

PP14-03 – Pub 4012 Notes TY2014

Note: Apply updates from IRS Pub 4491-X before making these changes!
 (Note: Cancellation of Debt – foreclosure / home mortgage is out-of-scope for AARP Foundation Tax-Aide, so the two applicable updates (pp 9 & 10) from Pub 4491-X can be ignored.)

Page	Title/Area	What to Fix
A-1	Chart A – For Most People Who Must File	Add note at bottom: “The IRS has a policy that says that \$0(\$1) AGI returns should NOT be filed – even as a measure of protection against Identity Theft. You may instead use Form 9452 – Filing Assistance Program to document that a taxpayer has No Need To File a Federal return. Be sure to review instructions on page 2 of 9452 to assure eligibility.
A-3	Chart C – Other Situations When You Must File	Add #7. “You receive a 1099-B, have a capital gain and the gross proceeds plus other income exceed the filing limits in Chart A”.
C-3	Overview of Rules for Claiming an Exemption for a Dependent	Replace the second bullet at the top of the page with: <ul style="list-style-type: none"> • You cannot claim a married person who files a joint return as a dependent unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid.
C-11	Main Information Screen – Continued	In screenshot, under Taxpayer Information, change “Date of death” from “Only if in 2013 or 2014” to “2014 or 2015” ; and in 5 th side-note – Redirect arrow to both “Date of death...” line and “This tax return is being filed by” line.
		In Filing Status screenshot, Line 3 “Married Filing Separately”, change two “lived together” dates to 2014 (rather than 2013)
		In Filing Status screenshot, Line 5 “Qualifying widow(er) with dependent child”: Change Year spouse died to “2012 and 2013” (rather than 2011 and 2012).
C-13	Main Information Screen – Continued	Add notes at bottom of page: <ul style="list-style-type: none"> - “Data can be entered in any sequence (See Best Practices for exceptions)” - “Linking: <ul style="list-style-type: none"> - Scratch Pad <u>must</u> be added by linking - 1099-MISC should be added by linking from the box where the value should flow (depending on which box on 1099-MISC contains value). Always link for 1099-MISC rather than using “Add Form” to be sure you have selected the correct parent form. - Other linked forms may be added from the forms tree or “Add Form” tab.”
C-16	Taxpayer Identification No’s & Determining the Taxpayers Last Name	At end of last sentence under “Name Controls for Individual Tax Returns”: add “except for hyphens, which are allowed and should be included as shown on Social Security Card or ITIN card”.
D-3	Income Documents	Add note: “See also TaxPrep4Free Preparer page for where to enter information”
		Add to Note 3 at bottom of page: “Consult with your Local Coordinator before entering any K-1 data”.

PP14-03 – Pub 4012 Notes TY2014

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D-5	How/Where to Enter Income	Add side-note with arrow to Line 10: “NJ no longer sends out paper 1099-G forms for refunds – use the NJ Div. of Tax online 1099-G lookup tool (link available on TaxPrep4Free Preparer page).”
		Add additional side-note with arrow to Line 10: “If TP has state income tax refund and you do NOT have information from last year’s return, then just enter amount of refund directly in box 10”
		Line 12: Change side-note to read ‘Sch C’ (delete “Sch C-EZ”). Make same change in Note # 2 below.
		Line 17: Add side-note “Use Schedule E only for oil and gas lease royalties from a K-1 or oil and gas rent/leases from a 1099 MISC or from cash”
		Add after Footnote 1: “If Sales Tax deducted on Sch A in 2013, state refund is not taxable income in 2014.”
		Add note at bottom of page: “Line 21 – Link to 1040 Wkt 7 and from there link to: - 1099-MISC if income is in boxes 3 or 8” - W-2G (remember: if NJ lottery winnings less than or equal to \$10,000, place X in lower left box on W-2G screen)”
D-7	Form W-2 Instructions (cont.)	Delete arrow to Box 14 after 1 st side-note and add new note with arrow to Box 14: “(See NJ Help or NJ Special Handling for NJ Special Purpose Codes)”
D-9	Interest Statement for Schedule B	Add note at top of page with arrow to “Payer” in screen shot: “Do not allow blank lines between entries on Interest Statement. Use Ctrl-R to remove a line.”
		Add comment to end of note below screen shot of Sch B Interest Received: “DO NOT USE TAXWISE K-1 FORM. Consult with Local Coordinator.”
		Add new note below screen shot of Sch B: “1099 INT with Foreign tax paid (Box 6); enter on Form 1116 (see page G-2).”
		O-OID: Add comment: “OID interest that is fully taxable, make no entry in NAEOB or NAEOB amount”
		Add note at bottom of page: “We should only be using the “E” code in the NAEOB column. If any other code is called for, discuss with Local Coordinator.”
D-10	Dividend Statement for Schedule B	Add note in top portion of screen shot with arrow to “Payer” column: “Do not allow blank lines between entries on Dividend Statement. Use Ctrl-R to remove a line.”
		Note 1 at bottom of page: “If foreign tax paid (box 6) etc, etc.” Insert: “enter only on Form 1116 (see page G-2).” after “1099-DIV”,
		Add comment at end of Note 4: DO NOT USE TAXWISE K-1 FORM. Discuss with your Local Coordinator.
D-12	Schedule C-EZ Business Income	Add note at top of page that reads: “Use Schedule C for Business Income rather than Schedule C-EZ”

PP14-03 – Pub 4012 Notes TY2014

Page	Title/Area	What to Fix
D-13	Schedule C – Business Income, Page 1	Add note above screen shot: "If a taxpayer has more than one business, a separate Schedule C must be filed for each."
		Add side-note with arrow to Part II (Expenses) that reads: "Itemize business expenses on Sch C Page 2 Part V (Other Expenses) for transfer to Sch C Page 1 Part II"
		Add another side-note with arrow to Part II (Expenses) Line 9 that reads: "Enter automobile mileage on Sch C Page 2 Part IV for calculation of standard rate" .
		Add to last note (with asterisk) at bottom of page: "and one or more 1099-MISCs can be added to each Sch C" .
D-14	Schedule C – Business Income, Page 2	Line 44: Change standard mileage rate to "56c" rather than "56.5c"
D15	Schedule D – Capital Gain and Loss Transactions Worksheet	Add Note at top that reads: "Never enter directly to Sch D. Always use Cap Gains Wkt – except for: <ul style="list-style-type: none"> - carry-over losses which are entered directly on Lines 6 and/or 14, and - K-1 capital gains which are entered directly on Lines 5 and/or 12 on Sch D"
		Note 2, Add to end of third sentence: "(This basis must be in the form of a letter or document from the estate of the decedent or on form 8939)"
D-19	1099-R Pension and Annuity Income	In 4 th side-note in the right margin that reads: "Check if Code 3 is in Box 7 - person on disability, etc.." add "and makes amount tax exempt in NJ" at the end of the 2 nd sentence
D-22	1099-R Exclusion Worksheet (lower section of 1099-R	Add side-note in top left of page with arrow to state adjustment boxes: "NJ State Adjustment Boxes: <ul style="list-style-type: none"> - Box 1 – Check for pensions or IRA withdrawals that do not qualify for NJ pension exclusion - Box 2 – Check for military pension (Defense Finance & Accounting Service) - Box 3 – Do Not use - Check Box for Railroad retirement if RRB pension."
		Add at end of note that begins "Enter the amount paid for qualified Insurance premiums..." "Any amount excluded on this line may be added to the Sales Tax worksheet line 3 for a more beneficial amount on Sch A line 5b"
D-25	Railroad Retirement, Civil Service, & Soc Sec Benefits	1: Form RRB-1099-R: Delete phrase " – if itemizing deductions" after "Sch A Detail" in instructions for RRB "Box 12 – Medicare Premium Total" - since medical insurance should always be entered on Sch A to flow to the NJ return whether itemizing or not.
		4: Form SSA-1099: Add 7 th bullet under Form SSA1099 – Soc Sec: "Use Scratch Pad for multiple medical amounts (e.g. Medicare Part B and Part D)
		Good idea to affix tab on this page for easy access. Instructions must be exactly followed to assure correct entry of Railroad Retirement (RRB) and Civil Service (CSA) pension data.
D-27	Schedule E – Rental and Royalty Income and Loss (Limited)	Add note at top of page: "Use Schedule E only for oil and gas lease royalties from a K-1 or oil and gas rent/leases from a 1099 MISC or from cash payments (See Special Topic documents)" .

PP14-03 – Pub 4012 Notes TY2014

Page	Title/Area	What to Fix
E-5	Form 1040 – Adjustments to Income	Add note in right margin with arrow to Tuition and Fees Line 34: “Link to Form 1040 Wkt 2
		Add the words: “For IRA Deductions,” above Note at bottom of page that reads: “Taxpayers age must be 70 ½ etc, etc.”
		Add note at bottom of page: “Entries can be made on Lines 23, 25, 27, 30, 31, 32, 33, 34, & 35 (Jury duty pay turned in to your employer). All other lines are OUT OF SCOPE.”
F-4	Interview Tips – Itemized Deductions – continued	Step 13 – Change “\$500” to “\$5,000” in first sentence
		Step 13 – Change Note to read: “If between \$500 and \$5,000, use Form 8283 (AARP Foundation Tax-Aide only” and add: “If more than \$5,000, refer taxpayer to professional preparer”.
F-5	Schedule A – Itemized Deductions	After note with arrow to Line 5b: “Always Link to sales tax Wkt”, add: - “Use line 8 of Sales Tax Wkt for specific purchases made during current tax year; this includes motor vehicles (new or used), boats, aircraft, homes (including mobile and prefabricated), or home building material.”
		Add note with arrow to Line 6: “If deductions were itemized in prior year, and TP received PTR rebate, or if TP received Homestead Benefit and itemized two years ago, see NJ Special Handling for how/where to enter”.
F-6	Schedule A – Itemized Deductions (con’t)	Add Note in right margin with arrow to Line 28 that reads: “Enter TOTAL gambling losses on W-2G for transfer to Sch A.
F-7	Itemized Deductions Detail Worksheet	Add following notes to bottom of page: - “Enter all allowable unreimbursed medical expenses on Sch A Detail Worksheet for transfer to NJ” - “Federal pre-tax medical costs should NOT be entered here. (See NJ Special Handling for how to enter NJ after-tax medical costs)” - “Use Scratch Pad for multiple medical amounts on SSA-1099”
F-8	Itemized Deductions Detail Worksheet (con’t)	Delete last sentence of Note at bottom and replace with “For non-cash contributions between \$500 and \$5000, link to Form 8283 and complete
G-1	Nonrefundable Credits	Add bolded Note for “Form 5695 Residential Energy Credits” that reads: “Link to Form 5695 and complete Part II. Maximum credit is limited to \$500 claimed for all taxable years. Part 1 is out of scope”. Then add: “Taxpayer should provide certification from manufacturer/installer to assure eligibility”.
G-3	Child and Dependent Care Credit Expenses	Under “Who is a qualifying person?” - Second bullet, insert “disabled” before “person”.
G-5	Form 2441 – Credit for Child and Dependent Care Expenses	Screenshot dates are incorrect – Change dates in Lines 2 and 2(a) to all read “2014”. Also change Line 8 to read 2013 and 2014 instead of 2012 and 2013.
G-8	Child Tax Credit	Highlight note at bottom of page: “You must claim the child as a dependent on your return to qualify for the Child Tax Credit”.

PP14-03 – Pub 4012 Notes TY2014

Page	Title/Area	What to Fix
H-3	Other Taxes and payments cont.	<p>Replace “Estimated Tax Penalty” section (at very bottom) with: “Volunteer preparers are not allowed to calculate federal underpayment penalties on federal Form 2210. If TW calculates that a penalty is due, then:</p> <ul style="list-style-type: none"> - If using the standard TW template, then Form 2210 will be in the tree with box 9 set to 0 via override. This will prevent Form 2210 from ever being red and no penalty will be added to the return. - If not using the standard template, then Form 2210 will show up as red in the tree when TW determines that a penalty is due. To resolve this: <ul style="list-style-type: none"> o First, enter last year’s tax in box 8. If Form 2210 is no longer red, then you’re done. o If Form 2210 is still red, then enter “1” in box 8. This will force the penalty to zero as required. <p>Even though the penalty is removed from the return, you should inform the taxpayer that they <u>may</u> receive a penalty notice from the IRS. See page K-4 for ways to avoid a balance due in the future and discuss with taxpayer.</p> <p>Note: For information on handling penalties in NJ (NJ-2210), see the NJ Special Handling document.”</p> <p>Suggest: Cut and paste this section on next page (Notes) or back of Letter “I” tab</p>
I-2	Summary of EIC Eligibility Requirements -	<p>Under Part A Rules for Everyone: In 5th box (Investment Income), add asterisk (*) to new footnote which reads: “Investment Income is taxable interest + tax-exempt interest + ordinary dividends + capital gains”</p> <p>Highlight second line under Part D that reads: “You must have earned income to qualify for this credit” and add “(See Pub 17 chapter for definitions)”</p>
I-4	EIC with a Qualifying Chile	Add footnote to step 5: “See Pub 17 for exceptions for child born or died during the tax year, etc...”
I-6	Schedule EIC	<p>In “Section A qualifying child”: Change all 2013 dates to 2014</p> <p>In note above boxes for questions 4a: Change “born after date” to 1995; and add note: “Read questions 4a and 4b very carefully before checking any boxes”</p>
I-7	Schedule EIC – Worksheet	<p>After comment “Complete only those questions in red” (at top of right margin), add: “and complete them in sequence (top to bottom and only if red)”.</p> <p>Change date on Line 7 to 2014. Also change dates in section below Line 10 to 2013.</p>
J-5	Education Credits (Continued)	After Note at bottom of page, add: “See Pub 970, examples 1 and 2, under heading “Adjustments to Qualified Educational Expenses”” .
K-2	Split Refund Options	<p>Add note above screen shot: “If refund is split between two accounts, complete Form 8888 as the very last activity to minimize danger that change in any other form would cause the split option total to disagree with the final refund amount.”</p> <p>Add note at bottom: “See instructions on Form 8888 to apply refund to the purchase of US Savings Bonds”</p>

PP14-03 – Pub 4012 Notes TY2014

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K-5	Form ACH 1040/ES	Change all dates in screen shot at top of page to 2014 and 2015 rather than 2013 and 2014. Dates as bottom of page are correct.
M-1	Amended Returns	<p>In last sentence of Item “6” which starts “In the state amendment...” change to “In the state amendment create explanation appropriate to state return changes and resolve any other red boxes.”</p> <p>On the back side of “M” Tab (across from Pg M-1), add the following information: “See federal 1040X instructions and NJ-1040X instructions for where to mail returns. If responding to a notice from IRS or NJ DoT, send returns to address in the notice.</p> <p>Otherwise addresses are:</p> <p>Federal: Department of the Treasury Internal Revenue Service Kansas City MO 64999</p> <p>New Jersey (without payment): State of New Jersey Division of Taxation Revenue Processing Center – Refunds PO Box 555 Trenton NJ 08647-0555</p> <p>New Jersey (with payment): State of New Jersey Division of Taxation Revenue Processing Center – Payments PO Box 111 Trenton NJ 08645-0111”</p>
M-3	Filing for an Extension Using TaxWise	Replace whole section with note: “File Extensions (Form 4868) using paper.”
N-3	Creating a New Return	To right of screen shot No 1 (Create New Return); add note in right margin: “When the SSN is entered for a new return, if carry forward data exists, click YES to load”.
P-2	Frequent Taxpayer Inquiries	Add new category at bottom: “Tax Booklets”: “Taxpayers no longer receive income tax packages containing forms, schedules and instructions by mail. Since most tax returns are now e-filed, the mailed tax packages have been discontinued.”

PP14-03 – Pub 4012 Notes TY2014

Page	Title/Area	What to Fix
	Back Cover – (Contact Information for Volunteers)	Under “Internal Revenue Service”, add: - IRS SPEC Newark contact: <i>Name (tel#)</i> o Note: Check with your Coordinator to find the name and tel# of the SPEC rep for your county. e.g. for Morris county, this would be: Coral Gandiaga (973-468-3276)
		Under “State Department of Revenue”, add Phone Numbers: - State Volunteer Hotline (Outreach): 609-633-6015 (or email: outreach.tax@treas.state.nj.us) – For Preparer use only – Do not give out to taxpayers. - State E-file Help Desk: 609-633-1132 - State Customer Service Center: 609-292-6400 - Homestead Benefit: 888-238-1233 - PTR: 800-882-6597
		Also add BIG note at bottom of page: “See NJ Preparer page (http://www.taxprep4free.org/Preparer/index.html) for lots of useful information for preparers” (Also add as Bookmark/Favorite in your browser)”

Change Log

01-31-2015 v1.0:

- Remove “DRAFT” watermark

01-27-2015 v0.8:

- page D-22 – Addition to end of note about Public Safety Officer insurance exclusion

01-27-2015 v0.7a:

- page A-1 – Revised to more accurately reflect IRS policy

01-26-2015 v0.7:

- page A-1 – Revised to reflect IRS policy

01-12-2015 v0.6:

- Initial release for TY2014