



4491X

VITA/TCE Training Supplement

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

2014 RETURNS



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.





Publication 4491X – 2014 Supplement

Table of Contents

Introduction	2
Changes to the Training and Site Publications	2
Publication 4012, VITA/TCE Volunteer Resource Guide	2
Publication 5157, VITA/TCE Affordable Care Act	9
Publication 4491W, VITA/TCE Problems and Exercises.....	10
2014 Publication 4491, Link & Learn Taxes	13
Publication 1084, Site Coordinator’s Handbook	14
Publication 3189, Volunteer e-file Administration Guide	14
Publication 4012, VITA/TCE Volunteer Resource Guide	15
Publication 4299, Privacy and Confidentiality – A Public Trust.....	23
Publication 5088, Site Coordinator Training PowerPoint	23
Publication 5157, VITA/TCE Affordable Care Act	23
Publication 5159, 2015 SPEC Partner Filing Season Readiness Training Guide.....	23
2014 Publication 4491, Link & Learn Taxes	24
Publication 4491W, VITA/TCE Problems and Exercises.....	33
2013 Publication 4491	38

Introduction

This supplement contains changes to the October 2014 and January 2015 revisions as well as revisions and additions to the:

- Training Guide (Publication 4491)
- Problems and Exercises (Publication 4491W)
- Site Coordinator’s Handbook (Publication 1084)
- Volunteer e-file Administration Guide (Publication 3189)
- Volunteer Resource Guide (Publication 4012)
- Privacy and Confidentiality – A Public Trust (Publication 4299)
- Site Coordinator Training PowerPoint (Publication 5088)
- VITA/TCE Affordable Care Act (Publication 5157)
- 2015 SPEC Partner Filing Season Readiness Training Guide (Publication 5159)
- Volunteer Assistor’s Test/Retest (Form 6744)
- Link & Learn Taxes (L<)
- VITA/TCE Online Specialty Courses – Health Savings Accounts (HSA) (Publication 4942) and Cancellation of Debt (COD) (Publication 5182)

TIP

The answers to the comprehensive problems and exercises in Publication 4491W can be accessed under Other Technical Resources and Training Products on the Volunteer Training Resources page on www.irs.gov.

TIP

Blank forms are no longer printed in the training publications. Blank forms can be accessed at www.irs.gov/Forms-&-Pubs.

These changes impact all of the VITA/TCE courses. VITA/TCE tax preparers must review this supplement before assisting taxpayers with tax law questions or preparing their returns. Quality reviewers must also review this document before performing quality reviews.

Changes from the February 2015 revision, including provisions extended under the Tax Increase Prevention Act of 2014, are on pages 2-14. Changes from January 2015 are on pages 14-23, followed by the changes listed in the 10/2014 version on pages 24-59.

Changes to the Training and Site Publications

Make the following 2/2015 revisions to the listed publications.



Publication 4012, VITA/TCE Volunteer Resource Guide

Page ACA-5

Replace the Coverage Exemptions chart with the following chart, which has these changes:

- A checkmark is added to the “Claimed on tax return” column on the line for the coverage exemption labeled “Income below the filing threshold.” If you are not required to file a tax return, your tax household is exempt from the shared responsibility payment and you do not need to file a tax return to claim the coverage exemption. However, if you choose to file anyway, you can claim this coverage exemption on Part II of Form 8965, Health Coverage Exemptions, Lines 7A or 7B.
- The checkmark is deleted from the “Granted by Marketplace” column on the line for the coverage exemption labeled “Resident of a state that did not expand Medicaid.” The coverage exemption described on this line can be claimed on your tax return (using Code “G” on Form 8965 in Part III), unless you have already received an ECN from the Marketplace because you were ineligible for Marketplace and Medicaid coverage.

Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2014, including information about where the coverage exemptions can be obtained and the code for the coverage exemption that is to be used on Form 8965 when you claim the exemption. If your coverage exemption was granted by the Marketplace, enter the ECN (see the instructions for *Part I*).

Coverage Exemption	Granted by Marketplace	Claimed on tax return	Code for Exemption
Income below the filing threshold — Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.		✓	No Code See Part II
Coverage considered unaffordable — The minimum amount you would have paid for premiums is more than 8% of your household income.		✓	A
Short coverage gap — You went without coverage for less than 3 consecutive months during the year.		✓	B
Citizens living abroad and certain noncitizens — You were: <ul style="list-style-type: none"> • A U.S. citizen or resident who spent at least 330 full days outside of the U.S. during a 12-month period; • A U.S. citizen who was a bona fide resident of a foreign country or U.S. territory; • A resident alien who was a citizen of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and you were a bona fide resident of a foreign country for the tax year; or • Not a U.S. citizen, not a U.S. national, and not an individual lawfully present in the U.S. For more information about who is treated as lawfully present for purposes of this coverage exemption, visit healthcare.gov. 		✓	C
Members of a health care sharing ministry — You were a member of a health care sharing ministry.	✓	✓	D
Members of Indian tribes — You were either a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	✓	✓	E
Incarceration — You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	✓	✓	F
Aggregate self-only coverage considered unaffordable — Two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8% of household income, as was the cost of any available employer-sponsored coverage for the entire family.		✓	G
Gap in coverage at the beginning of 2014 — You had a coverage gap at the beginning of 2014 but were either enrolled in, or were treated as having enrolled in, coverage through the Marketplace or outside of the Marketplace with an effective date on or before May 1, 2014.		✓	G
Gap in CHIP coverage — You applied for CHIP coverage during the initial open enrollment period and were found eligible for CHIP based on that application but had a coverage gap at the beginning of 2014.		✓	G
Resident of a state that did not expand Medicaid — Your household income was below 138% of the federal poverty line for your family size and at any time in 2014 you resided in a state that did not participate in the Medicaid expansion under the Affordable Care Act.		✓	G
Limited benefit Medicaid and TRICARE programs that are not minimum essential coverage — You were enrolled in certain types of Medicaid and TRICARE programs that are not minimum essential coverage. (Available only in 2014.)		✓	H
Employer coverage with non-calendar plan year beginning in 2013 — You were eligible, but did not purchase, coverage under an employer plan with a plan year that started in 2013 and ended in 2014. (Available only in 2014.)		✓	H
Members of certain religious sects — You are a member of a recognized religious sect.	✓		Need ECN See Part I
Determined ineligible for Medicaid in a state that did not expand Medicaid coverage — You were determined ineligible for Medicaid solely because the state in which you resided did not participate in Medicaid expansion under the Affordable Care Act.	✓		Need ECN See Part I
General hardship — You experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
Coverage considered unaffordable based on projected income — You did not have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
Unable to renew existing coverage — You were notified that your health insurance policy was not renewable and you considered the other plans available unaffordable.	✓		Need ECN See Part I
AmeriCorps coverage — You were engaged in service in AmeriCorps State and National, VISTA, or NCCC programs and were covered by short-term duration coverage or self-funded coverage provided by these programs.	✓		Need ECN See Part I

ACA Tab,
Marketplace
Coverage
Affordability
Worksheet

Line 10 of the Marketplace Coverage Affordability Worksheet has been revised to read as follows: "Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for minimum essential coverage (other than coverage in the individual market), and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go the Marketplace for your area." A web lookup tool for the second lowest cost silver plan can be found at: healthcare.gov/taxes/tools.

Marketplace Coverage Affordability Worksheet

Use this worksheet to figure an individual's required contribution for any month in which the individual is not eligible for employer-sponsored coverage. Complete a separate worksheet for each part of the year in which either the individual resided in different geographic rating areas served by the Marketplace or for which the number of people in your tax household who are neither exempt nor eligible for employer-sponsored coverage was different.



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area _____
2. Enter your household income (see *Household income*) _____
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return* _____
4. Add lines 2 and 3 _____
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4 _____
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11. _____
7. Multiply line 6 by 100 and round to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7 _____
8. Multiply line 4 by line 7 _____
9. Divide line 8 by 12.0 _____
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for minimum essential coverage (other than coverage in the individual market), and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go the Marketplace for your area _____
11. Subtract line 9 from line 10 _____
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month _____
13. Is the individual eligible for this coverage for every month of the year?
 - Yes.** Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the *Affordability Worksheet* _____
 - No.** Use the *Annualized Premium Worksheet* to determine what the annualized premium would be for each month the individual was eligible for the coverage being tested. Enter the annualized premium in the space for the appropriate months on the *Affordability Worksheet* _____

*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

Replace with the following chart, which adds a 138% column. Residents of states that did not expand Medicaid with household incomes below 138% of the federal poverty line are eligible to claim a coverage exemption on their tax return using Form 8965 (Part III, Code "G").

Federal Poverty Lines

2013* Poverty Lines for the 48 Contiguous States and the District of Columbia			
For families/households with more than 8 persons, add \$4,020 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$11,490	\$15,856	\$45,960
2	\$15,510	\$21,404	\$62,040
3	\$19,530	\$26,951	\$78,120
4	\$23,550	\$32,499	\$94,200
5	\$27,570	\$38,047	\$110,280
6	\$31,590	\$43,594	\$126,360
7	\$35,610	\$49,142	\$142,440
8	\$39,630	\$54,689	\$158,520

2013* Poverty Lines for Alaska			
For families/households with more than 8 persons, add \$5,030 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$14,350	\$19,803	\$57,400
2	\$19,380	\$26,744	\$77,520
3	\$24,410	\$33,686	\$97,640
4	\$29,440	\$40,627	\$117,760
5	\$34,470	\$47,569	\$137,880
6	\$39,500	\$54,510	\$158,000
7	\$44,530	\$61,451	\$178,120
8	\$49,560	\$68,393	\$198,240

2013* Poverty Lines for Hawaii			
For families/households with more than 8 persons, add \$4,620 for each additional person (100% Poverty Line).			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$13,230	\$18,257	\$52,920
2	\$17,850	\$24,633	\$71,400
3	\$22,470	\$31,009	\$89,880
4	\$27,090	\$37,384	\$108,360
5	\$31,710	\$43,760	\$126,840
6	\$36,330	\$50,135	\$145,320
7	\$40,950	\$56,511	\$163,800
8	\$45,570	\$62,887	\$182,280

*For purposes of the premium tax credit, eligibility for a certain year is based on the most recently published set of poverty lines on the first day of the annual open enrollment period. As a result, the tax credit for 2014 will be based on the 2013 poverty lines.

Page ACA-10	Delete the 2014 National Average Bronze Plan Premium (NABPP) Table. This table is the maximum potential shared responsibility payment amount and is built into the calculations of Form 8965 (automated in TaxWise software).
ACA Tab	<p>Insert the following Dependents' Combined MAGI chart.</p> <div style="border: 1px solid black; padding: 10px;"> <p>Worksheet 1-2. Dependents' Combined Modified AGI—Line 2b</p> <hr/> <p>1. Enter the AGI for your dependents from Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 3; and Form 1040NR, line 37 1. _____</p> <p>2. Enter any tax-exempt interest for your dependents from Form 1040, line 8b; Form 1040A, line 8b; Form 1040EZ, the amount written to the left of the line 2 entry space; and Form 1040NR, line 9b 2. _____</p> <p>3. Enter any amounts for your dependents from Form 2555, lines 45 and 50, and Form 2555-EZ, line 18 3. _____</p> <p>4. Enter for each of your dependents the excess, if any, of Form 1040, lines 20a over 20b; and Form 1040A, lines 14a over 14b 4. _____</p> <p>5. Add lines 2 through 4 5. _____</p> <p>6. Add lines 1 and 5. Enter here and on Form 8962, line 2b 6. _____</p> <hr/> </div>

Table 3. Shared Policy Allocation—Line 9

Follow Steps 1–5 below to determine whether you need to complete *Part 4—Shared Policy Allocation*, later, for each qualified health plan that covers at least one individual in your tax family and at least one individual **not** in your tax family. For each shared policy, if your answer directs you to Part 4, skip directly to Part 4—you do not need to complete the remaining steps below. If your answers in Steps 1 through 4 do not direct you to Part 4 (or if you did not answer any questions in Steps 1 through 4), continue until you have completed Step 5.

STEP 1: Complete if You Divorced or Legally Separated from Your Spouse in 2014

1. Did the policy cover at least one individual in your tax family **AND** cover at least one individual in your former spouse's tax family?
- Yes.** You must allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*. **No.** Continue to Step 2.

STEP 2: Complete if You were Married at the End of 2014 but are Filing a Separate Return from Your Spouse*

2. Did the policy cover at least one individual in your tax family **AND** cover at least one individual in your spouse's tax family?
- Yes.** You must allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*. **No.** Continue to Step 3.

*Also use this Step 2 if you meet the rules in *Situation 1* or *Situation 2* under *Married taxpayers*, earlier.

STEP 3: Complete if Another Taxpayer will Claim the Personal Exemption for an Individual You Enrolled in a Policy

- 3.a. Did the policy cover at least one individual in your tax family **AND** cover at least one individual whom you enrolled in the policy **but** who will be in another taxpayer's tax family?
- Yes.** Continue to question 3b. **No.** Go to Step 4.

- b. Did you indicate to the Marketplace at enrollment in the policy that you intended to claim the personal exemption(s) for the individual(s) in 3a above whom you enrolled but for whom another taxpayer will claim a personal exemption?

Yes. You must allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*. **No.** Continue to Step 4.

*If no one claims the personal exemption for an individual you enrolled in a policy **and** you indicated to the Marketplace that you would claim the individual's personal exemption, you are responsible for reconciling any APTC paid on behalf of the individual. See *Individual you enrolled for whom no taxpayer will claim a personal exemption* under *Lines 12 through 23—Monthly Calculation*, later. You do not need to complete Part 4 for this policy. If you got married in 2014, continue to *Table 4*, later. Otherwise, check the “**No**” box on Form 8962, line 9, and continue to line 10.

STEP 4: Complete if You are Claiming the Personal Exemption for an Individual Another Taxpayer Enrolled in a Policy

4. Did the policy cover at least one individual in your tax family **but** whom another person enrolled in the policy **AND** cover at least one individual not in your tax family?
- Yes.** You must allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*. **No.** Continue to Step 5.

STEP 5: Complete for Other Allocation Scenarios

- 5.a. Did the policy cover at least one individual in your tax family **AND** cover at least one individual **not** in your tax family?
- Yes.** Continue to question 5b. **No. STOP.** You do not need to complete Part 4. If you got married in 2014, continue to *Table 4*, later. Otherwise, check the “**No**” box on Form 8962, line 9, and continue to line 10.
- b. Does the information provided to the Marketplace at enrollment regarding who would claim the personal exemptions for covered individuals match who will claim the personal exemptions for those individuals for 2014 (answer “**Yes**” if you did not have to provide this information at enrollment)?
- Yes.** Continue to question 5c. **No.** You must allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*.
- c. Did each tax family receive a separate Form 1095-A **AND** did each Form 1095-A have the correct applicable SLCS premium for each tax family for each month in Part III, column B?
- Yes. STOP.** You do not need to complete Part 4. If you got married in 2014, continue to *Table 4*, later. Otherwise, check the “**No**” box on Form 8962, line 9, and continue to line 10. **No.** You may have to allocate the policy amounts. Check the “**Yes**” box on Form 8962, line 9, and skip to *Part 4—Shared Policy Allocation*.

Page ACA-12	Replace the chart on this page with the new Alternative Calculation for Year of Marriage chart below. Note: Please follow the latest Volunteer Tax Alert guidance on returns involving Form 8962, Part V: Alternative Calculation for Year of Marriage.
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Table 4. Alternative Calculation for Year of Marriage Eligibility


Answer questions 1–5 below to determine whether you may be eligible to elect the alternative calculation for year of marriage.	
1	Were you married on December 31, 2014? <input type="checkbox"/> Yes. Continue to the next question in this table. <input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Check the "No" box on Form 8962, line 9, and continue to line 10.
2	Are you filing a joint return with your spouse for 2014? <input type="checkbox"/> Yes. Continue to the next question in this table. <input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Check the "No" box on Form 8962, line 9, and continue to line 10.
3	Were you and your spouse each unmarried on January 1, 2014? <input type="checkbox"/> Yes. Continue to the next question in this table. <input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Check the "No" box on Form 8962, line 9, and continue to line 10.
4	Was anyone in your tax family enrolled in a qualified health plan before your first full month of marriage? (For example, if you got married on July 15, your first full month of marriage was August.) <input type="checkbox"/> Yes. Continue to the next question in this table. <input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Check the "No" box on Form 8962, line 9, and continue to line 10.
5	Was APTC paid for anyone in your tax family during 2014? <input type="checkbox"/> Yes. Continue to Worksheet 2 next to determine whether excess APTC was paid during 2014. If excess APTC was paid, you are eligible to elect the alternative calculation. If the amount you entered on Form 8962, line 5, is more than 400, do not complete Worksheet 2. See <i>Alternative Calculation for Year of Marriage</i> in Pub. 974 to determine if electing the alternative calculation reduces your repayment amount. <input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part 5. If you did not complete Part 4, check the "No" box on line 9 and continue to line 10. If you completed Part 4, check the "No" box on line 10, skip line 11, and continue to <u>Lines 12 through 23—Monthly Calculation</u> , later.


Page A-3	Delete #6 from Chart C.
Page D-20	Change explanation for Distribution Code 2 to: Code 2 applies if the taxpayer is under 59½, but the payer knows that an exception to the additional tax applies. 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.
Page D-21	Change explanation for Distribution Code G to: Code G is for a direct rollover from a qualified plan to an eligible retirement plan. 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. Change explanation for Distribution Code J to: This code is out of scope. Change explanation for Distribution Code T to: 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.)
Back Cover	Make the following entry for the VITA/TCE Hotline hours of operation: January 20 – April 15, Monday – Friday, 7:00 AM – 7:00 PM (local time) No service available on Saturdays


Glossary	<p>Make the following change (138 percent):</p> <p>Medicaid Expansion – The health care law provides states with additional federal funding to expand their Medicaid programs to cover adults under 65 who make up to 138 percent of the federal poverty level. Children (18 and under) are eligible up to that income level or higher in all states.</p> <p>Add the following definitions:</p> <p>Foreign coverage – In general, coverage provided by a foreign employer to its employees and related individuals is minimum essential coverage. Individuals with such coverage should see Pub. 974, Premium Tax Credit (PTC). However, coverage purchased directly from a foreign health insurance issuer or provided by the government of a foreign country does not qualify as minimum essential coverage unless recognized as minimum essential coverage by the Department of Health and Human Services (HHS). To find out if HHS has recognized particular forms of foreign coverage as minimum essential coverage, go to www.irs.gov/uac/Individual-Shared-Responsibility-Provision.</p> <p>Individual Market – The insurance market that provides private, individual (non-group) health insurance coverage to individuals who purchase health insurance on their own. This includes Qualified Health Plans offered through the Marketplace. Each individual generally must pay the entire cost of the health insurance premium, but certain individuals may be eligible for insurance premium subsidies for coverage offered through the Marketplace.</p> <p>Qualified Health Plan – A health plan certified by the Department of Health and Human Services to be offered through the Marketplace. Qualified health plans offered through the Marketplace must be one of four tiers, or “metal levels” – bronze, silver, gold, or platinum. Individuals and families can choose from a variety of qualified health plans, as well as catastrophic plans for young adults and those without affordable options.</p> <p>Required Contribution – The amount an individual would be required to pay toward minimum essential coverage. If an individual is eligible to purchase minimum essential coverage through an employer (other than through the Marketplace), the required contribution is the portion of the annual premium that is paid by the individual for self-only coverage. For individuals not included above, the required contribution is the annual premium for the lowest cost bronze plan available in the individual market through the Marketplace in the state in which the individual resides, reduced by the amount of the premium tax credit for the taxable year.</p>
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Publication 4491W, VITA/TCE Problems and Exercises

Add the charts below to Publication 4491W. These 2014 answers were released as of February 2015, and contain calculations for the provisions that were extended on December 19, 2014.

2014 Line #	 Basic	Beringer	Washington	Webster	Graham
7	Wages	35229	19981	52241	35816
8 a/b	Interest		83	778	227
9 a/b	Dividends		72/72		190/190
10	Taxable refunds			487	
11	Alimony received				
15	IRA distributions				
16 a/b	Pensions and annuities				12500
19	Unemployment	2400			
20 a/b	Social security benefits				12900/10965
21	Other income			125	1000
22	Total income	37629	20136	53631	60698
23	Educator expenses			250	
25	Health savings account				
30	Penalty on early withdrawal		22	78	55
31 a/b	Alimony paid				3000
32	IRA contributions				
33	Student loan interest deduction	396			500
36	Total adjustments		22	328	3555
37	AGI	37233	20114	53303	57143
39	Standard deductions	9100	6200		
40	Itemized deductions			14018	19646
	Medical			0	
	Taxes you paid			5748	5440
	Interest			3595	5656
	Gifts to charity			4550	7550
	Job expenses, etc.				
	Other misc			125	1000
42	Exemptions	15800	3950	7900	19750
43	Taxable income	12333	9964	31635	17747
44	Tax	1233	1028	3799	1758
46	Excess APTC	0			
47		1233	1028	3799	1758
48	Foreign tax credit				
49	Child and dependent care				125
50	Education credit		1028		1633
51	Retirement savings credit	120			
52	Child tax credit	1113			
55	Total credits	1233	1028	0	1633
59	Additional tax on IRA				

2014 Line #	 Basic	Beringer	Washington	Webster	Graham
61	Health care coverage	X	X	X	X
63	Total tax	0	0	3799	0
64	Federal tax withheld	1266	2997	5223	8596
65	Estimated tax payments				
66	EIC	1375			
67	Add'l child tax credit	887			1000
68	Refundable education credit		1000		1000
69	Net premium tax credit				
74	Total payments	3528	3997	5223	10596
75	Overpaid	3528	3997	1424	10596
76	Refund	3528	3997	1424	10596
77	Apply to 2015				
78	OWE				

2014 Line #	 Advanced	Austin	Fleming	Sterling	Kent
7	Wages	12475	19259		23239
8 a/b	Interest		417 /418	490	2682 /269
9 a/b	Dividends	149/149		163/106	108/108
10	Taxable refunds	73			
11	Alimony received		2400		
12	Schedule C		7897		566
	Schedule C expenses		4979		1090
13	Capital gains	75		11858	-3000
15	IRA distributions	268	5000		9277 / 628
16 a/b	Pensions and annuities	9397/8686		20069/19842	14038/13608
17	Rent, royalties				
19	Unemployment		1345		1380
20 a/b	Social security benefits	7368/205		50517/13709	13682/3179
21	Other income				1700
22	Total income	21931	36318	46062	44090
27	Deductible part of self employment		558		40
30	Penalty on early withdrawal				24
31 a/b	Alimony paid				3600
32	IRA contributions				6000
33	Student loan interest deduction				268
34	Tuition and fees				318
36	Total adjustments		558		10250
37	AGI	21931	35760	46062	33840
39	Standard deductions		9100	14800	
40	Itemized deductions	9410			13784
	Medical	0			2779

2014 Line #	 Advanced	Austin	Fleming	Sterling	Kent
	Taxes you paid	3033			3753
	Interest	4677			2997
	Gifts to charity	1700			2555
	Job expenses, etc.				
	Other misc				1700
42	Exemptions	3950	7900	11850	19750
43	Taxable income	8571	18760	19412	306
44	Tax	833	2169	743	19
46	Excess APTC				
47		833	2169	743	19
48	Foreign tax credit			13	4
49	Child and dependent care		430		15
50	Education credit				
51	Retirement savings credit				
52	Child tax credit		1000		
55	Total credits		1430	13	19
57	Self employment tax		1115		80
58	SS/MC Form 4137				
59	Additional tax on IRA		500		
60a	Household employment tax				
60b	Repayment FTHBC	500			
61	Health care coverage	X	X	X	X
63	Total tax	1333	2354	730	80
64	Federal tax withheld	3559	3337	5539	4662
65	Estimated tax payments				400
66	EIC		1681		3918
67	Add'l child tax credit				1000
68	Refundable education credit				925
69	Net premium tax credit				
74	Total payments	3559	5018	5539	10905
75	Overpaid	2226	2664	4809	10825
76	Refund	2226	2664	4809	5413
77	Apply to 2015				5412
78	OWE				

2014 Publication 4491, Link & Learn Taxes

The revisions below (2/2015) are intended for the Publication 4491 dated 10/2014 and the online version of Link & Learn Taxes (L<).

Income – Retirement Income; Form 1040, Lines 15-16	
<p>Page 134 Subtopic: Individual Retirement Arrangements L&LT Slides 19-20</p>	<p>Change the TIP to the right of the qualified Roth IRA section to: TIP: You can identify Roth IRAs from the distribution code used on Form 1099-R. Distribution codes Q, J, and T are specific to Roth IRAs. (Only code Q is in scope for the VITA/TCE program). Replace the entire Nonqualified Distributions section with the following paragraph: Nonqualified Distributions If the above requirements are not met, the distribution is non-qualified and additional taxes may apply. Taxpayers who made non-qualified Roth IRA distributions should be referred to a professional tax preparer.</p>
<p>Page 135 L&LT Slide 22</p>	<p>Change the wording in the Caution box to: Contributions to SIMPLE and SEP IRAs are out of scope for VITA/TCE.</p>
<p>Page 136 Topic: How are IRA distributions reported? L&LT Slides 27-29</p>	<p>Delete the TIP that says SIMPLE/SEP distributions are out of scope. Add the following regarding SIMPLE and SEP IRAs: SIMPLE and SEP IRAs Distributions from SIMPLE and SEP IRAs are in scope for VITA/TCE, because they are taxable and are generally reported on the return just like taxable traditional IRA distributions. Exception: Funds distributed from a SIMPLE IRA in the first two years are subject to a 25% early distribution penalty. If this is applicable, Form 1099R will be issued with distribution Code S. If an exception to the penalty applies, complete Form 5329 as you would do with traditional IRA distributions. Under subtopic, How are rollovers handled?, replace the second paragraph with the following: Form 1099-R will be issued to the taxpayer by the financial institution. If the distribution was a direct rollover by the institution to another institution, it will show distribution code G. If there is also a taxable amount in box two of the 1099R, the distribution may be partially or fully taxable. No further action is needed. If the taxpayer indicates that a rollover occurred, but the distribution code is NOT G, then the taxpayer must have re-deposited the full amount into an appropriate account within 60 days. If this was not done, the distribution may be partially or fully taxable; refer the taxpayer to a professional tax preparer. Note: Distributions from SIMPLE IRAs in the first 2 years (distribution code S) can only be rolled over tax-free into other SIMPLE IRAs. Taxable SIMPLE IRA rollovers are out of scope for VITA/TCE.</p>

Itemized Deductions

Page 231

Subtopic: What types of expenses are covered?

L< Slide 8

Add the following TIP:

Taxpayers may only deduct unreimbursed medical expenses. They may not deduct medical insurance premiums paid with pretax dollars or reimbursed by an insurance company. For taxpayers who receive the premium tax credit, only the premiums paid out of pocket by the taxpayer and not covered by the Premium Tax Credit, may be used as a medical expense when itemizing deductions. For example, if the taxpayer's insurance policy premium was \$12,000 and they received a premium tax credit of \$10,000, they would only be able to deduct the \$2,000 premiums paid out of pocket by the taxpayer as a medical expense deduction, subject to the appropriate applicable adjusted gross income threshold for itemized medical expenses.

Make the following 12/2014 revisions to the listed publications.



Publication 1084, Site Coordinator's Handbook

Page 15

Last bullet on page, next to the last sentence on the page: replace the word "Medicaid" with "Medicare."

Page 45

3rd paragraph: remove extension 245; no replacement extension.

Publication 3189, Volunteer e-file Administration Guide

Page 19

Insert asterisk at the end of the 3rd bullet in the 2nd paragraph to indicate it does not apply to TaxWise Online users.

Replace Publication 4012, page 16 with this page:

Form 13614-C Job Aid for Volunteers Page 2

Important Reminder: During the interview, question taxpayers about any items marked "Unsure" and mark them "Yes" or "No". Modify any taxpayer answers to correctly reflect all information obtained during the interview.

The certification indicators (B, A, HSA, M) should only be used to assign returns to preparers. The final scope/certification level determination should be made after completing the Interview Process using the Scope of Service Chart.

Not all of these items are reported on F1040, Line 21. See Pub 17.

Verify eligibility for Saver's Credit. Include only qualified unreimbursed expenses (Sch A). See Pub 17.

The taxpayer may have a requirement to repay their credit.

Student Loan Interest adjustment; See Tab E.

Catalog Number 52121E

www.irs.gov

Form 136

Enter all W-2 information; see Tab D.

If yes, verify tips were reported to employer. If not, complete Form 4137. Consult Scope Chart if you are certified at Basic.

See TAB D for information about F1098T.

Verify the return is within the scope of VITA/TCE.

Consult Scope Chart if you are certified at Basic.

If yes, determine if taxable.

See Tab E for definition of alimony.

See Tab J and compare credits and adjustments.

Advise taxpayer of records requirements (Sch A) see Pub 17, Chapter 24.

If yes, ask taxpayer for provider's TIN, check 'CDC' box on TaxWise Main Info Sheet, and complete Form 2441.

Check for tax benefits for declared disaster areas.

Ask taxpayer for a copy of last year's return to locate necessary information.

Page 3

Yes No Unsure Check appropriate box for each question in each section

Part VI: Health Care Coverage (includes CHIP, Medicare, Medicaid, Employer-Sponsored Insurance, Individual Health Insurance, etc.)

1. Last year, did you have health care coverage for you, your spouse, and all qualifying dependents? (Forms W-2, 1099 SSA and F1099)

2. Last year, did you or your spouse receive an advance payment from the Marketplace to help you pay for your monthly health care (Form 1095A)

Visit <http://www.healthcare.gov> or call 1-800-318-2596 for more information on health insurance coverage options and assistance.

Refer taxpayers who have questions or need coverage to this phone number.

Complete for taxpayers & dependents after answering questions in the Certified Volunteer Preparer Section (Page 1, Part II).

When making advance payments of the premium tax credit to help pay for your health insurance coverage, you should report life changes, such as marital status or family size changes, to your marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payment.

Prepared by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating the health care coverage status for everyone in the household.)

Had Health Care Coverage	(B) For the Entire year (12 months)	(B) For part of the year (Less than 12 months)	(B) No Health Care Coverage at all	(B)
Number 1 (page 1)				
Number 2 (page 1)				
Number 3 (page 1)				
Number 4 (page 1)				

You must use the flow chart in Tab ACA for all taxpayers to determine Minimum Essential Coverage.

Minimum Essential Coverage

Qualifies as Minimum Essential Coverage
Employer Sponsored Basic Health Coverage
Qualified employee coverage (including self-insured and grandfathered plans)*
COBRA coverage
Retiree
Individual Health Coverage
Qualified health insurance you purchase from an insurance company directly*
Health insurance you purchase through the Health Insurance Marketplace
Qualified health insurance provided through a student health plan
Qualified health insurance provided through a student health plan that is self-funded by a university (only for a plan year beginning on or before December 31, 2014, unless recognized as minimum essential coverage by HHS)
Coverage Under Government-Sponsored Programs
Medicare Part A coverage (hospital insurance)
Medicare Advantage plans
Most Medicaid coverage
Children's Health Insurance Program (CHIP)
Most types of TRICARE coverage under Title 10, Chapter 55 of the United States Code
Comprehensive health care programs offered by the Department of Veterans Affairs
State high-risk health insurance pools (only for a plan year beginning on or before December 31, 2014, unless recognized as minimum essential coverage by HHS)
Health coverage provided to Peace Corps volunteers
Department of Defense Nonappropriated Fund Health Benefits Program
Refugee Medical Assistance
Other Coverage
Certain foreign coverage (If recognized as minimum essential coverage by the Department of Health and Human Services (HHS))
Certain coverage for business owners (Minimum essential coverage includes coverage provided to a business owner (such as a partner or sole proprietor) under a plan that is eligible employer-sponsored coverage with respect to at least one employee.)

May Provide Limited Benefits But Does Not Qualify as Minimum Essential Coverage
Coverage consisting solely of excepted benefits such as:
<ul style="list-style-type: none"> • Supplemental insurance plans • Limited/short-term medical insurance • Hospital indemnity health plans • Standalone dental and vision insurance • Accident or disability income insurance • Workers' compensation insurance
AmeriCorps coverage for those serving in programs receiving AmeriCorps State and National grants
AfterCorps coverage purchased by returning members of the Peace Corps
Government-Sponsored Limited-Benefit Coverage (The programs listed below generally do not qualify as minimum essential coverage. However, for 2014, for any month an individual is enrolled in one of these programs, a coverage exemption can be claimed. Use code H on Form 8965 to claim this exemption)
Medicaid providing only family planning services
Medicaid providing only tuberculosis-related services
Medicaid providing only coverage limited to treatment of emergency medical conditions
Pregnancy-related Medicaid coverage
Medicaid coverage for the medically needy
Section 1115 Medicaid demonstration projects
Space available TRICARE coverage provided under Title 10, Chapter 55 of the United States Code for individuals who are not eligible for TRICARE coverage for health services from private sector providers
Line of duty TRICARE coverage provided under Title 10, Chapter 55 of the United States Code

*If the taxpayer is not sure if their health coverage is qualified, they need to contact the provider (employer, insurance company, educational institution, etc.)

Affordability Worksheet

Use this worksheet to determine whether coverage for each individual in your tax household is unaffordable. If you or another member of your tax household is not eligible for employer-sponsored coverage, use the [Marketplace Coverage Affordability Worksheet](#) to figure the required contribution for that individual. An individual is exempt for any month in which (B), the Required Contribution, is more than (A), the Affordability Threshold.

(A) Affordability Threshold

Enter 8% of your household income (see [Household income](#)). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.

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(B) Required Contribution Amount

For each member of your tax household, enter in the columns provided the annual premium for the first option below that applies to that person. If the monthly premium is the same for the whole year, enter the annual premium in the space for each month. If the premiums cover only part of the year, use the [Annualized Premium Worksheet](#) to determine what the annualized premium would be for each month. Once you have figured the annualized premium, enter it in the space for each month.

Options (use the first that applies to each member of your tax household, including you, for each month):

1. The lowest cost self-only policy offered to each member of your tax household by his or her employer.
2. The lowest cost family policy* offered by your employer or your spouse's employer (if you are filing a joint return).
3. The amount from the Marketplace Coverage Affordability Worksheet.

For each individual, coverage is unaffordable and the individual is exempt if (B), the Required Contribution Amount, is greater than (A), the Affordability Threshold.

Members of your tax household (enter one name per column):						
Premium for:						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

*The policy must cover everyone in your tax household:

- for whom a personal exemption deduction is claimed on your tax return,
- who is not eligible for employer coverage, and
- who does not qualify for another coverage exemption.

Publication 4012, VITA/TCE Volunteer Resource Guide (continued)

Page ACA-7	Replace the note at the bottom of the page with the following: In this chart, unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. Gross income is the total of unearned and earned income.
Page ACA-9	Add the following footnote for line 13 of the Shared Responsibility Payment Worksheet: **\$204 is the 2014 national average premium for a bronze level health plan available through the Marketplace for one individual and should not be changed.
Page A-3	Chart D: Delete item 5. The Health Coverage Tax Credit expired December 31, 2013. Replace with: "You qualify for the premium tax credit."
Page D-15	Fourth arrow: This note is no longer correct. Change note to: TWO 2014 accepts (requires) codes A, B, C, D, E, and F.
Page D-17	4th bullet under number 1, change short term to long term.
Page E-1	Line 15: Change first sentence to read: "If all distributions were used for Qualified Medical Expenses paid using your HSA distributions, enter the same amounts as line 14a."
Page E-3	Insert the following chart:

Educator Expenses

Do not rely on this table alone. Refer to Publication 17 for more details.

Question	Answer
What is the maximum benefit?	\$250 (or \$500 if married filing jointly and both are educators). Taxpayers may be able to deduct expenses that are more than the limit as a miscellaneous deduction on Schedule A.
Who can claim the expense?	Eligible Educators — an eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.
What are qualifying expenses?	Qualifying expenses include ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom.
What are non qualifying expenses?	Expenses for home schooling or non athletic supplies for courses in health or physical education.
What other issues apply?	Taxpayer must reduce qualified expenses by <ul style="list-style-type: none"> • Excludable U.S series EE and I savings bond interest from Form 8815 • Non taxable qualified tuition program earnings or distributions • Non taxable distribution of earnings from a Coverdell education savings account • Any reimbursements received for expenses that were not reported on the Form W-2

Page F-3	Change Step 4 to read: Were the following taxes you paid imposed on you: state, local or foreign income taxes, real or personal property taxes, state or local general sales tax?
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Page F-4	<p>Insert the following step after step 9:</p> <p>Did you pay premiums in 2014 for qualified mortgage insurance for a home acquisition debt that was issued after 2006?</p> <p>If YES, you can take a deduction for qualified mortgage insurance as home mortgage interest with AGI limitations.</p> <p>If NO, you cannot take a deduction for qualified mortgage insurance as home mortgage interest. Go to the next step.</p>
Page P-1	Remove extension 245 from the IPSU telephone number. There is no replacement extension.
Tab J	Insert the following chart:

Tuition and Fees Deduction at a Glance

Do not rely on this table alone. Refer to the text for complete details.

Question	Answer
What is the maximum benefit?	You can reduce your income subject to tax by up to \$4,000.
Limit on modified adjusted gross income (MAGI)	\$160,000 if married filing joint return; \$80,000 if single, head of household, or qualifying widow(er)
Where is the deduction taken?	As an adjustment to income on Form 1040.
For whom must the expenses be paid?	A student enrolled in an eligible educational institution who is either; <ul style="list-style-type: none"> • you • your spouse, or • your dependent for whom you claim an exemption.
What tuition and fees are deductible?	Tuition and fees required for enrollment or attendance at an eligible postsecondary educational institution, but not including personal, living or family expenses, such as room and board.



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

<p>step 1</p>	<p>Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?</p>	<p>YES – Go to Step 2 NO – Advise the taxpayer to get the documentation from the home mortgage lender.</p>
<p>step 2</p>	<p>Did the taxpayer ever use the home in a trade or business or as rental property?</p>	<p>YES – Go to Step 6 NO – Go to Step 3</p>
<p>step 3</p>	<p>Is box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?</p>	<p>YES – 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. NO – 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).</p>
<p>step 4</p>	<p>Ask the taxpayer for the cost or basis of the home. Refer to Publication 523, Selling your Home, for further information, if needed.</p>	
<p>step 5</p>	<p>Report the sale of the personal residence on Form 8949 and Schedule D. If the disposition of the property results in a: Gain – 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. Loss – 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.</p>	
<p>step 6</p>	<p>These tax issues are outside the scope of the volunteer program. Refer the taxpayer to:</p> <ul style="list-style-type: none"> • www.irs.gov for the most up-to-date information. • An IRS Representative: 1-800-829-1040. • 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. • A professional tax preparer. 	<p>Additional Resources:</p> <ul style="list-style-type: none"> • Publication 523, Selling your Home • Publication 525, Taxable and Nontaxable Income • Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments



**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

<p>step 1</p>	<p>Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct?</p> <p>Note: Answer “yes” if the taxpayer has received a Form 1099-A and Form 1099-C.</p>	<p>YES – Go to Step 2 NO – Go to Step 6</p>
<p>step 2</p>	<p>Did the taxpayer ever use the home in a trade or business or as rental property?</p>	<p>YES – Go to Step 6 NO – Go to Step 3</p>
<p>step 3</p>	<p>Does box 3 of Form 1099-C show any interest or does box 6 show code A indicating bankruptcy?</p> <p>Note: If box 6 is not marked with code A but the taxpayer has subsequently filed bankruptcy, answer “yes.”</p>	<p>YES – Go to Step 6 NO – Go to Step 4</p>
<p>step 4</p>	<p>Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness:”</p> <p>a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (Note: 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.)</p> <p>b. Was the mortgage secured by the taxpayer’s principal residence?</p> <p>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?</p> <p>d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?</p>	<p>a. YES – Go to Step 4b NO – Go to Step 6</p> <p>b. YES – Go to Step 4c NO – Go to Step 6</p> <p>c. YES – Go to Step 6 NO – Go to Step 4d</p> <p>d. YES – Go to Step 6 NO – Go to Step 5</p>
<p>step 5</p>	<p>The discharged debt is “qualified principal residence indebtedness.”</p> <p>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.</p>	
<p>step 6</p>	<p>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.</p> <p>Refer the taxpayer to:</p> <ul style="list-style-type: none"> • www.irs.gov for the most up-to-date information. • The Interactive Tax Assistance (ITA) on www.irs.gov to answer tax law questions. Type “ITA” in the key word search box. • An IRS Representative: 1-800-829-1040. • 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. • A professional tax preparer. 	<p>Additional Resources:</p> <ul style="list-style-type: none"> • Publication 523, Selling your Home • Publication 525, Taxable and Nontaxable Income • Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments • Publication 4705, Overview of Mortgage Debt Forgiveness • Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions



Residential Energy Credits

Part II, Form 5695 - Key points about the Nonbusiness Energy Property Credit:

- Nonbusiness energy property credit is extended for tax year 2014.
- A total combined credit limit of \$500 (\$200 limit for windows) for all tax years after 2005.
- The maximum credit for residential energy property costs is \$50 for any advanced main air circulating fan; \$150 for any qualified natural gas, propane, or oil furnace, or hot water boiler; and \$300 for any item of energy-efficient building property.
- The credit applies to:
 - Qualified energy efficiency improvements such as adding insulation, energy-efficient exterior windows and doors, and qualifying metal or asphalt roofs (**does not include labor costs for onsite preparation, assembly or installation**)
 - Qualified residential energy property improvements such as energy-efficient heating and air conditioning systems. For a complete list of items see Form 5695. (**includes labor costs for onsite preparation, assembly, or original installation**)
- The improvements must be made to the taxpayer's main home located in the United States (must be existing home).
- Qualifying improvements must be placed into service by the taxpayer during the tax year.
- Expenditures which are made from subsidized energy financing cannot be used to figure the credit.
- The credit is taken on Part II, Form 5695. See Form 5695 and Instructions for more information.

Please note, not all ENERGY STAR products qualify for a tax credit. For detailed information about qualifying improvements, visit the U.S. Department of [Energy's EnergyStar Web site](#) and the [EnergyStar Frequently Asked Questions site](#).

Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturer's Web site. Taxpayers should keep a copy of the manufacturer's certification statement and receipts with their other important tax records.

Part I, Form 5695 - Key points about the Residential Energy Efficient Property Credit:

- This credit is taken on Part I, Form 5695. This part of the form is out of scope for return preparation in the volunteer program. Taxpayers that have these expenses should be referred to a professional tax preparer.
- The credit is available to help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines.

Publication 4299, Privacy and Confidentiality – A Public Trust

Page 10	Remove extension 245 from the IPSU telephone number. There is no replacement extension.
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Publication 5088, Site Coordinator Training PowerPoint

Slide 11	Change Exhibit #14 to Exhibit #13
Slide 12	Change Section 3 to Section 2
Slide 14	Place period after Exhibit 13 then delete: (and Exhibit 14)
Slide 18	Change Section 2 to Section 3
Slide 19	Change Section 2 to Section 3

Publication 5157, VITA/TCE Affordable Care Act

Page 8	The correct applicable figure for the Brandon Talbot example is 0.095.
Page 16	In the definition of Family size , change “can claim” to “claims”

Publication 5159, 2015 SPEC Partner Filing Season Readiness Training Guide

Page 8-18	Remove extension 245 from the IPSU telephone number. There is no replacement extension.
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2014 Publication 4491, Link & Learn Taxes

The revisions below are intended for the Publication 4491 dated 10/2014 and the online version of Link & Learn Taxes (L<).

Course Introduction	
Page 3 Topic: Important Changes for 2014 L< Basic, Slide 5 L< Advanced, Slide 7	<p>The Standard Deduction Increases section should read:</p> <p>The standard deduction for taxpayers who do not itemize deductions on Form 1040, Schedule A, has increased. The standard deduction amounts for 2014 are:</p> <ul style="list-style-type: none">• Married Filing Jointly or Qualifying Widow(er) - \$12,400 (Increase of \$200)• Head of Household - \$9,100 (Increase of \$150)• Single or Married Filing Separately - \$6,200 (Increase of \$100) <p><i>Taxpayers who are 65 and Older or are Blind</i></p> <p>For 2014, the standard deduction for these taxpayers increases by:</p> <ul style="list-style-type: none">• Single or Head of Household - \$1,550 (Increase of \$50) (\$3,100 for taxpayers 65 or older AND blind)• Married Filing Jointly, Qualifying Widow(er), or Married Filing Separately - \$1,200 (\$2,400 for taxpayers 65 or older AND blind)

Income – Wages, Interest, Etc.; Form 1040 Lines 7-11	
Page 82 Subtopic: What are types of nontaxable or exempt income?	<p>Add: Under the Victims of Terrorism Tax Relief Act of 2001, the following amounts are not included in income:</p> <ul style="list-style-type: none">• Certain disability payments received in tax years ending after September 10, 2001, for injuries sustained in a terrorist attack• Payments from the September 11th Victim Compensation Fund of 2001• Qualified disaster relief payments made after September 10, 2001, to cover personal, family, living, or funeral expenses incurred because of a terrorist attack• Death benefits paid by an employer to the survivor of an employee if the benefits are paid because the employee died as a result of a terrorist attack <p>The Act also provides that the federal income tax liability of those who died as a result of the following attacks is forgiven for certain tax years:</p> <ul style="list-style-type: none">• The September 11, 2001, attacks on the World Trade Center, the Pentagon, and United Airlines Flight 93 in Somerset County, Pennsylvania• Terrorist attacks involving anthrax occurring after September 10, 2001, and before January 1, 2002• The April 19, 1995, attack on the Alfred P. Murrah Federal Building <p>For additional details, see Publication 3920, Tax Relief for Victims of Terrorist Attacks.</p>

Affordable Care Act	
L< Slide 31	The correct applicable figure is 0.095.

Capital Gain or Loss	
L< Slide 40	In the Form 8949 example: the Column b date is changed to 11/13/13 so that the stock sale is short term as stated in the example.

Income – Retirement Income; Form 1040, Lines 15-16

Page 137
L< Slide 32

Insert the following provision, which was extended through December 31, 2014:

What if the distribution is used for charitable purposes?

A qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the trustee of the IRA to an organization eligible to receive tax-deductible contributions. The taxpayer must be at least age 70 1/2 when the distribution was made. Also, the taxpayer must have the same type of acknowledgement of the contribution that is needed to claim a deduction for a charitable contribution. A QCD counts towards the taxpayer's required minimum distribution.

The maximum annual exclusion for QCDs is \$100,000. Any QCD in excess of the \$100,000 exclusion limit is included in income as any other distribution. On a joint return, the spouse can also have a QCD and exclude up to \$100,000.

Income – Other Income; Form 1040, Lines 21

Page 171
Topic: How do I handle other income?
L< Slide 3

Add to the bottom of the topic:

The tax exclusion of imputed income from the discharge of indebtedness for a principal residence was extended to December 31, 2014. Download Publication 5182 from www.irs.gov for the optional COD lesson. The COD certification test can be found at <https://www.linklearncertification.com>.

Adjustments to Income

Insert the following topic regarding the extended educator expenses adjustment to income into:

- Publication 4491, page 204
- L<, slide 4

How do I handle educator expenses?

Who is eligible?

Eligible educators can deduct up to \$250 of qualified expenses paid in during the tax year. If the taxpayer and spouse are both eligible educators, they can deduct up to \$500, but neither can deduct more than their own expenses up to \$250. Any expenses exceeding \$250 for either spouse may be treated as an itemized employment-related deduction on Schedule A.

At this point in the interview, you will know if the taxpayer and/or spouse are educators. Probe a little deeper to see if they qualify for this adjustment. Ask questions such as:

- Are you or your spouse a teacher, instructor, counselor, principal, or aide in a school? (Cannot be a home school)
- What grade or grades do you teach? (Must be K-12)
- Were you employed for at least 900 hours during the school year? (Required minimum)

What expenses qualify?

If the taxpayer or spouse is an eligible educator, ask for documentation of qualified expenses. Advise taxpayers who do not have receipts with them, they must have receipts for verification if they get audited.

Expenses that qualify include books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom. Expenses that do not qualify are home schooling, nonathletic supplies for physical education, or health courses.

example

Gloria is a 5th and 6th grade teacher who works full-time in a year-round school. She had 1800 hours of employment during the tax year. She spent \$262 on supplies for her students. Of that amount, \$212 was for educational software. The other \$50 was for supplies for a unit she teaches sixth graders on health. Only the \$212 is a qualified expense. She can deduct \$212.

example

Debbie is a part-time art teacher at an elementary school. She spent \$185 on qualified expenses for her students. Because she has only 440 hours of documented employment as an educator during the tax year, she cannot deduct her educator expenses.

What other rules apply?

Continue to probe to learn if the taxpayer or spouse received reimbursement that would reduce the amount of their educator expenses. For example, ask:

- Did you receive reimbursement that is not listed on Form W-2?
- Did you redeem tax-free interest on U.S. Series EE and I Savings Bonds, such as redeeming savings bonds to pay educational expenses?
- Did you receive excludable payments from a Qualified Tuition Program (QTP) or Coverdell Education Savings Account (ESA)?

Educator expenses are reduced by any of these applicable reimbursements.

example

Evelyn managed to work 1000 hours as an educator during the tax year while completing graduate studies. She spent \$200 to buy qualified school supplies for her students. She covered \$400 of her own educational expenses from her Coverdell ESA. She cannot take the deduction for educator expenses.

How do I report this?

Educator expenses are reported in the adjustment section of Form 1040. Don't forget to reduce the total educator expenses by any reimbursements, nontaxable savings bond interest, or nontaxable distributions from an ESA or QTP.

Taxpayer Example

Bob teaches elementary school. His wife Janet teaches high school chemistry. Here is how a volunteer helped them determine if they can take the deduction for educator expenses.

SAMPLE INTERVIEW

VOLUNTEER SAYS...

JANET & BOB RESPOND...

You've already mentioned that you both work full-time as teachers, so you may be able to deduct some of the money you spent on qualified educator expenses. Did you bring your receipts?

[Janet] Yes, all teachers keep careful records of their expenses. Here are my receipts and here are Bob's.

Can you tell me what you purchased? Janet, maybe you could go first.

Sure. Three are for quick reference cards for my chemistry students. And two are for special reagents the department doesn't stock.

Your receipts add up to \$382. Now, we can count only the first \$250 of educator expenses, but because you are married and filing jointly, we can count up to \$250 for Bob. Bob, tell me about your expenses.

[Bob] These four are for art supplies—paint and brushes, as you can see—and these two are for special papers and sculpting clay.

Yours total \$263. Now, did either of you receive any reimbursement that is not listed on Form W-2?

[Janet] No, we paid these expenses out of our own pockets.

[Bob] Wait, now that I think about it, I got reimbursed \$50 for the clay.

That would bring your total down to \$213.

[Janet] Can't we apply some of my excess expense to Bob and bring his total up to \$250?

No, I'm sorry, each person's expenses have to stand alone. However, the amount over \$250 can be claimed on Schedule A and is subject to 2% of AGI. Did either of you receive any reimbursement that is not listed on a Form W-2, from any other source?

No.

Did you redeem U.S. series EE and I Savings Bonds during the tax year?

No, we didn't. What if we had?

We would complete a form to see what percentage of the tax-free interest should be applied as a reimbursement. One more thing: did you receive distributions from a qualified tuition program or a Coverdell education savings account?

[Bob] No, neither of those.

Okay, we can claim \$213 for Bob and the maximum \$250 for Janet. That gives you a total of \$463 on your joint return as a deduction for educator expenses. Any questions before we go on?

[Janet] No, I think we understand.

[On the intake and interview sheet, indicate that the taxpayers are entitled to the educator expense adjustment.]

[Schedule A itemized deductions are discussed in a later lesson.]

Insert the following topic regarding the extended tuition and fees deduction into:

- Publication 4491, page 212
- L<, slide 55

How do I handle tuition and fees?

What is the deduction?

Taxpayers can deduct up to \$4,000 in qualified tuition and related expenses paid during the tax year. The amount of the deduction is determined by the taxpayer's filing status, MAGI, and other factors. For the amount of the allowable deduction see the Tuition and Fees Deduction chart in the Education Benefits tab of the Volunteer Resource Guide.

example

Leonard, a single taxpayer who had a total income of \$24,000, meets all the requirements to take the deduction. He paid \$4,427 in tuition and fees. Because his gross income is well below the MAGI limit, he would be able to deduct the maximum amount (\$4,000) for his tuition and fees payments.

Who is eligible for this deduction?

The deduction can be claimed for the taxpayer, the taxpayer's spouse (if filing a joint return), and any dependent (for whom the taxpayer claims a dependency exemption) who attended an eligible educational institution during the tax year.

example

Juanita is married but uses the Married Filing Separately status. She cannot deduct tuition and fees.

The tuition and fees deduction *cannot* be claimed by married taxpayers who file as Married Filing Separately or by an individual who is a dependent of another taxpayer.

In order to claim a deduction for expenses paid for a dependent who is the eligible student, the taxpayer must have paid the qualified expenses and claim an exemption for the dependent. If the student is eligible to be claimed as a dependent (even if not actually claimed) and paid his or her own expenses, *no one* can take the adjustment. However, if the student would not qualify as a dependent, he or she can claim the deduction even if tuition and fees were paid by another person. In that case, the student can treat the amounts paid for tuition and fees as a gift.

Taxpayers who are not eligible for the tuition and fees adjustment because of the dependency issue may be eligible for an education tax credit, covered in the Education Credits lesson.

example

Joseph is 30. Although he lives at home and goes to school full time, he earns about \$5,000 each year, so his parents cannot claim him as a dependent. Only Joseph can take the tuition and fees adjustment, even if his parents pay his education expenses.

example

Carly is 18 and claimed by her parents as a dependent. She took out student loans and paid all of her own tuition and fees. Carly cannot take the deduction because she is a dependent. Carly's parents can't claim the deduction either because they did not pay the education expenses. Carly's parents should look into the education credits.

What are qualified tuition and fees expenses?

Generally, qualified education expenses are amounts paid for tuition and fees required for the student's enrollment or attendance at an eligible educational institution. It does not matter whether the expenses were paid in cash, by check, credit card, or with borrowed funds.

Qualified education expenses do not include payments for:

- Insurance, room and board, medical expenses (including health fees), transportation, or similar personal, living, or family expenses.
- Course-related books, supplies, nonacademic activities and equipment unless it is paid as a condition of enrollment or attendance
- Any course or other education involving sports, games, hobbies, and noncredit courses unless the course or other education is part of the student's degree program

Ask the taxpayer if the qualified tuition and expenses were offset by distributions from qualified state tuition programs, Coverdell ESAs, or interest from savings bonds used for higher education expenses. Subtract these from the total payments for tuition and fees.

To help you figure the tuition and fees deduction, the taxpayer should have received Form 1098-T, Tuition Statement. Generally, an eligible education institution must send Form 1098-T or a substitute to each enrolled student by January 31. However, the form only reports "amount billed" or "payments received."



CAUTION

Form 1098-T may have incomplete information. You must question the taxpayer to determine the amount of qualified expenses actually paid and adjust this amount by any non-taxable items, such as scholarships or tuition program distributions.

What is an eligible educational institution?

An eligible educational institution is generally any accredited public, nonprofit, or private post-secondary institution eligible to participate in the student aid programs administered by the Department of Education. It includes virtually all accredited public, nonprofit, and privately owned profit-making post-secondary institutions. Taxpayers who do not know if an educational institution is an eligible institution should contact the school or the U.S. Department of Education website.

How do I determine the amount of the deduction?

Use Form 8917, Tuition and Fees Deduction, to figure the MAGI and the resulting deduction amount.



Tax Software Hint: Form 8917, Tuition and Fees Deduction, is automatically completed from data input to the Student Loan Interest, Coverdell ESA and QTP, Tuition and Fees worksheet (1040-Wkt2).

How do I determine the best education benefit for the taxpayer?

If taxpayers claim the tuition and fees adjustment to income, they cannot claim the education tax credit. The education credits include the American Opportunity and Lifetime Learning Credits, discussed in more detail in the Education Credits lesson.

For most taxpayers, the tax credit is more beneficial than the adjustment. However, it is important to calculate and compare the education benefits to determine which one is better for the taxpayer.

Complete the entire tax return separately using first the tuition and fees deduction, then the education credit. Compare the returns and choose the best one for the taxpayer.

To compare the benefits see the Highlights of Education Tax Benefits chart in the Education Benefits tab of the Volunteer Resource Guide.

Taxpayer Scenario

Here is how a volunteer helped Glenda deduct the tuition and fees she paid for a class.

SAMPLE INTERVIEW	
VOLUNTEER SAYS...	GLENDA RESPONDS...
<i>Let's talk about your education-related expenses. Were you or someone else in your family going to school?</i>	I took one class in the fall.
<i>You're filing as Head of Household and your income is below the limit for taking the full deduction. Do you have a receipt for the tuition payment?</i>	Yes, these are the receipts from City College.
<i>I see \$450 for tuition and \$80 for books. Were you required to purchase the books through City College or could you have bought them elsewhere?</i>	Those books were written specifically for the course; I had to purchase them through the school when I registered and they were an enrollment requirement in the course.
<i>OK, then we can include the books. That totals \$530. I just need to ask a few more questions. Did you receive any funds from an educational assistance program from your employer?</i>	Yes, the Educational Assistance Program provided \$100.
<i>Did you make any tax-free withdrawals from a Coverdell educational savings account or another qualified tuition program, or from U.S. savings bonds?</i>	No.
<i>Did you get any other nontaxable payments, not counting gifts, bequests, or inheritances, that were specifically for educational expenses?</i>	Well, my mom gave me \$100 to help with tuition.
<i>The \$100 was a gift, so we don't count it. Your total payments were \$530 and then we must subtract the \$100 employer benefit. You can deduct \$430 for tuition and fees. Do you have any questions about all this?</i>	No, I'm really glad I can deduct that.
<i>There is also a credit for people who are paying for college expenses. You can take one or the other, but not both. When we get to the end of the return, I will ask you some more questions to figure out if the credit would be better for you than this deduction.</i>	Okay, I'd appreciate that.
[Note on the intake and interview sheet that you have addressed this adjustment .]	

Itemized Deductions	
Page 232 Topic: What taxes may be deductible? L< Slide 15	Insert the following information as a new second bullet point: <ul style="list-style-type: none"> • Sales taxes (from the optional sales tax tables or actual) – Taxpayers may be able to add the state and local general sales taxes paid on certain specified items to the tax table amounts. The itemized deduction for state and local sales taxes in lieu of state and local income taxes was extended through December 31, 2014.
Page 234 Topic: How do I handle interest paid? L< Slide 24	Insert the following information as a new subtopic: <p>What about qualified mortgage insurance premiums?</p> <p>Taxpayers can deduct private mortgage insurance premiums paid or accrued during the current tax year on Schedule A. The insurance must have been in connection with home acquisition debt, and the insurance contract must have been issued after 2006. Volunteers need to be aware that this potential deduction may not be reported on Form 1098. Ask homeowners with a mortgage if they paid mortgage insurance premiums during the tax year. Failure to ask this information could result in a substantial deduction loss for taxpayers filing Schedule A. This provision was extended through December 31, 2014.</p>

Miscellaneous Credits

Insert the following topic regarding the credit for residential energy efficiency improvements into:

- Publication 4491, page 292
- L<, slide 23

This provision was extended through December 31, 2014.



What are residential energy credits?

Individuals who make purchases for qualified energy-efficient improvements or an energy efficient property for their main home may be allowed nonrefundable tax credits. There are two types of residential energy credits:

- Residential energy-efficient property credit (Form 5695, Part I, which is out of scope for the VITA/TCE programs)
- Nonbusiness energy property credit (Form 5695, Part II)

The IRS provides guidance on what property qualifies for the energy credits, and homeowners generally can rely on manufacturers' certifications. See the Volunteer Resource Guide, Nonrefundable Credits tab, www.irs.gov, or www.energy-star.gov for more information.



Tax Software Hint: Tax software will do all the calculations and enter the total on the appropriate line of Form 1040.

What is the residential energy-efficient property credit?

This residential energy credit is claimed on Form 5695, Part I, and is out of scope for the VITA/TCE programs. For awareness only, taxpayers may claim an energy credit for qualified solar electric, solar water heating, small wind energy, and geothermal heat pump property costs. Check for qualifying energy property purchases to determine if the taxpayer should see a professional tax preparer to claim the credit.

What is the nonbusiness energy property credit?

The nonbusiness energy property credit is available for certain qualifying energy efficiency improvements or residential energy property costs. The qualifying items are:

- Biomass stoves
- Heating, ventilating, air-conditioning (HVAC)
- Insulation
- Roofs (metal and asphalt)
- Water heaters (non-solar)
- Windows and doors

The nonbusiness energy property credit is subject to the following limitations:

- For tax years after 2005, the total combined credit limit is \$500, and the combined credit limit for windows is \$200.
- The maximum credit for residential energy property costs is \$50 for any advanced main air circulating fan; \$150 for any qualified natural gas, propane, or oil furnace, or hot water boiler; and \$300 for any item of energy-efficient building property.

It is important to note that:

- The credit is only available for existing homes that are the taxpayer's main home – new construction and rentals do not qualify. The taxpayer must own the home to qualify.
- Amounts provided by subsidized federal, state, or local energy financing do not qualify for the credit.



Costs for on-site preparation and installation depend on the type of qualified property.

Review the Form 5695 Instructions for more information.



Earned Income Credit


L< Slide 41


The correct amount that should be shown on the EIC worksheet, line 2 is \$5,145.


Publication 4491W, VITA/TCE Problems and Exercises


Page 24	Change Joshua's year of birth to 2003.
Page 37	5th bullet: Change first sentence to: "Mark retired on June 1, 2004 and began taking annuity payments from the Railroad. He now works part-time as a machinist."
Page 183	Change line 48 to 0; change line 54 to 1,000; change line 55 to 2,938; change line 61 to 2,938; change line 73 and 74 to 1,039
Page 184	Change line 5 to 0; change line 11 to 0



Add the charts below to Publication 4491W. These 2014 answers were released 12/11/2014. They do not contain calculations for the provisions that were extended on December 19, 2014. See your relationship manager for updated answers when they become available.


2014 Line #	 Basic	Beringer	Washington	Webster	Graham
7	Wages	35229	19981	52241	35816
8 a/b	Interest		83	778	227
9 a/b	Dividends		72/72		190/190
10	Taxable Refunds			487	
11	Alimony Received				
15	IRA distributions				
16 a/b	Pensions and Annuities				12500
19	Unemployment	2400			
20 a/b	Social Security benefits				12900/10965
21	Other Income			125	1000
22	Total Income	37629	20136	53631	60698
25	Health Savings Account				
30	Penalty on Early Withdrawal		22	78	55
31 a/b	Alimony Paid				3000
32	IRA Contributions				
33	Student loan interest deduction	396			500
36	Total Adjustments		22	78	3555
37	AGI	37233	20114	53553	57143
39	Standard deductions	9100	6200		
40	Itemized deductions			14018	19646
	Medical			0	
	Taxes you paid			5748	5440
	Interest			3595	5656
	Gifts to Charity			4550	7550
	Job expenses, etc.				
	Other misc			125	1000
42	Exemptions	15800	3950	7900	19750
43	Taxable Income	12333	9964	31635	17747
44	Tax	1233	1028	3836	1758

2014 Line #	 Basic	Beringer	Washington	Webster	Graham
46	Excess APTC	0			
47		1233	1028	3836	1758
48	Foreign Tax Credit				
49	Child and Dependent care				125
50	Education credit		1028		1633
51	Retirement savings credit	120			
52	Child tax credit	1113			
55	Total credits	1233	1028	0	1633
59	Additional tax on IRA				
61	Health Care coverage	X	X	X	X
63	Total tax	0	0	3836	0
64	Federal tax withheld	1266	2997	5223	8596
65	Estimated tax payments				
66	EIC	1375			
67	Add'l Child Tax Credit	887			1000
68	Refundable Education credit		1000		1000
69	Net Premium Tax Credit				
74	Total Payments	3528	3997	5223	10596
75	Overpaid	3528	3997	1387	10596
76	Refund	3528	3997	1387	10596
77	Apply to 2015				
78	OWE				

2014 Line #	 Advanced	Austin	Fleming	Sterling	Kent
7	Wages	12475	19259		23239
8 a/b	Interest		417 /418	490	2682 /269
9 a/b	Dividends	149/149		163/106	108/108
10	Taxable Refunds	73			
11	Alimony Received		2400		
12	Schedule C		7897		566
	Schedule C expenses		4979		1090
13	Capital Gains	75		11858	-3000
15	IRA distributions	268	5000		9277 / 628
16 a/b	Pensions and Annuities	9397/8686		20069/19842	14038/13608
17	Rent, royalties				
19	Unemployment		1345		1380
20 a/b	Social Security benefits	7368/205		50517/13709	13682/3179
21	Other Income				1700
22	Total Income	21931	36318	46062	44090
27	Deductible part of self employment		558		40
30	Penalty on Early Withdrawal				24

2014 Line #	 Advanced	Austin	Fleming	Sterling	Kent
31 a/b	Alimony Paid				3600
32	IRA Contributions				6000
33	Student loan interest deduction				268
36	Total Adjustments		558		9932
37	AGI	21931	35760	46062	34158
39	Standard deductions		9100	14800	
40	Itemized deductions	9410			13760
	Medical	0			2755
	Taxes you paid	3033			3753
	Interest	4677			2997
	Gifts to Charity	1700			2555
	Job expenses, etc.				
	Other misc				1700
42	Exemptions	3950	7900	11850	19750
43	Taxable Income	8571	18760	19412	648
44	Tax	833	2169	743	54
46	Excess APTC				
47		833	2169	743	54
48	Foreign Tax Credit			13	4
49	Child and Dependent care		430		50
50	Education credit				
51	Retirement savings credit				
52	Child tax credit		1000		
55	Total credits		1430	13	54
57	Self Employment Tax		1115		80
58	SS/MC Form 4137				
59	Additional tax on IRA		500		
60a	Household employment tax				
60b	Repayment FTHBC	500			
61	Health Care coverage	X	X	X	X
63	Total tax	1333	2354	730	80
64	Federal tax withheld	3559	3337	5539	4662
65	Estimated tax payments				400
66	EIC		1681		3844
67	Add'l Child Tax Credit				1000
68	Refundable Education credit				925
69	Net Premium Tax Credit				
74	Total Payments	3559	5018	5539	10831
75	Overpaid	2226	2664	4809	10751
76	Refund	2226	2664	4809	5376
77	Apply to 2015				5375
78	OWE				

2014 Line #	  Military/International	Woods	Brooks	Lincoln	Lincoln	Surry
7	Wages	29135	44900	29443	29443	79027
8 a/b	Interest	372/191		1349	1349	
9 a/b	Dividends	77/77	187/150			
10	Taxable Refunds					
11	Alimony Received					
12	Schedule C					
	Schedule C expenses					
13	Capital Gains	-954	16			
15	IRA distributions					
16 a/b	Pensions and Annuities					
17	Rent, royalties		-2099			
19	Unemployment					
20 a/b	Social Security benefits					
21	Other Income				-18543	-29457
22	Total Income	28630	43004	30792	12249	49570
24	Certain business expenses of Reservist		1739			
26	Moving Expenses		411			
27	Deductible part of self employment					
30	Penalty on Early Withdrawal					
31 a/b	Alimony Paid					
32	IRA Contributions					
33	Student loan interest deduction					
36	Total Adjustments		2150			
37	AGI	28630	40854	30792	12249	49570
39	Standard deductions	12400	12400	12400	12400	12400
40	Itemized deductions					
	Medical					
	Taxes you paid					
	Interest					
	Gifts to Charity					
	Job expenses, etc.					
	Other misc					
42	Exemptions	11850	19750	7900	7900	11850
43	Taxable Income	4380	8704	10492	0	25320
44	Tax	433	853	1048	0	3795

2014 Line #	 Military/International	Woods	Brooks	Lincoln	Lincoln	Surry
46	Excess APTC					
47		433	853	1048	0	3795
48	Foreign Tax Credit	12		677		
49	Child and Dependent care		330			
50	Education credit		523	247		
51	Retirement savings credit	421		124		
52	Child tax credit					1000
55	Total credits	433	853	1048	0	1000
57	Self Employment Tax					
58	SS/MC Form 4137					
59	Additional tax on IRA					
60a	Household employment tax					
60b	Repayment FTHBC					
61	Health Care coverage	X	X	X	X	X
63	Total tax	0	0	0	0	2795
64	Federal tax withheld	2886	5170	1059	1059	3977
65	Estimated tax payments					
66	EIC		1580			
67	Add'l Child Tax Credit	1000	3000			
68	Refundable Education credit					
69	Net Premium Tax Credit					
74	Total Payments	3886	9750	1059	1059	3977
75	Overpaid	3886	9750	1059	1059	1182
76	Refund	3886	9750	1059	1059	1182
77	Apply to 2015					
78	OWE					

2013 Publication 4491

The revisions below are intended for the 2013 print version of Publication 4491 to reflect changes necessary for tax year 2014. (This material was contained in the Publication 4491-X dated 10/2014.)

Course Introduction	
Page 3 Topic: What will I learn?	In the 1st bullet and in the Tip: Delete “Volunteer Standards of Conduct and Form 13614-C Process training” and replace with “VITA/TCE Volunteer Standards of Conduct – Ethics Training.” In the 4th bullet and in the Tip: Delete “PowerPoint” and add “training (Publication 5101).”
Page 4 Topic: What will I learn?	1st paragraph: Change “Volunteer Standards of Conduct (VSC) training and complete and sign” to “VITA/TCE Volunteer Standards of Conduct – Ethics Training, pass the test, and date and sign.” Change “Privacy, Confidentiality and Standards of Conduct – A Public Trust” to “Privacy and Confidentiality – A Public Trust.” In the Tip: Delete “Part VII” and add “IRS Certified Volunteer Quality Reviewer Section.”
Page 5 Topic: How is the course structured?	Delete the 2nd paragraph and replace with “HSA is also an optional specialty course. Volunteers wishing to certify can follow the Basic or higher certification path.” Add a box referencing ACA: Refer to Publication 5157, Affordable Care Act (ACA) for VITA/TCE, for information on the Advance Premium Tax Credit, the Premium Tax Credit, and the Shared Responsibility Payment.
Page 5 Subtopic: What is the training approach?	3rd bullet: Delete “Part VII” and replace with “Quality Review section.”
Page 5 Subtopic: What do I need to get started?	Add the following two bullets: <ul style="list-style-type: none"> • Publication 4961, VITA/TCE Volunteer Standards of Conduct – Ethics Training • Publication 5101, Intake/Interview and Quality Review Training
Page 6 Subtopic: How does this certification work?	1st paragraph: Change “Intake/Interview and Quality Review PowerPoint training” to “Intake/Interview and Quality Review training (Publication 5101).” Caution box: Delete “PowerPoint.” 2nd paragraph: Change “All designated/peer-to-peer Quality Reviewers” to “Designated reviewers and peer-to-peer reviewers.”

Course Introduction

Pages 12 & 13
Subtopic: Taxpayer Civil Rights

Delete this section and replace with:

The Department of the Treasury – Internal Revenue Service will not tolerate discrimination based on race, color, national origin (including limited English proficiency), disability, reprisal, sex (in education programs or activities) or age in programs or activities receiving federal financial assistance from the Internal Revenue Service.

If a taxpayer believes that he or she has been discriminated against, a written complaint should be sent to:

Operations Director, Civil Rights Division
Internal Revenue Service, Room 2413
1111 Constitution Avenue, NW
Washington, DC 20224

For all questions about taxpayer civil rights, contact us at the above address, or by e-mail at edi.civil.rights.division@irs.gov.

Do not send tax returns, payments or other non-civil rights information to this address.

Filing Basics

Page 20
Subhead: What if the taxpayer does not have a SSN or ITIN?

Add a Tip: Taxpayers can get an instant benefit verification letter on the social security website using their *my Social Security* account.

Change the last bullet in this section to: “An ITIN will expire for any taxpayer who fails to file a federal income tax return for five consecutive tax years. Any ITIN will remain in effect as long as a taxpayer continues to file U.S. tax returns. This includes ITINs issued after Jan. 1, 2013. These taxpayers will no longer face mandatory expiration of their ITINs and the need to reapply. A taxpayer whose ITIN has been deactivated and needs to file a U.S. return can reapply using Form W-7.”

Unique Filing Status and Exemptions Situations

Page 51
Topic: Introduction

In the “What do I need?” box, under “Optional”: Delete Publication 4588.

Page 52
Subtopic: What is the green card test?

Delete the second paragraph, which reads: “More information for green card holders is available in Publication 4588, Basic Tax Guide for Green Card Holders, found at www.irs.gov”

Income – Wages, Interest, Etc.; Form 1040, Lines 7-11

Page 62
Subtopic: What is Form W-2?

Add a Tip: “A Form W-2 with code Q in box 12, indicating combat pay, requires Military certification to complete the return.”

Income – Business, Form 1040, Line 12

Page 74
New Subtopic: Medicaid
Waiver Payments

Add new section:

On January 3, 2014, the IRS issued Notice 2014-7 addressing the income tax treatment of certain payments to an individual care provider under a state Home and Community-Based Services Waiver (Medicaid waiver) program. The notice provides that the IRS will treat “qualified Medicaid waiver payments” as difficulty of care payments excludable from gross income. Qualified Medicaid waiver payments are payments by a state, a political subdivision of a state, or a certified Medicaid provider under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an individual (whether related or unrelated) living in the individual care provider’s home.

If the taxpayer received payments described in Notice 2014-7, they may receive a Form 1099-MISC reporting these payments in box 7, Non-employee compensation. If the taxpayer chooses to exclude the payments received from gross income, they should report the amount of those payments as income on Schedule C and also report the excludable amount as a Schedule C expense.

The taxpayer may file a Form 1040X, Amended U.S. Individual Income Tax Return, if they received payments described in the notice in an earlier year if the time for claiming a credit or refund is still open. Generally, for a credit or refund, the taxpayer must file Form 1040X within 3 years (including extensions) after the date the taxpayer filed their original return or within 2 years after the date they paid the tax, whichever is later.

In Part III of Form 1040X, the taxpayer should explain that the payments are excludable under Notice 2014-7. Excluding payments described in the notice in an earlier year may affect deductions or credits that were claimed for the earlier year, as well as other tax items for the earlier year.

For more information, go to irs.gov and search for: Certain Medicaid Waiver Payments.

Income – Capital Gain or Loss; Form 1040, Line 13

Page 89
Topic: Introduction

Delete 4th paragraph and Caution box pertaining to expired provision on Mortgage Forgiveness Debt Relief.

Page 90
Topic: What information
must I have to report a
capital gain or loss?

Add a Tip: Taxpayers who have transactions using Bitcoins or other virtual currencies are out of scope.

Income – Capital Gain or Loss; Form 1040, Line 13	
Page 92 Topic: Basis Other Than Cost	<p>Add new section as 3rd bullet:</p> <p>The reporting of wash sales is in scope only if reported Form 1099-B (boxes 1f and 1g) or on brokerage or mutual fund statement.</p> <ul style="list-style-type: none"> • A wash sale is the sale of securities at a loss and the acquisition of same (substantially identical) securities within 30 days of sale date (before or after). Taxpayers cannot deduct losses from sales or trades of stock or securities in a wash sale unless the loss was incurred in the ordinary course of business as a dealer in stock or securities. • The disallowed loss is added to the cost of the new stock or securities. The result is the basis in the new stock or securities. This adjustment postpones the loss deduction until the disposition of the new stock or securities. The holding period for the new stock or securities includes the holding period of the stock or securities sold. <p>Example: The taxpayer buys 100 shares of X stock for \$1,000. The taxpayer sells these shares for \$750 and within 30 days from the sale buys 100 shares of the same stock for \$800. Because the taxpayer bought substantially identical stock, the taxpayer cannot deduct the loss of \$250 on the sale. However, the taxpayer adds the disallowed loss of \$250 to the cost of the new stock, \$800, to obtain the basis in the new stock, which is \$1,050.</p>
Page 93 Topic: How do I determine the holding period?	Delete 3rd paragraph, 2nd sentence and TIP pertaining to wash sales. Add: Wash sales reported on Form 1099-B are now in scope.
Page 94 Topic: What information do I need from Form 1099-B?	1st paragraph, 3rd sentence: Delete “Wash sales;”.
Page 106 Topic: Summary	Delete 3rd paragraph pertaining to expired provision on Mortgage Forgiveness Debt Relief.
Page 107 Topic: What situations are out of scope for the VITA/TCE programs?	Delete Wash sales from 3rd bullet and 4th bullet.

Income – Retirement Income; Form 1040, Lines 15-16	
Page 110 Subtopic: Form 1099-R Series	Add a Caution: Qualified disability income reported on Form 1099-R with a Distribution Code 3 in Box 7, is reported as earned income wages on Form 1040, line 7, until the minimum retirement age is met.
Page 112 Subhead: Roth IRA	Add a Tip: See the flow chart in Publication 4012 and Figure 2-1, Is the Distribution from Your Roth IRA?, in Publication 590 to help determine whether the distribution is from a Roth IRA.

Income – Retirement Income; Form 1040, Lines 15-16

<p>Page 112 New subhead: Nonqualified Distributions</p>	<p>After the “Roth IRA” section, add a new section with subhead and text:</p> <p>Nonqualified Distributions</p> <p>Taxpayers must pay the 10% additional tax on the taxable part of any Roth IRA distributions that are not qualified distributions, unless one of these exceptions applies:</p> <ul style="list-style-type: none"> • Taxpayer has reached age 59½ • Taxpayer is totally and permanently disabled • Taxpayer is the beneficiary of a deceased IRA owner • Distribution is used to buy, build, or rebuild a first home • Distributions are part of a series of substantially equal payments • Taxpayer has unreimbursed medical expenses that are more than 10% (or 7.5% if taxpayer or spouse was born before January 2, 1949) of adjusted gross income for the year • Taxpayer is paying medical insurance premiums during a period of unemployment • Distributions are not more than the taxpayer’s qualified higher education expenses • Distribution is due to an IRS levy of the qualified plan • Distribution is a qualified reservist distribution <p>Part of a nonqualified distribution may be taxable. There is a set order in which contributions (including conversion, rollover contributions from qualified retirement plans, recharacterized contributions, regular contributions, and earnings) are considered to be distributed from a Roth IRA.</p> <p>If taxpayers only had regular contributions to their Roth IRA, no conversions and/or rollover contributions from qualified retirement plans or recharacterized contributions to their Roth IRA and they took a nonqualified distribution because it was prior to the 5-year period and age 59½, their Roth IRA contributions are not taxable. Only the portion of the distribution applicable to the earnings may be subject to tax and it also may be subject to the 10% additional tax.</p> <p>If any of the above requirements and/or exceptions are not met, the Roth IRA distributions could be partially taxable and subject to a 10% additional tax. Refer taxpayers in this situation to a professional tax preparer.</p>
<p>Page 114 Subtopic: How are roll-overs handled?</p>	<p>Add a Caution: Starting in 2015, there is a limit of one IRA rollover per year. This does not affect the ability of an IRA owner to transfer funds from one IRA trustee directly to another because such a transfer is not a rollover.</p>
<p>Page 115 Topic: What if the distribution is used for charitable purposes?</p>	<p>Delete the Tip and Caution.</p>
<p>Page 116 Subtopic: Disability Pension Income</p>	<p>Bold this second sentence in the first paragraph: Disability payments are taxed as wages until the taxpayer reaches the minimum retirement age — this age is set by the employer.</p> <p>Change the Tip to a Caution.</p>
<p>Page 117 Subtopic: Disability Pension Income</p>	<p>In the Caution, make the second sentence bold: You must confirm employers' minimum retirement age.</p>

Income – Rental and Schedules K-1	
Page 123 Topic: Introduction	Make the 2nd bullet the 1st bullet and revise to: <ul style="list-style-type: none"> • Certain income from Schedules K-1 (Forms 1065, 1120S, and 1041). Only volunteers who certify at the Advanced level are permitted to prepare a Schedule E with Schedule K-1 income items identified in this lesson or Form 1099-MISC, Box 2, Royalties, with no associated expenses.
Page 123 Subtopic: Objectives	Move 3rd and 4th bullet up to 1st and 2nd.
Page 124 Subtopic: How and where can income be reported?	Delete 1st Caution. Change 2nd Caution to: Royalty income is in scope for the VITA/TCE programs only when the source document of the royalty income is reported on Schedule K-1 or Form 1099-MISC, Box 2, Royalties, with no associated expenses. For these investors, the depletion allowance would already have been figured for them by the partnership or S corporation. Any other income, deductions, credits, etc., reported on Schedule K-1 is out of scope for the VITA/TCE programs, and the taxpayer should be referred to a professional tax preparer.
Page 139 Subtopic: What situations are out of scope for the VITA/TCE programs?	Add to the end of the 3rd bullet: “with associated expenses”

Other Income; Form 1040, Line 21	
Page 149 Topic: How do I handle other income?	Add bullet: <ul style="list-style-type: none"> • Nonbusiness credit card debt cancellation
Page 150 Subtopic: COD and HSA Topics	Change the subtopic name to “HSA Topic.” Delete the 1st paragraph and the 3rd paragraph. At the end of the 2nd paragraph, add: This online course is optional. Check with your Site Coordinator to determine if you should be certified in this topic. To access this course and earn a certification, go to www.irs.gov and use the keyword/search “Link & Learn.”

Other Income; Form 1040, Line 21

Page 150
Subtopic: State Agency
Payments for Child Care

Delete this topic, section, and Tax Software Hint. Add new subtopic and Tip:

Medicaid Waiver Payments

On January 3, 2014, the IRS issued Notice 2014-7 addressing the income tax treatment of certain payments to an individual care provider under a state Home and Community-Based Services Waiver (Medicaid waiver) program. The notice provides that the IRS will treat “qualified Medicaid waiver payments” as difficulty of care payments excludable from gross income. Qualified Medicaid waiver payments are payments by a state, a political subdivision of a state, or a certified Medicaid provider under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an individual (whether related or unrelated) living in the individual care provider’s home.

If the taxpayer received payments described in Notice 2014-7, they may receive a Form 1099-MISC reporting these payments in box 3, Other income. Generally, an amount reported in box 3 of Form 1099-MISC is reported on line 21, Other income, of Form 1040. If the taxpayer chooses to exclude the payment from income, they should not include the amount of those payments on line 21. If filing a paper return, enter “Notice 2014-7” on the dotted line next to line 21 of Form 1040. No additional entry is needed on the Form 1040 if you file electronically.

If the taxpayer received a Form W-2, Wage and Tax Statement, with the amount of the payments reported in box 1, Wages, tips, other compensation and chooses to exclude the payment from income, include the full amount of those payments on line 7. On line 21, enter the excludable portion of the payments as a negative amount that will reduce the adjusted gross income. If filing a paper return, enter “Notice 2014-7” on the dotted line next to line 21 of Form 1040. No additional entry is needed on the Form 1040 if you file electronically.

The taxpayer may file a Form 1040X, Amended U.S. Individual Income Tax Return, if they received payments described in the notice in an earlier year if the time for claiming a credit or refund is still open. Generally, for a credit or refund, the taxpayer must file Form 1040X within 3 years (including extensions) after the date the taxpayer filed their original return or within 2 years after the date they paid the tax, whichever is later.

In Part III of Form 1040X, the taxpayer should explain that the payments are excludable under Notice 2014-7. Excluding payments described in the notice in an earlier year may affect deductions or credits that were claimed for the earlier year, as well as other tax items for the earlier year.

TIP: For more information, go to irs.gov and search for Certain Medicaid Waiver Payments.

Other Income; Form 1040, Line 21

<p>Page 151 Subtopic: Are distributions from Educational Savings Accounts, such as a Coverdell ESA and a 529 plan, taxable?</p>	<p>Delete 1st, 2nd, and 3rd paragraphs. After the 4th paragraph that begins “Distributions from Coverdell ESAs...”, add the following: A portion of the distributions is generally taxable to the beneficiary if the total distributions are more than the beneficiary’s adjusted qualified education expenses for the year. The taxable portion is the amount of the excess distribution that represents earnings that have accumulated tax free in the account. The taxable amount must be reported on Form 1040, line 21.</p>
<p>Page 161 Topic: Summary</p>	<p>Delete the last paragraph and replace with “HSA is an optional specialty course. Volunteers wishing to certify can follow the Basic or higher certification path.”</p>



Cancellation of Debt – Nonbusiness Credit Card Debt

Generally, if a taxpayer receives Form 1099-C for canceled credit card debt and was **solvent** (assets greater than liabilities) immediately before the debt was canceled, all the canceled debt will be included on Form 1040, line 21, Other Income. No additional supporting forms or schedules are needed to report canceled credit card debt.

example

John made a deal with his credit card company to pay \$2,000 on his \$7,000 balance, and the company agreed to take it as payment in full. In January of the current year, John received a Form 1099-C from his credit card company reporting \$5,000 (the amount of debt canceled). John was solvent immediately before the debt was canceled. John would include the entire \$5,000 in income on Form 1040, line 21.

Lenders and creditors are required to issue Form 1099-C if they cancel a debt of \$600 or more. If the debt canceled is less than \$600, some lenders or creditors may send a letter or some other form of notification to the taxpayer. Generally, taxpayers must include all canceled amounts (even if less than \$600) on the Other Income line of Form 1040.

Insolvency (Out of Scope for VITA/TCE)

Insolvency is a condition in which the FMV of all assets is less than one's liabilities. The amount or level of insolvency is expressed as a negative net worth.

For purposes of determining insolvency, assets include the value of everything owned (including assets that serve as collateral for debt, and exempt assets which are beyond the reach of creditors under the law, such as an interest in a pension plan and the value of a retirement account).

Liabilities are amounts owed and include:

- The entire amount of recourse debts
- The amount of nonrecourse debt is not in excess of the FMV of the property and is security for the debt

Use the Insolvency Determination Worksheet as a resource to determine whether a taxpayer is considered insolvent.



Insolvency Determination Worksheet



Assets (FMV)	
Homes	
Cars	
Recreational vehicles, etc.	
Bank accounts	
IRAs, 401Ks, etc.	
Jewelry	
Furniture	
Clothes	
Misc.	
Other assets	
Total Assets:	\$0.00

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	
Total Liabilities:	\$0.00

Total Assets minus Total Liabilities =

(Negative amount equals insolvency)
 (Positive amount equals solvency)



If the taxpayer had nonbusiness credit card debt canceled, all or part of the debt may be excluded if the cancellation occurred in bankruptcy, or if the taxpayer was insolvent immediately before the cancellation. These situations are beyond the scope of VITA/TCE. If any of these situations apply, refer the taxpayer to a professional tax preparer. See IRS Publication 4681 for more information.



Publication 4731, located in the Volunteer Resource Guide (Income Tab), provides step-by-step guidance for the volunteer tax return preparer to determine if the cancellation of credit card debt is within scope.

Taxpayer Interview and Tax Law Application

Here is how a volunteer advised Michelle regarding her canceled credit card debt.

SAMPLE INTERVIEW

VOLUNTEER SAYS...

MICHELLE RESPONDS...

I notice you received a 1099-C from a credit card company.

Yes, I negotiated with them to cancel \$3,000 of my debt.

Yes, Form 1099-C shows the amount of debt discharged.

I could only afford to pay them \$1,000, so it really helped me.

Do you think your debts at the time exceeded your assets?

I'm not sure, but it's certainly possible.

Let's fill out the Insolvency Determination Worksheet to help us determine whether you were insolvent.

OK.

According to the worksheet, you are insolvent. I am afraid I am not able to help you. VITA/TCE volunteers are not trained to compute the nontaxable portion of canceled credit card debt.

Oh, I understand.

I suggest you seek assistance from a professional tax preparer.

I will, thank you.



Insolvency Determination Worksheet



Assets (FMV)	
Homes	\$120,000.00
Cars	\$15,000.00
Recreational vehicles, etc.	
Bank accounts	\$1,000.00
IRAs, 401Ks, etc.	\$60,000.00
Jewelry	
Furniture	\$2,000.00
Clothes	\$1,550.00
Misc.	
Other assets	
Total Assets:	\$199,550.00

Liabilities	
Mortgages	\$180,000.00
Home equity loans	\$50,000.00
Vehicle loans	\$18,000.00
Personal signature loans	
Credit card debts	\$3,000.00
Past-due mortgage interest, real estate taxes, utilities, and child care costs	
Student loans	
Other liabilities	
Total Liabilities:	\$251,000.00

Total Assets minus Total Liabilities = (\$51,450.00)

(Negative amount equals insolvency)
(Positive amount equals solvency)



EXERCISES (continued)

Question 1: Greg was released from his obligation to pay \$5,000 of personal credit card debt. The credit card company sent Form 1099-C showing canceled debt of \$5,000. Greg is fairly certain he has more debt than he has assets.

Can the VITA/TCE site provide tax return preparation assistance to Greg?

- A. Yes, since the entire \$5,000 in canceled debt is considered income and reported on Form 1040, line 21.
- B. No, because it appears Greg is insolvent, which might mean some of the canceled credit card debt would be nontaxable and beyond the scope of the VITA/TCE programs.

Question 2: Kay was released from her obligation to pay personal credit card debt. She owed \$10,000 to her credit card company, which agreed to accept \$2,500 as payment in full. Before paying the credit card company, it was determined Kay was solvent (assets greater than liabilities) and not in bankruptcy. The credit card company issued Kay a Form 1099-C, reporting \$7,500 as the amount of debt discharged.

Based on the information above, can Kay be assisted at her local VITA/TCE site? Yes No

Question 3: Review the information in Question 8 about Kay's canceled debt. If the VITA/TCE site is able to assist Kay, what amount would be reported on Kay's Form 1040, line 21?

- A. \$0
- B. \$10,000
- C. \$2,500
- D. \$7,500

Practice Scenario 1 – Jay Smith

Interview Notes

Jay incurred \$15,000 in credit card debt. He was unable to pay the monthly payments. In September 2013, the credit card company agreed to accept \$8,000 from Jay as full payment. Jay received a Form 1099-C from the credit card company for \$7,000. He was also personally liable for the payment of the debt. Jay was not insolvent immediately before the cancellation of debt, nor has he filed for bankruptcy.

Practice Scenario 1 Questions

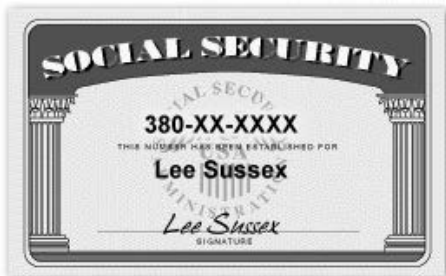
1-1 What is the taxable portion of Jay's canceled debt that will be reported on Form 1040? \$_____

1-2 If the fair market value of Jay's assets was less than his liabilities, this is what is referred to as being solvent. True False

Practice Scenario 2 – Lee Sussex

Interview Notes

- Lee is single with no children.
- She did not itemize last year.
- She received Form 1099-C for the cancellation of her nonbusiness credit card debt.
- Lee was unsure whether she was solvent at the time the credit card debt was canceled.
- Lee has the following assets:
 - Car \$7,000
 - Bank account \$250
 - Furniture \$2,000
 - Pension plan \$35,000
 - Home \$75,000
- Lee has these liabilities:
 - Mortgage loan \$10,000
 - Credit card debt \$6,500
 - Car loan \$9,000
- She wants her refund to be direct deposited to Routing #062005690, Account # 07131968.



Intake/Interview & Quality Review Sheet

You will need:

- Tax information such as Forms W-2, 1099, 1098.
 - Social security cards or ITIN letters for all persons on your tax return.
 - Picture ID (such as valid driver's license) for you and your spouse.
- Please complete pages 1-3 of this form.
 • You are responsible for the information on your return. Please provide complete and accurate information.
 • If you have questions, please ask the IRS certified volunteer preparer.

Part I – Your Personal Information

1. Your first name LEE	M.I. M	Last name SUSSEX	Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name	M.I.	Last name	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing address 7294 ELM	Apt #	City YOUR CITY	State YS
4. Telephone number(s) YOUR PHONE #			ZIP code YOUR ZIP

5. Your Date of Birth **11/29/1985** 6. Your job title **EDITOR** 7. Last year, were you: a. Full time student Yes No

8. Your spouse's Date of Birth 9. Your spouse's job title b. Totally and permanently disabled Yes No c. Legally blind Yes No

10. Last year, was your spouse: a. Full time student Yes No

11. Can anyone claim you or your spouse on their tax return? Yes No b. Adopted a child? Yes No

12. Have you or your spouse: a. Been a victim of identity theft? Yes No b. Adopted a child? Yes No

Part II – Marital Status and Household Information

1. As of December 31 of last year, Single (This includes registered domestic partnerships, civil unions, or other formal relationships under state law) were you: Married a. Did you live with your spouse during any part of the last six months of 2014? Yes No

Divorced or Legally Separated b. Was your marriage recognized under the laws of the state(s) you are filing in? Yes No Unsure

Widowed Year of spouse's death _____ Date of final decree or separate maintenance agreement _____

2. List the names below of:

- **everyone** who lived with you last year (other than you or your spouse)
- **anyone** you supported but did not live with you last year

Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example, son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/14 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	To be completed by a Certified Volunteer Preparer					
									Can this person be claimed by someone else as a dependent on their return? (yes/no)	Did this person provide more than 50% of their own support? (yes/no)	Did this person have less than \$3950 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)						

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.
To report unethical behavior to the IRS, email us at wi.voltax@irs.gov or call toll free 1-877-330-1205**

Yes No Unsure Check appropriate box for each question in each section

Part III - Income - Last Year, Did You (or Your Spouse) Receive

- 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? 1
2. (A) Tip Income?
3. (B) Scholarships? (Forms W-2, 1098-T)
4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
5. (B) Refund of state/local income taxes? (Form 1099-G)
6. (B) Alimony income?
7. (A) Self-Employment income? (Form 1099-MISC, cash)
8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099?
9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B)
10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
11. (A) Distribution from Pensions, Annuities, and/or IRA? (Form 1099-R)
12. (B) Unemployment compensation? (Form 1099-G)
13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)
14. (M) Income (or loss) from Rental Property?
15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, etc.) (Forms W-2G) Specify

Part IV - Expenses - Last Year, Did You (or Your Spouse) Pay

- 1. (B) Alimony? If yes, do you have the recipient's SSN? Yes No
2. Contributions to a retirement account? IRA (A) 401K (B) Roth IRA (B) Other
3. (B) Post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
4. (B) Unreimbursed employee business expenses? (such as uniforms or mileage)
5. (B) Medical expenses? (including health insurance premiums)
6. (B) Home mortgage interest? (Form 1098)
7. (B) Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098)
8. (B) Charitable contributions?
9. (B) Child or dependent care expenses such as daycare?
10. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?
11. (A) Expenses related to self-employment income or any other income you received?

Part V - Life Events - Last Year, Did You (or Your Spouse)

- 1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
2. (COD) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A)
3. (A) Buy, sell or have a foreclosure (COD) of your home? (Form 1099-A)
4. (B) Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year?
5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)
6. (B) Live in an area that was affected by a natural disaster? If yes, where?
7. (A) Receive the First Time Homebuyers Credit in 2008?
8. (B) Pay any student loan interest? (Form 1098-E)
9. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much?
10. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?

Catalog Number 52121E

www.irs.gov

Form 13614-C (Rev. 6-2014)

a Employee's social security number 380-XX-XXXX		Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 59-0XXXXXX		1 Wages, tips, other compensation 30,000.00	2 Federal income tax withheld 4,081.25			
c Employer's name, address, and ZIP code WORLD HERALD NEWS 141 PINE STREET YOUR CITY, STATE and ZIP CODE		3 Social security wages 32,500.00	4 Social security tax withheld 2,015.00			
		5 Medicare wages and tips 32,500.00	6 Medicare tax withheld 471.25			
		7 Social security tips	8 Allocated tips			
d Control number		9	10 Dependent care benefits			
e Employee's first name and initial Last name Suff. LEE SUSSEX 7294 ELM YOUR CITY, STATE and ZIP CODE		11 Nonqualified plans		12a See instructions for box 12 D 2,500.00		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b			
		14 Other		12c		
				12d		
15 State Employer's state ID number YS 59-0XXXXXX	16 State wages, tips, etc. 30,000.00	17 State income tax 1,200.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2014** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. CREDIT CARD COMPANY 100 OVERPASS HWY YOUR CITY, STATE ZIP		1 Date of identifiable event 06/01/2014	OMB No. 1545-1424 2014 Form 1099-C	Cancellation of Debt
		2 Amount of debt discharged \$ 6,500.00		
		3 Interest if included in box 2 \$		
CREDITOR'S federal identification number 59-1XXXXXX	DEBTOR'S identification number 380-XX-XXXX	4 Debt description CREDIT CARD DEBT		Copy B For Debtor This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name LEE SUSSEX		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>		
Street address (including apt. no.) 7294 ELM				
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP				
Account number (see instructions)		6 Identifiable event code	7 Fair market value of property \$	

Form **1099-C** (keep for your records) www.irs.gov/form1099c Department of the Treasury - Internal Revenue Service



Insolvency Determination Worksheet



Assets (FMV)		Liabilities	
Homes	\$75,000.00	Mortgages	\$10,000.00
Cars	\$7,000.00	Home equity loans	
Recreational vehicles, etc.		Vehicle loans	\$9,000.00
Bank accounts	\$250.00	Personal signature loans	
IRAs, 401Ks, etc.		Credit card debts	\$6,500.00
Jewelry		Past-due mortgage interest, real estate taxes, utilities, and child care costs	
Furniture	\$2,000.00	Student loans	
Clothes		Other liabilities	
Misc.	\$35,000.00	Total Liabilities:	\$25,500.00
Other assets			
Total Assets:	\$119,250.00		

Total Assets minus Total Liabilities = \$93,750.00

(Negative amount equals insolvency)

(Positive amount equals solvency)

Practice Scenario 2 Questions

- 2-1 Lee can exclude from income the entire amount of canceled debt. True False
- 2-2 If it were determined Lee was solvent at the time of the cancellation of debt, could a VITA/TCE volunteer still assist her? Yes No
- 2-3 What is Lee's adjusted gross income?
- A. \$30,000
 - B. \$32,500
 - C. \$36,500
 - D. \$39,000

End of insert section.

Adjustments to Income	
Page 172 Topic: How do I determine if the taxpayer has adjustments to income?	In Tax Software Hint: Change “Taxwise Adjustments to Income” to “Adjustments tab.”
Page 176 Topic: How do I handle IRA contributions?	Add a Tip: Ask taxpayers about myRA accounts. A new type of savings account, myRA is designed for Americans who don’t have access to an employer-sponsored retirement savings plan. Taxpayers are able to open a myRA with as a little as \$25 and contribute \$5 or more every payday.
Page 182 Subtopic: Where can I get the information?	In Tax Software Hint: Add “in the Adjustments tab” to the end.

Standard Deduction and Tax Computation	
Page 196 How does age or blindness affect the standard deduction?	In Tax Software Hint: Add “Exemptions/Dependency & Main Info tab” between “Volunteer Resource Guide,” and “Main Information Screen.”
Page 198 What about individuals who can be claimed as dependents?	In Tax Software Hint: Add “Exemptions/Dependency & Main Info tab” between “Volunteer Resource Guide,” and “Main Information Screen.”
Page 199 Topic: How do I determine which deduction is best for the taxpayer?	In Tax Software Hint: Add “Deductions tab” between “Volunteer Resource Guide,” and “Form 1040.”
Page 199 Topic: How are taxable income and tax determined?	Add a Tip: “Please see Publication 5157, Affordable Care Act for VITA/TCE, for additional information on calculating the Excess Advance Premium Tax Credit.”

Itemized Deductions	
Page 202 Subtopic: How do I decide if a taxpayer should itemize deductions?	In Tax Software Hint: Add “Deductions tab” between “Volunteer Resource Guide,” and “Form 1040.”
Page 202 Topic: What medical and dental expenses are deductible?	In Tax Software Hint: Delete 2nd “itemized” in sentence and add “tab” after second “Deductions.”
Page 204 Topic: What taxes may be deductible?	In the second bullet point covering sales taxes: Change date from January 1, 2014 to January 1, 2015.
Page 205 Subhead: Foreign income taxes	In Tax Software Hint: Add “Deductions tab” between “Volunteer Resource Guide,” and “Schedule A.”
Page 211 Topic: What are miscellaneous deductions?	In Tax Software Hint: Add “Deductions tab” between “Volunteer Resource Guide,” and “Schedule A.”

Credit for Child and Dependent Care Expenses

Page 228 Subhead: What if spouses are full-time students or are unable to care for themselves?	In Tax Software Hint: Add "Nonrefundable Credits tab," between "Volunteer Resource Guide," and "Form 2441."
Page 232 Topic: How do I determine the amount of the credit?	In Tax Software Hint: Add "Nonrefundable Credits tab," between "Volunteer Resource Guide," and "Form 2441."
Page 233 Topic: How do I complete Form 2441?	In Tax Software Hint: Add "Nonrefundable Credits tab," between "Volunteer Resource Guide," and "Form 2441."

Education Credits

Page 237 Subtopic: Are any amounts excluded from qualified expenses?	To end of first Caution, add: "See Publication 970 for examples of when a student may choose to pay non-qualifying expenses with scholarship/Pell grants funds, making the scholarship/Pell grants taxable."
Page 238 Subtopic: American Opportunity Tax Credit	2nd paragraph, last sentence, change from "See Form 8863 Instructions for Details" to: "Refer to Volunteer Resource Guide, Education Benefits tab, Student Under Age 24 Claiming American Opportunity Credit, for details."
Page 240 Topic: How do I determine the amount of the credit?	Add a Tip: "To determine the amount of qualified expenses, please review Form 1098-T and have a discussion with the taxpayer to determine the qualified education expenses paid."

Child Tax Credit

Page 254 Topic: What is the amount of the credit?	In Tax Software Hint: Change "Exemptions and Main Information tab" to "Exemptions/Dependency & Main Info tab."
Page 256 Topic: How do I determine taxpayer eligibility for the credit?	In Tax Software Hint: Add "Exemptions/Dependency & Main Info tab" between "Volunteer Resource Guide," and "Main Information Screen."

Other Taxes

Page 267 Topic: What are other taxes?	Add a Tip: "Refer to Publication 5157, Affordable Care Act (ACA) for VITA/TCE, for information on the advance premium tax credit, the premium tax credit, and the shared responsibility payment."
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Payments	
<p>Page 276 New Topic: What are tax provisions of the Affordable Care Act?</p>	<p>After the topic, "How do I report federal income tax withheld," add a new topic:</p> <p>What are tax provisions of the Affordable Care Act?</p> <p>Under the Affordable Care Act (ACA), or health care law, the Federal government, state governments, insurers, employers, and individuals share the responsibility for health insurance coverage. The IRS administers the tax provisions included in the law.</p> <p>The individual shared responsibility provision requires the taxpayer and each member of the taxpayer's family to either:</p> <ul style="list-style-type: none"> • Have minimum essential coverage, or • Have an exemption from the responsibility to have minimum essential coverage, or • Make a shared responsibility payment with the federal income tax return <p>Refer to Publication 5157, Affordable Care Act (ACA) for VITA/TCE, for more information.</p>

Earned Income Credit (EIC)	
<p>Page 282 Subtopic: What is "earned" income for EIC purposes?</p>	<p>Add to beginning of Tax Software Hint: "Volunteers using software must check the "Check if disability and the taxpayer is disabled" box below box 7, if applicable."</p>
<p>Page 282 Subtopic: What about combat pay?</p>	<p>In Tax Software Hint: Change "Other Taxes tab" to "Other Taxes and Payments tab."</p>

Refund and Amount of Tax Owed	
<p>Page 289 Topic: Introduction</p>	<p>Delete the Tip.</p> <p>In "What do I need?" box: Under "Optional," delete Publication 4542, Publication 4853, and Publication 4853(SP).</p>
<p>Page 291 Subhead: Can the refund be deposited into more than one account?</p>	<p>In the Tip, delete "and Publication 4542."</p>
<p>Page 296 Topic: What if the taxpayer cannot pay?</p>	<p>Replace 1st and 2nd bullets with:</p> <ul style="list-style-type: none"> • Pay in full within 120 days using the Online Payment Agreement Application (OPA) or calling, no fee is charged but interest and penalties are charged on payments after the April due date. • Monthly installment payments (established online using OPA or file Form 9465, Installment Agreement Request). A fee is charged for this option, in addition to interest and penalties.

Refund and Amount of Tax Owed

<p>Page 296 Topic: How do I handle Installment Agreement request?</p>	<p>Replace all 5 bullets with:</p> <ul style="list-style-type: none"> • The taxpayer who owe can immediately establish an installment agreement online, using the Online Payment Agreement Application (OPA) on irs.gov. Taxpayer can also use OPA to agree to pay in full in up to 120 days. With OPA, there is no need to complete Form 9465. For more information, go to www.irs.gov and search for the term “OPA” or, on the “I need to”list, select “Set Up a Payment Agreement.” • If the return is being filed electronically, Form 9465 can also be included with the e-filed return. • When filing a paper return, Form 9465 should be completed and attached to the front of the return before mailing. • If the request is granted, the taxpayers must also pay a fee of \$120, or \$52 if payments are made by electronic funds withdrawal. If the taxpayers’ income is below certain limits, they may qualify for a reduced fee of \$43. Taxpayers can also request a reduced user fee of \$43 by completing Form 13844, Application for Reduced User Fee for Installment Agreement. Taxpayers can obtain Form 13844 at www.irs.gov or by calling the IRS forms number at 1-800-829-3676. • If the IRS approves the agreement, a notice is issued that provides details of the agreement and requests the user fee at that time.
<p>Page 301 Subtopic: Amount owed</p>	<p>4th paragraph, delete “60 or.”</p>

Concluding the Interview

<p>Page 305 Topic: What should I tell the taxpayer about refunds or balances due?</p>	<p>Add a Tip: “Taxpayers don’t need to wait for IRS to send a bill before they ask for a payment plan. The Online Payment Agreement (OPA) tool is available at www.irs.gov.”</p>
<p>Page 307 Topic: How is estimated tax paid?</p>	<p>First paragraph, last sentence, update tax year: “2015 Form 1040-ES.”</p>

Amended and Prior Year Returns

<p>Page 319 Topic: Introduction</p>	<p>Replace the 1st paragraph with: “This lesson will help you determine how to amend a federal income tax return regardless of where the original return was prepared. In addition, this lesson provides guidance on preparing prior year returns for the recent three years provided the taxpayer has the applicable required materials. The site may prepare returns beyond the three recent years if taxpayers have the required materials for those years.”</p>
<p>Page 321 Topic: What is Form 1040X?</p>	<p>Add a Tip: “You can easily find out the status of a Form 1040X, Amended U.S. Individual Income Tax Return, using the Where’s My Amended Return? tool on IRS.gov. It’s available in English and Spanish, and tracks the status of the amended return for the current year and up to three prior years.”</p>

<p>Page 323 Topic: Who can prepare prior year returns?</p>	<p>Replace the 1st paragraph with: "Volunteers may only prepare returns within the scope defined for their level of training. Prior year returns may only be prepared by volunteers when the tax issues fall within the scope of their current level of training and certification. There is no longer a two-year experience requirement to complete prior year returns. It is now determined by certification level. Taxpayers seeking assistance outside the scope of the volunteers' certification should be referred to a professional tax preparer."</p> <p>Update Caution to read: "If a taxpayer requests return preparation assistance for returns older than three years or if the site is unable to prepare prior year returns, refer the taxpayer to a paid preparer to complete the prior year returns."</p> <p>Update Tip to read: "VITA/TCE sites are encouraged, but not required to prepare prior year returns."</p> <p>Add a Tip: "SPEC may be able to support sites that have the resources, motivation and ability to go back as many years as needed, while maintaining quality standards."</p>
<p>Page 324 Topic: Summary</p>	<p>Under "Additional notes," change 4th bullet to:</p> <ul style="list-style-type: none"> • Volunteers may only prepare returns within the scope defined for their level of training. Prior year returns may only be prepared when the tax issues come within the scope of the volunteer's current level of training and certification. There is no longer a two-year experience requirement to complete prior year returns. It is solely based on certification level. <p>Change last bullet point to:</p> <ul style="list-style-type: none"> • If a taxpayer requests return preparation assistance for returns older than three years or if the site is unable to prepare prior year returns, refer the taxpayer to a paid preparer to complete the prior year returns.