

PRO-P3 Fleming Learning Guide

Step	Form / Note	TW Screen	Learning Points
0	Intake Sheet		
	Note 10		Change address on Intake Sheet based on your interview with Anna
	Note 4		<p>Fill in Page 1, shaded area, based on info in Note 4</p> <ul style="list-style-type: none"> - Question 1 – YES for James; NO for Grete - Question 2 – NO for both - Question 3 – YES for both - Question 4 – YES for both - Question 5 – YES for both <p>Based on these answers and Pub 4012 (Page C-5), Grete can be claimed as a qualifying child for dependency. James is a non-dependent due to the divorce decree, but may be eligible for some credits</p>
	Note 10		<p>Update answers to questions on page 2 of Intake Sheet:</p> <p>Part III, Question 11 - Change answer from No to Yes since Anna has two 1099-Rs</p> <p>Part III, Question 12 - Change answer from Yes to No since Anna did not collect unemployment</p> <p>Part IV, Question 7 - Change answer from Unsure to No since Anna did not pay property taxes or personal property taxes (N/A in NJ)</p> <p>Part IV, Question 11 - Change answer from Unsure to Yes, since Anna had expenses associated with her editing work for Wright Publishing Co</p>
1a	Intake Sheet	Main Info	
	Part I Note 10	Address Line	Be sure to enter correct address: 356 Wilkes Drive
	Part I Note 12	Taxpayer Info Section	Check box to show that Anna is totally and permanently disabled
	Part II Note 4	Filing Status	Use Charts on pages B-1 to B-3 in 4012 to determine filing status. Anna qualifies to file as Head of Household. Although the qualifying person fields turn red, it is not necessary to enter anything in these fields at this point. The fields will no longer be red after filling in the Dependents section

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	Part II Note 4 Note 11	Dependents	List dependents, starting with youngest. Last names are not needed since both are the same as the taxpayer's James – Son, 12 Mo in Hm, Code 0 “Non-Dependents,” DC and EIC checked, CTC not checked. James is a non-dependent because Anna's divorce decree states that her ex-husband will claim James as his dependent James must be listed on Anna's return even though ex-husband is claiming him so that he can be considered for the Child and Dependent Care (DC) credit and the Earned Income credit (EIC) TW will not check box for CTC because child must be a dependent to qualify for CTC James' name will not show in the Dependents section on the 1040 itself Grete – Daughter, Code 1 “Child Who Lives with You,” DC, EIC, CTC all checked
			Head of Household boxes should no longer be red...
			Once DC box is checked, TW populates 2441 for Credit for Child and Dependent Care Expenses in the forms tree
	Part VI	Presidential Election Campaign Fund	Check box since Anna wishes to donate \$3 to Presidential Election Campaign
1b	Intake Sheet	NJ 1040 Pg1	
	Note 15	Municipality Code	Enter Municipality Code for Jersey City (0906). 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 7	Gubernatorial Election Campaign Fund	Check Yes since Anna wishes to handle the Gubernatorial Election Campaign Fund the same way as the Presidential
	Note 17	NJ Dep Wkt	Dependent with No Health Insurance
		Grete's Line	Only Grete is listed. James is not listed because he is a non-dependent (Code 0). He may need to be added later if he is involved in qualifying Anna for EIC. Do not check box that says "Check if dep does not have health insurance" since Grete is covered
1d	Intake Sheet	Prep Use	
	Part VI	Line 11	Answer NONE to language question
		Line 12	Answer YES to disabled question
		Line 13	Your initials
		Line 14	Do NOT fill in now – filled in by QR person
2	W-2	W2	Oakwood World-Herald
		"Check if this is the taxpayer's address shown on the W-2G" line	Check this box since address is correct

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		Employer's name and address fields	Enter Employer's ID #. TW will populate name and address if in database. Always check to make sure it matches printed W-2; address can frequently change
		Box 14	<p>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 UnEmp and WF/SWF; 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</p> <p>WF/SWF is for Workforce Development/Supplemental Workforce Development. It should be entered on 4th line in Box 14 under code NJSUI or added together with UnEmp and placed on NJSUI line</p> <p>Sch A Line 5a should now be \$705. If you do not match to that amount, check that special codes are correct and that right amounts were entered next to correct code</p>
3	W-2	W2	Butler Diner
			Use + sign next to W-2 in forms tree to add a second W-2 form
		"Check if this is the taxpayer's address shown on the W-2G" line	Check this box since address is correct
		Employer's name and address fields	Enter Employer's ID #. TW will populate name and address if in database. Always check to make sure it matches printed W-2; address can frequently change
		Boxes 1, 3, 4, 7	<p>When you enter Box 1 Wages, Tips, etc., TW automatically populates Boxes 3, 4, 5, and 6. Box 3 for Social Security Wages does not match to printed W-2. This is because Box 1 amount also includes Social Security Tips from Box 7 (tips that employee reported to employer). Once you enter Box 7 amount, TW will change Box 3 amount to match printed W-2, so no need to use "Check to take calculations off lines 3, 4, 5, 6" box. Employer deducts SS and Medicare taxes from SS tips and includes the tax amounts in Box 4 SS Tax Withheld and Box 6 Medicare Tax Withheld</p> <p>NOTE: Box 3 (\$1,944) + Box 7 (\$588) = Box 1 (\$2,532)</p>
		Box for "Please verify Federal withholding..."	Check that the amounts entered in Boxes 1-6 are correct. Once verified, check box
		Box 8	Employer collects amounts of all tips reported by employees. If total does not equal at least 8% of food and sales, employer is required by law to allocate difference across all employees and report taxpayer's share in Box 8 Allocated Tips. Employer does not withhold SS or Medicare taxes on allocated tips (see process below for calculating SS/Medicare taxes due)

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Step	Form / Note	TW Screen	Learning Points
		Box 14, Unemployment and Family Leave	<p>Notice that NJ special taxes are shown in Box 19 on printed W-2. You should still enter them in Box 14 on TW W2 screen</p> <p>Also note that codes used on printed W-2 are not the same as the special codes pre-populated in TW, and they are not in the same order. Use the special TW codes of NJSUI for UI/WF/SWF and NJFLI for FLI. (See below for handling disability). Only if you use the special codes will TW transfer these NJ taxes to Sch A Line 5a for State and Local Taxes.</p> <p>Also you must match the correct amount to the associated code</p> <p>Sch A Line 5a should now be \$919. If you do not match to that amount, check that special codes are correct and that right amounts were entered next to correct code</p>
		Box 14, Disability	<p>Notice that there is a Private Plan (PP) # for disability (DI). Private plans are not allowed to be deducted on Sch A; therefore, enter into TW with type = NJSDIPP, instead of NJSDI (which is used for state disability plan only). TW will then stop the amount from flowing through to Schedule A Line 5a State Income Taxes (which will still be \$919)</p>
		4137 TP	Butler Diner
			TW populates Form 4137 in forms tree when amount is entered in Allocated Tips Box 8. This form is used to add allocated tips to 1040 Line 7 and to calculate SS and Medicare tax due on those tips
		Line 3	TW transfers SS tips from W2
		Line 4	TW transfers allocated tips from W2. If employee keeps a tip log that shows a different amount than allocated tips, you can use a scratch pad or override to adjust allocated tips amount to actual amount from tips log
		Line 1c Line 2	TW will automatically populate total of Line 3 + 4
		Line 13	TW calculates the SS and Medicare tax due on allocated tips
		1040 Pg 1	Allocated Tips
		Line 7	TW adds the allocated tips to Box 1 amounts already on Wages line from the two W-2s
		1040 Pg 2	Social Security and Medicare Taxes on Allocated Tips
		Line 57	TW transfers the Social Security and Medicare Taxes due on the allocated tips from 4137 TP and checks the box indicating that those taxes are from form 4137

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Step	Form / Note	TW Screen	Learning Points
		NJ 2450 TP	Private Plan Disability on Excess Unemployment and Disability Form
			<p>The special code (NJSDI, NJSUI, NJFLI) amounts in Box 14 of the W2 screen also flow to the NJ 2450 TP (and/or NJ 2450 SP) Excess Unemployment and Disability form(s).</p> <p>The withholding in each category is subject to a maximum amount per person. Each employer is not allowed to withhold more than the max, but an employee working for more than one employer could end up having more than the max amount withheld. This form calculates any excess withholding which needs to be refunded as a result of having multiple employers. (See Line 3 for max amounts)</p> <p>Entering disability using code NJSDIPP on the W2 screen not only stops the amount from flowing to Sch A, but also stops the amount from flowing to NJ Form 2450. Private plan amounts are allowed to be included in the calculation of excess payments, so you must manually enter the disability data</p>
		Line 1b, "Plan number"	Enter Private Plan 9786654 from W-2
		Line 1b, Column B	<p>Add the amount paid for the Private Plan Disability to Form 2450 by linking to a scratch pad from the Butler Inc disability box</p> <p>Enter: Description - NJ 2450 TP PRIVATE PLAN DISABILITY Line 1 - BUTLER DINER PRIVATE PLAN DISABILITY = \$62</p>
		Line 5	TW adds the disability amounts Anna had withheld by her two employers (Oakwood \$56 + Butler \$62) and determines that she paid \$4 in excess disability
		NJ 1040 Pg 3	Excess Disability Insurance Withheld
		Line 53	TW transfers the excess disability from NJ 2450 TP. Anna will recoup this excess as part of her income tax refund
4	1099-INT	Interest Stmt	Parks National Bank
		Line 1 - Box 1 or 3 Amount Column - NAEOB and State Adjust Columns - Fed Withheld Column	<p>Enter taxable interest</p> <p>Interest is taxable for both Federal and NJ so no NAEOB or state adjustment entry is necessary</p> <p>Enter Federal income tax withheld</p>
5a	1099-R	1099R	Northern Financial Services
		"Check if this is the taxpayer's address shown on the 1099-R" line	Check this box since address is correct
		Payer's name and address fields	Enter Payer ID #. TW will populate name and address if in database. Always check to make sure it matches printed 1099-R; address can frequently change

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Step	Form / Note	TW Screen	Learning Points
		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 and whether they are in or out of scope
	Note 6	5329 TP	Based on Anna's input, the money from the IRA was used to pay off credit card debt. That is not 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. However, since there is no allowable exception, do not complete this form
		1040 Pg 2	Penalty for Early Distribution from IRA
		Line 58	TW automatically populates a 10% penalty for the early distribution (\$500) under the Other Taxes section of the 1040
5b	1099-R Note 6	NJ IRA Wkt	
			Once you enter info for a 1099-R IRA distribution, TW automatically populates an NJ IRA Wkt in the forms tree. However, it does not carry the income through to NJ 1040 until the NJ IRA Worksheet is completed. Enter 1 as "copy number of the IRA you want to use this worksheet for" at top of IRA Worksheet. Since Anna has no records of her contributions or IRA balance, you cannot fill out the rest of this worksheet. Can "get the red out," but not required
		NJ 1040 Pg 2	Northern Financial Services
		Line 19a	Once the IRA Wkt is dealt with, the Pensions, Annuities and IRA Withdrawals line increases by \$5,000 for this distribution There is no early distribution penalty for NJ
		Line 27a	Filing HOH, Anna is eligible for a pension exclusion of up to \$15,000 because she is disabled. (Eligibility rules are 62 or older or disabled, NJ Gross Income \$100K or less). However, the pension exclusion cannot exceed the amount on Line 19a. Therefore, the Line 27a exclusion will only be \$5,000 at this point. If more pension, IRA, or annuity income is added to Line 19a, TW will adjust the pension exclusion as appropriate
		NJ 1040 Pg 3	Northern Financial Services
		Line 38 Line 66	Since the pension exclusion offsets the IRA income, taxable income and refund do not change
6	1099-R	1099R	Tri-State Publishers
		Forms Tree	Add another copy of 1099R screen in TW by clicking on + next to 1099R in forms tree
		"Check if this is the taxpayer's address shown on the 1099-R" line	Check this box since address is correct

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Step	Form / Note	TW Screen	Learning Points
		Payer's name and address fields	Enter Payer 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 7	Distribution code in Box 7 is 3 for disability NOTE: The back of the 1099-R lists all Box 7 codes. Pub 4012 Page D-18 lists 1099-R codes and whether they are in or out of scope
		"Check if disability and taxpayer is disabled" Line	Check box under Box 7 on TW screen ("Check if disability and taxpayer is disabled.") if and only if TP is under her employer's minimum retirement age This box is on TW screen—no corresponding box on 1099-R form). Checking this box will put the \$5,400 distribution under Wages on 1040 Line 7, rather than under Pensions on 1040 Line 16. 1040 Line 7 should now be \$22,780. Checking this box also excludes the disability pension amount from NJ 1040 Line 19 NOTE: Use context sensitive help on this line on TW screen for further details Having pre-retirement disability on 1040 Wages line, rather than on Pension line, could be important for EIC (which requires earned income)
		NJ 1040	Tri-State Publishers
		Line 14 Line 19	Once the disability box is checked, TW will exclude the disability amount from NJ income if the taxpayer is under 65. It will not be listed as either wages or pension
7	1099-MISC Note 1	Sch C Pg 1	Wright Publishing
		Line A Line B Line F Line G Line H Line I	Enter: "Editing" as principal business Enter: "561410" as business code. Use NAICS Search tool in the left column on TaxPre4Free.org Preparer page to look up appropriate code Check Cash box (if not, out of scope) Check Yes box since Anna materially participated in the business Do not check box since business started in 2010 Check No box since Anna did not have to file any forms 1099
		Line 1	Must link to 1099-MISC screen from Line 1 to enter Nonemployee Compensation; do not enter directly on a 1099-MISC without linking because TWO will not be able to transfer the income back to Schedule C. 1099-MISC can be associated with other forms (such as 1040 Line 21, Schedule E, etc.)
	Note 1 Note 2 Note 14	Sch C Pg 2	Wright Publishing
		Line 43	Enter 07/01/2010 as date car was placed in service for business
		Line 44a	Enter 234 business miles
		Line 44c	Enter 10,000 other miles
		Under Line 44	Check box for TW to automatically calculate business mileage expenses at standard mileage rate of \$.565 per mile (234 x .565 = \$132)

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		Line 45	Check Yes box to indicate that car was available for personal use during off-duty hours
		Line 46	Check No box to indicate that Anna only has one car
		Line 47a	Check Yes box to indicate that Anna has evidence to support her deduction
		Line 47b	Check Yes box to indicate that the evidence was written
		Part V	Enter other expenses: Paper = \$2,025 Printer cartridges = \$1,048 Postage = \$800 Phone expenses = \$350 Ignore the Word processing course for now. Will evaluate all the options for claiming education expenses at the end of the return when all the other figures are finalized (Step 17) Total Other Expenses = \$4,223
		Sch C Pg 1	Wright Publishing
		Line 9	TW transfers business mileage expenses from Pg 2 under Line 44 (\$132)
		Line 27a	TW transfers total of all other business expenses from Pg 2 Part V (\$4,223) Total expenses = \$4,355
		Line 31	TW calculates a net profit of \$7,821 ($\$12,176 - 4,355 = \$7,821$)
		1040 Pg 1	Wright Publishing
		Line 12	TW transfers net profit from Sch C
		1040 Pg 2	Self-Employment Tax
		Line 56	After completion of Schedule C, TW automatically calculates Self-Employment Tax (\$1,105). Self-employment tax for 2013 was 15.3%, with 10.4% for Social Security and 2.9% for Medicare
		1040 Pg 1	Deductible Part of Self-Employment Tax
		Line 27	Anna does not have to pay the employer-equivalent part of the self-employment tax. TW automatically calculates the employer-equivalent part as \$553, which Anna can then claim as an adjustment to income
8	Note 4	1040 Pg 1	Alimony Received
		Line 11 Scratch Pad	Anna received alimony of \$300 per month for 8 months (\$2,400). Enter this calculation on a scratch pad off Line 11 NOTE: Refer to Pub 4012 Page E-3 for alimony requirements

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9	Note 11 Note 13	2441 Pg 1	Salem Day Care Center Edna Loy
			Grete and James are qualifying persons for the Child and Dependent Care credit (DC). Rules state, "Only custodial parent may claim Child and Dependent Care credit even if child's exemption is being claimed by non-custodial parent under the rules for divorced and separated parents." (Pub 4012 Page G-3). Therefore, expenses for both children are eligible Expenses paid to Salem Day Care Center can be claimed, as well as payments to Anna's sister. In both cases, Anna was working or looking for work. Expenses are only disallowed if paid to spouse/parent of child or to your child who was under age 19, not if to other relatives (Pub 4012 Page G-4)
			TW automatically adds Form 2441 to forms tree when DC box is checked in dependents section of Main Info screen. Can use the same form for multiple care providers and multiple qualifying persons
		Line 1a Line 1b Line 1c	Enter name for Salem Day Care Center and for Edna Loy Enter address for Salem Day Center and for Edna Loy Enter EIN for Salem (no dashes) and check EIN box. TW will put E in Type box Enter SS # for sister (no dashes) with no check in EIN box. TW will put S in Type box Enter total expenses paid to each provider for both children (\$1,793 to Salem; \$400 to Loy)
		Line 2a	Separate the expenses for each child. For James, expenses were \$903 for Salem + \$200 for Loy = \$1,103. For Grete, expenses were \$890 + \$200 = \$1,090
		Line 11	TW calculates the allowable credit as \$504
		1040 Pg 2	Salem Day Care Center Edna Loy
		Line 48	TW transfers credit for Child and Dependent Care Expenses from 2441
10	Note 8	1040 Pg 1	NJ Income Tax Refund
		Box above Line 10	Answer question YES since Anna itemized last year and claimed the State Income Tax deduction on Sch A Line 5a . TW now puts Line 10 in red
		St Tax Refund	Prior Year Refund
			Link from 1040 line 10 to St Tax Refund worksheet or go directly by clicking in the forms tree Enter info underlined in red to determine the "tax benefit" that Fleming received last year by claiming a State Income Tax deduction If TW has carry-forward data from last year, some of the fields on this worksheet may be pre-populated
		Line 1	Enter last year's NJ income tax refund (\$502)

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Step	Form / Note	TW Screen	Learning Points
		Line 2	Enter last year's State Income Tax deduction from Line 5a (\$890) Enter last year's State Sales Tax deduction from Line 5b (\$655). If there is no carry-forward data in TW, you must gather info from last year's printed return. Printed return only shows Line 5a or 5b, not both. In this case, Fleming claimed Income Tax deduction, so Line 5a is shown. To get figure for Line 5b, link to prior year Sch A Sales Tax Table from left column of TaxPrep4Free.org Preparer page
		Line 3	Income tax refund is only taxable to the extent that the Income Tax deduction exceeds the Sales Tax deduction ($\$890 - 655 = \235), so only \$235 of the \$502 refund is taxable
		Lines 6 - 10	Lines 6 - 10 calculate how much "tax benefit" Fleming received by itemizing rather than claiming standard deduction
		Line 6	Enter last year's Itemized Deductions (\$8,895)
		Line 7	Enter 4 for last year's filing state of Head of Household
		Line 8	Leave as 0 since no boxes were checked on Line 39a last year
		Line 9	TW calculates the standard deduction for last year based on filing status and boxes checked in Line 39a
		Line 10	TW calculates that last year's itemized deductions only exceeded standard deduction by \$195. Therefore, only \$195 of \$502 refund is taxable
		Line 12	Enter last year's taxable income. Taxable income shown on Line 43 will never be less than 0. However, the taxpayer may actually have had deductions and exemptions that were greater than income. The "tax benefit rule" says that the excess deductions/exemptions can also be subtracted to determine taxability of refund Therefore, calculate the negative taxable income as follows: AGI minus Itemized Deductions (\$7,280 on 1040 Line 41) minus Exemptions (\$7,400 on 1040 Line 42) = $-\$120$ Enter $-\$120$ on Line 12
		Line 13	TW will calculate how much of last year's State Tax Refund is taxable this year (\$75), based on the "tax benefit" rule
		Line 14/Line 15	If the client also had any other recovery from last year (such as PTR), you would enter that recovery amount on Line 4. Then TW would allocate the taxable amount of the State Tax Refund between the income tax refund (Line 14) and the other recovery (Line 15) - N/A for Fleming
11		Sch EIC Wkt	Earned Income Credit (EIC)
			Answer questions in sequence and only questions underlined in red. Be sure to follow GO TO directions carefully
		Line 2	Answer Yes. Go to Question 3
		Line 3	Answer No. Go to Question 4a
		Line 4a	Answer No. Go to Question 5
		Line 5	Answer No. Go to Question 6

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		Line 6	Answer No. Go to Question 7
		Line 7	Answer Yes for both children. Go to Question 8
		Line 8	Answer Yes for both children. Go to Question 9a
		Line 9a	Answer No for both children. Go to Question 10
		Line 10	Answer Yes for both children
			TW determines that both children qualify for EIC
		Line below Line 10	Answer No
		Lines 1 - 9 at bottom	TW calculates the amount of the EIC
		1040 Pg 2	Earned Income Credit
		Line 64a	TW transfers the EIC from Sch EIC Wkt (\$1,182)
		NJ 1040 Pg 3	NJ Earned Income Credit
		Line 51a	TW calculates the NJ EITC which is 20% of the Federal (\$236)
12		Diagnostics	
			Run diagnostics on Federal return before starting NJ specific items. Click on any errors found. TW will take you to incomplete/incorrect items. Correct and re-run diagnostics
13	Note 4	NJ Dep Wkt	James as Non-Dependent
		Line 2	<p>Since James is listed on the Main Info screen as a non-dependent with a code of 0, his information is not carried over to the NJ Dependents Wkt. This can cause a problem when the client receives a NJ EITC. The amount of the Federal EIC is based on two qualifying children. The NJ return will show an EITC of 20% of the Federal amount, but with only one qualifying child. This may cause a delay in the client receiving the EITC while the situation is investigated or may cause the NJ DoT to send the client a letter asking them to provide more information to justify the NJ EIC amount</p> <p>To avoid problems, manually add James' information to the NJ Dependents Wkt. The fields are calculated fields, so you must use an F8 override to enter the data</p> <p>Refer to NJ Special Handling document on TaxPre4Free.org Preparer page</p> <p>NOTE: Some TaxWise UserIDs may not have the authority to do overrides. If you cannot override, ask your Site Coordinator or ERO to assist</p>
14	Note 16	NJ 1040 Pg 3	Use Tax
		Line 45	Enter 0 since Anna did not make any out-of-state purchases. Must still "get the red out" (Ctrl-space or F3 or Toggle Estimated)
15	Note 15	NJ 1040 Pg 3	Rent Paid
		Worksheet F, Line 1 Scratch Pad	Since Anna 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 Anna paid for the year (\$1,000 per month x 12 = \$12,000). TW will calculate the 18% of rent that can be claimed as property tax (\$2,160)

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		Worksheet F, under Line 7	TW will complete the rest of Worksheet F and determine that it is better for Anna 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
		Line 37b	Since Anna 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 doing education expenses comparison
17a	Note 2 Note 14	1040 Wkt2	Education Expenses Claimed as Tuition and Fees Deduction
			Test to see results if you claim Anna's word processing course as a Tuition and Fees Deduction
		Tuition and Fees as an AGI Deduction section	Link from 1040 Line 34 to 1040 Wkt 2or use Add icon to add to forms tree
		Line for Anna	Enter qualified expenses of \$575 next to Anna's name
		1040 Pg 1	Education Expenses Claimed as Tuition and Fees Deduction
		Line 34	TW transfers total qualified expenses from 1040 Wkt2 as an adjustment to income. This causes AGI to decrease by \$575 on the Federal return. NJ income remains the same since there is no adjustment for education expenses
			Note the Federal refund (\$735) and NJ refund (\$710). Combined refund = \$1,445
			Delete the education expenses from 1040 Wkt2 before doing another comparison. Note that AGI increases again when you take out the adjustment to income
17b	Note 2 Note 14	8863 Pg 2	Education Expenses Claimed as Lifetime Learning Credit (LLC)
			Test to see results if you claim Anna's word processing course as an LLC
			Link to Form 8863 Pg 2 from 1040 Line 49. TW automatically adds Form 8863 Pg 1 to the forms tree also
		Lines 20 - 26	Since this is just a test to evaluate results of claiming education expenses as LLC, you can ignore Lines 20 - 26 right now. If the LLC turns out to be the best option, you will have to complete Lines 20 - 26 for Anna
		Line 31	Enter \$575
		8863 Pg 1	Education Expenses Claimed as Lifetime Learning Credit
		Line 19	LLC is 20% of qualified expenses (\$115)
		1040 Pg 2	Education Expenses Claimed as Lifetime Learning Credit
		Line 49	TW transfers Nonrefundable LLC from 8863 Pg 1 Note Federal refund (\$651) and NJ refund (\$686) = combined refund of \$1,337

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			Compare the combined refund by claiming LLC to the combined refund by claiming Tuition and Fees deduction (\$1,445). The combined refund is lower for LLC; therefore, the Tuition and Fees deduction is better than LLC in this case Delete expenses on 8863 Line 31 before doing the next comparison
17c	Note 2 Note 14	8863 Pg 2	Education Expenses Claimed as American Opportunity Credit (AOC)
			Anna is not eligible to claim AOC since she is not enrolled at least half-time in a degree program Refer to Pub 4012 Page J-3
17d	Note 2 Note 14	Sch C Pg 2	Education Expenses Claimed as Business Expense
			Test to see results if you claim Anna's word processing course as a business expense
		Part V	Enter work processing course under Other Expenses
		Sch C Pg 1	Education Expenses Claimed as Business Expense
		Line 27a	TW transfers total of all other business expenses from Pg 2 Part V (\$4,798)
		Line 31	TW calculates a net profit of \$7,246 ($\$12,176 - 132 - 4,798 = \$7,246$)
		1040 Pg 1	Education Expenses Claimed as Business Expense
		Line 12	TW transfers net profit from Sch C
		1040 Pg 2	Self-Employment Tax
			TW automatically updates Self-Employment Tax (\$1,024) based on new business income
		1040 Pg 1	Deductible Part of Self-Employment Tax
		Line 27	TW automatically updates the employer-equivalent part of the self-employment tax, which Anna can claim as an adjustment to income (\$512)
			Note the Federal refund (\$797) and NJ refund (\$717) = combined refund of \$1,514
			Compare the combined refund by claiming a business expense to the combined refund by claiming Tuition and Fees deduction (\$1,445). The combined is higher when claiming as a business expense; therefore, this is the best option for the education expense
18	Note 9	NJ DD Wkt	Direct Deposit of NJ Refund
		Direct Deposit section	Since Anna indicated on the Intake Sheet that she does not want direct deposit for Federal and the 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"
19		Diagnostics	
			Run Diagnostics and correct errors as needed
20		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"
21		Prep Use	Quality Review

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Step	Form / Note	TW Screen	Learning Points
		Line 14	Ask Mentor to perform Quality Review. Mentor enters initials when finished