

PRO-P2 Baylor Learning Guide

Step	Form / Note	TW Screen	Learning Points
<b>0</b>	<b>Intake Sheet</b>		
	SS Card		On Intake/Interview Sheet, change last name of granddaughter to Chambers, which is name on Social Security card
	Note 2		Fill in Page 1, shaded area, based on info in Note 2: - Question 1 – NO - Question 2 – NO - Question 3 – YES - Question 4 – YES - Question 5 – YES Based on these answers & Pub 4012 (Page C-5), Madison can be claimed as a qualifying child for dependency
<b>1a</b>	<b>Intake Sheet</b>	<b>Main Info</b>	
	Part I	General Info	Since Pat Harper died in 2013, the name of the person filing the return needs to be entered on Name Line 2. Enter "% Ben Baylor" (% followed by space, followed by Ben's name). Enter date of death under Taxpayer Information section. TW will check the appropriate box for who is filing the return, based on the filing status and date of death entered. TW will populate "DECEASED PAT HARPER 06/21/2013" on top of printed 1040 form (will not appear on TW 1040 screen) NOTE: Refer to Pub 4012 Page K-8 or TW context sensitive help on this topic NOTE: In situations with a deceased spouse, combined name length of both spouses cannot exceed 30 characters, or TW will generate an e-file error code. Truncate as necessary NOTE: When a return is being filed by a surviving spouse, only one PIN will be requested
			Don't forget to enter cell phone number and email
	Part II	Filing Status	Use Chart on page B-1 in Pub 4012. Since Pat died in the current tax year, Ben can still file as MFJ for 2013. If nothing changes, he can then file as Qualifying Widower with Dependent Child for the next 2 tax years (2014 and 2015)
	Part II	Dependents	List granddaughter: Madison Chambers (need last name since not the same as taxpayer's) – Grandchild, 9 Months in Home, Code 1 "Child Who Lives with You," EIC checked, CTC not checked. Code is 1 even though Madison is grandchild because she is considered a Qualifying Child for dependency. TW will not automatically check CTC box because Madison is not eligible for Child Tax Credit (she is 17; CTC requires under 17)
	Part VI	Presidential Election Campaign Fund	Should not be checked

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<b>1b</b>	<b>Intake Sheet</b>	<b>NJ 1040 Pg 1</b>	
	Address	Municipality Code	Enter Municipality Code for Absecon (0101). Can obtain from NJ 1040 instruction booklet or through Municipality Code Look-up tool in left column on TaxPrep4Free.org Preparer page
<b>1c</b>	<b>Intake Sheet</b>	<b>NJ 1040 Pg 2</b>	
	Note 1	Gubernatorial Election Campaign Fund	Check NO for both taxpayer and spouse
	<b>Note 11</b>	<b>NJ Dependents Wkt</b>	<b>Dependent with No Health Insurance</b>
		Madison's line	Do not check box that says "Check if dep does not have health insurance" since Madison is covered
<b>1d</b>	<b>Intake Sheet</b>	<b>Prep Use</b>	
	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
<b>2</b>	<b>1099-DIV</b>	<b>Dividend Stmt</b>	<b>The Lone Star Fund</b>
		Line 1 - Ordinary Dividends Column - Qualified Dividends Column - Capital Gain Column	Enter \$1,565 as ordinary dividends  Enter \$875 as qualified dividends  Enter \$737 as capital gain distribution
		<b>Sch D</b>	<b>The Lone Star Fund</b>
		Line 13	TW transfers capital gain distribution from Dividend Stmt
		<b>NJ Sch B</b>	<b>The Lone Star Fund</b>
		Line 2	TW transfers capital gain distribution from Dividend Stmt
		<b>NJ 1040 Pg 2</b>	<b>The Lone Star Fund</b>
		Line 18	TW transfers capital gain distributions from NJ Sch B
<b>3</b>	<b>1099-R</b>	<b>1099R</b>	<b>Defense Finance &amp; Accounting SVC</b>
		Payer's name & address fields	Enter Payer 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 2a	Taxable amount is given, so Simplified Method Worksheet is not needed
		Box 2 on bottom left of 1099-R screen	This is a military pension & is not taxable in NJ. Checking Box 2 will tell TW to exclude the pension from NJ income. If you forget which box to check, use NJ Special Handling document Page 2 in right column of TaxPrep4Free Preparer page

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Step	Form / Note	TW Screen	Learning Points
		<b>NJ 1040 Pg 2</b>	<b>Defense Finance &amp; Accounting SVC</b>
		Line 19b	There is no need to enter an excludable amount for a military pension or any other pension that is totally nontaxable for NJ
<b>4a</b>	<b>1099-R</b>	<b>1099R</b>	<b>Harris Trust</b>
		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 2a	Taxable amount is given, so Simplified Method Worksheet is not needed
		<b>1040 Pg 2</b> <b>1040 Pg 3</b>	<b>Harris Trust</b>
		Line 19a Line 27a  Line 27b  Line 38	TW transfers the taxable pension income from 1099R (\$13,223) The Baylors are eligible for a pension exclusion to exclude up to \$20,000 of their taxable pension from NJ income (eligibility requirements are age 62+, total income on Line 26 \$100K or less) However, the pension exclusion on Line 27a cannot exceed the taxable pension amount on Line 19a so Line 27a can only be \$13,223 Since the Baylors did not have enough taxable pension income to claim the full pension exclusion for which they are eligible, they can claim the remaining \$6,777 as an Other Retirement Income Exclusion. Eligibility requirements are the same as for pension exclusion, plus wages and business income must be less than \$3,000 Pension exclusion totally offsets the taxable pension income, so still no NJ taxable income
<b>4b</b>	<b>1099-R</b>	<b>1040 Pg 2</b>	<b>Harris Trust</b>
		Line 19b Scratch Pad	Link to a scratch pad from Line 19b to enter the excludable amount of the pension Enter: - Description - NJ 1040 LINE 19B EXCLUDABLE PENSION - Line 1 – GROSS PENSION (HARRIS BOX 1) = \$13,999 - Line 2 – MINUS TAXABLE PENSION (HARRIS BOX 2A) = \$-13,223 TW will calculate the excludable amount of the pension as \$776
<b>5</b>	<b>SSA-1099</b>	<b>1040 Wkt1 Scratch Pad</b>	<b>Social Security</b>
		Taxpayer Column	Link from 1040 Line 20a or open from the forms 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 Enter: - Description - MEDICARE PREMIUMS - Line 1 - MEDICARE PART B = \$1,335 - Line 2 - MEDICARE PART D = \$426

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Step	Form / Note	TW Screen	Learning Points
		- Federal Tax Withheld Line	Enter \$300 for Federal Tax Withheld
		<b>Sch 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>Social Security and Medicare Premiums</b>
		Line 28	Social Security income is not taxable for NJ, so no change in NJ Gross Income
		Line 30	Medical expenses over 2% of NJ Gross Income on Line 28 can be claimed as a deduction on Line 30. Since NJ Gross Income is 0, all of Ben's Medicare premiums are deductible as NJ medical expenses (\$1,761)
<b>6</b>	<b>SSA-1099</b>	<b>1040 Wkt1 Scratch Pad</b>	<b>Social Security</b>
		Spouse Column	Link from 1040 Line 20a or open from the forms 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	Since Pat only paid one type of Medicare premiums (Part B), there is no need for a scratch pad. Just enter premiums directly on 1040 Wkt1
		- Federal Tax Withheld Line	Enter \$300 for Federal Tax Withheld
		<b>Sch 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>Social Security and Medicare Premiums</b>
		Line 28	Social Security income is not taxable for NJ so no change in NJ Gross Income
		Line 30	Medical expenses over 2% of NJ Gross Income on Line 28 can be claimed as a deduction on Line 30. Since NJ Gross Income is 0, Pat's Medicare premiums (\$1,269) are added to Ben's premiums already claimed as NJ medical expenses (\$1,761) for a deduction of \$3,030
<b>7</b>	<b>W-2G</b>	<b>W2G</b>	<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 and 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)
	<b>Note 5</b>	Line at bottom of W2G screen	You can claim gambling losses, up to the amount of winnings (\$1,200). However, if you enter the total of the losses instead (\$2,550), TW knows enough to only claim the losses up to the winnings amount

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Step	Form / Note	TW Screen	Learning Points
		"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
		<b>Sch A</b>	<b>New Jersey Lottery</b>
		Line 28	TW transfers 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
		<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 populated 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
<b>8</b>	<b>Note 3 Note 4</b>	<b>1040 Pg 1</b>	<b>NJ Income Tax Refund</b>
		Box above Line 10	Answer question NO. Baylors did itemize last year. However, they claimed the state sales tax deduction on Sch A Line 5b, since it was higher than the state income tax deduction on Line 5a
<b>9</b>	<b>Note 5</b>	<b>A Detail</b>	<b>Medical Expenses</b>
		Medical Expenses section	Enter medical expenses on A Detail, not on Sch A directly
		Medical Miles	Enter 1,116 Medical Miles (93 miles per month x 12). Mileage can be split between taxpayer and spouse as appropriate. TW will calculate deduction at \$.24 per mile (\$268)
		Other Medical Expenses	Enter Doctors (\$4,723) Enter Hospital (\$5,168) Enter Prescription Drugs (\$1,756) Enter Prescription Eyeglasses (\$210)
		Medicare from 1040 Wkt	\$3,030 for Medicare Parts B & D was already transferred from SSA-1099 info entered on 1040 Wkt1
		Total	TW totals medical expenses (\$15,155)
		<b>Sch A</b>	<b>Medical and Dental Expenses</b>
		Line 1	TW transfers total medical expenses from A Detail (\$15,155)
		Line 2	TW transfers AGI from 1040 Line 38 (\$52,303)

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		Line 3	TW calculates the amount of medical expenses that is greater than 7.5% of AGI, since Ben is age 65 or older ( $\$52,303 \times 0.075 = \$3,923$ ). If both spouses were under 65, they could only claim medical expenses greater than 10% of AGI
		Line 4	TW calculates an allowable medical expense deduction of \$11,232 ( $\$15,155 - 3,923 = \$11,232$ ). If AGI changes due to later entries, TW re-calculates the medical deduction automatically
	<b>Note 5</b>	<b>A Detail</b>	<b>Contributions to Charity</b>
		Contributions to Charity section	Enter charitable contributions on A Detail, not on Sch A directly
		Cash Contributions, 50% Limit Organizations section	Enter: - Church \$850 - PBS \$201 TW calculates total of \$1,051 NOTE: Church raffle ticket is not deductible as a charitable contribution. Since it was a gambling loss, it could be included on Sch A Line 28. However, gambling losses already exceed gambling winnings, so no need to enter raffle ticket into TW at all
		Other than Cash Contributions, 50% Limit Organizations section	Enter Salvation Army \$350
		<b>Sch A</b>	<b>Gifts to Charity</b>
		Line 16	TW transfers total of cash or check contributions from A Detail (\$1,051)
		Line 17	TW transfers total of other than cash contributions from A Detail (\$350)
		Line 19	TW calculates total gifts to charity (\$1,401)
	<b>Note 5</b>	<b>Sch A</b>	<b>Funeral Expenses</b>
			Funeral expenses cannot be claimed as a Sch A deduction
<b>10</b>	<b>Note 6</b>	<b>Sales Tax</b>	<b>Sales Tax on Purchase of Car</b>
		Line 2	TW calculates the amount of sales tax that can be claimed from the applicable NJ sales tax table, based on income and number of exemptions (\$820)
		Line 8	In addition to the sales tax amount from the tables, you can also claim sales tax paid on specific big-ticket items such as cars, aircraft, boats, homes, and home building material. Enter \$1,400
		Line 11	TW calculates the total sales tax deduction that can be claimed ( $\$820 + 1,400 = \$2,200$ )
		<b>Sch A</b>	<b>Sales Tax on Purchase of Car</b>
		Line 5b	TW transfers total sales tax deduction from Sales Tax worksheet. Taxpayer can claim state income taxes amount on Line 5a (\$0) or general sales tax amount on Line 5b (\$2,200), whichever is higher. Baylors will claim sales tax

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Step	Form / Note	TW Screen	Learning Points
11a	Note 7 Note 8	Sch A	Property Taxes
		Line 6 Box 3 "Real Estate Taxes on your Principal Residence, not listed above"	Enter real estate taxes on main home (\$3,498)
		Line 6 Box 4 "Other Real Estate Taxes You Paid, not listed elsewhere in this tax return" Scratch Pad	Enter real estate taxes on empty lot on a scratch pad Enter: Description - SCH A LINE 6 BOX 4 - REAL ESTATE TAXES LINE 1 - PROPERTY TAX ON EMPTY LOT = \$623
		Line 6 Box 4 "Other Real Estate Taxes You Paid, not listed elsewhere in this tax return"	Use NJ Property Tax Recoveries Flowchart from NJ Special Handling document Page 8 to determine where to report PTR recovery. Since Baylors itemized last year & are itemizing again this year, they can report the PTR check received by netting it against current year real estate taxes deduction Enter the PTR amount as a negative on the same scratch pad where you entered real estate taxes on empty lot. On Line 2, enter MINUS PTR RECOVERY = \$-172 Ensure that Sch A Line 6 total is still > 0 & that itemized deductions are still > standard deduction (TW shows itemizing is better than standard deduction by putting a green check next to Sch A in forms tree)
		Line 10 "Home mortgage interest and points from Form 1098, not listed above"	Enter 2164 as the mortgage interest that the Sterlings paid
11b	Note 7 Note 8	NJ 1040 Pg 3	Property Taxes



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		Worksheet F Line 1	The Baylors' gross income (NJ 1040 Line 28) is under the filing threshold. However, since they were homeowners on 10/1/2013, they can still claim a \$50 property tax credit on their income tax return. Enter property taxes paid on Worksheet F. TW shows the amount of real estate taxes claimed on the Federal return (Sch A Line 6 Box 3 only, since NJ only allows you to claim taxes on main home). However, since Baylors are PTR recipients, you must enter their base year amount instead on Line 1 (\$3,303). Because the Baylors are not required to file a NJ return, they could also choose not to file & the state would include the \$50 property tax credit with their Homestead Benefit NOTE: Refer to NJ Special Handling document Page 11
		Line 49	TW transfers the \$50 property tax credit from Worksheet F
<b>11c</b>	<b>Note 7 Note 8 Note 10</b>	<b>NJ 1040 Pg 3</b>	<b>Property Taxes</b>
		Line 37a Scratch Pad	TW transfers property tax amount from Worksheet F Line 1. However, since PTR base year amount was entered on Worksheet F, you must make an adjustment on Line 37a to bring the amount back up to Total Taxes Paid. Use a scratch pad to make the adjustment Enter: - Description - NJ 1040 LINE 37A TOTAL PROPERTY TAXES PD - Line 1 - TOTAL PROPERTY TAXES PAID = \$3,498 - Line 2 - MINUS PTR BASE YEAR AMOUNT = \$3,303 TW calculates the difference (\$195) and adds it to PTR base year amount already transferred from Worksheet F. This brings total back to total property taxes paid NOTE: Refer to NJ Special Handling document Page 5
		Line 37b	Check box to indicate that Baylors were homeowners on 10/1/2013
<b>12</b>	<b>Note 9</b>	<b>Sch B</b>	<b>Still red - resolve</b>
		Line 7a Line 8	Sch B is still red in the forms tree. Answer NO to questions about foreign accounts and trusts
<b>13</b>		<b>Diagnostics</b>	
			Run Diagnostics and correct errors as needed. When all errors are corrected, ready to move on to entries on NJ return
<b>14</b>	<b>Note 12</b>	<b>NJ 1040 Pg 3</b>	<b>Use Tax</b>
		Line 45	Enter 0 since Ben did not make any out-of-state purchases. Must still "get the red out" (Ctrl-space or F3 or Toggle Estimated)
<b>15</b>	<b>Note 13</b>	<b>NJ DD Wkt</b>	<b>Payment of NJ Refund</b>



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		Direct Deposit section	Since Ben indicated on Intake Sheet that he does not want direct deposit for Federal and Interview Notes says he wants to do the same for NJ, click on line that says "Check here to have a refund check mailed to you"
<b>16</b>		<b>NJ Ret Wkt</b>	<b>Still red - resolve</b>
		Line 10a	NJ Other Retirement Income Exclusion Worksheet is still red in the forms tree. Answer YES to question regarding eligibility for Social Security
<b>17</b>		<b>Diagnostics</b>	
			Run Diagnostics and correct errors as needed
<b>18</b>		<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>19</b>		<b>Prep Use</b>	<b>Quality Review</b>
		Line 14	Ask Mentor to perform Quality Review. Mentor enters initials when finished