
 - Lived with the taxpayer for more than half the year, or
 - **Dependent** – a person who was not physically or mentally able to care for them self, lived with the taxpayer for more than half the year, and
 - Was the taxpayer's dependent, or
 - Would have been the taxpayer's dependent, except
 - He had gross income greater than \$4,400
 - He filed a joint return, or
 - The taxpayer could be claimed as a dependent on someone else's return.
- **Earned Income** – Credit is limited to amount of earned income.
 - Taxpayer (and spouse if married) must have earned income.
 - A taxpayer's spouse is treated as having earned income for any month the spouse is physically or mentally incapable of self-care, or is a full-time student.
 - Complete the additions to income if the taxpayer or spouse was full time student or disabled.
 - The spouse's income is considered to be \$250 for each month if there is one qualifying person in the home or \$500 each month if there are two or more qualifying people.
- **Work Related Expense** – The expenses must be to enable the taxpayer (and spouse, if MFJ) to work or look for work and the expenses are for a qualifying person's care. The expenses are limited to:
 - The amount of the expenses cannot be more than the smaller of the taxpayer or spouse's earned income for the year.
 - Maximum amount of expenses for one qualifying person\$3,000

Maximum amount of expenses for two or more qualifying persons\$6,000

- **Joint Return** – Married taxpayers must file as MFJ (there are some exceptions).
- **Provide Identification** – The taxpayer must provide the name, address, and taxpayer ID of the person or organization that provided the care.

Child Tax Credit and Additional Child Tax Credit

The Child Tax Credit (CTC) is a non-refundable credit.

The Additional Child Tax Credit (ACTC) is a refundable credit. The taxpayer may be able to take the ACTC if the taxpayer is not able to claim the full amount of the CTC (because the CTC is not refundable).

If not qualified for the CTC or ACTC, the taxpayer may be able to claim the Credit for Other Dependents.

The following tests must be met to claim the CTC and ACTC:

- **Qualifying Child** – The child must be the taxpayer’s qualifying child, and must be under 17.
- **Citizenship** – The child must be a U.S. citizen or resident alien, and must have an SSN.
- **Dependent** – The child must be claimed as a dependent on the return.

Phased out at \$400,000 if MFJ; otherwise \$200,000.

Maximum amount able amount of CTC per qualifying child\$2000
 Maximum amount able amount of ACTC per qualifying child.....\$1500

Credit for Other Dependents

The Credit for Other Dependents (ODC) is a non-refundable credit. It may reduce the tax by as much as \$500 for each eligible dependent.

If a dependent is not used to claim the CTC or ACTC, the dependent may be used to claim the ODC if:

- **Dependent** – The person must be claimed as a dependent on the return.
 - Unlike CTC, the dependent does not need to be under 17.
- **Citizenship** – The dependent must be a U.S. citizen or resident alien.
 - Unlike CTC, the dependent does not need to have an SSN.

Maximum amount of credit per qualifying person\$500

Earned Income Tax Credit

The Earned Income Tax Credit is a refundable credit.

The following tests must be met to claim the Earned Income Tax Credit:

- **Age** – If the taxpayer does not have a qualifying child, taxpayer must be at least 25 and under 65.
- **Income** –
 - Taxpayer must have earned income.
 - Taxpayer’s unearned income must be less than \$10,300.
 - Taxpayer’s AGI must be less than:

Num Children	0	1	2	3 or more
MFJ	\$22,610	\$49,622	\$55,529	\$59,187
Otherwise	\$16,480	\$43,492	\$49,339	\$53,057

- **Citizenship** –
 - Taxpayer must be a U.S. citizen or resident alien all year.
 - Taxpayer must have an SSN.
- **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 must have an SSN.

- If children do not qualify, taxpayer may still claim EIC without children.

Maximum amount of credit:

Num Children	0	1	2	3 or more
	\$560	\$3,733	\$6,164	\$6,935

Exemption for Dependent

An individual is not a dependent if the person who could claim them as a dependent is not a taxpayer. A person is not a taxpayer if they do not file a tax return or file a tax return only to get a refund of estimated taxes paid or withheld.

The following tests must be met to claim a person as a dependent:

- **Qualifying Person** – A dependent must be a qualifying child or qualifying relative of the taxpayer.
- **Dependent Taxpayer** – The taxpayer cannot claim a dependent if the taxpayer (or spouse) can be claimed as a dependent by another taxpayer.
- **Joint Return** – The taxpayer 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** – A dependent must be a U.S. citizen or resident alien, or resident of Canada or Mexico.

Head of Household Filing Status

The following tests must be met to claim head of household filing status:

- **Unmarried** – The taxpayer is unmarried or considered unmarried.
 - The taxpayer is considered unmarried if:
 - The taxpayer lived apart from spouse during last 6 months of the year, or
 - The taxpayer's spouse is a non-resident alien and not treated as a resident alien.
 - California makes additional requirements in order for a married person to file as HoH or the return is out of scope:
 - Must not have lived together during the entire year.
 - All finances must be separate.
- **Keep Up a Home** –
 - If the dependent is not the taxpayer's parent:
 - The taxpayer must have paid half the cost of keeping up a home for the year.
 - The dependent must have lived with the taxpayer for half the year.
 - Form 8332, Release of Claim to Exemption for Child from custodial parent is not an exception to living with the taxpayer.
 - If the dependent is the taxpayer's parent:
 - Parent does not need to have lived with the taxpayer.
 - Taxpayer must have paid half the cost of keeping up the parent's home for the year.
 - Paying half the cost of a nursing home counts.
- **Qualifying Person** – The taxpayer has a qualifying person that:
 - Is the taxpayer's qualifying child, and:
 - Is single (does not need to be a U.S. citizen or resident alien), or:
 - Is married and the taxpayer can claim the person as a dependent.
 - Is a qualifying relative, and:
 - The taxpayer can claim the person as a dependent.
 - Is a relative listed for qualifying relative (not just member of household).

Qualifying Surviving Spouse Filing Status

The following tests must be met to claim qualifying surviving spouse filing status:

- The taxpayer was entitled to file MFJ with their spouse the year their spouse died.

- The taxpayer's spouse died in one of the two previous tax years (not this tax year).
- The taxpayer did not remarry before the end of this tax year.
- The taxpayer has a dependent that is their child or step child (otherwise, use HoH), and
 - That the taxpayer can claim as a dependent, or
 - Could claim as a dependent, except:
 - The child had gross income greater than \$4,400, or
 - The child filed as MFJ, or
 - The taxpayer could be claimed as a dependent on someone else's return.
- The taxpayer's dependent lived in their home all year.
- The taxpayer paid more than half the cost of keeping up their home for the year.

Qualifying Child

The following tests must be met to claim a qualifying child.

- **Relationship** – The child must be the taxpayer's 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 the taxpayer or 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 the taxpayer in the U.S. for more than half of the year.
- **Support** – The child must not provide more than half of their own support.
 - 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 it is filed only to get a refund of income tax withheld or estimated tax paid).

Qualifying Child of More than One Person

The custodial parent can release a child to the non-custodial parent with form 8333. This allows non-custodial parent to claim:

- Child tax credit

But not:

- Head of household status
- Earned income credit
- Dependent care credit

Tie Breaker Rules

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, 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

The following tests must be met to claim a qualifying relative. Unlike a qualifying child, a qualifying relative can be any age.

- **Not a qualifying child** – The relative cannot be the taxpayer's qualifying child or the qualifying child of any other taxpayer unless that taxpayer does not file a tax return.
- **Relationship test** – The relative either:
 - Must live with the taxpayer all year as a member of the taxpayer's household and not married, or
 - Must be related to the taxpayer in one of the following ways:
 - The taxpayer's child, stepchild, foster child, or a descendant of any of them,
 - The taxpayer's brother, sister, half-brother, half-sister, stepbrother, or stepsister,
 - The taxpayer's father, mother, grandparent, or other ancestor, but not foster parent,
 - The taxpayer's stepfather or stepmother,
 - A son or daughter of the taxpayer's brother or sister,
 - A son or daughter of the taxpayer's half-brother half-sister,
 - A brother or sister of the taxpayer's father or mother,
 - The taxpayer's son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.
 - Relationships established by marriage and not ended by death or divorce.
- **Gross income** – The relative's gross taxable income for the year must be less than \$4,400.
- **Support** – The taxpayer 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.
 - If two or more people could claim the person except for the support test, and together they provide more than half the support, one of them can file form 2120 Multiple Support Agreement and claim the person.

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	\$10,404
Qualifying Surviving Spouse	\$10,404
Head of Household	\$10,404
Single	\$5,202

Personal Exemption

Filing Status	Exemption
Single	\$140
Head of Household	\$140
Married Filing Jointly	\$280
Qualifying Surviving Spouse	\$280
Each Dependent	\$433

Who Must File a State Return?

Single or Head of Household

Age	Dependents	Gross Income
Under 65	0	\$20,913
Under 65	1	\$35,346
Under 65	2 or more	\$46,171
Over 65	0	\$27,913
Over 65	1	\$38,738
Over 65	2 or more	\$47,398

Married Filing Jointly

Age	Dependents	Gross Income
Under 65	0	\$41,830
Under 65	1	\$56,263
Under 65	2 or more	\$67,088
One Over 65	0	\$48,830
One Over 65	1	\$59,655
One Over 65	2 or more	\$68,315
Both Over 65	0	\$55,830
Both Over 65	1	\$66,655
Both Over 65	2 or more	\$75,315

Qualifying Surviving Spouse

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

Under 65	1	\$35,346
Under 65	2 or more	\$46,171
Over 65	1	\$38,738
Over 65	2 or more	\$47,398

- A dependent must file if their gross income is greater than their standard deduction.

MFJ, QSS, or HoH	\$10,404
Single	\$5,202

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
Contribution to traditional IRA is not deductible on California return.
Moving expenses

Healthcare

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

- Called the Individual Shared Responsibility Penalty.

Each adult.....	\$850
Each child under 18.....	\$425
Or, 2.5% of gross income over filing threshold, whichever is higher	

California Earned Income Tax Credit

The following tests determine if the taxpayer can claim the credit:

- **Residency** – The taxpayer lived in California more than ½ the year.
- **Age** –
 - Taxpayer must be ≥ 18 .
 - Qualifying child must be < 6 .
- **Income** –
 - Earned income must be $\leq \$30,000$.
 - Unearned income must be $\leq \$4,389$.

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

Num Children	0	1	2	3 or more
	\$275	\$1,843	\$3,037	\$3,417

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)

Foster Youth Tax Credit

- Refundable credit.
- Maximum amount of credit is \$1,083 per individual.
- Was in foster care placement while 13 years of age or older.
- Is between the ages of 18 to 25 by the end of tax year.
- Is eligible to claim CalEITC in the taxable year of credit.

Phased out if earned income is.....\$25,000-\$30,000

Middle Class Tax Refund (MCTR)

- One time payment to provide relief to Californians.
- Payments are issued between October 2022 and January 2023.
- Sent by direct deposit if filed and received 2020 tax refund by direct deposit; otherwise, on a debit card.

Eligibility

- Filed 2020 tax return by October 15, 2021.
- Meet California AGI limits.
- Was not eligible to be claimed as a dependent in the 2020 tax year.
- Was a California resident for at least 6 months of 2020 tax year.
- Is a California resident on the date the payment is issued.

Amount MFJ

2020 AGI	with Dependent	without dependent
\$150,000 or less	\$1,050	\$700
\$150,001 to \$250,000	\$750	\$500
\$250,001 to \$500,000	\$600	\$400

Amount HoH and QSS

2020 AGI	with Dependent
\$150,000 or less	\$700
\$150,001 to \$250,000	\$500
\$250,001 to \$500,000	\$400

Amount Single and MFS

2020 AGI	with Dependent	without dependent
\$75,000 or less	\$700	\$350
\$75,001 to \$125,000	\$500	\$250
\$125,001 to \$250,000	\$400	\$200

Renter's Credit

Eligibility:

- Paid rent for at least 6 months.
- Adjusted gross income less than:

Single or MFS.....	\$49,220
MFJ, HoH, or QSS.....	\$98,440

Amount of credit

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

Young Child Tax Credit

- Refundable credit.
- Maximum amount of Credit is \$1,083.
- Allows an individual with a qualifying child, under the age of 6, who would otherwise have been allowed the CalEITC except that the individual has earned income of zero or less dollars in the taxable year.
- Amount of credit is not considered income for the purpose of receiving state or local benefits.

General Information

Age Requirements

Age	Birthday	Description
<= 13	>= 2009	Credit for Dependent Care Expenses
<= 17	>= 2005	Child Tax Credit
<= 19	>= 2003	Qualifying child
19-24	1998-2003	Fulltime student may be a dependent
25-64	1958-1997	Earned Income Tax Credit
<= 27	>= 1995	Allowed on parents medical insurance
>= 50	<= 1972	Increased retirement plan contribution limit
>= 59½	<= 1963	Withdraw from retirement account without penalty
62-70	1952-1960	Start drawing Social Security
66	1956	Full retirement age for Social Security
>= 65	<= 1957	Increased standard deduction Higher filing requirement Credit for the Elderly or Disabled Earned Income Tax Credit Eligible for Medicare
>=70½	<=1952	Qualified Charitable Distribution (QCD)
>=72	<=1950	Required Minimum Distribution (RMD)

Affordable Care Act (ACA)

- The taxpayer will have form 1095-A if they are insured through the Marketplace.
- Shared Responsibility Payment is reduced to \$0 (federal only).

Premium Tax Credit (PTC)

- Eligibility for PTC
 - Coverage is for the taxpayer, spouse, or dependent
 - Coverage is purchased through the Marketplace.
 - Not eligible for another MEC plan or the available plan is unaffordable.
 - A plan is unaffordable if the premium for self only coverage is more than 9.86% of household income.
 - Use form 1095-C to show employer plan is unaffordable.
 - Household income is between 100% and 400% of poverty level (upper limit is suspended for 2022-2025).
 - Cannot be claimed as a dependent on another tax return.
 - Premiums will be paid by due date of 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

See publication 4012, page H-20 for the poverty levels used this tax year

Number of People in Household	100% Poverty Level	138% Poverty Level	400% Poverty Level
1	\$12,880	\$17,774	\$51,520
2	\$17,420	\$24,040	\$69,680

3	\$21,960	\$30,305	\$87,840
4	\$26,500	\$36,570	\$106,000
5	\$31,040	\$42,835	\$124,160
6	\$35,580	\$49,100	\$142,320
7	\$40,120	\$55,366	\$160,480
8	\$44,660	\$61,631	\$178,640

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

California

All California tax credits are non-refundable except
 CalEITC
 Foster Youth Tax Credit
 Young Child Tax Credit.

Non-Refundable

American Opportunity Credit (60% non-refundable)
 Child and Dependent Care Credit
 Child Tax Credit
 Credit for the Elderly or Disabled
 Credit for Other Dependents
 Foreign Tax Credit
 Lifetime Learning Credit
 Residential Energy Credit
 Retirement Savings Contribution Credit

Refundable

Additional Child Tax Credit
 American Opportunity Credit (40% refundable)
 Credit for federal tax on fuels
 Earned Income Tax Credit
 Premium Tax Credit

E-Mail Addresses

- The domain name part of an email address is the part that follows the atsign (@). The domain name is case insensitive.

- The username part of an email address is the part that comes before the @sign. The username, is implemented as case insensitive by all major implementations of email, but it is not required to be case insensitive by the standard.
- Gmail, Yahoo, Outlook, Hotmail, AOL, Zoho email addresses are all case insensitive.
- Lowercase is preferred when entering case insensitive email addresses.

Foreign Currency Conversion

- Use the [IRS Average Annual Exchange Rate](#) and add 2% for the bank's commission on the exchange.
- Exchange rate is the number of foreign dollars that equals one U.S. dollar.

$$\frac{\text{Amount of Foreign Currency}}{\text{Exchange Rate}} = \text{Amount in U.S. Dollars}$$

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 are 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 Self Only Plan, maximum contribution is \$3,650
- If HDHP is Family Plan, maximum contribution is \$7,300
- 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, except LTC.
- 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:
 - The amount of earned income (both spouses), and
 - \$6000 per spouse if under 50
 - \$7000 per spouse if over 50
- Maximum MAGI for traditional IRA

MFJ or QSS	\$109,000-\$129,000
Otherwise.....	\$68,000-\$78,000
- Maximum MAGI for Roth IRA

MFJ or QSS	\$204,000-\$214,000
Otherwise.....	\$129,000-\$144,000

Required Minimum Distribution (RMD)

- Age for RMD is:
 - Before TY2020 it was 70½.
 - Increased to 72 in TY2020, but RMD was waived for TY2020.
 - Increased to 73 in TY2023.
 - Increases to 75 in TY2033.
- Inherited IRA must be distributed within 10 years (some exceptions).

Withdrawals from Traditional IRA

- Must be at least 59½.
- Taxed as ordinary income.
- Required minimum distributions begin at age 72.

Withdrawals from Roth IRA

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

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) minus any contributions made to the IRA.

Retirement Savings Contribution Credit

- Applies to both Traditional IRA and Roth IRA.
- TaxSlayer automatically calculates credit for amounts in W-2, box 12.
- Maximum credit is \$2,000 if MFJ; otherwise \$1,000.
- Maximum MAGI

MFJ	\$68,000
HoH.....	\$51,000
Single, MFS, or QSS	\$34,000

Lost Refunds

- Where's my refund?

- Refund Hotline 800-829-1954
- Taxpayer can request a transcript online from the IRS showing what they have on record.
- Taxpayer can initiate a payment trace using form 3911 or by calling the refund hotline 800-829-1954.
- If payment was by check and lost and not cashed, the IRS can cancel the check and issue a replacement check.

Number Formats

SSN	xxx-xx-xxxx	9-digits
ITIN	9xx-7x-xxxx or 9xx-8x-xxxx	9-digits, begins with 9, 7 or 8 as 4 th digit
ATIN	9xx-xx-xxxx	9-digits, begins with 9
Identity Protection PIN	xxxxxx	6-digits
EIN	xx-xxxxxxx	9-digits
IHSS EIN	94-2629822	Medicaid Waiver Payments
CA State EIN	xxxxxxx	8-digits, (CA12-345678, 123-4567-8)
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

Alta One	322 274 462
Bank of America	121 000 358
Bank of the Orient	121 029 672
Bank of the West	122 242 843
Chase (WAMU)	322 271 627
Citibank	321 070 007
Eastern Sierra Bank	121 142 119
Eldorado Bank	321 170 978
Golden 1 CU	321 175 261
Provident CU	321 171 731
San Francisco Federal CU	321 076 441
San Mateo CU	321 174 851
Union Bank	122 000 496
United Airlines CU	271 081 528
Wells Fargo	121 042 882

Non-Citizen Taxpayers

- An alien is a person in the country that is not a U.S. 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 U.S. citizen or resident alien and married to a non-resident alien, the taxpayer 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

- RRB 1099 is the equivalent of form SSA-1099 for railroad employees.
- Canadian and German social security are treated as U.S. social security for tax purposes. Convert foreign values to U.S. dollars (see Foreign Currency Conversion).
 - Canada Pension Plan: NR-4 codes 46, 47, and 48
 - Quebec Pension Plan: NR-4 codes 49, 50, and 51
 - Canada Old Age Security: NR-4(OAS) codes 44 and 45; NR-4 code 86 (TY21 only)
 - Germany Old Age, Disability, and Survivors 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.

Tax Formula

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

Gross Income = Income from all sources - Non-taxable Income
 Adjusted Gross Income (AGI) = Gross Income - Adjustments
 Taxable Income = Adjusted Gross Income - Exemptions¹ - Deductions
 Tax Due = Tax on Taxable Income - Credits

What's Deductable?

- No deduction is allowable unless there is a provision to say it is.

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

- See Pub 4012, F-6 for deductible medical expense.

Deductions Allowed - Federal

- Medical expenses
 - If they exceed 7.5% of AGI
 - 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
 - Must be paid by the taxpayer or spouse
 - Must be incurred by the taxpayer, spouse, or someone that was a dependent when the expense was incurred or paid, or
 - Someone that could be a dependent, but do not meet the gross income test
 - Someone that could be a dependent, but do not meet the joint return test
- Taxes
 - State and local taxes
 - Sales tax
 - Last year's state tax due
 - Must be imposed on the taxpayer, spouse, or dependent
 - Must be paid by the taxpayer or spouse
 - Must be paid in the year they are deducted
- Interest
 - Home loan interest
 - Point paid to acquire home loan
 - Student loan interest (entered as an adjustment)
- Gifts to charity
- Casualty and theft losses only in federally declared disaster areas
- Gambling losses

Deductions Not Allowed - Federal

- Miscellaneous expenses (disallowed through the end of 2025), except
 - Gambling losses to the extent they offset winnings
 - Work-related expenses for disabled individuals that enable them to work.
- Capital loss on the sale of personal property, only investment property.
- Casualty and theft losses, except when resulting from a federally declared disaster.
- Deductions for education expenses
- Funeral costs
- Private Mortgage Insurance
- Real estate assessment (add to basis of home)

Deductions Allowed - California

- Medical expenses: same as federal
- Miscellaneous expenses if they exceed 2% of AGI

Deductions Not Allowed - California

- IRA contributions
- Educator expense adjustment

What Is Taxable?

- See Pub 4012, D-1 (what's taxable) and D-2 (what's not taxable).

Income Taxed - Federal

- Alimony received (divorce before 2019)

- IRA Distributions
- Interest from U.S. government bonds
- Jury duty pay
- Lottery / gambling winnings
- Unemployment compensation
- Scholarships are taxable to the student (not the parent)
- California Middle Class Tax Refund

Income Not Taxed - Federal

- Alimony received (divorce 2019 or later)
- Child support
- Canceled home loan (through 2025)
- Canceled student loan (through 2025)
- Inheritance
- Interest from state and local bonds (municipal bonds)
- Insurance proceeds (accident, casualty, health, life)
- Life Insurance
- Reverse mortgage
- Social Security (partially)
- Veteran's benefits
- Workers' compensation

Income Taxed in California

- Alimony received
- Interest from out of state bonds
- Foreign social security

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 U.S. government bonds
- Social Security benefits
- Unemployment compensation
- California Middle Class Tax Refund

Scope Summary

In Scope

- HSA (see from 8889)
- Social Security from U.S., Germany, and Canada.
- Cancellation of debt is only in scope for:
 - Principal residence
 - Credit card

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

Filing Status

- MFS, married and filing as HoH, or a taxpayer who became single during the year are out of scope unless:
 - Did not live together during the entire year.
 - All finances are separate.

Taxpayer

- Taxpayer cannot provide a photo ID
- Taxpayer is a non-resident alien 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

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

- Cancellation of debt on residence other than principal residence

Self Employment

- Cannot omit any expenses to prevent showing a loss
- Business cannot be a Limited Liability Company (LLC) or other legal entity
- 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)
- Business use of home (see schedule C)
- Depreciation (see schedule C)
- Eligible for Premium Tax Credit
- Equipment costing > \$2,500
- 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 rental or lease of more than 30 days (see schedule C)
- Vehicle, except standard mileage (see schedule C)

Capital Gains

- Day traders
- Trades of future, options
- Bonds acquired other than by purchase (e.g., inheritance)
- Dependent with \$2,300 of unearned income.
- Purchases using virtual currencies.
- 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 are 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	Non-taxable combat pay
	Box 12 code R	Employee contribution to MSA
	Box 12 code T	Adoption benefits

K-1		Anything other than interest, dividends, capital gains/loss, royalty income, and associated foreign tax credits
1098-T	Box 4	Adjustments made for a prior year
	Box 6	Adjustments to scholarships or grants for a prior year
1099-B	Box 1f	Accrued market discount
	Box 7	Check if loss is not allowed based on amount in 1d
	Box 8	Profit or loss realized in 2021 on closed contracts
	Box 9	Unrealized profit or loss on open contracts – 12/31/2021
	Box 10	Unrealized profit or loss on open contracts – 12/31/2022
	Box 11	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 Tax Info](#)
[CA3 Villages](#)
[Compare PDF Files](#)
[Counselor Resources](#)
[Covered California](#)
[Federal Poverty Guidelines](#)
[Franchise Tax Board](#)
[Goodwill Donation Value Guide](#)
[Internal Revenue Service](#)
[IRS Average Annual Exchange Rate](#)
[IRS Forms, Instructions, and Publications](#)
[Lookup Property Tax](#)
[Lookup Vehicle License Fee](#)
[NTTC Resource Links](#)
[Sales Tax Deduction Calculator \(IRS\)](#)

Information for Taxpayer

[About AARP Tax-Aide](#)
[Getting forms and instructions from the IRS](#)
[Getting help or information from the IRS](#)
[Locator for AARP Tax-Aide Sites](#)
[Locator for VITA/TCE Sites](#)
[MyFTB](#)
[Services Provide by VITA/TCE](#)
[Taxpayer Advocate Service](#)
[Where's my refund?](#)

References

Counselor Reference Manual	Duck Book
Tax-Aide Scope Manual	
Pub 4012	Volunteer Resource Guide (NTTC version)
Pub 17	Federal Income Tax (2021)
1040 Instruction Booklet	
California	
Pub CA 5130	California Volunteer Reference Manual
Pub CA 1001	Supplemental Guidelines to CA Adjustments (2021)
540 Instruction Booklet	
Training	
Pub 4491	Training Guide (NTTC version)
Pub 4961	Standards of Conduct and Ethics
Pub 5101	Intake Interview and Quality Review Training
Pub 5299	Quality Review Refresher
Pub 5683	Handbook for Partners and Site Coordinators (replaces pub 1084)
Pub 6744	Test-Retest Manual

[Link and Learn](#)
[NTTC Training Resources](#)
[NTTC Workbook](#)
[State Certification](#)

Tax Forms

Federal

[Draft Tax Forms](#)

[Form 13614-C](#)

Intake Interview

[Form 1040](#)

Federal Income Tax

[Form 1040-ES](#)

Estimated Tax

[Form 1040-SR](#)

Federal Income Tax for Seniors

[Form 1040-V](#)

Payment Voucher

[Form 1040-X](#)

Amended Federal Income Tax

[Schedules](#)

[Schedule 1](#)

Additional Income and Adjustments

[Schedule 2](#)

Additional Taxes

[Schedule 3](#)

Additional Credits and Payments

[Schedule A](#)

Itemized Deductions

[Schedule B](#)

Interest and Dividends

[Schedule C](#)

Business Profit or Loss

[Schedule D](#)

Capital Gains and Losses

[Schedule E](#)

Supplemental Income and Loss

[Schedule F](#)

Farming Profit or Loss

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

Beneficiary's Share of Income

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

Partner's Share of Income

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

Shareholder's Share of Income

[Income](#)

[Form W-2](#)

Wages and Other Employee Compensation

[Form 1099-A](#)

Acquisition or Abandonment of Secured Property

[Form 1099-B](#)

Proceeds from the Sale of Stocks or Mutual Funds

[Form 1099-C](#)

Cancellation of Debt

[Form 1099-DA](#)

Digital Assets (not used until tax year 2023)

[Form 1099-DIV](#)

Dividend Income

[Form 1099-G](#)

Government Payments (unemployment, tax refunds)

[Form 1099-INT](#)

Interest Income

[Form 1099-K](#)

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

[Form 1099-LTC](#)

Long Term Care

[Form 1099-MISC](#)

Miscellaneous Information

[Form 1099-NEC](#)

Non-employee Compensation

[Form 1099-OID](#)

Original issue Discount

[Form 1099-Q](#)

Qualified Education Programs (e.g., 529, Coverdell)

[Form 1099-R](#)

Retirement Plan, Pension, and Annuity Income

[Form 1099-S](#)

Proceeds from the Sale of Real Estate

[Form 1099-SA](#)

Distribution from HSA, Archer MSA, or Medicare Advantage MSA

[Form CSA-1099-R](#)

Civil Service Annuity Retirement Benefits

[Form CSF-1099-R](#)

Civil Service Survivor Annuity

[Form RRB-1099](#)

Railroad Retirement Board, Tier 1, SS Equivalent (like an SSA-1099)

[Form RRB-1099-R](#)

Railroad Retirement Board, Tier 2, Retirement Plan (like a 1099-R)

[Form SSA-1099](#)

Social Security Benefits

Other

[Form 1095-A](#)
[Form 1095-B](#)
[Form 1095-C](#)
[Form 1098](#)
[Form 1098-E](#)
[Form 1098-T](#)
[Form 2441](#)
[Form 5329](#)
[Form 5498](#)
[Form 8332](#)
[Form 8453](#)
[Form 8606](#)
[Form 8812](#)
[Form 8879](#)
[Form 8880](#)
[Form 8965](#)
[Form W-4](#)
[Form W-4P](#)
[Form W-4R](#)
[Form W-4V](#)
[Form W-7](#)

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
Child and Dependent Care Expenses
Additional Taxes on Qualified Plans
IRA Contribution Information
Release of Claim to Exemption for Child by Custodial Parent
Send Paper Forms or Supporting Documents to IRS
Non-deductible IRA
Credit for Qualifying Children and Other Dependents
IRS E-file Signature Authorization
Credit for Qualified Retirement Savings Contribution
Health Coverage Exemptions
Withholding for Employee
Withholding for Pension or Annuity
Withholding for Non-periodic Payments and Rollover Distributions
Withholding for Government Payment (e.g., Social Security)
Application for Individual Taxpayer Identification Number (ITIN)

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 \(2022\)](#)

Tax-Aide Sites

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

CA-3, District 9, San Jose

IRS SPEC Representative	Velia Adayan
Region	R10, Pacific Region, (8 regions: AZ, CA1-5, NV, UT)
R10 Coordinator	Paul Nibarger, pnibarger@gmail.com
State/Area	CA3 (5 areas in California)
CA3 Coordinator	Gene Dallachie
CA3 Training Coordinator	Barbara Smith-Thomas, smiththomas@alumni.reed.edu
CA3 Technology Coordinator	Dave Miller
District	D9, San Jose (13 districts)
D9 Coordinator	Tom Kemper, tvkemper@aol.com (2023)
D9 Administrator	Libby Nelson
D9 Training Coordinator	Ernie Brogmus, ecb@lycos.com, Libby Nelson, nelsonej2012@yahoo.com, Loretta Carbonetti
D9 Technology Coordinator	Tony Emerson, Jerry O'Connor, jerryoconnor@pacbell.net

Sites in District 9

Almaden Community Center	
Location	6445 Camden Ave, San Jose
Local Coordinator	Donna Diloreto, donna@diloreto.com
Berryessa Community Center	
Location	3050 Berryessa Rd, San Jose
Local Coordinator	Tom Kemper, tvkemper@aol.com (2023), Oliver Liggins, oj.liggins@yahoo.com (2024)
Camden Community Center	
Location	3369 Union Ave, San Jose
Local Coordinator	Jim Young, opioohana@gmail.com
Cypress Senior Center	
Location	403 Cypress Ave, San Jose
Local Coordinator	Ernie Brogmus, ecb@lycos.com
Southside Senior Center	
Location	5585 Cottle Road, San Jose
Local Coordinator	Lisa Westerinen, usbears@earthlink.net
The Villages	
Location	8776 Village View Drive, San Jose, Foothill Center
Local Coordinator	Alan Waltho, aewaltho@comcast.net
Yu-Ai Kai Community Center	
Location	588 North 4th St, San Jose
Local Coordinator	Darrell Asing, dkasing@yahoo.com

The Villages

Location
Hours
Reservations
Local Coordinator

8776 Village View Drive, San Jose, Foothill Center
Friday, 9:00-12:00
Evergreen Community Center, 408-270-2220²
Alan Waltho, aewaltho@comcast.net

Volunteers

Facilitators

Lohr, Joan
McConnell, Sharon
Wang, Jing Ci
Wertzman, Jill

jlohr6@comcast.net
sharon.mcc1217@gmail.com
jingci.wang@gmail.com

Counselors

Blinn, Bruce
Carbonetti, Loretta
Donohoe, Margaret
Frost, Sherle
Goksel, Ali
Hop, Bobbie
Kaplan, Irv
Ma, Liiwan
Nelson, Libby
Pham, Suzanne
Waltho, Alan

bruce_blinn@yahoo.com
carbocrew@yahoo.com
m.margaret.donohoe@gmail.com
sherle.frost@gmail.com
goksela@yahoo.com
bwhop@hotmail.com
cpt_diver@yahoo.com
liiwanma@gmail.com
nelsonej2012@yahoo.com
joeandsuzanne@yahoo.com
aewaltho@comcast.net

² Evergreen Community Center Manager is Ruth Perez (ruth.perez@sanjoseca.gov).

Terminology

Acronyms

ABLE	Achieve Better Life Experience
ACA	Affordable Care Act
ACTC	Additional Child Tax Credit
AGI	Adjusted Gross Income
AMT	Alternative Minimum Tax
AOC	American Opportunity Credit
APTC	Advanced Premium Tax Credit (ACA)
ATIN	Adoption Tax Identification Number
CAPTCHA	Completely Automated Public Turing test to tell Computers and Humans Apart
CARES	Coronavirus Aid, Relief, and Economic Security (CARES Act)
CASDI	California State Disability Insurance
CDCC	Child and Dependent Care Credit
COD	Cancellation of Debt
CTC	Child Tax Credit
EFIN	Electronic Filing Identification Number
EIC	Earned Income Credit (see EITC)
EIN	Employer Identification Number
EIP	Economic Impact Payments (CARES Act)
EITC	Earned Income Tax Credit
ERO	Electronic Return Originator
FATCA	Foreign Account Tax Compliance Act
FICA	Federal Insurance Contributions Act
FPL	Federal Poverty Level
FSA	Flexible Spending Account
FTB	Franchise Tax Board
FTC	Foreign Tax Credit
HDHP	High Deductible Health Plan
HoH	Head of Household
HSA	Health Savings Account
IHSS	In Home Support Services (Medicaid Waiver Payments)
IRA	Individual Retirement Arrangement
ITIN	Individual Tax Identification Number
LTC	Long Term Care
MAGI	Modified Adjusted Gross Income
MCTR	Middle Class Tax Refund (California)
MEC	Minimum Essential Coverage (ACA)
MFJ	Married Filing Jointly
MFS	Married Filing Separately
MSA	Medical Savings Account
MWP	Medicaid Waver Payments
NTTC	National Tax Training Committee
OID	Original Issue Discount
ODC	Other Dependents Credit (Credit for Other Dependents)
PAB	Private Activity Bond
PMI	Private Mortgage Insurance
PPP	Paycheck Protection Plan (CARES Act)
PSO	Public Safety Officer
PTC	Premium Tax Credit (ACA)
QBI	Qualified Business Income

QCD	Qualified Charitable Distribution
QR	Quality Review
QSS	Qualifying Surviving Spouse
RDP	Registered Domestic Partner
REIT	Real Estate Investment Trust
RMD	Required Minimum Distribution
SALT	State and Local Taxes
SDI	State Disability Insurance
SECURE	Setting Every Community Up for Retirement (SECURE Act)
SEHI	Self-Employed Health Insurance (deduction)
SEP	Simplified Employee Pension (IRA)
SIMPLE	Savings Incentive Match Plans for Employees (IRA)
SLCSP	Second Lowest Cost Silver Plan (ACA)
SPEC	Stakeholder Partnerships Education and Communication office of the IRS
SRP	Shared Responsibility Payment (ACA)
SSI	Supplemental Security Income (Social Security)
TCE	Tax Counseling for the Elderly
TCJA	Tax Cut and Jobs Act
TY20xx, TYxx	Tax Year 20xx
VITA	Volunteer Income Tax Assistance

Tax-Aide

DC	District Coordinator
DVRC	District Virtual Return Coordinator
EFIN	Electronic Filing Identification Number
LC	Local Coordinator
LMS	Learning Management System (AARP Portal)
QSR	Quality Site Requirements
RC	Regional Coordinator
SC	State Coordinator
SIDN	Site Identification Number
SMT	State Management Team/Training
SPEC	IRS Stakeholder Partnerships, Education and Communications
SVRC	Site Virtual Return Coordinator
TC	Training Coordinator
TSO	TaxSlayer [Pro] Online
TRS	Training Specialist
TTT	Train the Trainer
VRC	Virtual Return Coordinator

Definitions

199A Dividends See *Section 199A Dividends*.

Accounting Method is the way the taxpayer accounts for their 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* (all taxable income) minus *adjustments* (also called above the line deductions). Adjustments are deductions the taxpayer can take even if they do not itemize deductions.

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

Adjustments (also called above the line deductions) are deductions that the taxpayer can take even if they do not itemize deductions (for example, retirement plan contributions). They are subtracted from gross income so they reduce the taxpayer's adjusted gross income (AGI). The standard deduction and itemized deductions are subtracted from AGI; they do not lower the taxpayer's 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 U.S. 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 the marriage does not affect the division of assets and debts. California is a community property state.

Covered Security is exempted from state restrictions and regulations in order to standardize and simplify regulatory compliance. For a covered security the brokerage is required to report the cost basis to both the taxpayer and the IRS. For a non-covered security, the reporting is sent only to the taxpayer. Since January 1, 2011, 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, the taxpayer cannot perform a paying job).

Dividends are the most common type of distribution from a corporation or mutual fund. They take some amount of capital from a company's equity and redistribute it to shareholders based on the number of shares they possess. 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 work (for example, wages or business income). Unearned income is income not earned from work (for example, unemployment income or income from investments. investment income (for example, rental income, dividends, and capital gains).

Effective Tax Rate is the percentage of taxes the taxpayer actually pays, which is the income tax divided by the 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 currently reduced to \$0.

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

Gross income is all income received in the form of money, goods, property, and services that is not exempt from tax. 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 Retirement Arrangement (IRA) See *Traditional IRA, Roth IRA, SIMPLE IRA, or SEP IRA.*

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. U.S. 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.

IRS SPEC The IRS SPEC office is a resource for information on IRS and tax issues, training materials, tax software ordering, e-file management, and IRS equipment for use in the Tax-Aide program. Local SPEC IRS offices do not dictate program policy and cannot direct local volunteers. Any and all policy for the AARP Foundation Tax-Aide program is developed at the AARP Foundation National Office.

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

Marginal Tax Rate is the highest tax bracket that the taxpayer's 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).

Multiple Support Agreement is used two or more people who could claim the person as a dependent (except for the support test) together provide more than half the dependent's support. In this situation, the individuals who provide more than 10% of the person's total support, and who meet the other tests for a qualifying relative, can agree that one of them will claim the person as a dependent for any applicable tax benefits. The person claiming the dependent must file form 2120. Multiple Support Agreements apply only to a qualifying relative, not to a qualifying child.

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 the taxpayer's state.

Non-covered Security See *Covered Security.*

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.

Partnership See *Pass-through Business.*

Pass-through Business is a business that does not pay taxes itself. Instead, the profits and losses are passed through to the owners (i.e., partners), 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 the taxpayer's tax rate increases as their 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*.

Roth IRA is a retirement account set up by an individual. The taxpayer makes contributions to a Roth IRA with after-tax dollars. The money grows tax-free, but unlike the traditional IRA, money withdrawn from a Roth IRA in retirement is tax free.

Schedule is an IRS term meaning an attachment to a form.

Secondary School is high school.

Section 199A Dividends are similar to regular dividends; that is, they take some amount of capital from a company's equity and redistribute it to shareholders based on the number of shares they possess. 199A dividends, however, are only paid out by REITs and funds holding REITs, and therefore receive special treatment in the world of tax law.

SEP IRA is like a traditional IRA, but is for business owners and those that are self-employed. It is intended for businesses with few or no employees.

SIMPLE IRA is like a traditional IRA, but the account is opened by a small business owner on behalf of up to 100 employees, including the owner if that person is a sole proprietor.

SPEC See *IRS SPEC*.

Statutory Employees receive Form W-2 for their pay and have taxes withheld; however, statutory employees may report their income and deduct their expenses on Schedule C. Statutory employees include full-time life insurance agents, certain agent or commission drivers, traveling salespersons, and certain home workers.

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 the *gross income*, subtracting the *adjustments* (also called above the line deductions), subtracting the exemptions (exemptions are currently reduced to \$0), and subtracting either the standard deduction or the itemized deductions (below the line deductions).

taxable income = gross income -
adjustments -
number of exemptions * \$0 -
standard deduction or itemized deductions

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.

Traditional IRA is a retirement account set up by an individual. Generally, a person makes contributions to the account using money before taxes on it (before-tax dollars). The money grows tax-deferred until it is withdrawn in retirement. When the money is withdrawn from the account, it is taxed as income.

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.

Questions

- 1099-MISC, box 2, Royalties causes TaxSlayer to prompt to create Schedule E. Pub 4491, p 9-6 says it goes to Schedule C. How can you make TaxSlayer send it to Schedule C? Also, in chapter 12 if there are expenses associated with the royalty, such as an author.
- On 1099-R, does distribution with code 3 (disability pension) change to code 7 (retirement pension) when the person reaches retirement age.
- On 1099-R, code 3, is checking the box to report on 1040, line 1 optional if it causes taxpayer to have too much earned income for EIC?
- Where does the bank number get put in the return for direct debit? The space on the 1040 is only for direct deposit.