Step	Form / Note	TW Screen	Learning Points
0	**Intake Sheet**		
	Note 2		Fill in Page 1, shaded area, based on info in Notes 2 and 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
1a	**Intake Sheet**	**Main Info**	
	Part I	General Info	No need to put anything in % address line. Husband died in 2011
			Note that Intake Sheet lists address on Tudor Ave. All the tax documents list address on Tudor Avenue. Best Practice is to use Avenue, since it would result in less changes having to be made when entering tax documents. If there was a more substantial difference between Intake Sheet and tax documents, confirm with taxpayer that address on Intake Sheet is current address that the IRS should use for contact. Enter that address on Main Info and make changes on tax document screens as needed
	Part II	Filing Status	Use Chart on page B-1 in 4012. Hilda can file as Qualifying Widow with Dependent Child for the next 2 tax years after her husband died (2012 & 2013). Must enter year spouse died (2011) next to QW filing status
	Part II	Dependents	List dependents, starting with youngest. Last names are not needed since all are same as taxpayer's Deloris – Daughter, Code 1 "Child Who Lives with You," EIC, CTC all checked Edna – Daughter, Code 1 "Child Who Lives with You," EIC checked. TW will not automatically check CTC since Edna is too old to qualify Ronald – Son, Code 1 "Child Who Lives with You," EIC checked (Ronald might qualify for EIC since he is < 24 and a full-time student). TW will not automatically check CTC since Ronald is too old to qualify.
	Part VI	Presidential Election Campaign Fund	Should not be checked
1b	**Intake Sheet**	**NJ 1040 Pg 1**	
	Note 13	Municipality Code	Enter Municipality Code for Livingston (0710). Can obtain from NJ 1040 instruction booklet or through Municipality Code Look-up tool in left column on TaxPrep4Free.org Preparer page
1c	**Intake Sheet**	**NJ 1040 Pg 2**	
	Note 10	Gubernatorial Election Campaign Fund	Check NO

Step	Form / Note	TW Screen	Learning Points
	Note 7	Line 11 Dependents attending colleges	Since Ronald is 23, no additional NJ exemption can be claimed for Dependents Attending College (must be under 22)
	Note 12	Line 13	Ronald does not have health insurance. Link to NJ Dependents Worksheet from any field in Dependents section to indicate this. NJ will use this info to determine if Ronald might be eligible for any NJ health plans
	Note 12	**NJ Dependents Wkt**	**Dependent with No Health Insurance**
		Ronald's line	Check box that says "Check if dep does not have health insurance." TW will check corresponding box on NJ 1040 Pg 2
1d	**Intake Sheet**	**Prep Use**	
	Part VI	Line 11	Answer NONE to language question
		Line 12	Answer NO to disabled question
		Line 13	Your initials
		Line 14	Do NOT fill in now – filled in by QR person
2	**W-2**	**W2**	**Hawthorn General Hospital**
		"Check if this is the taxpayer's address shown on the W-2G" line	Check this box since address is correct
		Employer's name & address fields	Enter Employer's 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 $1,657 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
		Box 14	Notice that codes used on printed W-2 are not the same as the special codes pre-populated on W2 screen, and they are not in the same order. You must use the special TW codes: NJSUI for UI; NJSDI for DI; NJFLI for FLI. Only if you use the special codes will TW transfer these NJ taxes to Sch A Line 5a for State and Local Taxes. Also you must match the correct amount to the associated code. If you do not match to Sch A amount in Refund Monitor hint, check that special codes are correct and that right amounts were entered next to correct code
		Box 16	NJ wages do not match federal wages, so check box on top of W-2 screen to take calculations off box 16 and enter amount shown on W-2 paper form. Although 401K money is pre-tax for both federal and NJ, Hilda's dental insurance is pre-tax for federal, but after-tax for NJ. This will be handled later once the NJ return is complete. Must ask taxpayer about difference in Federal and NJ wages to determine that difference is due to dental insurance. Can usually obtain amount from end-of-year pay stub

Step	Form / Note	TW Screen	Learning Points
3	1099-INT	Interest Stmt	**A. Bean Bank & Trust**
		Line 1 - Payer Column - Box 1 or 3 Amount Column - NAEOB & State Adjust Columns	Cannot type period in name (A. Bean). TW will highlight entire name in red if you do Enter taxable interest Interest is taxable for both Federal & NJ so no NAEOB or state adjustment entry is necessary
4	W-2G	W2G	**Hesser Casino**
			Link to 1040 Wkt7 "Line 21: Other Income Worksheet" screen from 1040 Line 21. Link again to W2G 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
		"Check if this is the taxpayer's address shown on the W-2G" line	Check this box since address is correct
		Payer's name & address lines	Enter Payer Federal ID #. TW will populate name & address if in database. Always check to make sure it matches printed W-2G; address can frequently change
		Box 1	Federal taxes gross gambling winnings. NJ taxes net gambling amount (winnings minus losses, up to amount of winnings)
	Note 6	Line at bottom of W2G screen	Enter $2,000 gambling losses. Even though the losses exceed the winnings, put in total loses. TWO will limit the losses amount to the winnings amount.
		"See F-1 help" box on lower left of W2G screen	Since this is not lottery winnings and is, therefore, taxable for NJ, there is no need to check "See F-1 help" box
		Sch A	**Hesser Casino**
		Line 28	TW will transfer $1,500 of 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 on the Federal return if he claims itemized deductions instead of the standard deduction
		1040 Wkt7	**Hesser Casino**
		Line 1	TW transfers gross gambling winnings from W2G
		1040 Pg 1	**Hesser Casino**
		Line 21	TW transfers gross gambling winnings from 1040 Wkt7. Since the gambling winnings are the first populated item on 1040 Wkt7, TW will use "GAMBLING WINNINGS" as the Type on Line 21
		NJ 1040 Pg 2	**Hesser Casino**
		Line 23	TW nets the losses against the winnings for NJ 1040. Therefore, NJ Net Gambling Winnings are 0

Step	Form / Note	TW Screen	Learning Points
		NJ 1040 Pg 3	**Hesser Casino**
		Line 38 Line 51a Line 66	Since NJ Net Gambling Winnings are 0, NJ Taxable Income does not change. However, the NJ refund decreases due to a decrease in the Earned Income Tax Credit (EITC). NJ's EITC is calculated based on 20% of the Federal EIC. The Federal EIC decreased because Moore's Federal income increased by the amount of the gross gambling winnings. The Federal EIC went from $1,424 to $1,108; NJ's EITC went from $285 to $222
5	1098-T		**Education Credits**
			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
6	1099-G	**1099G**	**New Jersey Department of Labor**
		Line 1	Unemployment benefits received = $1,754
		Line 5	Federal tax withheld = $98
		1040 Pg 1	**New Jersey Department of Labor**
		Line 19	TW transfers the unemployment amount from the 1099G screen
		NJ 1040 Pg 2	**New Jersey Department of Labor**
		Lines 38 Line 51a Line 66	Unemployment is not taxable for NJ, so NJ Taxable Income does not change. NJ refund does change, due to a decrease in EITC from $222 to $148. Federal EIC decreased because Federal income increased by amount of Unemployment. Therefore, NJ's EITC, based on 20% of Federal EIC, also went down
7a	1099-R	**1099R**	**Office of Personnel Management**
			See Pub 4012, Page D-22 for info on CSA-Form 1099-R
		"Check if this is the taxpayer's address shown on the 1099-R" line	Check this box since address is correct
		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
		Boxes 1, 2a & 9b	Taxable Amount in Box 2a is less than Gross Distribution in Box 1 due to Employee Contributions (Box 9b). Contributions are allocated over the expected life of the pension, and a portion of the contributions is excluded from taxable income each year. The Office of Personnel Management has already calculated the taxable amount in Box 2a, so the Simplified Method Worksheet does not have to be completed
		Box 5	Amount in Box 5 of CSA-1099-R is for health insurance premiums paid by the annuitant. This amount must be manually entered on the A Detail screen. Although TP is not itemizing, all medical amounts should be entered on A Detail anyway because NJ uses a lower 2% threshold; if the threshold is met, the proper amount will show up on NJ 1040 Line 30
		Box 7	Code 4 indicates that this distribution is for death benefits from her late husband's joint/survivor annuity

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Step	Form / Note	TW Screen	Learning Points
7b	**1099-R**	**A Detail**	**Health Insurance Premiums**
		Insurance Premiums Paid	Enter $1150 from Box 5 of the 1099-R
		NJ 1040 Pg 2	**Office of Personnel Management**
		Line 30	TW transfers the health insurance premiums from Sch A to the NJ 1040. It then calculates the amount of medical expenses that are greater than 2% of NJ Gross Income on Line 28 (Gross Income of $53,484 x .02 = $1,070. Medical expenses of $1,150 - 1,070 = $80) TW populates the amount over 2% as NJ Medical Expenses ($80) TW will automatically re-calculate the 2% of NJ Gross Income and Medical Expenses amounts as new entries are added to the return
		Line 19 Line 27	NJ 1040 Line 19 Pensions, Annuities & IRA Withdrawals increased for this distribution. Hilda is not eligible for a Pension Exclusion on Line 27 because she is only 51 and not disabled (must be 62 or older or disabled)
7c	**1099-R**	**NJ 1040 Pg 2**	**Office of Personnel Management**
		Line 19b Scratch Pad - Description Line - Line 1 - Line 2	Link to a scratch pad to document the excludable portion of this distribution Enter "NJ1040 LINE 19B EXCLUDABLE PENSION" Enter "OPM GROSS DISTRIBUTION (BOX 1) = $17,585 Enter "OPM TAXABLE AMOUNT (BOX 2A) = $-16,570 TW calculates excludable amount of $1,015
8a	**1099-R**	**1099R**	**Northern Financial Services**
		Forms Tree	Add another copy of 1099R screen in TW by clicking on + next to 1099R 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 7	Ensure that IRA is checked so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions Ensure that Code 1 is entered. This indicates that it is an early distribution from an IRA (prior to age 59 1/2) and that the payer does not know about any exception from the 10% penalty that may apply) NOTE: The back of the 1099-R lists all Box 7 codes. Pub 4012 Page D-18 lists 1099-R codes & whether they are in or out of scope
	Note 8	"Check to force Form 5329" Box	Based on Hilda's input, the money from the IRA was used for Ronald's education, which is an allowable exception to avoid the 10% penalty for an early distribution. Form 5329 TP 1 should automatically be added to the forms tree when code 1 is entered. If it isn't, check box under Box 7 to force Form 5329 into forms tree. DO NOT add 5329 by using Forms List or Add icons
8b	**Note 8**	**5329 TP 1**	**Northern Financial Services**
		Line 2	Consult Pub 4012 Page H-2 to determine proper exception code to use for education expenses. Enter 08 on Line 2. To exempt the whole distribution from the penalty, also enter $5,000
		Line 4	TW will show an additional tax on 0

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Step	Form / Note	TW Screen	Learning Points
		1040 Pg 2	**Northern Financial Services**
		Line 58	Since there is no additional tax for this early distribution, TW will transfer 0 to the 1040
8c	**1099-R**	**NJ IRA Wkt**	**Northern Financial Services**
		Forms Tree	TW generates a NJ IRA Worksheet in the 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
		Part I	TW shows that this return has one IRA distribution at this point. Enter 1 as the copy number of the IRA you want to use this worksheet for.
	Note 9	Line 1	Enter $45,000 as value of IRA on 12/31/2013
		Line 2	TW transfers $5,000 distribution from 1099-R
		Line 3	TW calculates the total value of the IRA by adding the value on 12/31 + amount withdrawn during the year
		Line 4a	Since this is Hilda's first withdrawal from this IRA, enter $20,000 as the total of IRA contributions that were previously taxes on Line 4a. Line 4b would be used in subsequent years of withdrawals. Taxpayers rarely have records to prove how much of their contributions were previously taxed. Therefore, this worksheet can rarely be completed, and the whole IRA distribution will be taxable. If no info available, just "get the red out." (Ctrl-space or F3 or Toggle Estimated)
		Line 7	TW calculates the taxable portion of this year's withdrawal ($3,000)
		Line 8	TW calculates the excludable portion of this year's withdrawal ($2,000)
		NJ 1040 Pg 2	**Northern Financial Services**
		Line 19a	TW adds the $3,000 taxable portion of the IRA withdrawal to the taxable portion of the Office of Personnel Management pension already on Line 19a ($3,000 + 16,570 = $19,570)
		Line 19b	TW adds the $2,000 excludable portion of the IRS withdrawal to the excludable portion of the Office of Personnel Management pension already on Line 19b ($2,000 + 1,015 = $3.015). No manual entry on scratch pad is necessary for an IRA if IRA Wkt is completed
9	**Note 4**	**1040 Wkt2**	**Student Loan Interest**
			Link to 1040 Wkt2 Student Loan Interest section from 1040 Line 33 or use Add icon above forms tree to add 1040 Wkt2 directly to tree
		Student Loan Interest section, Line 1, Taxpayer Column	Enter $386
		Line 2	The student loan interest deduction is usually the amount of interest paid, up to $2,500. However, it can be limited based on Modified Adjusted Gross Income (MAGI). The interest deduction phases out when MAGI exceeds $60,000 ($125,000 MFJ) and is 0 when MAGI exceeds $75,000 ($155,000 MFJ). Since Hilda's MAGI is $61,078, TW calculates that the deduction is limited to $358

Step	Form / Note	TW Screen	Learning Points
		1040 Pg 1	**Student Loan Interest**
		Line 33	TW transfers the limited Student Loan Interest Deduction from 1040 Wkt2
10	Note 5	**Interest Stmt**	**MFPLS Brokerage Statement**
		Line 2 - NAEOB column	Enter tax-exempt interest in NAEOB column with an E code. No state adjustment necessary since interest is also tax-exempt for NJ
11	Note 11	**1040 Pg 1**	**Still Red in Forms Tree**
		Box above Line 10	Answer question NO since Moore did not itemize last year
12		**Diagnostics**	
			When you run Diagnostics before doing the education credits comparison, an error appears, "On Sch EIC, the 3rd child (Ronald) does not appear to be a qualifying child for this credit....." Click on the error message to go to Sch EIC, Line 4
		Sch EIC	**Earned Income Credit**
		Lines 4a	Answer questions in sequence & only questions underlined in red. Be sure to follow directions above Line 4a & follow GO TO directions carefully. Therefore, on Sch EIC, answer question 4a Yes for Ronald since he is under age 24
			TW determines that all 3 children can be qualifying persons for EIC. It then checks to see if Hilda meets the earned income and AGI limitations
		1040 Pg 1	**Earned Income and AGI**
		Line 22	Pub 4012 Page 1-2 shows earned income and AGI limits of $46,227 for 3 qualifying children. Hilda's earned income is $35,965. She meets this criteria
		Line 37	Hilda's AGI is $60,720, which exceeds EIC limits
		1040 Pg 2	**Earned Income Credit**
		Line 64a	Since Hilda's AGI is too high, EIC line shows 0
13		**Diagnostics**	
			Run Diagnostics again to ensure that there are no errors before working on NJ return
14	Note 14	**NJ 1040 Pg 3**	**Use Tax**
		Line 45	Enter 0 since Hilda did not make any out-of-state purchases. Must still "get the red out" (Ctrl-space or F3 or Toggle Estimated)
15	Note 13	**NJ 1040 Pg 3**	**NJ Property Tax Credit/Deduction for Rent Paid**
		Worksheet F, Line 1 Scratch Pad	Since Hilda meets the eligibility requirements to claim the NJ property tax deduction/credit, complete Worksheet F. On Line 1, link to a scratch pad to document the amount of rent Hilda paid for the year ($800 per month x 12 = $9,600). TW will calculate the 18% of rent that can be claimed as property tax ($1,728)
		Worksheet F, under Line 7	TW will complete the rest of Worksheet F and determine that it is better for Hilda to claim the $50 Property Tax Credit on Line 49 rather than the Property Tax Deduction on Line 37c
		Line 49	TW transfers the $50 Property Tax Credit from Worksheet F

Step	Form / Note	TW Screen	Learning Points
		Line 37b	Since Hilda rents, do not check box that says "Check here if on October 1, 2013 you were a New Jersey homeowner"
16		**Diagnostics**	
			Run Diagnostics again to ensure that there are no errors before working on education alterntaives
17a	1098-T Note 7		**Education Expenses**
			To determine the amount of qualified education expenses, you must subtract amount of scholarship/grant ($10,000) from tuition and fees expenses ($16,900)
			"Qualified education expenses paid by a dependent for which an exemption is claimed, or by a third party for that dependent, are considered paid by the taxpayer." (Pub 4012 Page J-4) Therefore, Hilda can claim education credit even though Ronald's grandmother made the payments for his tuition & fees directly to the university
		1040 Wkt2	**Education Expenses Claimed as Tuition & Fees Deduction**
		Tuition & Fees as an AGI Deduction section	Link from 1040 Line 34 to 1040 Wkt 2
		Line for Ronald	Enter qualified expenses of $6,900 next to Ronald's name
			TW automatically limits total qualified expenses to $4,000, maximum amount allowed.
		1040 Pg 1	**Education Expenses Claimed as Tuition & Fees Deduction**
		Line 34	TW transfers total qualified expenses from 1040 Wkt2. Note combined refund ($4,430) = Federal refund ($4,384) plus NJ refund ($46). Delete this info before doing another comparison
17b	1098-T Note 7	**8863**	**Education Expenses Claimed as Lifetime Learning Credits (LLC)**
			Link to Form 8863 Pg 2 from 1040 Line 49. TW will automatically add one Form 8863 Pg 1 to the forms tree also
		Line 20	Enter Ronald's name
		Line 21	Enter Social Security #
		Line 22a	Enter University of Columbus
		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

Step	Form / Note	TW Screen	Learning Points
		Line 31	Enter $6,900 as qualified expenses
		8863 Pg 1	**Education Expenses Claimed as Lifetime Learning Credits**
		Line 19	LLC is usually 20% of qualified expenses ($1,380). However, the credit is phased out for AGI between $53,000 and $63,000 ($107,000 - 127,000 MFJ). (Refer to chart on Page J-3 of Pub 4012). Hilda's AGI is $60,720. Therefore, TW calculates that her Nonrefundable Education Credit is only $315 in Part II.
		1040 Pg 2	**Education Expenses Claimed as Lifetime Learning Credits**
		Line 49	TW transfers Nonrefundable Lifetime Learning Credit from 8863 Pg 1. Note Combined refund ($4,145) = Federal refund ($4,099) plus NJ refund ($46)
			Compare Federal refund & NJ refund by using LLC with results obtained by claiming Tuition & Fees deduction. Federal refund decreased by $285. NJ balance due stayed the same since education expenses do not directly affect NJ return. Therefore, Tuition and Fees deduction is better than Lifetime Learning Credit in this case. Delete expenses on 8863 Line 31 before doing comparison for American Opportunity Credit (AOC). Entries on Lines 20-26 can remain since they are necessary for AOC
17c	1098-T Note 7	**8863 Pg 2**	**Education Expenses Claimed as American Opportunity Credit (AOC)**
		Lines 20 - 26	All lines remain the same as above until you reach expense lines
		Line 27	Directions say to enter maximum of $4,000 (TW performs calculation correctly even if you enter the full $6,900, but an error will be generated if you run diagnostics and the amount is over $4,000)
		8863 Pg 1	**Education Expenses Claimed as as American Opportunity Credit**
		Line 8	TW calculates a Refundable Education Credit of $1,000 in Part I
		Line 19	TW calculates a Nonrefundable Education Credits of $1,500 in Part II
			Note Combined refund ($6,330) = Federal refund ($6,284) plus NJ refund ($46). This is the most beneficial option to claim the education expenses, so leave these entries in return
		Line 27 Scratch Pad	Delete $6,900 entered directly on line 27, then link to scratch pad to document calculation for amount of Qualified Expenses (Payments $16,900, minus Scholarship $-10,000, minus adjustment for $4,000 maximum $-2,900) = $4,000
		1040 Pg2	**Education Expenses Claimed as as American Opportunity Credit**
		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
18		**Diagnostics**	
			Run Diagnostics and correct errors as needed. When all errors are corrected, ready to enter NJ after-tax medical expenses

Step	Form / Note	TW Screen	Learning Points
19	Note 16	**NJ 1040 Pg 2**	**NJ After-Tax Medical Expenses**
		Line 30 Scratch Pad	See NJ Special Handling document on TaxPrep4Free.org for detailed instructions. In this case there is already an amount on Line 30 ($20) because the medical amount on the A Detail screen is over the 2% threshold for NJ. Therefore, just enter the amount of NJ after-tax dental insurance through Hawthorn General on scratch pad off line 30 ($55 per month x 12 = $660). (Remember, this cannot be added on A Detail screen because it is pre-tax Federal) The scratch pad amount will be added to the existing amount (total=$680)
20	Note 15	**NJ DD Wkt**	**Direct Deposit of NJ Refund**
		Direct Deposit section	Since Hilda indicated on Intake Sheet that she does not want direct deposit for Federal and Interview Notes says she wants to do the same for NJ, click on line that says "Check here to have a refund check mailed to you"
21		**Diagnostics**	
			Run Diagnostics and correct errors as needed
22		**Create e-File**	
			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"
23		**Prep Use**	**Quality Review**
		Line 14	Ask Mentor to perform Quality Review. Mentor enters initials when finished