

# Income Quick Reference Guide



This list is a quick reference and volunteers should refer to Publication 17 for more information. Do not rely on this list alone. Some of the income items on this chart are out of scope for VITA/TCE. Refer taxpayers with out of scope income to a professional tax preparer. Confirm that all income received by the taxpayer has been discussed and shown on the return, if required.

## Table A – Examples of Taxable Income

(Examples of income to consider when determining whether a return must be filed or if a person meets the gross income test for qualifying relative)

Wages, salaries, bonuses, commissions Alimony Annuities Awards Back pay Breach of contract Business income/Self-employment income Compensation for personal services Debts forgiven <sup>1</sup> Director's fees Disability benefits (employer-funded) Discounts Dividends Employee awards Employee bonuses Estate and trust income Farm income Fees Gains from sale of property or securities Gambling winnings Hobby income Interest Interest on life insurance dividends IRA distributions Jury duty fees Military pay (not exempt from taxation)	Military pension Notary fees Partnership, Estate and S-Corporation income <i>(Schedule K-1s, Taxpayer's share)</i> Pensions Prizes Punitive damage Railroad retirement—Tier I (portion may be taxable) Railroad retirement—Tier II Recovery of prior year deduction <sup>2</sup> (medical, property taxes, etc.) Refund of state taxes <sup>2</sup> Rents (gross rent) Rewards Royalties Severance pay Self-employment Nonemployee compensation Social security benefits - portion may be taxable - <i>(See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits)</i> Supplemental unemployment benefits Taxable scholarships and grants Tips and gratuities Unemployment compensation
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## Table B – Examples of Nontaxable Income

(Examples of income items to exclude when determining whether a return must be filed)

Aid to Families with Dependent Children (AFDC) Child support Damages for physical injury (other than punitive) Death payments Dividends on life insurance Federal Employees' Compensation Act payments Federal income tax refunds Gifts Inheritance <sup>3</sup> or bequest Insurance proceeds (Accident, Casualty, Health, Life) Interest on tax-free securities Interest on EE/I bonds redeemed for qualified higher education expenses Meals and lodging for the convenience of employer	Payments to the beneficiary of a deceased employee Relocation payments Payments in lieu of worker's compensation Rental allowance of clergyman Sickness and injury payments Social security benefits - portion may not be taxable - <i>(See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits)</i> Supplemental Security Income (SSI) Temporary Assistance for Needy Families (TANF) Veterans' benefits Welfare payments (including TANF) and food stamps Worker's compensation and similar payments
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**Footnotes:** <sup>1</sup>If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable (see Income tab, Screening Sheet for Foreclosures/Abandonments and Cancellation of Debt)

<sup>2</sup>If itemized in year paid and taxes were reduced because of deduction

<sup>3</sup>An inheritance is not reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.



# Armed Forces Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. **Table 1** lists included items that are subject to tax and must be reported on your tax return. **Table 2** lists excluded items that are not subject to tax, but may have to be shown on your tax return.

**Table 1—Included Items**

These items are included in gross income, unless the pay is for service in a combat zone

<b>Basic pay</b> <ul style="list-style-type: none"> <li>• Active duty</li> <li>• Attendance at a designated service school</li> <li>• Bank wages</li> <li>• CONUS COLA</li> <li>• Drills</li> <li>• Reserve training</li> <li>• Training Duty</li> </ul>	<b>Special pay (cont.)</b> <ul style="list-style-type: none"> <li>• Hostile fire or imminent danger</li> <li>• Medical and dental officers</li> <li>• Nuclear-qualified officers</li> <li>• Optometry</li> <li>• Pharmacy</li> <li>• Special compensation for assistance with activities of daily living (SCAADL)</li> <li>• Special duty assignment pay</li> <li>• Veterinarian</li> <li>• Voluntary Separation Incentive</li> </ul>	<b>Other pay</b> <ul style="list-style-type: none"> <li>• Accrued leave</li> <li>• High deployment per diem</li> <li>• Personal money allowances paid to high ranking officers</li> <li>• Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year's service (requirement) is not attributable to a combat zone</li> </ul>
<b>Special pay</b> <ul style="list-style-type: none"> <li>• Aviation career incentives</li> <li>• Career sea</li> <li>• Diving duty</li> <li>• Foreign duty (outside the 48 contiguous states and the District of Columbia)</li> <li>• Foreign language proficiency</li> <li>• Hardship duty</li> </ul>	<b>Bonus pay</b> <ul style="list-style-type: none"> <li>• Career status</li> <li>• Enlistment</li> <li>• Officer</li> <li>• Overseas extension</li> <li>• Reenlistment</li> </ul>	<b>Incentive pay</b> <ul style="list-style-type: none"> <li>• Submarine</li> <li>• Flight</li> <li>• Hazardous duty</li> <li>• High altitude/Low altitude (HALO)</li> </ul>

**Table 2—Excluded Items**

The exclusion for certain items applies whether the item is furnished in kind or is a reimbursement or allowance. There is no exclusion for the personal use of a government-provided vehicle.

<b>Combat zone pay</b> <ul style="list-style-type: none"> <li>• Compensation for active service while in a combat zone</li> <li>• Note: Limited amount for officers</li> </ul>	<b>Family allowances</b> <ul style="list-style-type: none"> <li>• Certain educational expenses for dependents</li> <li>• Emergencies</li> <li>• Evacuation to a place of safety</li> <li>• Separation</li> </ul>	<b>Travel allowances</b> <ul style="list-style-type: none"> <li>• Annual round trip for dependent students</li> <li>• Leave between consecutive overseas tours</li> <li>• Reassignment in a dependant restricted status</li> <li>• Transportation for you or your dependents during ship overhaul or inactivation</li> <li>• Per diem</li> </ul>
<b>Other pay</b> <ul style="list-style-type: none"> <li>• Defense counseling</li> <li>• Disability, including payments received for injuries incurred as a direct result of a terrorist or military action</li> <li>• Group-term life insurance</li> <li>• Professional education</li> <li>• ROTC educational and subsistence allowances</li> <li>• State bonus pay for service in a combat zone</li> <li>• Survivor and retirement protection plan premiums</li> <li>• Uniform allowances</li> <li>• Uniforms furnished to enlisted personnel</li> </ul>	<b>Living allowances</b> <ul style="list-style-type: none"> <li>• BAH (Basic Allowance for Housing)</li> <li>• BAS (Basic Allowance for Subsistence)</li> <li>• Housing and cost-of-living allowances abroad paid by the U.S. Government or by a foreign government</li> <li>• OHA (Overseas Housing Allowance)</li> </ul>	<b>In-kind military benefits</b> <ul style="list-style-type: none"> <li>• Dependent-care assistance program</li> <li>• Legal assistance</li> <li>• Medical/dental care</li> <li>• Commissary/exchange discounts</li> <li>• Space-available travel on government aircraft</li> </ul>
<b>Death allowances</b> <ul style="list-style-type: none"> <li>• Burial services</li> <li>• Death gratuity payments to eligible survivors</li> <li>• Travel of dependents to burial site</li> </ul>	<b>Moving allowances</b> <ul style="list-style-type: none"> <li>• Dislocation</li> <li>• Military base realignment and closure benefit (the exclusion is limited as described above)</li> <li>• Move-in housing</li> <li>• Move household and personal items</li> <li>• Moving trailers or mobile homes</li> <li>• Storage</li> <li>• Temporary lodging and temporary lodging expenses</li> </ul>	

# TaxWise® Entries

The following are examples of items to consider in determining entries into TaxWise®:

Item	1040 Line	Link from the 1040
CSA 1099-R, Civil Service Annuity Paid	16	Link to Form 1099-R
CSF 1099-R, Statement of Survivor Annuity Paid	16	Link to Form 1099-R
K-1, (Form 1065, 1120, 1041) Capital gains or losses	13	Link to Sch D then to scratch pad.
K-1, (Form 1065, 1120, 1041) Dividend income	9a	Select Dividend Stmt from Forms Tree or link to Sch B then to Dividend Stmt
K-1, (Form 1065, 1120, 1041) Interest income	8a	Select Interest Stmt from Forms Tree or link to Sch B then Interest Stmt
K-1, (Form 1065, 1120, 1041) Royalty income	17	Link to Sch E Line 4
K-1, (Form 1065, 1120, 1041) Tax exempt income	8b	Link to Sch B then Interest Stmt
RRB 1099 Railroad Retirement Benefits (Tier 1)	20	Link to Wkt 1
RRB 1099-R Railroad Retirement Benefits (Tier 2)	16	Link to Form 1099-R
SSA 1099 Social Security Benefits	20	Link to Wkt 1
W-2 Wages & Salaries	7	Link to Form W-2
W-2G Gambling Winnings	21	Link to Wkt 7 then Form W-2G
1098 Mortgage Interest Statement	40	Link to Sch A
1098-E Student Loan Interest	33	Link to Wkt 2
1098-T Tuition Statement		Complete the rest of the return, then see Education Benefits Tab
1099-B Proceeds from Broker and Barter Exchange	13	Link to Sch D then to Form 8949 then to Cap Gn Wkt
1099-DIV Dividends	9	Link to Sch B then to Dividend Stmt
1099-G State Tax Refund	10	Answer question on 1040. If yes, link to State Tax Refund Wkt
1099-G Unemployment Compensation	19	Link to Form 1099G Worksheet
1099-INT Interest Income	8	Link to Sch B then Interest Stmt
1099-MISC Line 2 Royalties	17	Link to Schedule E for royalties from oil & gas interest only. If from services (acting, author etc.) enter on Sch C.
1099-MISC Line 3 Other Income	21	Link to worksheet (Wkt 7)
1099-MISC Line 7 Non-employee Compensation	12	Link to Sch C then to 1099 MISC (See note 2.)
1099-R IRA Distributions	15	Link to Form 1099-R
1099-R Pension Distributions	16	Link to Form 1099-R
1099-R Retirement	16	Link to Form 1099-R
Alaska Permanent Fund	21	Link to Wkt 1
Alimony Paid	31a	No link needed
Alimony received	11	No link needed
Business Income	12	Link to Sch C
Capital Gains Distributions	13	Link to Sch B then to Dividend Stmt
Cash Income for a Business	12	Link to Sch C then to a scratch pad
Cash Income for Other than a Business	21	Link to Wkt 7
Charitable Contributions	40	Link to Sch A then to Sch A Detail
Child and Dependent Care expenses	49	Link to Form 2441
Child Tax Credit	52	Automatically calculated
Dividend Income	9a	Link to Sch B then to Dividend Stmt
Early Withdrawal Penalty	30	Link to Sch B then to Interest Stmt
Education Expenses	50	Complete the rest of the return then see Education Benefits Tab
Estimated Tax payments for the tax year	65	Link to F/S Tax Pd worksheet
First Time Home Buyer Credit (Repayment)	60b	Generally, no link needed

Item	1040 Line	Link from the 1040
Foreign Tax Credit	48	Link to Form 1116 and enter amount in first paragraph
Gambling Winnings	21	Link to Wkt 7; then Form W-2G
Gambling Losses		Add losses at bottom of W-2G. If no W-2-G add losses to Sch A line 28.
Health Savings Account	25	Link to Form 8889
Household Employee Income (no W-2)	7	Link to Wkt 1
Interest Income	8	Link to Sch B then to Interest Stmt
IRA Contributions	32	Link to IRA worksheet
IRA Distributions	15	Link to Form 1099R
IRA Rollover	15	Link to Form 1099-R showing the distribution and use Exclusion Worksheet to show rollover. Check the box on 1040 Line 15 then link to rollover explanation.
Jury Duty Pay	21	Link to Wkt 7
Jury Duty Paid to the Employer	36	No link needed
Medical and Dental Expenses	40	Link to Sch A then detail
Mileage for Charitable Travel	40	Link to Sch A then detail
Mileage for Medical Travel	40	Link to Sch A then detail
Mortgage Interest and Points Paid	40	Link to Schedule A
Other Income (prizes, jury duty, etc.)	21	Link to Wkt 7
Pension Distributions	16	Link to Form 1099R
Personal Property Taxes	40	Link to Schedule A Line 7
Prizes and Awards	21	Link to Wkt 7
Real Estate Taxes	40	Link to Schedule A Line 6
Retirement Savings Credit	50	Link to Form 8880
Roth IRA Contributions	32	Link to IRA worksheet
Royalties (Simple royalties with no associated expenses)	17	Link to Sch E
Royalties from Services	12	Link to Sch C Line 1 then to 1099-MISC
Self-employment income	12	Link to Schedule C then to 1099-MISC or scratchpad
Social Security Benefits	20	Link to Wkt 1
State Tax Refunds (if reportable)	10	Link to State Tax Refund Worksheet
Stock Sales (Gains and Losses)	13	Link to Sch D Form 8949 then Cap Gn Wkt
Student Loan Interest	33	Link to Wkt 2
Tip income (not shown on W-2)	58	Link to Form 4137
Traditional IRA Contributions	32	Link to IRA worksheet
Unemployment Compensation - Current Year	19	Link to form 1099-G
Wages & Salaries	7	Link to Form W-2

**Note 1:** If the applicable form is in the Forms Tree, it may be selected directly rather than linking from Form 1040.

**Note 2:** For nonemployee compensation that is related to a business, it is important to link to Schedule C or C-EZ and then to Form 1099-MISC. If the taxpayer is not in that business, then this income should be reported on Line 21.

**TIP:** If any income reported on an IRS income document is not included in the tax return because it is not taxable, complete the "Regulation Explanation," the "Election Explanation," or the "PrepNotes" form to explain the situation.

# How/Where to Enter Income

Select "1040 Pg 1" from the tree

**Note:** Link to access the appropriate entry form. Once you link, use existing forms (if applicable) prior to adding a new form.

**Income**

7 Wages, salaries, tips, etc. AB ☐ FB ☐ DCB ☐ SNE ☐ SSHIP ☐ .0.

Taxable scholarship not on Form W2 .0.

Household employee income not on Form W2 .0.

8a Taxable interest .0.

b Tax-exempt interest .0.

9a Ordinary dividends including qualified dividends from Forms 8814, listed on Schedule B .0.

b Qualified dividends including qualified dividends from Forms 8814, listed on Schedule B .0.

Qualified dividends from Schedules K-1 are included on line 9b Do NOT list these amounts on Schedule B .0.

Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Answer "No" if you deducted state sales tax instead of state income tax ☐ Yes ☐ No

10 Taxable refunds, credits, or offsets of state and local income taxes. F9 for worksheet .0.

11 Alimony received .0.

12 Business income or (loss) .0.

13 Capital gain or (loss) .0. Schedule D not required: ☐

14 Other gains or (losses) .0. Form 4684 only: ☐

15a IRA distributions .0. Total ☐

b Taxable amount .0. Check if rollover: ☐ and F9 to explain: ☐

16a Pensions and annuities .0. Total ☐

b Taxable amount .0. Check if any amounts were rolled over: ☐

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. .0.

18 Farm income or (loss) .0.

19 Unemployment compensation .0. Repayment of 2013 unemployment compensation .0.

20a Social security benefits .0.

b Taxable amount .0. D ☐ LSE ☐

21 Other income .0.

\*Type: .0.

\*Amounts from Forms W2G, 1099M, 2555, 2555-EZ, 6478, 8814, 8853, 8889, ESAs, QTPs, recovery of itemized deductions, and NOLs transfer to the other income worksheet. If you need to list other income, F9 on line 21 to access the worksheet and enter the income on the lines provided.

<sup>1</sup> List state refund only if taxpayer itemized deductions (on Schedule A) last year and taxes were reduced because of deductions for income tax. If your state has a sales tax, sales tax in worksheet should not be zero. See sales tax calculator on [irs.gov](http://irs.gov).

<sup>2</sup> For taxpayers with Form 1099-MISC with nonemployee income, (Box 7) link from line 12 to Schedule C or Schedule C-EZ and then link to Form 1099-MISC from line 1. Entering the information this way will automatically calculate self-employment tax.

Use **Add Form** feature to complete Form 2555 or Form 2555-EZ, if applicable. The exclusion amount will be calculated by TaxWise® and entered as a negative number on line 21 of Form 1040.

**International Certification Only** If taxpayer has income from a foreign employer link from line 7 to Form FEC-Foreign Employer Compensation. Enter the taxpayer's address at the time the money was earned. For Section e, TaxWise® Help can be used to determine the appropriate country code. Enter the foreign employer's information. List the compensation amount in U.S. dollars. Once you enter the information, TaxWise® automatically reports the total on line 7 of Form 1040. If the taxpayer qualifies to claim the Foreign Earned Income Exclusion, Form 2555 or Form 2555-EZ can be filed electronically. The maximum Foreign Earned Income Exclusion is \$99,200 for 2014. The foreign housing exclusion is \$43.48 per day or \$15,872 for the year.

# Form W-2 Instructions

**US W-2 Wage and Tax Statement**

This W2 statement is for the: ☒ Taxpayer ☐ Spouse

Employee's name: \_\_\_\_\_ Employee's SSN: \_\_\_\_\_

☐ Check if this W2 is handwritten, altered, or appears not to be a true W-2.  
☐ Check if this is the taxpayer's address shown on the W-2 or  
☐ Check and make changes to the U.S. address or foreign address below

U.S. address: \_\_\_\_\_  
 Zip code, city, and state: \_\_\_\_\_  
 Foreign street address: \_\_\_\_\_  
 Foreign city: \_\_\_\_\_  
 Foreign province / state: \_\_\_\_\_  
 Foreign Zip code: \_\_\_\_\_  
 Foreign country code: \_\_\_\_\_

☐ Please verify the Federal withholding, social security withholding, and Medicare withholding. The amounts exceed the Publication 15 guidelines.  
☐ Check to take calculations off of lines 3, 4, 5, and 6.  
☐ Check to take calculations off of line 16, state wages.  
☐ The taxpayer / spouse ID number listed on the Main Information Sheet is an ITIN. Enter the ID number (SSN or ITIN) as it is shown on the actual W-2: \_\_\_\_\_

a Control number: \_\_\_\_\_ Corrected W2 (W-2C): ☐

b Employer ID: Name code: _____	1 Wages, tips, etc. _____ 0.	2 Federal tax withheld _____ 0.
	3 Social security wages _____ 0.	4 Social security tax withheld _____ 0.
	5 Medicare wages _____ 0.	6 Medicare tax withheld _____ 0.
	7 Social security tips _____ 0.	8 Allocated tips _____ 0.
	9 _____	10 Dependent care benefits _____ 0.
	11 Nonqualified plans _____ 0.	

c Employer's name  
 Employer's U.S. address: \_\_\_\_\_  
 Employer's Zip code, city, and state: \_\_\_\_\_  
 Employer's foreign address: \_\_\_\_\_  
 Employer's foreign city: \_\_\_\_\_  
 Employer's foreign province / state: \_\_\_\_\_  
 Employer's Zip code and country code: \_\_\_\_\_

**Tip:** If there is more than one Form W-2, select the Copy W-2 tab. In TWO, click on + sign beside last completed W-2 in Tree.

Select W-2 for Taxpayer or Spouse

Compare this address to Form W-2 address. If same, check second box. If different, check third box and enter address exactly as it appears on Form W-2.

Amounts entered in boxes 7 and 12 will cause the calculated entries 3, 4, 5, 6 and 16 to change. Be sure to enter all non-calculated entries on the Form W-2 first. Then, if boxes 3, 4, 5, 6, or 16 do not match taxpayer's Form W-2, check fifth or sixth box and enter data exactly as it appears on Form W-2.

If taxpayer has an ITIN, enter invalid SSN shown on original W-2.

Review box 2 and box 17 to ensure tax withheld was entered and is correct.

If there is an entry in Box 10, Form 2441 must be completed.

If a Form W-2 cannot be obtained from the employer, link from Box 1 to Form 4852 to create a substitute W-2.

## Form W-2 ALERT!

IRS requires that information on electronically filed Form(s) W-2 match the printed Form(s) W-2 exactly. Verify tax year, taxpayer name/SSN, and employer carry forward information.

A taxpayer with multiple Forms W-2 could possibly have a different address on several, if not all, of the Forms W-2.

Check them carefully; the change must be made on every Form W-2 that is different from the current address.

# Form W-2 Instructions (cont.)

<b>12 Code</b> <b>Amount</b> <b>YY --&gt;Year</b> _____ 0. _____ for prior year _____ 0. _____ year _____ 0. _____ USERRA _____ 0. _____ contribution			<b>14 Other</b> <b>Type</b> <b>Amount</b> <b>Qualifies for Form 8880</b> _____ 0. <input type="checkbox"/> _____ 0. <input type="checkbox"/> _____ 0. <input type="checkbox"/> _____ 0. <input type="checkbox"/> RR = Railroad; T = Tier    RRT1: _____ 0. RRT2: _____ 0.    RRTM: _____ 0.		
<b>13</b> <b>Statutory employee</b> <b>Retirement plan</b> <b>Third party sick pay</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>					
<b>15 State</b>	<b>State ID number</b>	<b>16 State wages</b>	<b>17 State tax</b>	<b>18 Local wages</b>	<b>19 Local tax</b>
_____	_____	_____ 0.	_____ 0.	_____ 0.	_____ 0.
_____	_____	_____ 0.	_____ 0.	_____ 0.	_____ 0.
_____	_____	_____ 0.	_____ 0.	_____ 0.	_____ 0.
_____	_____	_____ 0.	_____ 0.	_____ 0.	_____ 0.

**Instructions for W2**

**Nontaxable combat pay**  
Amount excluded from income by reason of section 112: \_\_\_\_\_ 0.

**Statutory employees**  
☐ Check if you are going to use Schedules C or CEZ to report this income. This will prevent this W2 from adding in to line 7 of page 1 of any 1040 form. You must go to Schedule C or CEZ and insert the amount.

**State exclusion:** See state instructions, included with each state, before checking these boxes. Instructions vary by state. Example: Some states will only allow an exclusion for military pay if the employee is stationed out of state.  
 Check if this W2 is from: ☐ Military    ☐ National Guard

**Ministerial income**  
☐ Check if this W2 is ministerial income and Schedule SE will be used.

**California W2s only**  
 See CA instructions.    SDI literal: \_\_\_\_\_    SDI amount: \_\_\_\_\_ 0.

Enter codes and amounts in boxes 12 and 14 exactly as they appear on the taxpayer provided W-2. If there are more than 4 items in box 12, enter those items that do not impact the return in box 14.

Be sure to check box 13 as indicated on Forms W-2. This is important in calculating the deductibility of IRA contributions.

## IMPORTANT!

**The most current address entered in MAIN INFO will not be affected and will remain the current address for the taxpayer(s).**

## Form W-2 Reference Guide for Common Box 12 Codes

- |  |  |
|--|--|
| <p><b>A</b> Uncollected social security or RRTA tax on tips</p> <p><b>B</b> Uncollected Medicare tax on tips</p> <p><b>D</b> Elective deferrals to a section 401 (k) cash or deferred arrangement</p> <p><b>E</b> Elective deferrals under a section 403 (b) salary reduction agreement</p> <p><b>G</b> Elective deferrals and employer contributions (including nonelective deferrals) to a section 457 (b) deferred compensation plan</p> <p><b>J</b> Nontaxable sick pay</p> <p><b>P</b> Excludable moving expense reimbursements paid directly to employee</p> | <p><b>Q</b> Nontaxable combat pay</p> <p><b>T</b> Adoption benefits</p> <p><b>W</b> Employer contributions (including amounts the employee contributes through a cafeteria plan) to your health savings account</p> <p><b>AA</b> Designated Roth contributions under a section 401 (k) plan</p> <p><b>BB</b> Designated Roth contributions under a section 403 (b) plan</p> <p><b>DD</b> Cost of employer-sponsored health coverage</p> <p><b>EE</b> Designated Roth contributions under a governmental section 457 (b) plan</p> |
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# How to Enter Tip Income

## Form 4137:

- Entering allocated tips on Form W-2 will create a Form 4137 in the forms tree.
- If the taxpayer has only tips that were reported to the employer and allocated tips on Form W-2, TaxWise® will complete Form 4137 automatically.
- If the taxpayer has only unreported tips that do not appear on Form W-2, manually open a Form 4137.

Allocated tips from Form W-2, box 8, will carry over to line 4 and TaxWise® will compute the Medicare and Social Security taxes.

## How to Enter Unreported Tips:

- If the employer's name does not appear on line 1, use the override function and enter it manually.
- If the taxpayer has a tip log that shows an amount different from the amounts reported on Form W-2, override line 4 and enter the taxpayer's actual amount.
- If the taxpayer did not have any allocated tips, enter the TP's unreported tip amount on line 4.
- If the taxpayer received tips that were not reported to the employer because they were less than \$20 a month, enter the amount on line 5. This amount should also be included on line 4 with any other unreported and allocated tips.

Unreported tips will display on line 7 of Form 1040. In TaxWise®, Form 4137 figures the employee portion of social security and Medicare taxes; these will display as Other Taxes on Form 1040.

**US 4137 Social Security Tax on Unreported Tip Income**

Name:  SSN:

	a	b	c	d
	Name of employer(s) to whom you were required to, but did not report all your tips	EIN	Total cash and charge tips you received (including unreported tips)	Total cash and charge tips you reported to your employer
1				
2			0.	0.
3			0.	0.
4			0.	0.
5			0.	0.
6			0.	0.
7			0.	0.
8			113,700.	
9				113,700.
10				
11				
12				
13				

2 Total cash and charge tips received this year: Total of line 3 + line 4 0.

3 Total cash and charge tips reported to your employer: W2 social security tips 0.

4 Unreported tips: Allocated tips from W2 or F8 to enter the amount you wish 0.

5 Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month 0.

6 Unreported tips subject to Medicare tax 0.

7 Maximum amount of wages (including tips) subject to social security tax 113,700.

8 Total social security wages and social security tips, total of boxes 3 and 7 on Forms W2, or railroad retirement tier 1 compensation subject to the 6.2% rate 0.

9 Subtract line 8 from line 7. If line 8 is more than line 7, enter -0- here and on line 10 and go to line 12 113,700.

10 Unreported tips subject to social security tax: Smaller of line 6 or line 9. If you received tips as a Federal, state, or local government employee, see instructions. Tips subject to Medicare tax only 0.

11 Multiply line 10 by .062 0.

12 Multiply line 6 by .0145 0.

13 Add lines 11 and 12 0.

This facsimile form is not approved for filing directly to the IRS.  
Print IRS form using "Print Return" or "Print Current Form".

# Schedule B – Interest

Enter mortgage interest received directly on Schedule B.

Name will be red when it is first entered on Sch B. Once an entry is made on line 1b, the red will disappear.

Do not make entry directly on line 1b; Link to Interest—Stmt

**US Schedule B Interest and Ordinary Dividends**

Name:  SSN:

**Part I: Interest**

**1a Seller-financed mortgages**  
Interest income from seller-financed mortgages and the buyer used the property as a personal residence. Show the buyer's name, address, and social security number.  
Name:  ID number:   
Address:  Amount:

State information for seller-financed mortgage interest  
Joint amount:  Spouse amount:

**Other interest**  
Payer. If the payer is a brokerage firm, list the firm's name as the payer.  
Amount

b  0.

c  0.

d  0.

e  0.

f  0.

g  0.

\* The interest from Schedules K-1 transfers to line g. If you are using the interest statement, check here ☐ AND manually enter: 0. for the taxpayer and 0. for the spouse on the statement as K-1 interest.

**Subtotal** 0.

These amounts reduce taxable interest income

Nominee distributions (N) 0.

Accrued interest (A) 0.

OID adjustments (O) 0.

ABP adjustments (B) 0.

2 Add the amounts on line 1 0.

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815 TSI 0.

4 Subtract line 3 from line 2 0.



# Interest Statement for Schedule B, Line 1b Interest Received

Enter amounts from each 1099-INT on a separate line. If there is more than one amount on a 1099-INT, you may put them all on one line or on separate lines. Use only one interest statement to record all interest income.

US Schedule B		Interest Received					2013		
Amounts shown in Box 8 should not be entered in the "Box 1 or 3 amount" column. Instead, enter an "E" in the "NAEOB column" and the amount from Box 8 in the "NAEOB amount" column.									
Payer	Box 1 or 3 amount	T SJ	State adjust + / -	Amount	NAE OB	NAEOB amount	AMT PAB	Early penalty	Federal withheld
Fully taxable	100			0		0	0	0	0
OID-not bought/sold	200			0		0	0	0	0
US savings bond	300		-	300		0	0	0	0
US Govt obligation	400		-	400		0	0	0	0
In-state muni bond	0			0	E	500	0	0	0
OutOfState muni bond	0		+	600	E	600	0	0	0
	0			0		0	0	0	0
	0			0		0	0	0	0

Enter the name of payer, abbreviate as needed to fit on line (approximately 20 characters). Do not use punctuation.

Enter amount from Form 1099-INT, box 1 or box 3.

Enter amount from Form 1099-INT, box 9. Interest on private activity bonds is used to calculate alternative minimum tax (AMT). If AMT is greater than zero, the return is out of scope.

Enter amount from Form 1099-INT, box 2.

Enter amount from Form 1099-INT, box 4.

Enter interest from K-1 directly on Interest Statement (for example, "ABC Company K-1").

## Additional Interest, NAEOB and State Adjustment Entries

TSJ (T= Taxpayer, J=Joint, S=Spouse) column: annotating who received interest is important for state tax purposes.

State Adjustment column: **IMPORTANT—When a state return has been selected on the Main Information Screen, the entries are transferred directly to the state return. If state tax law treats the interest differently, an adjustment has to be made in the State adjust column.**

NAEOB column: Enter:

- N – Nominee interest—Interest transferred to another person—out of scope
- A – Accrued interest—Interest paid to seller at time of purchase—out of scope
- E – Federal tax exempt interest (from municipal bonds)
- O – OID adjustment – Do not use this code for interest reported on Form 1099-OID. This code is only used when the OID instrument was bought or sold during the year. In that case, the return is out of scope.
- B – Amortized bond premium—out of scope

Interest on U.S. government obligations (such as savings bonds, treasury bonds/bills/notes) is taxable on the federal return but is NOT taxable on the state return (third and fourth line in screen shot above).

Interest on in-state municipal bonds is NOT taxable on the federal and state returns (fifth line in screen shot above).

Interest on out-of-state municipal bonds is NOT taxable on the federal return BUT is taxable on the state return (sixth line in screen shot above).

**TAX TIP: First, complete the interest statement for the federal return only. This entry is transferred directly to the state return. Then, ask the question, "Is the interest treated differently on the state return?" If the interest is treated differently, adjust by entering the appropriate +/- and amount in the State adjust column.**

**Note:** If U.S. Savings Bond interest is used to pay for higher education expenses, return is out of scope.

## Dividend Statement for Schedule B, Line 5 Dividend Income

[illegible]

*Interest on private activity bonds is used to calculate alternative minimum tax (AMT). If AMT is greater than zero, the return is out of scope.*

Enter the amount of exempt interest dividends received from a regulated investment company (mutual fund). Do not enter the amount in any other column.

*Enter name of  
payer, abbreviate as  
needed to fit on line.*

Enter amount from  
Form 1099-DIV, box 1a.

Enter amount  
from Form 1099-  
DIV, box 1b.

Enter amount from Form 1099-DIV,  
box 2a. This amount will automatically  
flow to Sch D, line 13.

Enter amount from  
Form 1099-DIV, line 2b.

Enter amount from  
Form 1099-DIV,  
line 2d.

Enter amount  
from Form 1099-  
DIV, box 4.

**Note:** Use only 1 dividend statement to record all dividend income.

## Additional Dividend Entries

State adjustment: When a state return has been selected on the Main Information Screen, entries made on the Dividend Statement will be treated the same on the state return. If state tax law treats the dividend differently, an adjustment has to be made in the State adj column.

**Example:** Enter dividends from federal bond funds which are fully taxable on the federal return but tax exempt on the state return.

Entering the dividend in the Amount column will result in the dividend showing up as taxable on both the federal and state returns. Therefore, an adjustment has to be made in the State adj column by entering a "-" and the amount. This will result in the dividend showing up as tax exempt on the state return.

**TAX TIP:** First, complete the dividend statement for the federal return only. This entry is transferred directly to the state return. Then, ask the question "Is the dividend treated differently on the state return?" If the dividend is treated differently, adjust by entering the appropriate +/- and amount in the State adjust column.

**Note 1:** If Foreign tax paid (box 6) is shown on 1099-DIV, see the Nonrefundable Credits tab for Foreign Tax Credit information.

**Note 2:** 1099-DIV, Box 3, Non-dividend Distribution is a return of basis, not taxed until all cost is recovered. Must reduce cost by these distributions at time of sale. Once all costs recovered, report as capital gain.

**Note 3:** 1099-PATR-Rebate/Patronage Dividends issued by co-ops are not taxable for individuals but taxable for a business that uses expenses paid to co-op as business deduction.

**Note 4:** Enter K-1 dividends directly on Dividend Stmt for example, "ABC Co K-1".

# Taxable State Refunds

Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Answer "No" if you deducted state sales tax instead of state income tax

☐ Yes ☒ No

If you answer the question on Form 1040, line 10 with "no," the refund is not taxable.

- 10 Taxable refunds, credits, or offsets of state and local income taxes.  
F9 for worksheet

If you answer the question on Form 1040, line 10 with "yes," then you must complete the State Tax Refund Worksheet.

US 1040		State Tax Refund Worksheet		2013	
Name: _____		SSN: _____			
Use the spouse column if this is a married joint return for this year and the spouse filed separately last year.		Joint or Taxpayer	Spouse	Taxable	
1	2012 state / local income tax refund	0	0		
	2012 state / local income tax refund	0	0		
	Total state / local income tax refund for 2012	0	0		
2	Enter amounts from the 2012 tax return				
	Schedule A, line 5a, income taxes	0	0		
	Schedule A, line 5b, general sales tax	0	0		
	Difference - the state tax refund is only taxable to the extent the state tax deduction exceeds the sales tax deduction	0	0		
3	Net state / local income tax refund	0	0		
4	Enter the total of all other Schedule A refunds or reimbursements	0	0		
5	Add lines 3 and 4	0	0		
	On the 2012 tax return, If itemized deductions are reduced due to income limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	<input type="checkbox"/>	<input type="checkbox"/>		
6	2012 itemized deductions	0	0		
7	Filing status for 2012. Enter 1, 2, 3, 4, or 5. 1 = Single                      4 = Head of household 2 = Married filing jointly      5 = Qualifying widow(er) 3 = Married filing separately If the 2012 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	0	0		
8	Age 65 or blind, enter amount from the 2012 Form 1040, page 2, line 39a	0	0		
9	Standard deduction	0	0		
10	Subtract line 9 from line 6	0	0		
11	Smaller of line 5 or line 10	0	0		
12	Enter the taxable income for 2012, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	0	0		
13	Amount to include in income for 2013	0	0		
14	Taxable state / local income tax refund	0	0	0	
15	Taxable amount of other income	0	0	0	

If your state has a sales tax, this line should not be zero. See sales tax calculator on [irs.gov](http://irs.gov).

**Hint:** Enter all information from prior year return, including filing status and if blind or age 65 or older.

This is normally 1040 line 43. If taxable income is zero, subtract exemptions (line 42) from the amount on line 41 and enter as a negative number.

**Note:** If the taxpayer does not have a copy of the prior year return, make the entire refund taxable.

# Schedule C-EZ Business Income

Only one Sch. C-EZ is allowed per taxpayer.

US Schedule CEZ Net Profit from Business

This business or profession is owned by the: ☒ Taxpayer ☐ Spouse

Name of proprietor: \_\_\_\_\_ SSN: 209-11-1111

**Part I: General Information**

**You may use this form**

**if you**

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from this business.
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee.

**and you**

- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See Schedule C, line 13, instructions.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

**A** Principal business or profession, including product or service \_\_\_\_\_

**B** Business code \_\_\_\_\_

**C** Business name. If no separate business name, leave blank. \_\_\_\_\_

**D** Employer ID number (EIN) \_\_\_\_\_

**E** Business address including suite or room number. Not required if the same as the tax return address. Zip code, city or town, and state \_\_\_\_\_

**F** Did you make any payments in 2013 that would require you to file Form(s) 1099? ☐ Yes ☐ No

**G** If "Yes", did you or will you file all required Forms 1099? ☐ Yes ☐ No

If filing Form 1040NR, check here if the taxpayer is required to pay self-employment tax on this income ☐

**Part II: Figure Your Net Profit**

If you are a minister who can only claim a portion of their expenses, F9 on line 2 for the worksheet for allowable deductions.

Do not mix statutory employee income and non-employee income on the same Schedule C-EZ.

**1** Gross receipts \_\_\_\_\_

If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, check here ☐

**2** Total expenses. If more than \$5,000, use Schedule C \_\_\_\_\_

**3** Net profit. If less than -0-, you MUST use Schedule C \_\_\_\_\_

**Part III: Information on Your Vehicle** Complete this part only if you are claiming vehicle expenses.

**4** When did you place your vehicle in service for business purposes? \_\_\_\_\_

**5** Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for:

**a** Business: \_\_\_\_\_ **b** Commuting: \_\_\_\_\_ **c** Other: \_\_\_\_\_

Business miles at the standard mileage rate of 56.5¢

Include this amount with any other expenses you list on line 2 above \_\_\_\_\_

**6** Was your vehicle available for use during off-duty hours? ☐ Yes ☐ No

**7** Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

**8a** Do you have evidence to support your deduction? ☐ Yes ☐ No

**b** If "Yes", is the evidence written? ☐ Yes ☐ No

Select Schedule C-EZ for Taxpayer or Spouse

Sch C-EZ can be used only if these statements are true. See Note below.

For a list of Business Codes, go to help in TaxWise®, then search for "Business Codes."

If taxpayer does not have an EIN, leave blank.

Add the mileage amount to any other expenses on line 2.

Any Form 1099-MISC with nonemployee compensation (box 7) for a trade or business must be entered on line 1 by linking to Form 1099-MISC. A separate TaxWise® Form 1099-MISC must be completed for each Form 1099-MISC that the taxpayer provides. For cash payments link to a scratch pad and enter the business income. All Forms 1099 and scratch pad income will be totaled on line 1.

Self-employment tax and the adjustment of the deductible portion of the self-employment tax are automatically calculated and carried to the appropriate forms.

**Note:** See the Deduction tab for information on the type of business expenses that are allowed.

# Schedule C–Business Income, Page 1

(In-scope limited to Schedule C-EZ criteria\*)

US Schedule C Profit or Loss from Business	
This business or profession is owned by the: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse	
Name of proprietor: _____ SSN: 209-11-1111	
A Principal business or profession, including product or service	B Business code: 0
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN):
E Business address including suite or room number _____ Zip code, city or town, and state _____	
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____	
G Did you "materially participate" in the operation of this business during this year? If "No", losses may be limited <input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business this year, check here <input type="checkbox"/> Yes <input type="checkbox"/> No	
I Did you make any payments in 2013 that would require you to file Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes", did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No For state purposes, check if this business is an LLC <input type="checkbox"/> If filing Form 1040NR, check here if the taxpayer is required to pay self-employment tax on this income <input type="checkbox"/>	
<b>Part I: Income</b> F9 on line 1 to use Form 1099-MISC.	
1 Gross receipts or sales	0.
If this income was reported to you on Form W2 and the "Statutory employee" box on that form was checked, check here <input type="checkbox"/>	
2 Returns and allowances (see instructions)	0.
3 Subtract line 2 from line 1	0.
4 Cost of goods sold from line 42 on page 2	0.
5 Gross profit. Subtract line 4 from line 3	0.
6 Other income, including Federal and state gasoline or fuel tax credit or refund	0.
7 Gross income. Add lines 5 and 6	0.
<b>Part II: Expenses</b> If you are a minister who can only claim a portion of their expenses, F9 on line 27a for the worksheet for allowable deductions.	
8 Advertising	0.
9 Car and truck expenses	0.
10 Commissions and fees	0.
11 Contract labor	0.
12 Depletion	0.
13 Depreciation and section 179 expense deduction	0.
14 Employee benefit programs (other than on line 19)	0.
15 Insurance, other than health	0.
16 Interest	0.
a Mortgage (paid to banks, etc.)	0.
b Other	0.
17 Legal and professional services	0.
18 Office expense	0.
19 Pension and profit-sharing plans	0.
20 Rent or lease	0.
a Vehicles, machinery, and equipment	0.
b Other business property	0.
21 Repairs and maintenance	0.
22 Supplies not included in Part III	0.
23 Taxes and licenses: 0. less Form 8846 credits: 0.	0.
24 Travel, meals, and entertainment	0.
a Travel	0.
Meals and entertainment: <input type="checkbox"/> at 50% <input type="checkbox"/> at 80% - DOT hours of service <input type="checkbox"/> at 100% - See instructions.	
Total meals and entertainment	0.
Non deductible amount	0.
b Deductible meals and entertainment	0.
25 Utilities	0.
26 Wages: 0. less employment credits: 0.	0.
27 a Other expenses from line 48	0.
b Reserved for future use	0.
28 Total expenses	0.
29 Tentative profit (loss). Subtract line 28 from line 7	0.
30 Expenses for business use of the home. Attach Form 8829 unless using the simplified method	0.
<b>Simplified method filers only</b> Enter the total square footage of the home <input type="checkbox"/> Enter the total square footage of the part of the home used for business <input type="checkbox"/>	
31 Net profit or (loss) (For 179 deduction: 0.) PAL <input type="checkbox"/>	0.
32 If you have a loss, you MUST check the box which describes your investment in this activity. <input type="checkbox"/> All investment is at risk. <input type="checkbox"/> Some investment is not at risk.	
<b>Worksheet for Some Investment is Not at Risk</b>	
Net before at-risk or passive activity limitations	0.
At-risk limitation	0.
Non deductible amount due to at-risk limitation	0.
<b>Worksheet for Passive Activities</b>	
Net income or loss after at risk limitation	0.
Prior year unallowed loss	0.
Overall gain or loss	0.
Carryforward loss to 2014	0.
AMT net income or loss	0.
Prior year AMT unallowed loss	0.
AMT carryforward loss to 2014	0.

For a list of Business Codes, go to TaxWise® help, then search for "Business Codes."

If taxpayer does not have an EIN, leave blank.

## Note:

If taxpayer answers yes to questions I or J, return is out of scope.

If taxpayer has Form 1099-MISC for nonemployee compensation, link from line 1 and select New Miscellaneous Income from 1099-MISC. For cash payments, link and select New Scratch Pad.

Business miles from standard mileage automatically entered from Part IV.

Only standard mileage is in scope, not actual expenses.

Following are some of the types of expenses that are in scope for volunteer prepared returns:

Advertising, car and truck (standard mileage), commissions and fees, insurance, interest, legal and professional services, office, rent or lease, repairs and maintenance, supplies, taxes and licenses, travel, and utilities.

See Deductions Tab for information on transportation, travel and entertainment expenses.

Expenses that are **not** deductible include:

Bribes and kickbacks; charitable contributions; demolition expenses or losses; and, dues to business, social, athletic, luncheon, sporting, airline, and hotel clubs.

\* Use the same criteria as Schedule C-EZ, except taxpayers can have expenses up to \$10,000, and more than one Schedule C can be prepared if the taxpayers have more than one business.

# Schedule C–Business Income, Page 2

Part III: Cost of Goods Sold ←	
33	Method(s) used to value closing inventory (a) <input type="checkbox"/> Cost      (b) <input type="checkbox"/> Lower of cost or market      (c) <input type="checkbox"/> Other
34	Was there any change in determining quantities, costs, or valuation between opening and closing inventory? If "Yes", attach explanation <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>
35	Inventory at the beginning of the year. If different from last year's closing inventory, attach an explanation <span style="float: right;">0.</span>
36	Purchases less cost of items withdrawn for personal use <span style="float: right;">0.</span>
37	Cost of labor. Do not include any amounts paid to yourself <span style="float: right;">0.</span>
38	Materials and supplies <span style="float: right;">0.</span>
39	Other costs <span style="float: right;">0.</span>
40	Add lines 35 through 39 <span style="float: right;">0.</span>
41	Inventory at the end of the year <span style="float: right;">0.</span>
42	Cost of goods sold <span style="float: right;">0.</span>
<b>Part IV: Information on Your Vehicle.</b> Complete this part ONLY if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business.	
43	When did you place your vehicle in service for business purposes? _____
44	Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for a Business: 0      b Commuting: 0      c Other: 0 Check <input type="checkbox"/> to calculate business miles at the standard mileage rate of 56.5¢ This amount will be listed on page 1, line 9 <span style="float: right;">0.</span>
45	Was your vehicle available for personal use during off-duty hours? <span style="float: right;">Yes No</span>
46	Do you (or your spouse) have another vehicle available for personal use? <span style="float: right;">Yes No</span>
47 a	Do you have evidence to support your deduction? <span style="float: right;">Yes No</span>
b	If "Yes", is the evidence written? <span style="float: right;">Yes No</span>

Cost of Goods Sold out-of-scope.

Complete this section if taxpayer is claiming standard mileage for car or truck expenses. Actual repair and maintenance expenses are out-of-scope.

Remember to check the box under line 44a to calculate business miles at the standard mileage rate. This amount will be listed on page 1, line 9.

When net income from Sch C is more than \$400, a Sch SE is automatically completed and the self-employment tax is included on the 1040. If the Schedule C income is not subject to self-employment tax; for example, notary income, open Sch SE and enter the income on the line under Line 3.



## Schedule D – Capital Gain or Loss Transactions Worksheet

**Form 1099-B box 2a** —

**Form 1099-B box 1a** —

**Form 1099-B, descriptions, box 8** —

**Note:** TaxWise® accepts (requires) codes A, B, C, D, E, and F. **only codes A, B, and C.** It then converts the codes for long-term transactions to D, E, or F as appropriate.

**Form 1099-B, box 1b** —

**Form 1099-B box 3** —  
If not stated on Form 1099-B or brokerage statement, taxpayer will need to provide basis. If cost basis is zero (such as demutualization), go to Form 8949 and use the estimate function key to delete red on cost basis. If basis cannot be determined, use zero.

Only used if an adjustment is made to basis, or if grouping transactions, use Code M. If multiple codes are needed, enter in alphabetic order. Codes are listed on the following page.

Taxpayer must provide this information.

**Note 1:** Use VARIOUS in Date Acquired column for mutual funds or stocks purchased on multiple dates. When using various for multiple short-term transactions, the S/L column must be overridden and an S entered. The holding period for long-term transactions is one year and one day.

**Note 2:** Use INHERIT in Date Acquired column for inherited stock if property was inherited from someone who died in any year other than 2010. Property inherited from someone who died in 2010 is out of scope unless taxpayer can provide the basis information.

**Note 3:** Use code E to add sales commissions and fees to the basis unless they are reflected in Form 1099-B box 2a.

**Note 4:** Net losses greater than \$3000 will be shown on TaxWise® Sch D Wkt 2. Excess losses will carry-forward to future tax years. If the taxpayer has a capital loss carryforward from a prior year, enter it on the appropriate line on Schedule D regardless of the amount of gain or loss for the current year. Always put Schedule D, Wkt 2, with taxpayer's papers and highlight the carryforward on the taxpayer's return copy. Enter any state capital loss carryover on the appropriate state form.

## Brokers' Statements

Look for all the following items. (You may or may not find them all.)

1. 1099-INT (Summary-NOT detail): Input info on Interest Statement
2. 1099-DIV (Summary-NOT detail): Input info on Dividend Statement
3. 1099-B (Summary and Detail) and "Cost basis" or "Transaction detail" for sale of stock: Input on Capital Gains Transaction Worksheet
4. "Management" or "Investment fees": Input on Schedule A Line 23
5. If there are dividends from mutual funds, look for an insert or chart that says what percentage came from federal government interest: Input as a minus state adjustment (check your state rules)
6. The chart should also show what percent came from municipal bonds from each state: Input exempt interest from states other than yours as a plus state adjustment on the dividend statement (check your state rules)
7. Foreign taxes paid: Input on Form 1116 in the Simplified Limitation Election section, only if all foreign taxes relate to passive income and the total on all tax statements (1099 etc) is less than \$300 (\$600 MFJ); otherwise, in scope only if certified in International.
8. If the taxpayer has margin interest and is itemizing deductions, the return is out of scope



# How To Complete Cap Gn Wkt, Columns (f) and (g) — TY2014

For most transactions, you do not need to complete columns (f) and (g) and can leave them blank. You may need to complete columns (f) and (g) if you got a Form 1099-B or 1099-S (or substitute statement) that is incorrect, if you are excluding or postponing a capital gain, if you have a disallowed loss, or in certain other situations. Details are in the table below. If you enter more than one code (on the same row) in column (f) enter them in alphabetical order and enter the net adjustment in column (g).

IN SCOPE  IF. . .	THEN enter this code in column (f). . .	AND. . .
You received a Form 1099-B (or substitute statement) and the basis shown in box 3 is incorrect . . . . .	B	<ul style="list-style-type: none"> <li>If the worksheet 1099 column code is B, enter the correct basis in column (e), and enter -0- in column (g).</li> <li>If the worksheet 1099 column code is A, enter the basis shown on Form 1099-B (or substitute statement) in column (e), even though that basis is incorrect. Correct the error by entering an adjustment in column (g). To figure the adjustment needed, see the <i>Worksheet for Basis Adjustments in Column (g)</i>. Also see <i>Example 4—adjustment for incorrect basis</i> in the instructions for column (h) in Form 8949 instructions.</li> </ul>
You received a Form 1099-B or 1099-S (or substitute statement) for a transaction and there are selling expenses or option premiums that are not reflected on the form or statement an adjustment to either the proceeds or basis shown . . . . .	E	Enter in column (d) the proceeds shown on the form or statement you received. Enter in column (e) any cost or other basis shown on Form 1099-B (or substitute statement). In column (g), enter as a negative number (use a minus sign) any selling expenses and option premium that you paid (and that are not reflected on the form or statement you received) and enter as a positive number any option premium that you received (and that is not reflected on the form or statement you received).
You received a Form 1099-B (or substitute statement) and the type of gain or loss (short term or long term) shown in box 1c is incorrect . . . . .	T	Enter -0- in column (g).
You sold or exchanged your main home at a gain, must report the sale or exchange on Part II of Form 8949 (as explained in <i>Sale of Your Home</i> in the Instructions for Schedule D (Form 1040)), and can exclude some or all of the gain . . . . .	H	Report the sale or exchange on Cap Gn Wkt as you would if were not taking the exclusion. Then enter the amount of excluded (nontaxable) gain as a negative number (use a minus sign) in column (g). See the example in the instructions for column (g).
You have a nondeductible loss other than a loss indicated by code W . . . . .	L	Report the sale or exchange on Cap Gn Wkt and enter the amount of the nondeductible loss as a positive number in column (g). See <i>Nondeductible Losses</i> in the Instructions for Schedule D (Form 1040).
Your report multiple transactions on a single row as described in <i>Exception to reporting each transaction on a separate row</i> . . . . .	M	See Exception to reporting each transaction on a separate row. Enter -0- in column (g) unless an adjustment is required because of another code.
You have an adjustment not explained earlier in this column . . . . .	O	Enter the appropriate adjustment amount in column (g). See the instructions for column (g).
You have a nondeductible loss from a wash sale . . . . .	W	Report the sale or exchange on Cap Gn Wkt and enter the amount of the nondeductible loss as a positive number in column (g).
None of the other statements in this column apply . . . . .		Leave columns (f) and (g) blank.

# How To Complete Cap Gn Wkt, Columns (f) and (g) — TY2014

<b>OUT OF SCOPE</b>  <b>IF . . .</b>	<b>THEN</b> enter this code in column (f) . . .
You received a Form 1099-B or 1099-S (or substitute statement) as a nominee for the actual owner of the property . . . . .	N
You sold or exchanged qualified small business stock and can exclude part of the gain . . . . .	Q
You can exclude all or part of your gain under the rules explained in the Schedule D instructions for DC Zone assets or qualified community assets . . . . .	X
You are electing to postpone all or part of your gain under the rules explained in the Schedule D instructions for any rollover of gain (for example, rollover of gain from QSB stock or publicly traded securities) . . . . .	R
You had a loss from the sale, exchange, or worthlessness of small business (section 1244) stock and the total loss is more than the maximum amount that can be treated as an ordinary loss . . . . .	S
You disposed of collectibles (see the Schedule D instructions) . . . . .	C

## Exception to Entering Each Transaction on a Separate Row

When a taxpayer's Form 1099-B includes so many transactions that it is not practical to enter each one into TaxWise®, use the following procedure.

1. Divide the transactions into four categories:
  - Short term transactions with basis reported to the IRS - categorized as "Box A."
  - Short term transactions with basis not reported to the IRS - categorized as "Box B."
  - Long term transactions with basis reported to the IRS - categorized as "Box D."
  - **Short Long** term transactions with basis not reported to the IRS - categorized as "Box E."
2. Enter the total of each category on one line on the capital gain worksheet with Code M in column (f). Make sure that TaxWise® correctly reflects short term or long term for each line.
3. If any of the transactions requires an adjustment to the reported basis, enter the adjustment code and adjustment amount in columns (f) and (g) of the line that includes that transaction. In this case, there will be more than one adjustment code in column (f). Enter the codes in alphabetical order in column (f), with no spaces or commas.
4. If there are transactions with basis not reported to the IRS, the broker's list of transactions must be submitted as an attachment to the tax return. Check the appropriate box at the top of Schedule D in TaxWise® and submit the document using either of the following two methods.
  - Hardcopy: Make a photocopy and attach it to Form 8453 to be mailed to Austin.
  - Electronic: Scan the pages and save as a pdf. Attach the pdf to the electronic return prior to creating the e-file.

# Example: Applying Section 121 Exclusion to Capital Gains on Sale of Main Home

US Schedule D		Capital Gain or Loss Transactions Worksheet								2012	
1099 column: Enter "A" for transactions reported on Form 1099-B with the basis reported to the IRS, enter "B" for transactions reported on Form 1099-B but the basis is not reported to the IRS, enter "C" for transactions for which you cannot enter A or B.											
* Check if 28% rate gain or (loss).											
(a) Description of property	1 0 9 9	T S J	*	(b) Date acquired	(c) Date sold	(d) Sales price	(e) Cost or other basis	(f) Code	(g) Adjustments to gain or loss	(h) Gain or loss	S / L
MAIN HOME	C		<input type="checkbox"/>	05/15/2003	10/01/2013	200000	125000	H	-75000	0	L
			<input type="checkbox"/>			0	0		0	0	
			<input type="checkbox"/>			0	0		0	0	
			<input type="checkbox"/>			0	0		0	0	
			<input type="checkbox"/>			0	0		0	0	

# 1099-R Pension and Annuity Income

## Form 1099 Alert

All 1099-R entries in this section must be an exact match of the paper Form(s) 1099-R.

US 1099-R Distributions from Profit-Sharing, Retirement Plans, IRA's, etc.		
This 1099-R is for the: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse		
Recipient's name: _____		Recipient's SSN: <u>209-11-1111</u>
<input type="checkbox"/> Check if this 1099-R is handwritten, altered, or appears not to be a true 1099-R. <input type="checkbox"/> Corrected <input type="checkbox"/> Check if this is the taxpayer's address shown on the 1099-R or <input type="checkbox"/> Check and make changes to the U.S. address or foreign address below.		
U.S. address _____ Zip code, city, and state _____ Foreign street address _____ Foreign city _____ Foreign province / state _____ Foreign Zip code _____ Foreign country code _____		
Payer's ID: _____ Name code: _____	1 Gross (RRB line 7) _____ 0..	Taxable amount not determined <input type="checkbox"/>
Payer's name _____	2 Taxable amount _____ 0..	Total distribution <input type="checkbox"/> Elect 10 averaging <input type="checkbox"/>
Payer's U.S. address _____	3 Capital gain in line 2 _____ 0..	4 Federal tax withheld _____ 0..
Payer's Zip code, city, and state _____	5 Employee contributions, designated Roth contributions or insurance premiums _____ 0..	6 Net unrealized appreciation in employer's securities _____ 0..
Payer's foreign address _____	7 Codes IRA / SEP / Simple <input type="checkbox"/>	8 Other 0.. 0 % 0..
Payer's foreign city _____	Check if disability and the taxpayer is disabled <input type="checkbox"/> Check to force Form 5329 <input type="checkbox"/>	
Payer's foreign province / state _____	9a Percentage of total distribution _____ 0.. 0 %	9b Total employee contributions _____ 0..
Payer's Zip code and country code _____		

Complete TaxWise® version of 1099-R using information from taxpayer's Form 1099-R or Form RRB-1099-R.

Box 2: Enter the amount shown on 1099-R. If zero or blank or the "taxable amount not determined" box is checked, see "Variations" on D-23. **DO NOT ENTER ANY AMOUNT IN BOX 2 EXCEPT WHAT IS ON THE 1099-R.**

Review box 4 and box 12 to ensure tax withheld was entered and is correct.

Check if Code 3 is in box 7—person on disability but under the minimum retirement age of the employer plan. This makes the amount go to Wages, line 7 on Form 1040, rather than the pension line.

See Other Taxes Tab, for details on Form 5329.

## 1099-R Dollar Value Boxes

**Box 2:** No amount is entered if the Simplified Method is used. Do not make an entry in Box 2. The entire Box 1 will be taxable unless an amount is calculated/entered in the Exclusion Worksheet or Simplified Method sections on the lower section of this screen.

**Box 3:** Capital Gain will be shown for a Charitable Gift Annuity (Code F). The difference between the Distribution shown in Box 1 and the capital gain shown in Box 3 will appear on Line 15 of the 1040. A schedule D must be completed to report the Capital gain. Describe as "FROM 1099-R". The Gain should be the amount from Box 3 and the gain is Long Term.

**Box 4:** Review Box 4 and Box 12 to ensure tax withheld was entered and is correct.

**Box 5:** If Box 5 is the same as Box 1, none of the distribution is taxable. Enter the amount from Box 5 in Line 5 of the Exclusion Worksheet. If the payer has calculated the taxable amount of the pension in Box 2, generally the difference between Boxes 1 and 2 will appear in Box 5. If Box 5 is the amount of health insurance premiums, (typically only on a CSA 1099-R) you must MANUALLY carry the amount to the Schedule A.

**Box 7:** Take care to enter the code shown on the 1099-R. See next page for codes..

**Box 9b:** This information may alternatively appear in Box 5 although you cannot tell if it was "employee contribution" or "health insurance premiums" unless it states so on the 1099-R. If an amount appears in this box and a taxable amount is not shown in Box 2, the taxable amount box "2" remains blank and red until you complete the "Simplified Method" section of this form, described below (this will also "get the red out").

Box 7 Distribution Codes	Explanations
<b>1 — Early distribution, no known exception.</b>	<ul style="list-style-type: none"> <li>• If this amount was rolled over within 60 days of the withdrawal and—if the distribution was from an IRA--no prior rollover was made in the same 12-month period, enter the amount rolled over in Line 1 of the Exclusion Worksheet below the 1099-R screen. Trustee to trustee transfer is not considered a prior rollover. If more than one rollover from an IRA in the 12-month period, return is out of scope.</li> <li>• If this was not rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception. See page Tab H for a list of exceptions. If the taxpayer qualifies for an exception, check the box on the 1099-R just below Box 7 that says, "Click here to force Form 5329." Go to Form 5329, and on line 2, enter the code for the exception and the amount that qualifies for the exception.</li> </ul>
<b>2 — Early distribution, exception applies.</b>	Code 2 applies if the taxpayer is under 59½ but the payer knows that an exception to the additional tax applies. <b>No further action needed. If the IRA/SEP/SIMPLE box is NOT checked, no further action needed. If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606, and the return is out of scope.</b>
<b>3 — Disability.</b>	<p>Code 3 is for a disability pension.</p> <ul style="list-style-type: none"> <li>• If the taxpayer is under the minimum retirement age for the company he retired from, then check the box on the 1099-R just below Box 7 that says, "Click here if Code 3 and disabled." This will put this disability income on Line 7 of Form 1040 instead of Line 16. It will also include the amount in earned income for calculation of the earned income credit, the dependent care credit and the additional child tax credit.</li> <li>• If the taxpayer has reached the minimum retirement age, no further action is needed.</li> </ul>
<b>4 — Death.</b>	Code 4 is for a survivor's benefit or an inherited IRA. If it's a pension, the original retiree has died, and the survivor is receiving his or her share of the pension. If the original pensioner was using the Simplified Method, continue to use it for the survivor. If it's an inherited IRA and the original owner had a basis, the survivor takes over that basis.
<b>5 — Prohibited transaction.</b>	This code is out of scope.
<b>6 — Tax-free Section 1035 exchange.</b>	This code is out of scope.
<b>7 — Normal distribution.</b>	<p>Code 7 is for normal distributions. It may occur in several different situations:</p> <ul style="list-style-type: none"> <li>• If the amounts in Box 1 and 2 are the same, and Box 2b is not checked, the pension is fully taxable.</li> <li>• If the taxpayer makes a rollover from one IRA to another and holds the money less than 60 days, enter the amount rolled over on the Exclusion Worksheet, line 1. This will check the "rollover" box at Line 15 of Form 1040. Link out from there and enter a description of the rollover.</li> <li>• If the Box 2b is checked and there is an amount in Box 9b, complete the Simplified Method at the bottom of the 1099-R screen. Be sure to use the taxpayer's age at the time of retirement—not current age.</li> <li>• If there is an amount in Box 2 that is different than Box 1, no further action is needed.</li> <li>• If there is no amount (or zero) in Box 2, check to see if there is an amount in Box 5. If this is the same amount as Box 1, the distribution is the taxpayer's own money coming back. Enter the Box 5 amount on line 5 of the Exclusion Worksheet. None of the distribution will be taxed.</li> <li>• If any portion of this distribution was sent directly from the trustee to a charity, enter the amount on Line 2 of the Exclusion Worksheet. It will not be included in gross income. No charitable deduction may be taken for the donation.</li> </ul>
<b>8 — Excess contributions</b>	This code is out of scope.
<b>9 — Cost of current life insurance</b>	This code is out of scope
<b>A — May be eligible for 10-year tax option.</b>	This code is out of scope.
<b>B — Designated Roth account</b>	Code B is for a distribution from a designated Roth account. The distribution will be included in Line 15a but not on Line 15b.

<b>D — Annuity payments from nonqualified annuities</b>	Code D is used for a distribution from a private annuity in conjunction with the regular code. The distribution is subject to the net investment income tax. If the taxpayer has AGI over a threshold amount (\$200,000 for a single taxpayer or HoH, \$250,000 MFJ or QW, \$125,000 MFS), then this code means the return is out of scope. If the AGI is less than the threshold amount the return is in scope and no further action is needed.
<b>E — Distributions under Employee Plans Compliance Resolution System (EPCRS).</b>	This code is out of scope.
<b>F — Charitable gift annuity.</b>	Code F is used for the annuity payments from a charitable gift annuity. The difference between the distribution in Box 1 and the capital gain shown in Box 3 will appear on Line 15 of the 1040. A Cap Gn Wkt must be completed to report the capital gain. Describe it as "From 1099-R". The gain should be the amount in Box 3, and the gain is long term.
<b>G — Direct rollover of distribution and direct payment.</b>	Code G is for a direct rollover from a qualified plan to an eligible retirement plan. <del>It will not be taxed. No further action is needed.</del> If box 2, taxable amount, is zero or blank, it will not be taxed. If there is an amount in box 2, the direct rollover is fully or partially taxable. No further action is needed.
<b>H — Direct rollover of a designated Roth account distribution to a Roth IRA.</b>	Code H is for a direct rollover of a distribution from a designated Roth account to a Roth IRA. It will not be taxed. No further action is needed.
<b>J — Early distribution from a Roth IRA.</b>	<del>This code is out of scope. Code J is for an early distribution from a Roth IRA. If the account has existed for less than five years or there were any conversions from a traditional IRA or qualified retirement plan in the last five years, additional taxes apply, so the return is out of scope. TaxWise® enters the distribution on 1040 Line 15b and opens Form 8606 with the distribution on lines 19 and 21. Enter the taxpayer's basis (the amount contributed to or transferred to the Roth, less previous distributions from the Roth, if any) on line 22. If the distribution is greater than the basis, the excess is taxable, a 10% penalty applies, and the return is out of scope. If not, TaxWise® moves the distribution amount from Line 15b to 15a, and no further action is needed.</del>
<b>K — Distribution of IRA assets not having a readily available FMV</b>	This code is out of scope.
<b>L — Loans treated as deemed distributions</b>	This code is out of scope.
<b>N — Recharacterized IRA contribution.</b>	This code is out of scope.
<b>P — Excess contributions plus earnings/excess deferrals</b>	This code is out of scope.
<b>Q — Qualified distribution from a Roth IRA.</b>	This distribution is not taxable. TaxWise® enters the distribution amount on Form 1040 Line 15a but not 15b. No further action is needed.
<b>R — Recharacterized IRA contribution.</b>	This code is out of scope.
<b>S — Early distribution from a SIMPLE IRA in the first 2 years, no known exception.</b>	A 25% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H for a list of exceptions. If the taxpayer qualifies for an exception, check the box on the 1099-R (just below Box 7) that says, "Click here to force Form 5329." Go to Form 5329 and, on line 2, enter the code for the exception and the amount that qualifies for it.
<b>T — Roth IRA distribution, exception applies.</b>	<del>This code is out of scope. Code T is used for a distribution from a Roth IRA if the participant has reached age 59½, but the 5-year holding period may not have been met. Ask the taxpayer if any part of this account was rolled over from a traditional IRA or qualified retirement plan within five years of the distribution. If so, some of the earnings may be taxed. If taxpayer did meet the 5-year rule, no further action is needed (-0- taxable).</del>
<b>U — Dividends distributed from an ESOP</b>	This code is out of scope.
<b>W — Charges or payments for LTC contracts</b>	This code is out of scope.

(Nonqualified Distributions from Roth IRAs are out of scope for VITA/TCE, because it requires the completion of Form 8606 .Therefore, Distribution Codes J and T are out of scope .

# 1099-R Exclusion Worksheet (lower section of 1099-R screen)

Taxpayer should have documentation of the amount that should have been recovered in previous years even if it was not claimed or you can calculate it from the annuity start date.

Enter the amount paid for qualified insurance premiums paid by a retired public safety officer. If more than \$3,000, enter the excess on Sch A detail as a medical deduction.

Account number (optional)		10 Amount allocable to IRR within 5 years	11 1st year of designated Roth contribution
See F1 Help on the state return for use of these boxes. Instructions vary by state. Check if applies.		12 State tax	13 State and state ID no
Box 1	15 Local tax	16 Locality name	17 Local distribution
Box 2			
Box 3			
Railroad retirement			

Exclusion Worksheet	
1 Amount rolled over	
2 Amount, up to \$100,000, paid directly by the trustee of the IRA to a charitable organization. The donor must have been at least 70 1/2 when the distribution was made	
3 Amount rolled over into an HSA. This election is irrevocable and can only be done once in the recipient's lifetime	
4 Retired public safety officers - amount, up to \$3,000, paid directly from a qualified governmental plan to pay health or qualified long-term care insurance for the taxpayer, spouse, or dependents	
5 Excludable amount due to a tax-free exchange; as calculated in a previous year, or by law, is specifically tax-exempt	
* If the distribution is from a traditional, SEP, or SIMPLE IRA and you ever made nondeductible IRA contributions, check here <input type="checkbox"/> * If this is a conversion from a traditional IRA to a Roth IRA, check here <input type="checkbox"/> If only PART of this distribution was converted to a Roth IRA, enter the amount converted	

Simplified Method	
1 Cost in the plan at the annuity starting date (RRB line 3)	
2 Check age of primary annuitant at annuity starting date	
<input type="checkbox"/> 55 or under <input type="checkbox"/> 56-60 <input type="checkbox"/> 61-65 <input type="checkbox"/> 66-70 <input type="checkbox"/> 71 or older	
<input type="checkbox"/> Check if the annuity starting date is after 11/18/1996. <input type="checkbox"/> Check if the annuity starting date is after 12/31/1997 and this is a joint and survivor annuity. Use table below.	
Check combined age of annuitants at annuity starting date	
<input type="checkbox"/> 110 or under <input type="checkbox"/> 111-120 <input type="checkbox"/> 121-130 <input type="checkbox"/> 131-140 <input type="checkbox"/> 141 or more	
3 Exclusion per month	
4 Number of months for which payments were received this year	
5 If the annuity started after 1986, enter the amount recovered tax free in prior years	
6 Exclusion	

## Rollovers

- A taxpayer should not receive a 1099-R for a trustee-to-trustee transfer from one IRA to another, but should receive a 1099-R for a trustee-to-trustee direct rollover from an employer qualified plan to an IRA with code G. TaxWise® correctly treats the whole amount as not taxable.
- A rollover that involves a distribution of funds to the participant is not taxable if the funds are deposited into an IRA (or the same IRA) or an employer plan within 60 days. Form 1099-R will have either a code 1 or code 7. The amount properly rolled should be entered on Line 1 of the Exclusion Worksheet.
- When there is a rollover from an IRA, the counselor should complete the TaxWise® Rollover Explanation Form linked from line 15 on Form 1040.
- As of January 1, 2015 only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs owned, is permitted. There is no limit on the number of other types of rollovers or trustee-to-trustee transfers between IRAs.
- Sometimes a distribution includes both a regular distribution (generally taxable) and a rollover (generally non-taxable). The exclusion worksheet is used to input the amount that will not be taxed.

**Note:** The above applies to pre-tax accounts (e.g. traditional IRAs) and to post-tax accounts (e.g. Roth IRAs) within each group. If rolling or converting from pre-tax to post-tax, the amount will generally be taxable.

## Exclusion Worksheet

- Line 1**-Enter the full amount of the rollover (not distribution or ROTH conversion)
- This checks the "Check if rollover" box on 1040 line 15b
  - Click in the red box on 1040 line 15b and press F9 to link to the "New form 1040 IRA Rollover Explanation worksheet and explain the rollover (e.g. Taxpayer rolled their IRA distribution of \$xxxx dated mm-dd-yyyy from Bank A to a new IRA at Bank B on mm-dd-yyyy in the amount of \$xxxx. Taxpayer did not make any other rollovers during any 12- month period that includes this rollover.)
- Line 2**-Enter any amounts that are paid directly to a charity if the person was 70-1/2 when donation was made. This makes the distribution non-taxable. The TP does not get a charitable deduction.
- Line 3**-Amount rolled over to an HSA is **out of scope**.
- Line 4**-Enter qualified amount (up to \$3000) for health and/or LTC insurance paid from the retirement plan. Amount may be in Box 5 of the 1099-R or in a letter from the plan. Enter the remainder of the insurance premium directly to Sch A Detail.
- Asterisked lines are all out of scope.



## Form 1099-R Simplified Method Worksheet

If the taxpayer made after-tax contributions toward a pension, a portion of the annuity payment has already been taxed and is not taxable now.

(Generally, if the starting date of the payments was prior to July 2, 1986, the Simplified Method would not apply. If the taxpayer used the 3-year rule, the annuity is fully taxable. If he used the general rule, refer him to a professional tax preparer.)

Since 1986, the employee's total after tax contribution is distributed over a number of months that represents the average life expectancy of someone who is his age (when he began receiving payments). The payor may calculate the tax-free amount and show the correct taxable amount in Box 2a. In that case, simply enter the amounts shown on the 1099-R. Do not use the worksheet.

If the payor does not calculate the tax-free amount, Box 2b will be marked, and Box 2a may be blank, zero or the same as Box 1. In that case, use the Simplified Method at the bottom of the 1099-R screen.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119	
PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code  John Doe 123 Main Street, City, State, Zip	<b>1</b> Gross distribution	<b>2013</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
	\$ 20,000.00		
	<b>2a</b> Taxable amount	Form <b>1099-R</b>	
	<b>2b</b> Taxable amount not determined <input checked="" type="checkbox"/>	Total distribution <input type="checkbox"/>	<b>Copy B Report this</b>

### Completing the Simplified Method Worksheet in TaxWise®

Simplified Method	
<b>1</b> Cost in the plan at the annuity starting date (RRB line 3)	0.
<b>2</b> Check age of primary annuitant at annuity starting date	
<input type="checkbox"/> 55 or under	<input type="checkbox"/> 56-60
<input type="checkbox"/> 61-65	<input type="checkbox"/> 66-70
<input type="checkbox"/> 71 or older	<input type="checkbox"/> 61-65
<input type="checkbox"/> Check if the annuity starting date is after 11/18/1996.	
<input type="checkbox"/> Check if the annuity starting date is after 12/31/1997 and this is a joint and survivor annuity. Use table below.	
Check combined age of annuitants at annuity starting date	
<input type="checkbox"/> 110 or under	<input type="checkbox"/> 111-120
<input type="checkbox"/> 121-130	<input type="checkbox"/> 131-140
<input type="checkbox"/> 141 or more	
<b>3</b> Exclusion per month	0.00
<b>4</b> Number of months for which payments were received this year	0
<b>5</b> If the annuity started after 1986, enter the amount recovered tax free in prior years	0.
<b>6</b> Exclusion	0.
<b>7</b> Remaining cost in the pension or annuity	0.

**Line 1:** Enter the total amount of employee contributions from Form 1099-R, Box 9b or Box 3 of RRB 1099-R.

**Line 2:** Check the box indicating the retiree's age when the annuity payments started (not his or her current age).  
**NOTE:** For a joint or survivor annuity, the box indicating the combined ages at the time the annuity started must be checked instead.

**Line 3:** Calculated entry.

**Line 4:** Enter the number of months that payments were received during the tax year, which will usually be 12 except for the year in which payments started or ended.

**Line 5:** Enter the amount that could have been recovered tax free in prior years even if not claimed. Look at last year's tax return to find this amount, or calculate the amount using the monthly tax free amount computed by TaxWise® for the 2014 tax year times the number of months prior to 2014.

**Line 6:** Once the Simplified Method worksheet is complete, TaxWise® computes the taxable amount and places it on Form 1040, line 16b. TaxWise® Form 1099-R, Box 2a, will no longer be "red" but it will remain blank. Volunteer preparers should not make any entry in Box 2a.

*This worksheet is used to recover the taxpayer's original contributions. The employee contributions are shown in box 9b on Forms 1099-R, CSA-1099-R and CSF-1099-R and box 3 of Form RRB-1099-R.*

## Roth IRA

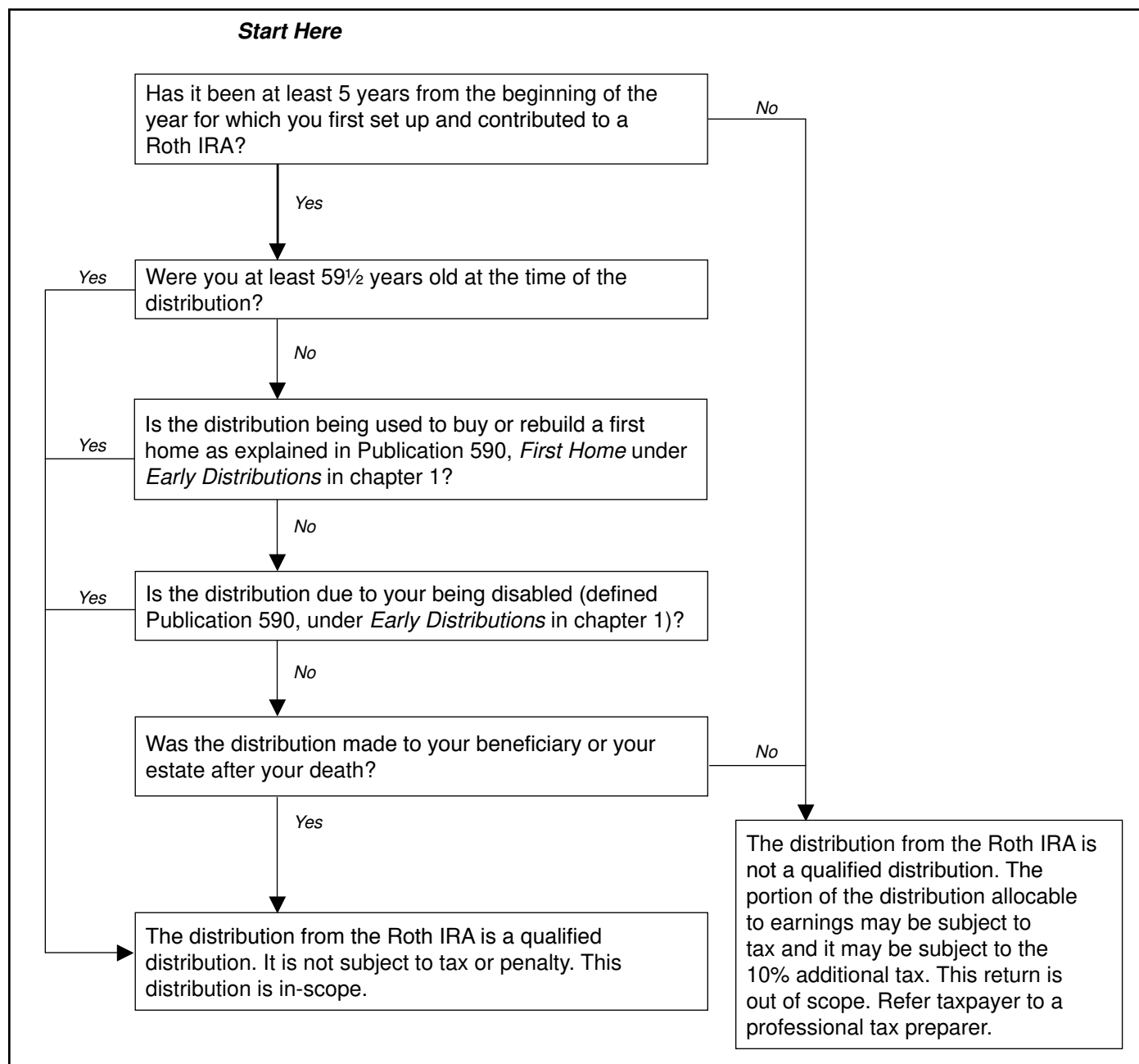
**Basis of distributed property.** The basis of property distributed from a Roth IRA is its fair market value (FMV) on the date of distribution, whether or not the distribution is a qualified distribution.

**You** do not include in your gross income qualified distributions or distributions that are a return of your regular contributions from your Roth IRA(s).

**Distributions** from a Roth IRA are tax free and may be excluded from income if the following requirements are met:

- The distribution is made after the 5-year period beginning with the first taxable year for which a contribution was made to a Roth IRA set up for the taxpayer's benefit, *and*
- The distribution is:
  - Made on or after age 59½, or
  - Made because the taxpayer was disabled, or
  - Made to a beneficiary or to an estate, or
    - To pay certain qualified first-time homebuyer amounts (up to a \$10,000 lifetime limit)

Figure 2-1. **Is the Distribution From Your Roth IRA a Qualified Distribution?**



# Railroad Retirement, Civil Service, and Social Security Benefits

## 1: **Form RRB-1099-R—Tier 2 (Green form) Annuities or pensions by the**

**Railroad Retirement Board** – NSSEB includes all Tier 1 and Tier 2 Railroad Benefits not included on Form RRB-1099. It should be treated the same as any other qualified employee retirement plan.

Enter RRB-1099-R data on TaxWise® Form 1099-R as follows:

Box	From RRB-1099-R	To TaxWise®
3	Employee contributions	1099-R box 9b and line 1 of Simplified Method section
7	Gross distribution	1099-R box 1
9	Federal income tax withheld	1099-R box 4
12	Medicare premium total	Sch A—Detail—if itemizing deductions

Complete TaxWise® Form 1099-R as follows:

- Click in box to the right of box 1—“Taxable amount not determined”.
- A distribution code (box 7) is required and the code is “7” unless the interview with the taxpayer indicates it is not a normal distribution.
- Complete Simplified Method section, if applicable.
- “X” the **Railroad retirement** box to the left of block 13 for railroad pensions that qualify for subtraction on state returns.

**2: Form CSA 1099-R—Civil Service Retirement Benefits**—The Office of Personnel Management issues CSA-Form 1099-R for annuities paid or CSF-Form 1099-R for survivor annuities paid. The CSA-Form 1099-R box numbers reflect the standard numbering on a Form 1099-R. If the taxable amount is not calculated in box 2:

- The Simplified Method must be used.
- Enter box 9b on line 1 of the Simplified Method section, if applicable.
- Complete the other required entries of the Simplified Method section.
- “Amounts in box 5 are for health insurance premiums paid by the annuitant (and need to be manually entered on the Schedule A worksheet).”

**3: Form RRB-1099—Tier 1 (Blue form) Social Security Equivalent Benefits (SSEB)**—Treat the benefits reported on this form just like the information reported on SSA-Form 1099. (See below)

**4: Form SSA-1099—Social Security Benefit Statement**—The Social Security Administration issues Form SSA-1099 to report benefits paid. Use the following procedures for entering this information into TaxWise®:

- From Form 1040, line 20, link to 1040 Wkt 1.
- Scroll to Social Security and Railroad Tier 1 Benefits section.
- “Social Security Received This Year”—Enter Form SSA-1099, box 5 amount, or Form RRB-1099, box 5 amount. Verify recorded on the proper lines and in the proper columns (if a joint return).
- “Medicare to A”—Enter Form SSA-1099, Medical Premiums (include Part B and Part D) or Form RRB-1099, box 11 amount.
- “Federal Tax Withheld”—Enter Form SSA-1099, box 6 amount, or Form RRB-1099, box 10 amount.
- TaxWise will perform all the calculations to determine the taxable amount based on other information in the return.

See next page for lump sum Social Security calculations.

# 1099-R Entry Variations

**Note:** If no amount or zero is entered in box 2 of TaxWise® 1099R, the box will become red and lines 1 and 5 of the *Exclusion Worksheet* will become red. This indicates that there is a required entry in the *Exclusion Worksheet* or the Simplified Method.

**A. Example 1 (most common)**—An amount is entered in box 1, box 2a is blank or the same amount as box 1, the distribution code in box 7 is [7], and nothing is entered in boxes 5 or 9b.

- The amount in box 1 is fully taxable. TaxWise® will transfer the amount in box 1 to Form 1040 page 1, line 16b. Nothing has to be entered in box 2; use the estimate function to remove red.

**B. Example 2**—An amount is entered in box 1, box 2a is blank, the distribution code is [7], and an amount is entered in box 9b.

- The Simplified Method section will have to be completed to determine the amount in box 9b that will be tax free. TaxWise® will automatically deduct this amount from the amount in box 1 and enter the result on Form 1040 page 1, line 16b. See 4012, Partially Taxable-Simplified Method.
- Do not make an entry to box 2 of Form 1099-R.

**C. Example 3**—An amount is entered in box 1 and the taxable amount (other than zero) is entered in box 2a with a distribution code of [7]. There may or may not be an entry in box 5. Generally, the amount in box 2a is [box 1 minus the amount in box 5].

- The payer has made things easy by providing the taxable amount. TaxWise® will enter the taxable amount on Form 1040 page 1, line 16b.

**D. Example 4**—An amount is entered in box 1, box 2a is blank or zero, an amount is in box 5, and the distribution code is [7].

- Except in the case of a CSA 1099-R, the amount in box 5 should be nontaxable and therefore should be subtracted from line 1 and the result entered on Form 1040 page 1, line 16b. The tax preparer must ascertain from the taxpayer what amount should be nontaxable. In the TaxWise® 1099-R form, enter the tax-exempt amount on line 5 of the *Exclusion Worksheet*. (The *Exclusion Worksheet* is located just below the primary 1099-R form.) TaxWise® will subtract the amount from line 1 and enter the result on Form 1040 page 1, line 16b.

**E. Example 5**—An amount is entered in box 1, box 2a is blank or zero, the “Taxable amount not determined” is NOT checked, and the distribution code is [7]. If this is a disability pension for an on-the-job injury, and the taxpayer believes it is not taxable, enter the amount from Box 1 on Line 5 of the Exclusion.

## Social Security Lump Sum Distribution on Form SSA-1099 (if distribution causes a taxable liability).

**Step 1**-Enter Box 5 total in the Social Security received this year line on 1040 Wkt 1

**Step 2**-Calculate amount paid for current tax year by subtracting prior years from box 5 benefits

**Step 3**-Enter amount received for the current year for both spouses in appropriate box at bottom of worksheet

**Step 4**-Link to Lump Sum Wkt from line, “amounts taxable from previous years”

**Step 5**-Enter pertinent prior year at top of Lump Sum Wkt (eg, 2012) and check appropriate marital status for that year

**Step 6**-On line 1, enter amount of benefits received in prior year for both spouses and amount for prior year received in current year

**Step 7**-On line 3, enter AGI for prior year

**Step 8**-On lines 4 and 5, enter adjustments/exclusions and tax exempt interest amounts for prior year

**Step 9**-On line 7, enter taxable benefits reported on the tax return for the earlier years.

**Step 10**-Close worksheet; repeat steps 4-9 for additional prior years

# Schedule E – Rental and Royalty Income and Loss (Limited)

## Rental Income - Military Certification

## Royalty Income - Advanced Certification

US Schedule E Supplemental Income and Loss

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

**Part I: Income or Loss From Rental Real Estate and Royalties**

**Note:** If you are in the business of renting personal property, use Schedule C. Report farm rental income or loss from Form 4835 on page 2, line 40.

**A** Did you make any payments in 2013 that would require you to file Form(s) 1099? ☐ Yes ☐ No  
See instructions

**B** If "Yes", did you or will you file all required Forms 1099? ☐ Yes ☐ No

\* K-1 royalty information transfers to column C of lines 1 and 3b. State income is allocated based on the state listed in the address section below. If any of these properties are part-year rental, part rental and part personal, such as a duplex, or a personal use unit, such as a vacation home, F9 on the "Address" field, A or B, to use a worksheet.

For each rental real estate property listed, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a joint qualified venture. See instructions.

++ Allowable codes for type of property  
1 Single family residence 3 Vacation or short-term rental 5 Land 7 Self-rental  
2 Multi-family residence 4 Commercial 6 Royalties 8 Other

If type 8, enter a description for  
Property A \_\_\_\_\_  
Property B \_\_\_\_\_  
Property C \_\_\_\_\_

1	Address	TSJ	++ Type	Fair rental days	Personal use days	QJV
A	_____	_____	_____	0	0	<input type="checkbox"/>
B	_____	_____	_____	0	0	<input type="checkbox"/>
C	_____	_____	_____	0	0	<input type="checkbox"/>

**Income**

	Properties		
F9 to 1099-Misc on line 3 or 4	A	B	C
3 Rents received	0	0	0
4 Royalties received	0	0	0

**Expenses**

	A	B	C
5 Advertising	0	0	0
6 Auto and travel	0	0	0
7 Cleaning and maintenance	0	0	0
8 Commissions	0	0	0
9 Insurance	0	0	0
10 Legal and other professional fees	0	0	0
11 Management fees	0	0	0
12 Mortgage interest paid to banks, etc	0	0	0
13 Other interest	0	0	0
14 Repairs	0	0	0
15 Supplies	0	0	0
16 Taxes	0	0	0
17 Utilities	0	0	0
18 Depreciation expense or depletion	0	0	0
19 Other	0	0	0
Total other expenses	0	0	0
* Royalty expenses from K-1s, amortization, and part-rental worksheet expenses transfer here. If you are using the statement, check <input type="checkbox"/> AND manually enter these amounts on the statement	0	0	0
20 Total expenses	0	0	0
21 Subtract line 20 from line 3 and / or line 4. If the result is a loss, see the instructions to find out if you must file Form 8199	0	0	0
22 Deductible rental real estate loss	0	0	0
23a Total of all amounts reported on line 3 for all rental properties	0		
b Total of all amounts reported on line 4 for all royalty properties	0		
c Total of all amounts reported on line 12 for all properties	0		
d Total of all amounts reported on line 18 for all properties	0		
e Total of all amounts reported on line 20 for all properties	0		
24 Income. Add positive amounts shown on line 21			0
25 Losses. Royalty losses from line 21 and rental real estate losses from line 22			0
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25			0
Nonpassive rental activities for EIC purposes			0

Link from Form 1040, line 17 to Sch E. On Sch E, complete lines A and B. If a taxpayer answers yes to Question A, the return is out of scope.

Use Schedule E to report rental income only when taxpayer is not in the business of renting property. If in the business, return is out of scope.

Line 1:

- Physical address of each property (street, city, state and ZIP code)
- Type of property
- For each rental real estate property listed, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.

Use separate columns for each rental property.

Enter rental income on Line 3 or link out to 1099-Misc if one was received.

Enter royalty income on Line 4 only when reported from Sch K-1 or Form 1099-MISC, Box 2, Royalties.

Can deduct hazard insurance as reported on Form 1098.

Link to Form 4562.

Most common entries:

- homeowners association fee
- telephone bills

- Rental income from sources such as a home is in scope with Military certification only.
- Royalty income reported on a Schedule K-1 or Form 1099-MISC, Box 2, Royalties with no associated expenses is in scope with Advanced certification.

**Caution:** Refer taxpayers who are in the business of renting properties to a professional tax preparer.

# Form 2555, Foreign Earned Income, Page 1

<b>US 2555</b>	<b>Foreign Earned Income</b>
<b>For Use by U.S. Citizens and Resident Aliens Only</b>	
Foreign income exclusion is for the: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse	
Name: _____	SSN: _____
<b>Part I: General Information</b>	
<b>1</b> Your foreign address (including country):	
Foreign name line 2 _____	
Foreign street address _____	
Foreign city _____	
Foreign state or province _____	
Foreign postal code _____	
Foreign country _____	
Country code. See F1 Help _____	
<b>2</b> Your occupation _____	
<b>3</b> Employer's name _____	
<b>4a</b> Employer's U.S. address:	
U.S. name line 2 _____	
U.S. street address _____	
U.S. Zip code, city, and state _____	
<b>b</b> Employer's foreign address:	
Foreign name line 2 _____	
Foreign street address _____	
Foreign city _____	
Foreign state or province _____	
Foreign postal code _____	
Foreign country _____	
Country code. See F1 Help _____	
<b>5</b> Employer is: <b>a</b> <input type="checkbox"/> A foreign entity <b>b</b> <input type="checkbox"/> A U.S. company <b>c</b> <input type="checkbox"/> Self	
<b>d</b> <input type="checkbox"/> A foreign affiliate of a U.S. company	
<b>e</b> <input type="checkbox"/> Other (specify): _____	
<b>6a</b> If you previously filed Form 2555 or Form 2555-EZ, enter the last year you filed the form _____	
<b>b</b> If you did not file Form 2555 or 2555EZ to claim either of the exclusions, check here <input type="checkbox"/> and go to line 7.	
<b>c</b> Have you ever revoked either of the exclusions? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>d</b> If "Yes", check the type of exclusion claimed <input type="checkbox"/> Earned income exclusion <input type="checkbox"/> Housing exclusion	
Enter the tax year for which the revocation was effective _____	
<b>7</b> Of what country are you a citizen or national? _____	
<b>8a</b> Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>b</b> If "Yes", enter city and country of the separate foreign residence. Also, enter the number of days during the tax year that you maintained a second household at that address.	
Address _____	Days: _____
<b>9</b> List your tax home(s) during the tax year and date(s) established. F9 for statement, if listing more than one tax home.	
_____	Date(s): _____

For International  
certification only

Enter names and addresses  
as appropriate

Select employer information

Complete this section  
regarding previously filed  
Form 2555

Indicate citizenship

Select yes or no; if yes,  
complete 8b

List tax home and date  
established

# Form 2555, Foreign Earned Income, Part II and III (continued)

## Part II: Taxpayers Qualifying Under Bona Fide Residence Test

- 10** Date bona fide residence began: \_\_\_\_\_ and ended: \_\_\_\_\_  
Check if bona fide residence continues ☐
- 11** Kind of living quarters in foreign country  
**a** ☐ Purchased house      **b** ☐ Rented house or apartment  
**c** ☐ Rented room      **d** ☐ Quarters furnished by employer
- 12a** Did any of your family live with you abroad during any part of the tax year? ☐ Yes ☐ No  
**b** If "Yes", what was the person's relationship to you? \_\_\_\_\_  
 and for what period? \_\_\_\_\_
- 13a** Have you submitted a statement to authorities of the foreign country where you claim the bona fide residence that you are not a resident of that country? ☐ Yes ☐ No  
**b** Are you required to pay income tax to the country where you claim bona fide residence? ☐ Yes ☐ No  
**Note:** If you answered "Yes" to 13a and "No" to 13b, you do not qualify as a bona fide resident. Do not complete the rest of this part.
- 14** If you were present in the U.S. or its possessions during the tax year, complete columns (a) - (d) below. Do not include the income from column (d) in Part IV, but report it on Form 1040.

(a) Date arrived in U.S.	(b) Date left U.S.	(c) No. days	(d) Income earned in U.S.	(a) Date arrived in U.S.	(b) Date left U.S.	(c) No. days	(d) Income earned in U.S.
		0.	0.			0.	0.
		0.	0.			0.	0.
		0.	0.			0.	0.
		0.	0.			0.	0.

- 15a** List any contractual terms or other conditions relating to the length of your employment abroad.

- b** Enter the type of visa used to enter the foreign country \_\_\_\_\_
- c** Did your visa limit the length of your stay or employment in a foreign country? ☐ Yes ☐ No  
 If "Yes", attach an explanation \_\_\_\_\_ F9 to explanation: ☐
- d** Did you maintain a home in the U.S. while living abroad? ☐ Yes ☐ No
- e** If "Yes", enter address of your home, whether it was rented, the names of the occupants, and their relationship to you. Check if rented: ☐  
 Address \_\_\_\_\_  
 ZIP code, city and state \_\_\_\_\_  
 Name of occupant \_\_\_\_\_  
 Relationship of occupant \_\_\_\_\_

## Part III: Taxpayers Qualifying Under Physical Presence Test

- 16** The physical presence test is based on the 12-month period from \_\_\_\_\_ through \_\_\_\_\_
- 17** Enter the principal country of employment during your tax year, \_\_\_\_\_
- 18** If you traveled abroad during the 12-month period entered on line 16, complete columns (a) - (f) below. Exclude travel between foreign countries that did not involve travel on or over international waters, or in or over the United States, for 24 hrs or more.  
 Check here if you have no travel to report during the 12-month period ☐  
 "Physically present in a foreign country or countries for the entire 12-month period." will be printed on the form. Do not include the income in column f below in Part IV, but report it on Form 1040.

(a) Name of country, including U.S.	(b) Date arrived	(c) Date left	(d) Full days in country	(e) Full days on U.S. business	(f) Income earned in U.S. on business
			0	0	0.
			0	0	0.
			0	0	0.
			0	0	0.

Complete only Part II OR Part III - determine whether Bona Fide Residence or Physical Presence test applies

Check if bona fide residence continues



# Form 2555, Foreign Earned Income, Part IV (continued)

## Part IV: All Taxpayers

List all income including noncash income, you earned and actually or constructively received during the tax year for services performed in a foreign country. If any of the foreign earned income received this tax year was earned in a prior tax year, or will be earned in a later tax year (such as a bonus), see the instructions. Do not include income from line 14, column d, or line 18, column f. Report amounts in U.S. dollars, using the exchange rates in effect when the income was actually or constructively received.

These amounts should already have been included in income on Form 1040.

Any income entered on this page should first be entered in the appropriate section of Form 1040. Enter in this part the total foreign earned income you earned and received during the tax year.

<b>19</b>	Total wages, salaries, bonuses, commissions, etc.		0.
<b>20</b>	Allowable share of income for personal services performed		
<b>a</b>	In a business (including farming) or profession		0.
<b>b</b>	In a partnership. List partnership's name, address and type of income.		0.
<b>21</b>	Noncash income. Market value of property or facilities furnished by employer. Attach a statement showing how it was determined.		
<b>a</b>	Home (lodging)		0.
<b>b</b>	Meals		0.
<b>c</b>	Car		0.
<b>d</b>	Other property or facilities. List type and amount.		0.
<b>22</b>	Allowances, reimbursements, or expenses paid on your behalf for services you performed		
<b>a</b>	Cost of living and overseas differential		0.
<b>b</b>	Family		0.
<b>c</b>	Education		0.
<b>d</b>	Home leave		0.
<b>e</b>	Quarters		0.
<b>f</b>	For any other purpose. List type and amount.		0.
<b>g</b>	Add lines 22a through 22f		0.
<b>23</b>	Other foreign earned income. List type and amount.		0.
<b>24</b>	Add lines 19 through 21d, line 22g, and line 23		0.
<b>25</b>	Total amount of meals and lodging included on line 24 that is excludable		0.
<b>26</b>	Foreign earned income		0.

Enter wages from an employer here

Enter gross self-employment income here

# Form 2555, Foreign Earned Income, Page 3 (continued)

US 2555 (2013)		Page 3
Name: <span style="border: 1px solid black; display: inline-block; width: 200px; height: 1.2em; vertical-align: middle;"></span>		SSN: <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span>
<b>Part V: All Taxpayers</b>		
27	Amount from line 26: <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
Are you claiming the housing exclusion or housing deduction?		
<input type="checkbox"/> Yes. Complete Part VI. <input type="checkbox"/> No. Go to Part VII.		
Qualifying period dates for this tax year from: <span style="border-bottom: 1px solid black; display: inline-block; width: 100px;"></span> through: <span style="border-bottom: 1px solid black; display: inline-block; width: 100px;"></span>		
<b>Part VI: Taxpayers Claiming Housing Exclusion and / or Deduction</b>		
28	Qualified housing expenses for the tax year <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
29 a	Enter location where housing expenses incurred:	
	Foreign address <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
	Foreign city <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
	Foreign province / county <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
	Foreign Zip code <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
	Foreign country code <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
	This is the printed location <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	
b	Limit on housing expenses.	
If the number of days on line 31 is 365, enter the limit for the location in which you incurred housing expenses. If less than 365, enter the daily limit for the location in which you incurred housing expenses. You can find this limit in the table issued by IRS in early 2014 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>		
		0.00 0.
30	Smaller of line 28 or line 29b <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
31	Number of days in qualifying period that fall within this tax year <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0
32	Multiply \$42.78 by number of days on line 31. Maximum \$15,616 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
33	Subtract line 32 from line 30 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
34	Enter employer-provided amounts <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
35	Divide line 34 by line 27 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.0000
36	Housing exclusion. Multiply line 33 by line 35 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
<b>Part VII: Taxpayers Claiming the Foreign Earned Income Exclusion</b>		
37	Maximum foreign earned income exclusion <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	97,600.
38	Number of days in qualifying period that fall within this tax year <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0
39	Divide line 38 by number of days in the tax year <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.0000
40	Multiply line 37 by line 39 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
41	Subtract line 36 from line 27 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
42	Foreign earned income exclusion. Smaller of line 40 or line 41 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
<b>Part VIII: Taxpayers Claiming the Housing Exclusion, Foreign Earned Income Exclusion, or Both</b>		
43	Add lines 36 and 42 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
44	Deductions allowed in figuring your AGI that are allocable to the excluded income. F9 to explanation <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
45	Subtract line 44 from line 43 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
<b>Part IX: Taxpayers Claiming the Housing Deduction</b>		
46	Subtract line 36 from line 33 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
47	Subtract line 43 from line 27 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
48	Smaller of line 46 or line 47 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
49	Housing deduction carryover from 2012. See instructions for worksheet <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.
50	Housing deduction. Add lines 48 and 49 <span style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></span>	0.

Enter the dates in your qualifying period that fall within the current tax year. Your qualifying period is the period during which you meet the tax home test and either the bona fide residence or the physical presence test.

This number will calculate automatically from the dates you entered above.

Report in full on Form 1040 and related forms and schedules all deductions allowed in figuring your adjusted gross income.

Enter on line 44 the total amount of those deductions (such as the deduction for moving expenses, the deductible part of self-employment tax, and the expenses claimed on Schedule C or C-EZ (Form 1040)) that are not allowed because they are allocable to the excluded income.

**Screening Sheet for Nonbusiness Credit Card Debt Cancellation**

If the taxpayer is in bankruptcy, the tax return is out of scope.



**Instructions:** Use this Screening Sheet for taxpayers with Form 1099-C resulting from cancellation of nonbusiness credit card debt and to assist in identifying taxpayers with cancellation of credit card debt issues that are within the scope of the VITA/TCE programs.

**Cancellation of Debt**

step <b>1</b>	Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than \$600) from a creditor and is the information shown on the form or document correct?	<b>YES</b> – Go to Step 2 <b>NO</b> – Go to Step 6
<b>Note:</b> The creditor is not required to issue a Form 1099-C if the canceled debt is under \$600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount.		
step <b>2</b>	Was the cancellation of debt related to a business?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
step <b>3</b>	Does box 3 of Form 1099-C show any interest or was box 6 checked to indicate bankruptcy?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4
<b>Note:</b> If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer “yes.”		
step <b>4</b>	Was the taxpayer insolvent immediately before the cancellation of debt?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 5
Use the Insolvency Determination Worksheet in Publication 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt.		
step <b>5</b>	The cancellation of nonbusiness indebtedness or cancellation of debt (the amount in box 2 of Form 1099-C or an amount less than \$600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt.	
step <b>6</b>	These tax issues are outside the scope of the volunteer programs. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex.	
<b>Refer the taxpayer to:</b>		
<ul style="list-style-type: none"><li>• www.irs.gov for the most up-to-date information.</li><li>• An IRS Representative: 1-800-829-1040.</li><li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li><li>• A professional tax preparer.</li></ul>		



## Insolvency Determination Worksheet



Assets (FMV)	
Homes	\$
Cars	
Recreational vehicles, etc.	
Bank accounts	
IRAs, 401Ks, etc.	
Jewelry	
Furniture	
Clothes	
Misc.	
Other assets	
<b>Total Assets:</b>	<b>\$</b>

Liabilities	
Mortgages	\$
Home equity loans	
Vehicle loans	
Personal signature loans	
Credit card debts	
Past-due mortgage interest, real estate taxes, utilities, and child care costs	
Student loans	
Other liabilities	
<b>Total Liabilities:</b>	<b>\$</b>

**Total Assets minus Total Liabilities = \$**

(Negative amount equals insolvency)

(Positive amount equals solvency)





**Publication 4731-A**  
**Screening Sheet for Foreclosures/Abandonments and**  
**Cancellation of Debt**



**NOTE:** Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form(s) 1099-A and 1099-C issues.

If the taxpayer is in bankruptcy, the tax return is out of scope for the VITA/TCE programs.

**Instructions:** Use this Screening Sheet to assist in identifying taxpayers with cancellation of debt issues that are within the scope of the VITA/TCE Programs.

- Use Part I for taxpayers with Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, and/or Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731 for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

**Part I – Home Mortgage Loan**

<b>step</b> <b>1</b>	Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?	<b>YES</b> – Go to Step 2 <b>NO</b> – Advise the taxpayer to get the documentation from the home mortgage lender.
<b>step</b> <b>2</b>	Did the taxpayer ever use the home in a trade or business or as rental property?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
<b>step</b> <b>3</b>	Is box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?	<b>YES</b> – The sales price is the lesser of box 2 (Balance of principal outstanding) or box 4 (Fair Market Value of Property) on Form 1099-A. <b>NO</b> – The sales price is the amount in box 2 (Balance of principal outstanding) on Form 1099-A. The taxpayer is not personally liable (non-recourse loan).
<b>step</b> <b>4</b>	Ask the taxpayer for the cost or basis of the home. Refer to Publication 523, Selling your Home, for further information, if needed.	
<b>step</b> <b>5</b>	Report the sale of the personal residence on Form 8949 and Schedule D.  If the disposition of the property results in a:  <b>Gain</b> – The taxpayer may qualify for the Section 121 exclusion (\$250,000 or \$500,000 if Married Filing Jointly) for a gain on the sale of a principal residence, if all requirements are met.  <b>Loss</b> – The taxpayer cannot claim a loss on the sale or disposition of a principal residence.  Refer to Publication 4012 (Tab 2), TaxWise Income “Examples: Capital Loss on Foreclosure,” for further information.	
<b>step</b> <b>6</b>	These tax issues are outside the scope of the volunteer program.  <b>Refer the taxpayer to:</b> <ul style="list-style-type: none"> <li>• www.irs.gov for the most up-to-date information.</li> <li>• An IRS Representative: 1-800-829-1040.</li> <li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li> <li>• A professional tax preparer.</li> </ul>	<b>Additional Resources:</b> <ul style="list-style-type: none"> <li>• Publication 523, Selling your Home</li> <li>• Publication 525, Taxable and Nontaxable Income</li> <li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li> </ul>





## Publication 4731-A Screening Sheet for Foreclosures/Abandonments and Cancellation of Debt



**NOTE:** Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form(s) 1099-A and 1099-C issues.

If the taxpayer is in bankruptcy, the tax return is out of scope for the VITA/TCE programs.

**Instructions:** Use this Screening Sheet to assist in identifying taxpayers with cancellation of debt issues that are within the scope of the VITA/TCE Programs.

- Use Part I for taxpayers with Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, and/or Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731 for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

### Part II – Home Mortgage Loan

step <b>1</b>	Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct?  <b>Note:</b> Answer "yes" if the taxpayer has received a Form 1099-A and Form 1099-C.	<b>YES</b> – Go to Step 2 <b>NO</b> – Go to Step 6
step <b>2</b>	Did the taxpayer ever use the home in a trade or business or as rental property?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
step <b>3</b>	Does box 3 of Form 1099-C show any interest or does box 6 show code A indicating bankruptcy?  <b>Note:</b> If box 6 is not marked with code A but the taxpayer has subsequently filed bankruptcy, answer "yes."	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4
step <b>4</b>	Ask the following questions to determine if the discharged debt is "qualified principal residence indebtedness."  a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer's principal residence? ( <b>Note:</b> A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.)  b. Was the mortgage secured by the taxpayer's principal residence?  c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence?  d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?	a. <b>YES</b> – Go to Step 4b <b>NO</b> – Go to Step 6  b. <b>YES</b> – Go to Step 4c <b>NO</b> – Go to Step 6  c. <b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4d  d. <b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 5
step <b>5</b>	The discharged debt is "qualified principal residence indebtedness."  The Mortgage Forgiveness Debt Relief Act of 2007, as extended in the Emergency Economic Stabilization Act of 2008, allows individuals to exclude from gross income any discharges of "qualified principal residence indebtedness" made after 2006 and before 2013. The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer's return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Form 8949 and Schedule D.	
step <b>6</b>	These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex.  <b>Refer the taxpayer to:</b> <ul style="list-style-type: none"> <li>• <a href="http://www.irs.gov">www.irs.gov</a> for the most up-to-date information.</li> <li>• The Interactive Tax Assistance (ITA) on <a href="http://www.irs.gov">www.irs.gov</a> to answer tax law questions. Type "ITA" in the key word search box.</li> <li>• An IRS Representative: 1-800-829-1040.</li> <li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li> <li>• A professional tax preparer.</li> </ul>	<b>Additional Resources:</b> <ul style="list-style-type: none"> <li>• Publication 523, Selling your Home</li> <li>• Publication 525, Taxable and Nontaxable Income</li> <li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li> <li>• Publication 4705, Overview of Mortgage Debt Forgiveness</li> <li>• Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions</li> </ul>