

LAW-L1 Kent Learning Guide

Step	Form / Note	TW Screen	Learning Points
<b>0</b>	<b>Intake Sheet</b>		
	SS Cards		On Intake/Interview Sheet, change first name of granddaughter to Tamara, which is name on Social Security card
	Notes 3, 4, 5, 7		Fill in Page 1, shaded area, based on info in Notes 3, 4, 5 & 7: - Question 1 – NO for all - Question 2 – NO for all - Question 3 – YES for all - Question 4 – YES for all - Question 5 – YES for all Based on these answers & Pub 4012 (Page C-5), all 3 can be claimed as a qualifying child for dependency
<b>1a</b>	<b>Intake Sheet</b>	<b>Main Info</b>	
	Part I	General Info	Must enter spouse's last name, since it is different than taxpayer's Don't forget cell phone # and email address
	Part 1	Filing Status	Use Chart on page B-1 in 4012
	Part II	Dependents	List dependents, starting with youngest: Tamara Thomas – Grandchild, Code 1 "Child Who Lives with You," DC, EIC, CTC all checked. Code is 1 even though Tamara is grandchild because she is considered a Qualifying Child for dependency Kendra (last name not needed since same as taxpayer's) – Daughter, Code 1 "Child Who Lives with You," EIC checked Kerri Bryant – Sister, Code 1 "Child Who Lives with You," EIC checked. Again, Code is 1 even though Kerri is obviously not a child, but she is considered a Qualifying Child for dependency
	Part VI	Presidential Election Campaign Fund	Check box to indicate that Karl wishes to donate \$3 to Presidential Election Campaign Fund; do not check box for Kara
<b>1b</b>	<b>Intake Sheet</b>	<b>NJ 1040 Pg 1</b>	
	Address	Municipality Code	Enter Municipality Code for Denville (1408). Can obtain from NJ 1040 instruction booklet or through Municipality Code Look-up tool in left-hand column on TaxPrep4Free.org Preparer page
<b>1c</b>	<b>Intake Sheet</b>	<b>NJ 1040 Pg 2</b>	
	Note 2	Gubernatorial Election Campaign Fund	Check NO for Karl. Check YES for Kara

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	Note 3	Line 11 Dependents attending colleges	Since Kendra meets the NJ qualifications for a full-time college student under the age of 22, taxpayer can claim an extra exemption on NJ 1040. Enter 1 on Line 11 Dependents Attending College
	Note 11	Line 13	All dependents have health insurance so no need to do anything here
<b>1d</b>	<b>Intake Sheet</b>	<b>Prep Use</b>	
	Part VI	Line 11	Answer NONE to language question
		Line 12	Answer YES to disabled question (Kerri Bryant)
		Line 13	Your initials
		Line 14	Do NOT fill in now – filled in by QR person
<b>2</b>	<b>W-2</b>	<b>W2</b>	<b>Jefferson Independent School District</b>
		Spouse Box	Check that this W-2 is for Kara
		Box for "Please verify Federal withholding...."	Check that the amounts entered in Boxes 1-6 are correct. Once verified, check box
		Employer's name & address fields	Enter Employer ID #. TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change
		Box 13	Ensure that Retirement Pay is checked
		Box 14	Use special TW codes: NJSUI for UI/WF/SWF; NJSDI for Disab; NJFLI for FLI Enter 414H in Box 14. Does not qualify for Form 8880 Credit for Qualified Retirement Savings Contributions (does not affect TW calculations)
<b>3a</b>	<b>W-2</b>	<b>W2</b>	<b>Americus Petroleum</b>
		Forms Tree	Add another copy of W-2 screen in TW by clicking on + next to W2 in forms tree
		Taxpayer Box	Check that this W-2 is for Karl
		Box for "Please verify Federal withholding...."	Check that the amounts entered in Boxes 1-6 are correct. Once verified, check box
		Employer's name & address fields	Enter Employer ID #. TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change
		Boxes 3-6, 12	When you enter Wages in Box 1, Boxes 3, 4, 5, & 6 do not match printed W-2. However, once you enter code D \$2,954 in Box 12 for an elective deferral to a 401K account, TW will change those boxes to match. Therefore, wait to check box "to take calculations off Lines 3, 4, 5, & 6" until rest of W-2 is entered
		Box 13	Ensure that Retirement Pay is checked

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		Box 14	Disability in Box 14 was for a private disability plan (PP #), not the NJ State disability plan. Therefore, it must be entered as NJSDIPP, not just NJSDI. TW will not include the private plan amount on Schedule A Line 5a State Income Taxes because the title is not NJSDI exactly. In addition, disability will not flow through to Form 2450 for Excess Unemployment & Disability
<b>3b</b>	<b>W-2</b>	<b>NJ 2450 TP Scratch Pad</b>	<b>Americus Petroleum</b>
		Line 1a	Enter plan # for private disability plan Since the private plan disability amount in Column B is a calculated field, you must link to a scratch pad to enter the amount See NJ Special Handling document on TaxPrep4Free.org for details on manually adding PP info to Form 2450
<b>4</b>	<b>Text</b>	<b>Sch B</b>	<b>Campbell Mortgage</b>
		Line 1a	Enter purchaser's name, address, SS #, & amount of interest received If appropriate, fill in state info to detail joint & spouse amount (all Karl's, so joint & spouse amounts are both 0)
<b>5</b>	<b>1099-INT</b>	<b>Interest Stmt</b>	<b>Kendall Federal Credit Union</b>
		Line 1 - Box 1 or 3 Amount Column - Early Penalty Ccolumn	Interest from Kendall Federal Credit Union Enter taxable interest  Enter early withdrawal penalty
<b>6</b>	<b>1099-INT</b>	<b>Interest Stmt</b>	<b>Gordon Investment Services</b>
	<b>Text</b>	Line 2 - NAEOB Column	Interest from Gordon Investment Services Enter tax-exempt interest in NAEOB field with a code of E (Exempt). No state adjustment is needed since interest from a NJ municipal bond is tax-exempt for NJ also See NJ Special Handling document on TaxPrep4Free.org for exempt interest and savings bonds
<b>7</b>	<b>Broker Stmt</b>	<b>Interest Stmt</b>	<b>ZYX Investments (Interest only)</b>
			Use a separate line for each entry since Federal and NJ tax law may differ. Use ZYX as Payer for each line
		Line 3 - Box 1 or 3 Amount Column	Taxable interest from ZYX Investments Enter \$123 for taxable interest

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		Line 4 - Box 1 or 3 Amount Column - State Adjust Column	Savings bond interest from ZYX Investments Enter \$2,455 for taxable interest on US Savings Bonds. (Not tax-exempt for Federal unless it is used for education expenses, not house repairs) Not taxable in NJ so must enter a "-" and \$2,455 in State Adjust column to exclude from NJ interest income
		Line 5 - Federal Withheld Column	Tax Withheld info from ZYX Investments Enter \$245 for tax withheld
		Line 6 - NAEOB Column - State Adjust Column	Tax-exempt interest from ZYX Investments Enter \$189 for Federal tax-exempt interest in NAEOB column with code of E Since this is interest on a municipal bond from another state, interest is taxable in NJ. Enter "+" and \$189 in State Adjust column to add to NJ interest income
<b>8a</b>	<b>Broker Stmt</b>	<b>Divident Stmt</b>	<b>ZYX Investments (Dividends only)</b>
		Ordinary Dividends & Qualified Dividends Columns	Enter \$232 as ordinary and qualified dividends
		Capital Gain Column	Enter \$69 as capital gains distribution. TW will transfer the capital gains to Sch D Line 13
			Nondividend Distributions are return of capital. These should not be entered in TW at all since they are just returning investor's principal. They should be subtracted from cost basis when investment is sold
<b>8b</b>	<b>Broker Stmt</b>	<b>1116 Pg 1</b>	<b>ZYX Investments (Foreign Tax Paid only)</b>
		Blank line in middle of paragraph near top	Add Form 1116 to forms tree by clicking on Forms List icon at top of screen, typing Foreign Tax, & clicking Add. Enter \$4 (\$3.75) in box in middle of screen. Don't need to "get the red out" of rest of screen
<b>9a</b>	<b>1099-G</b>	<b>1040 Pg 1</b>	<b>NJ Division of Taxation</b>
		Box above Line 10	Answer YES to question
<b>9b</b>	<b>1099-G</b>	<b>St Tax Refund</b>	<b>NJ Division of Taxation</b>
	<b>Text</b>	Line 1	Enter \$437 NJ income tax refund from prior year (Use link to NJ Form 1099-G Inquiry in left column of TaxPrep4Free.org Preparer page to obtain amount)
	<b>Text</b>	Line 2	Enter \$1,320 as prior year Sch A Line 5a Income Taxes Enter \$955 as prior year Sch A Line 5b Sales Tax
		Line 3	Since refund is only taxable to the extent that Line 5a Income Taxes exceed Line 5b Sales Tax, only \$365 of prior year's refund could be taxable this year
	<b>Text</b>	Line 6	Enter \$13,337 as prior year's itemized deductions

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		Line 7	Enter MFJ as prior year's filing status
		Line 8	Enter 1 for Karl being over age 65 last year
	<b>Text</b>	Line 15	Enter \$39,544 as prior year's taxable income
		Line 17	Since refund is only taxable to the extent that itemized deductions (\$13,337) exceed standard deduction (\$13,050), only \$287 of refund is taxable this year
			TW will automatically carry forward a lot of info above if prior year's data is available. If no carry-forward data, obtain info from last year's return. Printed return does not show both Sch A Lines 5a & 5b, since taxpayer can only claim one or the other. If needed, use Sch A Sales Tax Table link in left column of TaxPrep4Free.org Preparer page to determine last year's sales tax amount
	<b>1099-G</b>	<b>1040 Pg 1</b>	<b>NJ Division of Taxation</b>
		Line 10	TW transfers taxable amount of refund (\$287) from St Tax Refund page
<b>10</b>	<b>Text</b>	<b>Sch C Pg 1</b>	<b>Pratt Medical Centers, Inc. (plus other income)</b>
		Box A	Enter Medical Transcription as principal business
		Box B	Enter 561410 as business code. For real return, use link to Sch C Business Codes in left column of TaxPrep4Free Preparer's page. Use Ctrl + F to search for an appropriate code
		Box C - E	Leave blank since business does not have a separate name, address or EIN
		Box F	Enter Cash as the accounting method (anything else is out of scope)
		Box G	Enter YES
		Box H	No check since business was not started this tax year
		Box I	Enter NO
	<b>1099-MISC</b>	<b>1099MISC</b>	<b>Pratt Medical Centers, Inc.</b>
			Link to 1099 MISC screen from Sch C Line 1 Gross Receipts or Sales
		Spouse Box	Check spouse, since this is Kara's business
		Payer's Information	Enter payer's EIN. TW should bring up payer's name and address info. Verify that info is correct. If data does not come up, enter it
		Box 7	Enter \$1,637 for nonemployee compensation
	<b>Text</b>	<b>Sch C Pg 1</b>	<b>Pratt Medical Centers, Inc.</b>
		Line1	TW will transfer income from 1099-MISC
	<b>Text</b>	<b>Sch C Pg 1 Scratch Pad</b>	<b>Other Business Income</b>
		Line 1	Link to scratch pad to enter the other income received from doctors (\$1,082). TW will add amount to 1099-MISC income already on this line

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	<b>Text</b>	<b>Sch C Pg 2</b>	<b>Business Expenses</b>
		Line 43	Enter 01/02/2007 as date car was placed into service for the business
		Line 44	Enter 420 business miles (35 miles x 12 months) and 10,000 other miles. Check box to have TW calculate business miles at standard mileage rate
		Lines 45, 46, 47a, 47b	Answer YES to these four questions
			TW will calculate total business miles expense
		Part V	List expenses for paper and printer cartridge under Other Expenses (or can enter under an appropriate line on Sch C Pg 1)
		<b>Sch C Pg 1</b>	<b>Pratt Medical Centers, Inc. plus Other Business Income</b>
		Line 9	TW will transfer calculated business miles expenses from Sch C Pg 2
		Line 27a	TW will transfer total of other business expenses from Sch C Pg 2
		Line 31	TW will calculate net profit/loss from business (losses are out of scope)
		<b>1040 Pg 1</b>	<b>Net Profit from Business Income</b>
		Line 12	TW will transfer net profit from business from Sch C
<b>11</b>	<b>1099-B</b>	<b>Cap Gain Wkt</b>	<b>Pelrum Brokerage Service</b>
		Line 1	Sale of Purdue Stock
		- Column a	Enter 100 sh Purdue as description of property
		- 1099 Column	Enter A since cost was reported to IRS
		- Column b	Enter 07/01/2002 as date acquired
		- Column c	Enter 03/10/2013 as date sold
		- Column d	Enter \$8,859 as sales price
		- Column e	Enter \$10,123 as cost basis
		- Column f	Enter code E to adjust the profit/loss for the sales commission. Adjustment codes are listed in Pub 4012 Section D
		- Column g	Enter -\$35 (sales commission) as amount of adjustment. TW will subtract the \$35 from its calculated loss
		- Column h	TW calculates a long-term loss of -\$1,299
<b>12</b>	<b>Broker Stmt</b>	<b>Cap Gain Wkt</b>	<b>ZYX Investments (Capital Gains Only)</b>
		Line 2	Sale of Rust Corporation stock
		- Column a	Enter 100 sh Rust Corp as description of property
		- 1099 Column	Enter A since cost was reported to IRS
		- Column b	Enter 11/01/1998 as date acquired
		- Column c	Enter 9/23/2013 as date sold
		- Column d	Enter \$1,700 as sales price

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		- Column e	Enter \$3,200 as cost basis
		- Columns f & g	No adjustment to profit/loss needed. Sales commission is included in sales price
		- Column h	TW calculates a long-term loss of -\$1,500
		Line 3	Sale of Rio Motors Inc stock
		- Column a	Enter 150 sh Rio Motors as description of property
		- 1099 Column	Enter A since cost was reported to IRS
		- Column b	Enter 07/15/2008 as date acquired
		- Column c	Enter 06/01/2013 as date sold
		- Column d	Enter \$10,675 as sales price
		- Column e	Enter \$9,543 as cost basis
		- Columns f & g	No adjustment to profit/loss needed. Sales commission is included in sales price
			TW calculates a long-term gain of \$1,132
		Line 4	Sale of Rider Corporation stock
		- Column a	Enter 65 sh Rider Corp as description of property
		- 1099 Column	Enter B since cost was not reported to IRS
		- Column b	Enter IN/HE/RIT as date acquired (from drop down list)
		- Column c	Enter 12/30/2013 as date sold
		- Column d	Enter \$5,663 as sales price
	<b>Text</b>	- Column e	Enter \$7,222 as cost basis (Fair Market Value on date of uncle's death)
		- Columns f & g	No adjustment to profit/loss needed. Sales commission is included in sales price
		- Column h	TW calculates a long-term loss of -\$1,559
		<b>8949 Pg 2A</b>	<b>Long-Term Capital Gains with Cost Reported to IRS</b>
			TW transfers all the long-term capital gains transactions with 1099 code A (Purdue, Rust & Rio Motors) from Capital Gains Wkt to Form 8949 Code D
		<b>8949 Pg 2B</b>	<b>Long-Term Capital Gains with No Cost Reported to IRS</b>
			TW transfers the long-term capital gains transaction with 1099 code B (Rider) from Capital Gains Wkt to Form 8949 Code E
		<b>Sch D</b>	<b>All Capital Gains Transactions</b>
		Line 8b	TW transfers totals from 8949 Code D Wkt
		Line 9	TW transfers totals from 8949 Code E Wkt
			TW adds Capital Gains Distribution (\$69) from 1099-DIV on Sch D Line 13 to all other L/T losses (-\$3,226). Bottom line for Sch D is a net long-term loss of -\$3,157



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		<b>1040 Pg 1</b>	<b>Capital Gain/Loss</b>
		Line 13	TW transfers -\$3,000 of the net long-term loss to apply against other ordinary income
		<b>Sch D Wkt 2</b>	<b>Long-Term Capital Loss Carryover</b>
		Line 13	The remaining -\$157 loss must be carried over to the next tax year. Point out the carryover to taxpayer. Make note in Taxpayer Diary to alert next year's counselor
<b>13a</b>	<b>1099-R</b>	<b>1099R</b>	<b>Saulk Trust Company</b>
		Box 2a	Taxable amount is shown in Box 2a so Simplified Worksheet is not needed
		Box 4	If Box 4 is red, take the red out (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld
		Box 7	Ensure that IRA is checked in Box 7 so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions
<b>13b</b>	<b>1099-R</b>	<b>NJ IRA Wkt</b>	<b>Saulk Trust Company</b>
		Forms Tree	TW generated a NJ IRA Worksheet in Forms Tree as soon as the 1099-R was entered with IRA checked in Box 7. IRA income will not be included on the NJ 1040 until this worksheet is completed
	<b>Text</b>	Part 1	At this point this is the only IRA entered in TaxWise. Enter 1 as Copy number of the IRA you want to use this worksheet for. Line 2 already shows \$838 from 1099-R for Saulk Trust Company as "Total Distributions from IRA during the Tax Year." You have no information to complete the rest of the Worksheet, so just "get the red out" (Ctrl-Space or F3 or Toggle Estimated)
		<b>NJ 1040 Pg 2</b> <b>NJ 1040 Pg 3</b>	<b>Saulk Trust Company</b>
		Lines 19, 27, 38	NJ 1040 Line 19 Pensions, Annuities & IRA Withdrawals increased for Saulk distribution. However, the entire Line 19 amount was offset by the NJ Pension Exclusion on Line 27a. Therefore, Line 38 NJ Taxable Income did not change
<b>14a</b>	<b>1099-R</b>	<b>1099R</b>	<b>Yale Security IRA</b>
		Forms Tree	Add another copy of 1099-R screen in TW by clicking on + next to 1099-R in Forms Tree
		Payer's name & address fields	Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 4	If Box 4 is red, "get the red out" (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld



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		Box 7	Ensure that IRA is checked in Box 7 so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions
		<b>1040 Pg 1</b>	<b>Yale Security IRA</b>
		Line 15b	Code G in Box 7 indicates a direct rollover. (See Pub 4012 page D-18(2013) D-20 (2014) for a list of codes with explanations and IN-SCOPE / OUT-OF-SCOPE). TW checks rollover box on 1040 Line 15b. Link from box after "F9 to explain" on Line 15b to IRA Rollover Explanation screen
	<b>Text</b>	<b>IRA Rollover</b>	<b>Yale Security IRA</b>
			Type in "Direct transfer of IRA funds from Yale Security IRA to Merrill Lynch." TW will then check box after "F9 to explain" on 1040 Line 15b. The \$11,755 will not be taxable
<b>14b</b>	<b>1099-R</b>	<b>NJ IRA Wkt</b>	<b>Yale Security IRA</b>
		Forms Tree	Once the 1099-R is entered for Yale, the total number of IRAs shown on the top of the existing IRA worksheet will change to 2. Add another copy of NJ IRA Worksheet by clicking on + next to NJ IRA Wkt in Forms Tree
		Part I	Enter 2 as Copy number of the IRA you want to use this worksheet for. Notice that there is no distribution amount on Line 2. That is because the 1099-R for Yale Security IRA is for a roll-over, which is not taxable. Just "get the red out" (Ctrl-Space or F3 or Toggle Estimated)
<b>15</b>	<b>1099-R</b>	<b>1099R</b>	<b>Defense Finance &amp; Accounting Service</b>
		Forms Tree	Add another copy of 1099-R screen in TW by clicking on + next to 1099-R in Forms Tree
		Address Line	Since Kent's address on printed 1099-R does not match current address shown at top of 1099-R screen (from Main Info screen), you must check box at top that says "Check & make changes to the address below." Then type in address from printed 1099-R
		Payer's name & address fields	Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 2	Since Box 2a on printed 1099-R is blank & there were no employee contributions to the pension, TW will treat the entire gross distribution in Box 1 as taxable on Federal 1040. Must "get the red out" of Box 2 and Exclusion Worksheet (Ctrl-Space or F3 or Toggle Estimated) - See Pub 4012 Page D-23 (2013) or D-26 (2014) Example 1

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		Box 4	If Box 4 is red, "get the red out" (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld
		Box 2 on bottom left of 1099-R screen	This is a military pension & is not taxable in NJ. Checking Box 2 on bottom left of 1099-R screen will take the \$1,200 pension out of NJ income. If you forget which box to check, use NJ Special Handling document in right column of TaxPrep4Free Preparer page
<b>16a</b>	<b>1099-R</b>	<b>1099R</b>	<b>Stillman Pension Fund</b>
		Forms Tree	Add another copy of 1099-R screen in TW by clicking on + next to 1099-R in Forms Tree
		Payer's name & address fields	Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 4	Enter Federal tax withheld
	<b>Text</b>	Simplified Method Worksheet at bottom of 1099-R screen	Since Taxable Amount Not Determined is checked in Box 2b & there were employee contributions to this pension, must use Simplified Worksheet to determine taxable amount of distribution - See Pub 4012 Page D-23 (2013) or D-26 (2014) Example 2
		Line 1	Cost in plan at annuity starting date = \$5,864 (from Box 9b)
		Line 2	Age of primary annuitant at annuity starting date (1/1/2012) = 69 (66-70) Check "if annuity starting date is after 11/18/1996" Do not check joint & survivor annuity
		Line 3	TW calculates exclusion amount as \$27.92 per month
		Line 4	Number of months for which payments were received this year = 12
		Line 5	Amount recovered tax free in prior years = \$335 (for 2012)
		Line 6	Exclusion for 2013 = \$335
		Line 7	Remaining cost in pension = \$5,194 (TW calculates: original basis (\$5,864) – tax free in prior year (\$335) – tax free in 2013 (\$335) = cost remaining to recover (\$5,194) The amount excluded from taxation will be the same each year that pension is received, except if the first & last years are partial years
		<b>1040 Pg 1</b>	<b>Stillman Pension Fund</b>
		Line 16a	TW transfers the full pension distribution from Box 1 (\$18,625) to the Pensions and Annuities line
		Line 16b	TW also subtracts the exclusion (\$335) from the distribution in Box 1 (\$18,625) & adds the result (\$18,290) to the taxable pension line

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<b>16b</b>	<b>1099-R</b>	<b>NJ 1040 Pg 2</b> <b>NJ 1040 Pg 3</b>	<b>Stillman Pension Fund</b>
		Line 19b Scratch Pad	Enter the pension amount that is excludable from NJ income. See NJ Special Handling Document on TaxPrep4Free.org for details Link from NJ 1040 Line 19b to a scratch pad Description: NJ 1040 Line 19b Line 1 Description – Stillman Pension Fund nontaxable amount Line 1 Amount = \$335 (From line 6 of the Simplified Method Worksheet) The amount on Line 19b is not used for any other tax calculations; it enables NJ to reconcile to the totals in 1099-R Box 1.
		Lines 19a, 28, 38 & 66	While the taxable income from all the pensions are added to Pension, Annuities & IRA Withdrawals income on NJ 1040 Line 19a, gross income on Line 28, taxable income on Line 38, & refund on Line 66 do not change. This is because the NJ pension/IRA amount has not exceeded the \$20,000 Pension Exclusion on NJ 1040 Line 27
<b>17</b>	<b>K-1</b>	<b>Sch E Pg 1</b>	<b>Black Jack Production Company</b>
			Link to Schedule E from 1040 Line 17. Do <u>not</u> enter this info on Sch K-1. See Special Topic document on Sch K-1 on TaxPrep4Free.org Preparer page
		Line A	Check NO
		Line 1A	Fill in Partnership's Address, enter S in the TSJ column & enter 6 as Type for Royalties
		Line 4 - Column A	Enter \$1,050 from Royalties in Box 7 on K-1
		<b>1040 Pg 1</b>	<b>Black Jack Production Company</b>
		Line 17	TW transfers the royalties income from Sch E
<b>18</b>	<b>1099-G</b>	<b>1099G</b>	<b>New Jersey Department of Labor</b>
		Line 1	Unemployment benefits received = \$2,550
		Line 5	Federal tax withheld = \$120
		<b>1040 Pg 1</b>	<b>New Jersey Department of Labor</b>
		Line 19	TW transfers the unemployment amount from the 1099G screen
		<b>NJ 1040 Pg 2</b>	<b>New Jersey Department of Labor</b>
		Lines 38 & 66	Unemployment is not taxable for NJ, so NJ Taxable Income and Refund do not change

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19	SSA-1099	1040 Wkt1 Scratch Pad	<b>Social Security</b>
			Link from 1040 Line 20a or open from the tree
		SS Received this Year line	Always enter the amount in Box 5. It will be in pink on a real SSA-1099
		Medicare line	Link to a scratch pad from the "Medicare Parts B, C, and D" line to document if there are payments for more than one type of Medicare
		Federal Tax Withheld line	Enter \$360 for Federal Tax Withheld
		<b>A Detail</b>	<b>Medicare Premiums</b>
		Medicare from 1040 Wkt line	TW will transfer total Medicare premiums from the 1040 Wkt1 as an itemized deduction
		<b>NJ 1040 Pg 2</b>	<b>Medicare Premiums</b>
		Lines 28, 30, 38 & 66	Social Security income is not taxable for NJ. However, medical expenses over 2% of NJ Gross Income on Line 28 can be claimed as a deduction on Line 30. TW calculates the 2% ( $\$49,106 \times .02 = \$982$ ). It then subtracts the 2% from the Medicare premiums ( $\$1,985 - 982 = \$1,003$ ) to determine the amount of medical expenses to claim. The medical deduction causes NJ Taxable Income and Refund to change
20	W-2G	W2G	<b>New Jersey Lottery</b>
			Link to 1040 Wkt7 "Line 21: Other Income Worksheet" screen from 1040 Line 21. Link again to W-2G screen from Line 1 "Gambling Winnings from Form W-2G." You could also use Add icon above forms tree to add W2G directly to tree
		Payer's name & address fields	Enter Payer's Federal ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 1	Federal taxes gross gambling winnings. NJ taxes net gambling amount (winnings - losses, up to amount of winnings)
		Box 13	Enter NJ & State ID
		Box 15	Enter State Tax Withheld
	<b>Text</b>	Line at bottom of W2G screen	Enter \$1,000 gambling losses
		"See F-1 help" box on lower left of W2G screen	Since lottery winnings are less than \$10,000, check "See F-1 help" box to tell TW to exclude winnings from NJ taxable income

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Step	Form / Note	TW Screen	Learning Points
		<b>Sch A</b>	<b>New Jersey Lottery</b>
		Line 28	TW will transfer the losses (up to amount of winnings) to Sch A Line 28. Gambling losses are not subject to the 2% of AGI limitation that most miscellaneous deductions are. Taxpayer only benefits from the losses if he claims itemized deductions instead of standard deduction
		<b>1040 Wkt7</b>	<b>New Jersey Lottery</b>
		Line 1	TW transfers gross gambling winnings from W2G
		<b>1040 Pg 1</b>	<b>New Jersey Lottery</b>
		Line 21	TW transfers gross gambling winnings from 1040 Wkt7. Since the gambling winnings are the first item on 1040 Wkt7, TW will use "GAMBLING WINNINGS" as the Type on Line 21
		<b>NJ 1040 Pg 2</b>	<b>New Jersey Lottery</b>
		Line 23	NJ Lottery winnings under \$10,000 in one instance are not taxable in NJ, so NJ 1040 Line 23 = 0. If Ken had any taxable lottery winnings, TW would net the losses against the winnings and transfer the net amount to the NJ 1040
<b>21</b>	<b>Text</b>	<b>1040 Wkt2</b>	<b>Classroom Supplies</b>
			Link from 1040 Line 23 to 1040 Wkt2 or use Add icon above forms tree to add 1040 Wkt2 directly to tree
		Educator Expenses section, Spouse Column	Enter \$240
		Sch A, Line 21	If the amount spent was > maximum \$250 allowed as Educator Expenses, you could claim the excess over \$250 as Unreimbursed Employee Expenses (subject to 2% of AGI limitation) - N/A for this problem
<b>22</b>	<b>Text</b>	<b>1040 Pg 1</b>	<b>Alimony to Ex</b>
		Line 31	Enter SS # of ex-wife & \$3,600 as amount of alimony paid
<b>23</b>	<b>Text</b>	<b>IRA Wkt</b>	<b>IRA Contribution</b>
			Link to IRA Worksheet from 1040 Line 32 or use Add icon above forms tree to add IRA Wkt directly to tree
		Top of screen	TW answers both questions at top of screen based on W-2 entries (check in Retirement Pay box)
		Line 9	TW calculates Maximum Allowable Deduction as \$6,500. Kara is allowed \$6,500 (rather than usual \$5,500) because she is over age 50

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Step	Form / Note	TW Screen	Learning Points
		Line10	Since Kara wants to contribute amount that would give her maximum tax benefit, enter \$6,500
			IRA contributions are not deductible for NJ. If taxpayer keeps track of amounts contributed, he may be able to exempt that amount from NJ taxation when money is taken out of IRA
		<b>1040 Pg 1</b>	<b>IRA Contribution</b>
		Line 32	TW transfers IRA contribution from IRA Wkt
<b>24</b>	<b>Text</b>	<b>1040 Wkt2</b>	<b>Student Loan Interest</b>
			Link to 1040 Wkt2 Student Loan Interest section from 1040 Line 33 or use Add icon above forms tree to add 1040Wkt2 directly to tree
		Student Loan Interest section, Line 1, Spouse Column	Enter \$268
		<b>1040 Pg 1</b>	<b>Student Loan Interest</b>
		Line 33	TW transfers Student Loan Interest from 1040 Wkt2
<b>25a</b>	<b>Text</b>	<b>A Detail</b>	<b>Medical Expenses</b>
		Medical Expenses section	Enter medical expenses on A Detail Worksheet, not Sch A directly
		Medical Miles	Enter 1236 Medical Miles (103 miles per month x 12). Mileage can be split between taxpayer and spouse as appropriate. TW will calculate deduction at \$.24/mile (\$297)
		Insurance Premiums Paid	Enter \$1,200
		Other Medical Expenses	Enter Doctors (\$1,653) Enter Hospital (\$3,200) Enter Prescription Drugs (\$965) Enter Prescription Eyeglasses (\$210)
		Medicare from 1040 Wkt	\$1,985 for Medicare Parts B & D was already transferred from SSA-1099 info entered on 1040 Wkt1
		Total	TW totals medical expenses (\$9,510)
		<b>Sch A</b>	<b>Medical and Dental Expenses</b>
		Line 1	TW transfers total medical expenses from A Detail (\$9,510)
		Line 2	TW transfers AGI from 1040 Line 38 (\$73,592)
		Line 3	TW calculates the amount that is greater than 7.5% of AGI, since Karl is age 65 or older ( $\$73,592 \times .075 = \$5,519$ ). If both spouses were under 65, they could only claim medical expenses greater than 10% of AGI

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Step	Form / Note	TW Screen	Learning Points
		Line 4	TW calculates an allowable medical expense deduction of \$3,991 (\$9,510 - 5,519 = \$3,991). If AGI changes due to later entries, TW re-calculates the medical deduction automatically
	<b>Text</b>	<b>Sch A</b>	<b>Life Insurance and Funeral Expenses</b>
			Life insurance and funeral expenses cannot be claimed as Sch A deductions
	<b>Text</b>	<b>A Detail</b>	<b>Charitable Contributions</b>
		Charitable Contributions section	Enter charitable contributions on A Detail Worksheet, not Sch A directly
		Cash Contributions, 50% Limit Organizations section	Enter: Church \$1,650 NPR, ACS, Shriners \$225 Millsap School \$250 TW calculates total of \$2,125
		Other than Cash Contributions, 50% Limit Organizations section	Enter Salvation Army \$350
	<b>Text</b>	<b>Sch A</b>	<b>Charitable Contributions</b>
		Line 16	TW transfers total of cash or check contributions from A Detail (\$2,125)
		Line 17	TW transfers total of other than cash contributions from A Detail (\$350)
		Line 19	TW calculates total charitable contributions (\$2,475)
	<b>Text</b>	<b>Sch A</b>	<b>Home Mortgage Interest</b>
		Line 10 "Home Mortgage Interest & Points from 1098, not listed above"	Enter \$3,164
	<b>Text</b>	<b>Sch A</b>	<b>Real Estate Tax</b>
		Line 6 "Real Estate Taxes on your principal residence, not listed above"	Enter \$2,135
	<b>Text</b>	<b>Sch A</b>	<b>Gambling Losses</b>
		Line 28	Gambling losses were already entered on W-2G, & TW transferred \$1,000 to Line 28. It entered "GAMBLING LOSSES" as the Type of Other Miscellaneous Deduction



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Step	Form / Note	TW Screen	Learning Points
	Text	Sch A	<b>Speeding Tickets</b>
			Speeding tickets cannot be claimed as a Sch A deduction
		Sch A	<b>Total Allowed Itemized Deductions</b>
			TW calculates the total of all allowed itemized deductions (\$15,439)
		1040 Pg 2	<b>Itemized Deduction or Standard Deduction</b>
		Line 40	TW compares the itemized deductions (\$15,439) to the standard deduction (\$13,400). Since itemized is higher, TW transfers the itemized deductions total to the 1040. It puts a check mark next to Sch A in the forms tree to show that itemized deductions are being used, not standard deduction
			If later entries change any number on Sch A, TW will automatically compare the revised total itemized deductions against the standard deduction and re-populate Line 40 as appropriate
		NJ 1040 Pg 2	<b>Medical Expenses</b>
		Line 30	TW adds the newly entered medical expenses on Sch A to the Medicare premiums that were already on Line 30. It then re-calculates the amount of medical expenses that are greater than 2% of NJ Gross Income to re-populate this line
25b	Text	NJ 1040 Pg 3	<b>NJ Property Taxes</b>
		Worksheet F, Line 1	Since the Kents meet the eligibility requirements to claim the NJ property tax deduction/credit, complete Worksheet F on 1040 Page 3. On Line 1, TW tells you amount of real estate taxes claimed for main residence on 1040 Sch A. Must still enter the correct amount to claim for NJ (same for NJ since not in PTR program)
		Worksheet F, under Line 7	TW will complete the rest of Worksheet F and determine that it is better for the Kents to claim the \$50 Property Tax Credit on Line 49 than the Property Tax Deduction on Line 37c
		Line 49	TW transfers the \$50 Property Tax Credit from Worksheet F
25c	Note 12	NJ 1040 Pg 3	<b>Homeowner on 10/01/2013</b>
		Line 37b	Check box that says "Check here if on October 1, 2013 you were a New Jersey homeowner"
26	Text	2441 Pg 1	<b>Maryville Day Care Center</b>
		Line 1a	Enter name of Maryville Day Care Center
		Line 1b	Enter address of Maryville Day Care Center
		Line 1c	Check EIN box. Type in number with no dashes. TW will fill in E as Type
		Line 1d	Enter \$1,100 expenses

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Step	Form / Note	TW Screen	Learning Points
		Line 2a	TW fills in qualifying person's name
		Line 2b	TW fills in qualifying person's SS #
		Line 2c	Enter qualified expenses of \$1,100
		Line 11	TW calculates credit of \$220 (20% of qualified expenses)
		<b>1040 Pg 2</b>	<b>Maryville Day Care Center</b>
		Line 48	TW transfers credit from Form 2441
<b>27</b>	<b>1098-T</b>		<b>Education Credits</b>
			Postpone entry of education expenses until Diagnostics have been run at end of return. This will allow comparison of education options once all other figures are finalized
<b>28</b>	<b>Text</b>	<b>5695 Pg 2</b>	<b>Residential Energy Improvements</b>
			Link from 1040 Line 52. TW will populate both Pg 1 & 2 in tree or use Add icon to enter form 5695 directly into tree. Page 1 is for solar, wind, & geothermal credits (Out of Scope). Go to Pg 2 for Nonbusiness Energy Property Credit to enter info for insulation & windows
		Line 17a	Enter YES
		Line 17b	Enter address of main home
		Line 17c	Enter NO
		All lines 18	Kents have not claimed any credits in prior years, so all should be 0
		Line 19a	Enter \$175 for insulation
		Line 19d	Enter \$7,450 for windows
		Line 21h	TW determines that maximum allowed for windows is \$2,000
			Be careful to follow instructions on whether to include labor costs. All items entered on Lines 21 must <u>exclude</u> labor; items entered on Lines 24 may <u>include</u> labor
		Line 30	TW will calculate allowable nonbusiness energy profit credit of \$218
		<b>1040 Pg 2</b>	<b>Residential Energy Credit</b>
		Line 52	TW transfers credit from Form 5695
<b>29</b>	<b>Text</b>	<b>F/S Tax Paid</b>	<b>Estimated Tax Payments</b>
			Link to F/S Tax Paid screen from 1040 Line 63
		Federal section	
		- Line "From last year"	Amount from 2012 Federal refund applied to 2013 taxes (\$200). TW will populate date of 4/15/2013

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Step	Form / Note	TW Screen	Learning Points
		- Line 1	Enter actual date Federal estimated taxes were paid (04/14/2013) & \$100 as amount
		- Line 3	Enter actual date Federal estimated taxes were paid (09/15/2013) & \$100 as amount
		State section	
		- Column "Credit from last year"	Amount from 2012 state refund applied to 2013 taxes (\$100)
		- 4/15/2013 Amount 1 column	Enter \$50
		- 9/15/2013 Amount 3 column	Enter \$40
			There may be some red boxes left on this form. Use Ctrl-Space or F3 or Toggle Estimated to "get the red out"
		<b>1040 Pg 2</b>	<b>Federal Tax Payments Made in 2013</b>
		Line 63	TW transfers the total of all Federal tax payments made in 2013 (\$400) from F/S Tax Paid
		<b>Sch A</b>	<b>State Tax Payments Made in 2013</b>
		Line 5a	TW transfers the total of all state tax payments made in 2013 (\$190) from F/S Tax Paid
		<b>NJ 1040 Pg 3</b>	<b>State Tax Payments that Apply to 2013 NJ Taxes</b>
		Line 50	TW transfers the total of all state tax payments that apply to 2013 NJ taxes (\$190) from F/S Tax Paid
			If the last NJ estimated tax payment was paid after 1/1/2014, then the \$40 <u>would not</u> be included on 1040 Sch A Line 5a, but <u>would</u> be included in NJ 1040 Line 50
<b>30</b>	<b>Note 8</b>		<b>Inheritance</b>
			Inheritances are not taxable for either Federal or State so no need to enter \$5,000 from great-aunt
<b>31</b>	<b>Note 13</b>	<b>Sch D Pg 1</b>	<b>Capital Loss Carryover</b>
		Line 14	Enter \$253 in long-term capital loss carryover from 2012 return that can be added to 2013 losses (\$-3,157) If line 7 is red, use Ctrl-Space or F3 or Toggle Estimated to "get the red out." There is no short-term capital loss carryover

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Step	Form / Note	TW Screen	Learning Points
			Based on capital gains losses in Steps 11 & 12, TW had already populated \$3,000 on 1040 Line 13 (maximum loss you can claim against other income). TW had also transferred the remaining \$157 loss to Sch D Wkt 2 as a capital loss carryover to 2014. Now TW will add this additional \$253 loss for a total of \$410 carryover to 2014
<b>32</b>	<b>Note 9</b>	<b>Sch B</b>	<b>Foreign Financial Involvement</b>
		Line 7 Line 8	Sch B is still red in the forms tree. Scroll down on Sch B to see what data is missing. Answer NO to the financial involvement questions at the bottom of Schedule B. Sch B will no longer be red in tree
<b>33</b>	<b>Note 3</b>		<b>Diagnostics Error For Earned Income Credit</b>
		<b>Diagnostics</b>	
			When you run Diagnostics before doing the education credits comparison, an error appears, "On Sch EIC, the 2nd & 3rd child (Kendra & Kerri) do not appear to be a qualifying child for this credit....." Click on the error message to go to Sch EIC, Line 4
		<b>Sch EIC</b>	
		Line 4a for Kendra	Answer YES to question 4a to show that she is qualifying because she is under 24, a full-time student, & younger than her parents. Directions then say to skip question 4b
		Line 4b for Kerri	Answer YES to question 4b to show that Kerri is qualifying because she is permanently & totally disabled
		<b>Sch EIC Wkt</b>	
		Line 5	Even though all 3 dependents are now qualifying for EIC, the Sch EIC Worksheet shows that the Kents are not eligible for EIC because their investment income (\$7,436) is greater than \$3,300
<b>34</b>		<b>Diagnostics</b>	
			Run Diagnostics again to ensure that there are no errors before doing education expenses comparison
<b>35x</b>	<b>1098-T, etc.</b>		<b>Education Expenses</b>
			To determine amount of qualified expenses, you must subtract amount of scholarship/grant (\$5,000) from tuition and fees payments (\$7,750). For American Opportunity Credit only, you can then add \$500 for textbooks & supplies. The \$850 for a new computer is not a qualified expense because it was not a course requirement. Use a scratch pad to document this calculation

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Step	Form / Note	TW Screen	Learning Points
		<b>1040 Wkt2</b>	<b>Education Expenses Claimed as Tuition &amp; Fees Deduction</b>
		Tuition & Fees as an AGI Deduction section	Link from 1040 Line 34 to 1040 Wkt 2
		Line for Kendra	Enter qualified expenses of \$2,750 next to Kendra's name. For Tuition & Fees Deductions, books & supplies are only qualified expenses if they must be paid to the institution as a condition of enrollment or attendance
		Line for Kara	Enter qualified expenses of \$318 next to Kara's name
			TW calculates total qualified expenses of \$3,068
		<b>1040 Pg 2</b>	<b>Education Expenses Claimed as Tuition &amp; Fees Deduction</b>
			TW transfers total qualified expenses from 1040 Wkt2. <b>Note AGI &amp; Refund Monitor.</b> Delete this info before doing another comparison
<b>35x</b>	<b>1098-T, etc.</b>	<b>8863</b>	<b>Education Expenses Claimed as Lifetime Learning Credits</b>
			Link to Form 8863 Pg 2 from 1040 Line 49. Since both Kendra & Kara have education expenses, you must add a second Pg 2 by clicking on the + sign next to Pg 2 in the tree. TW will automatically add one Form 8863 Pg 1 to total the credits for both students
		<b>Kendra's 8863 Pg 2</b>	<b>Kendra's Education Expenses Claimed as Lifetime Learning Credits</b>
		Line 20	Enter Kendra's name
		Line 21	Enter Social Security #
		Line 22a	Enter Northern Kentucky University
		Line 22a-1	Enter address of University
		Line 22a-2	Answer YES
		Line 22a-3	Answer NO
		Line 22a-4	Enter University's Federal ID #
		Line 23	Answer NO
		Line 24	Answer YES
		Line 25	Answer NO
		Line 26	Answer NO
		Line 31	Enter \$2,750 (Books and supplies are only qualified expenses if they must be paid to the institution as a condition of enrollment or attendance)
		<b>Kara's 8863 Pg 2</b>	<b>Kara's Education Expenses Claimed as Lifetime Learning Credits</b>
		Line 20	Enter Kara's name
		Line 21	Enter Social Security #
		Line 22a	Enter Boonton College

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Step	Form / Note	TW Screen	Learning Points
		Line 22a-1	Enter address of College
		Line 22a-2	Answer NO
		Line 22a-3	Answer NO
		Line 22a-4	Blank (since you did not answer YES to either 22a-2 or 22a-3)
		Line 23	Answer NO
		Line 24	Answer NO (Instructions say to go to Line 31 if answer is NO)
		Line 31	Enter \$318
		<b>8863 Pg 1</b>	<b>Education Expenses Claimed as Lifetime Learning Credits</b>
		Line 19	TW calculates total Nonrefundable Education Credit of \$614 in Part II for both students
		<b>1040 Pg 2</b>	<b>Education Expenses Claimed as Lifetime Learning Credits</b>
		Line 49	TW transfers Nonrefundable Lifetime Learning Credit from 8863 Pg 1. <b>Note AGI &amp; Refund Monitor.</b> Delete this info before doing another comparison
<b>36</b>	<b>1098-T, etc.</b>	<b>8863 Pg 2</b>	<b>Education Expenses Claimed as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara</b>
		Lines 20 - 26	Kendra is eligible for AOC, but Kara is not because she is not pursuing a degree program. Still use 2 Forms 8853 Page 2 to enter student & educational institution info for Kendra & Kara. All lines remain the same as above until you reach expense lines
		<b>Kendra's 8863 Pg 2</b>	<b>Kendra's Education Expenses Claimed as American Opportunity Credit</b>
		Line 27	For American Opportunity Credit only, books & supplies are qualified expenses, whether or not they were purchased from the institution as a condition of enrollment. Computers, however, can only be included if they are a requirement for enrollment or attendance. Therefore, qualified expenses = \$3,250
		<b>Kara's 8863 Pg 2</b>	<b>Kara's Education Expenses Claimed as Lifetime Learning Credit</b>
		Line 31	Enter \$318
		<b>8863 Pg 1</b>	<b>Education Expenses Claimed as as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara</b>
		Line 8	TW calculates a Refundable Education Credit of \$925 in Part I, based on Kendra's American Opportunity Credit
		Line 19	TW calculates Nonrefundable Education Credits of \$1,452 in Part II, which includes the nonrefundable part of Kendra's American Opportunity Credit + Kara's Lifetime Learning Credit

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Step	Form / Note	TW Screen	Learning Points
		<b>1040 Pg2</b>	<b>Education Expenses Claimed as as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara</b>
		Line 49	TW transfers the Nonrefundable Education Credit from 8863 Pg 1 Line 19
		Line 66	TW transfers the Refundable Education Credit from 8863 Pg 1 Line 8
			<b>Note AGI &amp; Refund Monitor.</b> This is the most beneficial option to claim the education expenses, so leave these entries in return
<b>37</b>	<b>Note 10</b>	<b>NJ 1040 Pg 3</b>	<b>Use Tax</b>
		Line 45	Based on Kents' NJ Gross Income on NJ 1040 Line 28, the Estimated Use Tax Chart on Page 36 on NJ 1040 booklet shows they would owe \$64 in Use tax. Enter that amount on scratch pad off NJ 1040 Line 45 to document that amount came from Chart. Estimate Use Tax Chart can also be found in left column of TaxPrep4Free.org Preparer's page
<b>38</b>	<b>Note 6</b>		<b>Direct Deposit of Refund</b>
		<b>Main Info</b>	<b>Bank Account Info</b>
		Bank Account section	Enter Routing Number and Account Number from Kent's check. (Do not use deposit slip to obtain info)
		<b>1040 Pg 2</b>	<b>Bank Account Info</b>
			Since direct deposit bank info is so important, TW requires you to enter the info twice. Therefore, as soon as bank info is entered on Main Info, TW will turn 1040 Pg 2 red in the forms tree to remind you that you have to enter the bank info a second time for verification
		Line 74	Enter Routing Number and Account Number from Kent's check. Also check box to indicate this is a checking account
<b>39</b>		<b>NJ DD Wkt</b>	<b>Direct Deposit of NJ Refund</b>
		Direct Deposit and Direct Debit Information section	Click on box that says "Check here if you had a Federal refund & want the state refund deposited to the same bank account as listed on the Federal return"
	Note 9	Bank Account Information section	Answer NO to question "Will the refund or debit you are requesting involve a foreign bank account?"
<b>40</b>		<b>Diagnostics</b>	
			Run Diagnostics and correct errors as needed



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Step	Form / Note	TW Screen	Learning Points
41		<b>Create e-File</b>	
			Another type of error check is run when creating an e-file. You could get different error messages than when running Diagnostics. After all errors are corrected, you should get message "E-Files created successfully"
		<b>Prep Use</b>	
		Line 14	Ask Mentor to perform Quality Review. Mentor enters initials when finished