

PRO-P4 Sterling Learning Guide

Step	Form / Note	TW Screen	Learning Points
0	Intake Sheet		
	Notes 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), Samantha can be claimed as a qualifying child for dependency
1a	Intake Sheet	Main Info	
	Part I	General Info	No need to enter spouse's last name, since it is the same as taxpayer's
	Part I	Filing Status	Use Chart on page B-1 in 4012. The Sterlings can file MFJ
	Part I Note 3	Blind Question, Spouse Column	Check Yes box for spouse since Page is legally blind
	Part II Note 2	Dependents	List dependent: Samantha Summers – Sister, Mo in Hm 12, Code 1 "Child Who Lives with You," EIC checked. Code is 1 even though Samantha is obviously not a child, but she is considered a Qualifying Child for dependency
	Part VI	Presidential Election Campaign Fund	Do not check any boxes since neither Steven nor Page wishes to donate \$3 to Presidential Election Campaign Fund
1b	Intake Sheet	NJ 1040 Pg1	
	Address	Municipality Code	Enter Municipality Code for Wharton (1439). Can obtain from NJ 1040 instruction booklet or through Municipality Code Look-up tool in left column on TaxPrep4Free.org Preparer page
	Note 11	Address Change Line	Check box next to "Check if your address has changed," since the Sterlings have moved since they filed their last NJ tax return
1c	Intake Sheet	NJ 1040 Pg 2	
	Note 10	Gubernatorial Election Campaign Fund	Check NO for both Steven and Page
	Note 2	Line 13	Samantha has health insurance so no need to do anything here
1d	Intake Sheet	Prep Use	
	Part VI	Line 11	Answer NONE to language question
		Line 12	Answer YES to disabled question (Page)
		Line 13	Your initials
		Line 14	Do NOT fill in now – filled in by QR person

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Step	Form / Note	TW Screen	Learning Points
2	1099-INT	Interest Stmt	Chapman Federal S & L Association
		Line 1 - Box 1 or 3 Amount Column	1099-INT from Chapman Federal S & L Association shows taxable interest in both Box 1 and Box 3 (Interest on Savings Bonds and Treasury Obligations). Therefore, put entries on two separate lines with the same Payer name. Will have to truncate name to fit Enter taxable interest (\$125)
		Line 2 - Box 1 or 3 Amount Column - State Adjust Column	Enter taxable Federal interest on US Savings Bonds or Treasury Obligations (\$505) Since interest on US Savings Bonds or Treasury Obligations is not taxable for NJ, must enter "-" and \$505 to make the interest tax exempt
		1040 Pg 1	Chapman Federal S & L Association
		Line 8a	TW transfers both Line 1 and 2 amounts from Interest Stmt to Taxable Interest Income line (\$125 + 505 = \$630)
		NJ 1040 Pg 2	Chapman Federal S & L Association
		Line 15a	TW transfers Line 1 amount from Interest Stmt to Taxable Interest line (\$125)
		Line 15b	TW transfers Line 2 amount from Interest Stmt to Tax Exempt Interest line (\$505)
3a	1099-R Note 1	1099R	Averell Pension Fund
		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
		Taxable Amount Not Determined Box	Check box
		Simplified Method Worksheet at bottom of 1099-R screen	Since the Taxable Amount of the distribution is not given in Box 2b & there are 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	Do not have to enter age of primary annuitant at annuity starting date since this is a joint & survivor plan Check "if annuity starting date is after 12/31/1997 and this is a joint and survivor annuity" <u>At annuity starting date</u> (1/1/2010), Steven was 74 and Page was 56, so their combined ages = 130. Click box for 121-130
		Line 3	TW calculates exclusion amount as \$18.92 per month
		Line 4	Number of months for which payments were received this year = 12
		Line 5	Amount recovered tax free in prior years = \$681 (\$227 for years 2010, 2011 and 2012)
		Line 6	Exclusion for 2013 = \$227

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Step	Form / Note	TW Screen	Learning Points
		Line 7	Remaining cost in pension = \$4,956 (TW calculates: original basis (\$5,864) – tax free in 3 prior years (\$681) – tax free in 2013 (\$227) = cost remaining to recover (\$4,956) The amount excluded from taxation will be the same each year that pension is received, except if the first & last years are partial years
		1040 Pg 1	Averell Pension Fund
		Line 16a	TW transfers the full pension distribution from Box 1 (\$18,625) to the Pensions and Annuities line
		Line 16b	TW subtracts the exclusion (\$227) from the distribution in Box 1 (\$18,625) & transfers the result (\$18,398) to the taxable pension line
3b	1099-R	NJ 1040 Pg 2	Averell Pension Fund
		Line 19a	TW transfers the taxable pension income (\$18,398)
		Line 19b Scratch Pad	Manually 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 Enter: - Description: NJ 1040 LINE 19B NONTAXABLE PENSION INC - Line 1 Amount - AVERELL PENSION FUND NONTAXABLE PENSION INCOME= \$227 (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
		Line 27a	The Sterlings are eligible for a pension exclusion to exclude up to \$20,000 of their taxable pension from NJ income (eligibility requirements are age 62 or older, 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 \$18,398
		Line 27b	Since the Sterlings did not have enough taxable pension income to claim the full pension exclusion for which they are eligible, they can claim the remaining \$1,602 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
		NJ 1040 Pg 3	Averell Pension Fund
		Line 38	Pension exclusion totally offsets the taxable income, so still no NJ taxable income
4	1099-R	1099R	Scripps Investment Partners
		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
		1040 Pg 1	Scripps Investment Partners
		Line 16a	TW adds the taxable amount from the 1099R to the taxable portion of the Averell Pension distribution already on Line 16a

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Step	Form / Note	TW Screen	Learning Points
		NJ 1040 Pg 2	Scripps Investment Partners
		Line 19a	TW adds the taxable amount to the Pensions, Annuities and IRA Withdrawals line. The total for Line 19a is now \$30,191
		Line 19b	There is no excludable amount for this pension, so nothing is added to scratch pad
		Line 27a	The Sterlings now have enough taxable pension income on Line 19a so that they can claim the full pension exclusion amount for which they are eligible (\$20,000)
		Line 27b	Other Retirement Income Exclusion amount is now 0, since the Sterlings claimed the maximum Pension Exclusion
		NJ 1040 Pg 3	Scripps Investment Partners
		Line 38	The Pension Exclusion does not fully offset all the Sterlings' taxable income anymore, so TW calculates their taxable income (\$4,816)
5	SSA-1099	1040 Wkt1 Scratch Pad	Social Security - Spouse
			Link from 1040 Line 20a or open from the tree
		Spouse Column - SS Received this Year Line - Medicare Line Scratch Pad	Always enter the amount in Box 5 (\$8,820). It will be in pink on a real SSA-1099 Link to s 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 - SSA-1099 MEDICARE PREMIUMS SPOUSE - Line 1 - MEDICARE PART B FOR PAGE = \$1,385 - Line 2 - MEDICARE PART D FOR PAGE = \$810
		A Detail	Medicare Premiums
		Medicare from 1040 Wkt line	TW will transfer Page's total Medicare premiums from the 1040 Wkt1 as an itemized deduction (\$2,195)
		NJ 1040 Pg 2	Medicare Premiums
		Lines 28 Line 30	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% ($\$10,316 \times 0.02 = \206). It then subtracts the 2% from the Medicare premiums ($\$2,195 - 206 = \$1,989$) to determine the amount of medical expenses to claim
		NJ 1040 Pg 3	Medicare Premiums
		Line38	The medical deduction causes NJ Taxable Income to decrease (now \$2,827)
6	SSA-1099	1040 Wkt1 Scratch Pad	Social Security - Taxpayer
			Link from 1040 Line 20a or open from the tree

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Step	Form / Note	TW Screen	Learning Points
		Taxpayer Column - SS Received this Year Line - Medicare Line Scratch Pad	Always enter the amount in Box 5 (\$15,972). It will be in pink on a real SSA-1099 Link to s 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 - SSA-1099 MEDICARE PREMIUMS TAXPAYER - Line 1 - MEDICARE PART B FOR STEVEN = \$1,385 - Line 2 - MEDICARE PART D FOR STEVEN = \$810
		A Detail	Medicare Premiums
		Medicare from 1040 Wkt line	TW will add Steven's total Medicare premiums from the 1040 Wkt 1 to those for Page already on A Detail as an itemized deduction (total = \$4,390)
		NJ 1040 Pg 2	Medicare Premiums
		Line 28 Line 30	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. Since the amount on Line 30 is already the amount over the 2% for Page's medical expenses, TW now adds Steven's Medicare premiums to the line ($\$1,989 + 2,195$) = \$4,184) to determine the medical expenses to claim
		NJ 1040 Pg 3	Medicare Premiums
		Line 38	The medical deduction causes NJ Taxable Income to decrease (now \$632)
7	Brokerage Stmt	Interest Stmt	Ronald Jones - Interest only
			The first page of a brokerage statement usually provides the actual 1099-INT that is sent to the IRS On later pages, the brokerage statement will show the details behind the totals on the 1099-INT
		Line 3 - Payer Column - Box 1 or 3 Amount Column Line 4 - NAEOB Column - State Adjust Column	Use brokerage's name (Ronald Jones) as the payer; do not have to use name of individual funds from the detail pages Enter taxable interest of \$1,865 Enter tax-exempt interest of \$202 with a code of E According to the Detail for Interest Income section, the tax exempt interest is from the Eastern Tax Exempt Fund (ETEF). Under Notes, you are referred to the Supplement to see the state-by-state breakdown of how much of the Federal tax exempt interest is tax exempt for each state. Since NJ shows only 20% is tax exempt, you must use the State Adjust column to reflect that 80% of the Federal tax exempt amount is actually taxable for NJ. Enter \$162 ($\$202 \times .8 = \162) in the State Adjust column with a "+" to add the taxable amount to NJ income

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Step	Form / Note	TW Screen	Learning Points
		1040 Pg 1	Ronald Jones - Interest only
		Line 8a	TW will add the taxable interest from Ronald Jones (\$1,865) to the taxable interest from Chapman S & L (\$125 + 505). Line 8a should now be \$2,495
		Line 8b	TW transfers the tax exempt interest from Ronald Jones (\$202)
		NJ 1040 Pg 2	Ronald Jones - Interest only
		Line 15a	TW will add the NJ taxable interest from Ronald Jones (\$1,865 + 162 = \$2,027) to the taxable interest from Chapman S & L (\$125). Line 15a should now equal \$2,152
		Line 15b	TW will add the tax exempt interest (20% of \$202 = \$40) from Ronald Jones to the tax exempt interest from Chapman S & L (\$505 from the US Savings or Treasury obligations) to get a total of \$545 of tax exempt interest
8a	Brokerage Stmt	Dividend Stmt	Ronald Jones - Dividends only
			The first page of a brokerage statement usually provides the actual 1099-DIV that is sent to the IRS On later pages, the brokerage statement will show the details behind the totals on the 1099-DIV
		Line 1 - Payer Column - Ordinary Dividends Column - Qualified Dividends Column - Capital Gain Column	Use brokerage's name (Ronald Jones) as the payer; do not have to use name of individual funds from the detail pages Enter \$163 Enter \$106 Enter \$69. TW will transfer the capital gain distributions to Sch D Line 13
8b	Brokerage Stmt	1116 Pg 1	Ronald Jones - Dividends only
		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 \$13 in box in middle of screen. Don't need to "get the red out" of rest of screen
9	Brokerage Stmt	Cap Gn Wkt	Ronald Jones - 1099-B only - Proceeds from Broker and Barter Exchange Transactions
			Enter all stock sales on the Cap Gn Wkt, not on Sch D or Form 8949 directly
		Line 1	Sale of Blackberry Limited Stock
		- Column a	Enter 486 SH BLACKBERRY as description of property
		- 1099 Column	Enter A since cost was reported to IRS
		- Column b	Enter 07/01/2013 as date acquired
		- Column c	Enter 09/30/2013 as date sold
		- Column d	Enter \$3,873 as sales price

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		- Column e	Enter \$5,000 as cost basis
		- Column f	A wash sale is the sale of a security at a loss and the repurchase of the same or substantially identical security within 30 days before or after the sale. In this situation, the IRS does not allow the taxpayer to claim the loss. Instead, the loss will be subtracted from the basis of the new security when it is eventually sold Enter code W to adjust the loss for the wash sale. Adjustment codes are listed in Pub 4012 Section D
		- Column g	Enter \$152 as the amount of the adjustment to the loss. TW adds the \$152 for the disallowed wash sale, which will decrease its calculated loss
		- Column h	TW calculates a short-term loss of -\$975
		Line 2	Sale of Apple Inc
		- Column a	Enter 25 SH APPLE INC as description of property
		- 1099 Column	Enter A since cost was reported to IRS
		- Column b	Enter 07/01/2013 as date acquired
		- Column c	Enter 09/30/2013 as date sold
		- Column d	Enter \$11,753 as sales price
		- Column e	Enter \$10,000 as cost basis
		- Columns f & g	No adjustment to profit/loss is needed
		- Column h	TW calculates a short-term gain of \$1,753
		Line 3	Sale of Blackberry Limited stock
		- Column a	Enter 17 SH BLACKBERRY as description of property
		- 1099 Column	Enter B since cost was not reported to IRS
		- Column b	Enter 12/30/2004 as date acquired
		- Column c	Enter 01/02/2013 as date sold
		- Column d	Enter \$200 as sales price
		- Column e	Enter \$1,415 as cost basis
		- Columns f & g	No adjustment to loss needed
		- Column h	TW calculates a long-term loss of -\$1,215
		Line 4	Sale of Apple Inc.stock
		- Column a	Enter 23 SH APPLE INC as description of property
		- 1099 Column	Enter B since cost was not reported to IRS
		- Column b	Enter 12/30/2002 as date acquired
		- Column c	Enter 12/30/2013 as date sold
		- Column d	Enter \$13,000 as sales price
		- Column e	Enter \$330 as cost basis
		- Columns f & g	No adjustment to profit/loss is needed
		- Column h	TW calculates a long-term gain of \$12,670

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Step	Form / Note	TW Screen	Learning Points
		8949 Pg 1A	Long-Term Capital Gains with Cost Reported to IRS
			TW transfers all the short-term capital gains transactions with 1099 code A from Capital Gains Wkt to 8949 Code A Wkt
		8949 Pg 2B	Long-Term Capital Gains with No Cost Reported to IRS
			TW transfers the long-term all the capital gains transactions with 1099 code B from Capital Gains Wkt to 8949 Code E Wkt
		Sch D	All Capital Gains Transactions
		Line 1b	TW transfers totals from 8949 Pg 1A
		Line 7	TW shows a net short-term gain of \$778
		Line 9	TW transfers totals from 8949 Pg 2B
		Line 15	TW shows a net long-term gain of \$11,455
10	Note 5	Sch D Pg 1	Capital Loss Carryover
		Line 14	Enter the long-term capital loss carryover from last year (15,454). No need to enter negative sign since TW already has the line in parentheses to indicate that this is a loss
		Line 15	TW adds the net long-term gain from the stock sales (\$11,455) + the capital gains distribution from the 1099-DIV (\$69) + the capital loss carryover loss (-\$15,454) to determine a net long-term loss of -\$3,930
		Sch D Pg 2	Net Capital Loss
		Line 16	TW combines the net short-term gain of \$778 with the net long-term loss of -\$3,930 for a total net long-term loss of -\$3,152 If nothing changes on Sch D, TW will apply -\$3,000 of the loss against the Sterlings' other income on the 1040 and will carry over -\$152 as a loss towards next year
11a	Note 6	Interest Stmt	Frack-Up Gas - Interest only
		Line 5 - Payer Column - Box 1 or 3 Amount Column	Enter SCH K-1 FRACK-UP GAS Enter \$343 as taxable interest
		1040 Pg 1	Frack-Up Gas - Interest only
		Line 37	K-1 interest is \$343, but AGI increases by \$514. This is because the extra interest income also raises the amount of Social Security that is taxable by \$171 (\$343 + 171 = \$514)
11b	Note 6	Dividend Stmt	Frack-Up Gas - Dividend only
		Line 2 - Payer Column - Ordinary Dividends Column	Enter SCH K-1 FRACK-UP GAS Enter \$474 as ordinary dividends

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Step	Form / Note	TW Screen	Learning Points
11c	Note 6	Sch D Pg 1 Scratch Pad	Frack-Up Gas - Capital Gains only
		Line 5 Scratch Pad	Enter short-term capital gain from Sch K-1 Use a scratch pad to document the source of the amount Enter: - Description – SCH D LINE 5 - Line 1 – AMOUNT FROM FRACK-UP GAS K-1 = \$218
		Line 7	TW re-calculates the net short-term capital gain (\$996)
		Sch D Pg 2	Frack-Up Gas - Capital Gains only
		Line 16	TW combines the net short-term gain of \$996 with the net long-term loss of -\$3,930 for a total of -\$2,934
		1040 Pg 1	Long-Term Capital Loss Carryover
		Line 13	TW transfers the net long-term loss of -\$2,934 to be applied against the Sterlings' other income
		Line 37	Even though \$218 was added to income from the K-1 capital gains, AGI only increases by \$99. This is because the capital loss previously on 1040 Line 13 was limited to -\$3,000, with -\$152 loss carried over to next year. When the \$218 is added to Sch D, it wipes out the -\$152 carryover loss and the remaining \$66 decreases the loss on 1040 Line 13 to -\$2,934. This in turn raises the amount of Social Security that is taxable by \$33 (\$66 + 33 = \$99)
		NJ Sch B	Net Gains from Disposition of Property
		Line 4	TW adds the net short-term gains (\$996) + net long-term gain (\$11,455) + \$ 69 capital gains distribution for a total of \$12,520 NJ does not allow carryover losses from one year to the next. Therefore, NJ Sch B will just show a gain on \$12,520
		NJ 1040 Pg 2	Net Gains from Disposition of Property
		Line 18	TW transfers the net gains from disposition of property from NJ Sch B (\$12,520)
		Line 28	NJ Gross Income increases by the amount of the K-1 capital gains (\$218)
		Line 30	The medical expense deduction is for those expenses over 2% of NJ Gross Income. Since gross income increases, the deduction decreases (by \$4)
		NJ 1040 Pg 3	NJ Taxable Income
		Line 38	NJ taxable income increases by \$222 (\$218 increase in income + \$4 less in deductions)
11d	K-1	Sch E Pg 1	Frack-Up Gas - Royalties only
			Link to Schedule E from 1040 Line 17. Do <u>not</u> enter this info on Sch K-1. See Special Topic document for Sch K-1 in right column on TaxPrep4Free.org Preparer page
		Line A	Check NO since Sterlings do not need to file Form 1099
		Line 1A	Fill in Partnership's Address, enter S in the TSJ column & enter 6 as Type for Royalties

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Step	Form / Note	TW Screen	Learning Points
		Line 4 - Column A Scratch Pad	Enter the Royalties from K-1 Use a scratch pad to document the source of the amount Enter: - Description – SCH E LINE A - Line 1 – AMOUNT FROM FRACK-UP GAS K-1 = \$976
		1040 Pg 1	Frack-Up Gas - Royalties only
		Line 17	TW transfers the royalties income from Sch E (\$976)
12	Note 7	F/S Tax Pd	Prior Year NJ Tax Payments
		State Section - "State and/or local balance due from previous years' returns paid in 2013" Line Scratch Pad	Refer to NJ Special Handling document Page 10 on TaxPrep4Free.org Because there were amounts paid for two separate prior NJ tax years, link to a scratch pad from the first line under the NJ estimated tax section. This line already has NJ at the beginning of the line (The second line is for previous year payments to states other than NJ.) Use the scratch pad to document and total the two amounts Enter: - Description - F/S TAXES PAID-NJ TAXES PD FOR PRIOR YEARS - Line 1 - NJ TAXES PAID IN 2013 FOR 2012 TAXES = \$203 - Line 2 - NJ TAXES PAID IN 2013 FOR 2010 TAXES = \$42
		Sch A	Prior Year NJ Tax Payments
		Line 5a	TW will transfer the \$245 to Federal Sch A for state taxes paid in 2013 Federal refund does not change because taxpayer is claiming standard deduction. You can tell because Sch A does not have a green check in forms tree
		NJ 1040 Pg 3	Prior Year NJ Tax Payments
		Line 50	TW will not transfer the \$245 to NJ 1040 because they were not payments for 2013 taxes; they were paid in 2013 but were for taxes due in 2012 & 2010
13	Note 8	F/S Tax Paid	NJ Estimated Tax Payments
		State Section - "Last state estimate payment for 2012 paid in 2013" Line-	Refer to NJ Special Handling document Page 10 on TaxPrep4Free.org Enter the final 2012 estimated tax payment of \$40 paid on 1/3/2013

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Step	Form / Note	TW Screen	Learning Points
		State Section - 04/15/2013 Amount 1 Column - 06/15/2013 Amount 2 Column - 09/15/2013 Amount 3 Column - 01/15/2014 Amount 4 Column	Enter \$50 Enter \$50 Enter \$50 Enter the \$60 estimated tax payment for 2013 under the 1/15/2014 column. Since the payment was actually made in 2013, check the * box. Instructions at the top of State section tell you to check * box if payment 4 was paid before 1/1/2014
		Sch A	NJ Estimated Tax Payments
		Line 5a	TW will transfer the \$40 final payment for 2012 estimated taxes + all four 2013 estimated tax payments (\$210) to Federal Sch A for state taxes paid in 2013 Line 5a should now be \$495 Federal refund does not change because taxpayer is still claiming standard deduction
		NJ 1040 Pg 3	
		Line 50	TW will transfer all four estimated tax payments (\$210) to NJ 1040 because they were all applied to 2013 taxes It will not transfer the \$40 payment on 1/3/2013 because it was for 2012 taxes, not for 2013 taxes
14	Note 7	1040 Pg 1	NJ Income Tax Refund
		Box above Line 10	Answer question NO since the Sterlings had a balance due last year, not a refund
15	Note 12	Sch B	Foreign Financial Involvement
		Line 7a 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
16	Note 2		Diagnostics Error For Earned Income Credit
		Diagnostics	
			When you run Diagnostics, an error appears, "On Sch EIC, the 1st child (sister Samantha) does not appear to be a qualifying child for this credit....." Click on the error message to go to Sch EIC, Line 4b (only line underlined in red)
		Sch EIC	
		Line 4b	Answer YES to show that Samantha is qualifying because she is permanently & totally disabled
		Sch EIC Wkt	
		Line 5	Even though Samantha is now qualifying for EIC, the Sch EIC Worksheet shows that the Sterlings are not eligible for EIC because their investment income (\$4,653) is greater than \$3,300
17		Diagnostics	
			Run Diagnostics again to ensure that there are no errors before doing NJ additional entries

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Step	Form / Note	TW Screen	Learning Points
18		NJ 1040 Pg 3	Use Tax
		Line 45 Scratch Pad	Refer to the Estimated Use Tax Chart on Page 36 of NJ 1040 booklet or by using the link in the left column of the TaxPrep4Free.org Preparer's page Based on the Sterlings' NJ Gross Income on NJ 1040 Line 28 (\$26,819), the chart shows they would owe \$44 in use tax Link to a scratch pad off NJ 1040 Line 45 Enter: - Description - NJ 1040 LINE 45 USE TAX - Line 1 - USE TAX DUE BASED ON ESTIMATED USE TAX CHART = \$44 NOTE: Even though you entered info on scratch pad, you must still "get the red out" on Line 45 (Ctrl-Space or F3 or Toggle Estimated)
19	Note 11	NJ 1040 Pg 3	Rent Paid
		Worksheet F, Line 1 Scratch Pad	Since the Sterlings meet 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 the Sterlings paid for the year Enter: - Description - WORKSHEET F LINE 1 RENT PAID - Line 1 - RENT IN DOVER FROM JANUARY - JUNE \$1,000 PER MONTH = \$6,000 - Line 2 - RENT IN WHARTON FROM JULY - DECEMBER \$1,100 PER MONTH = \$6,600 TW will calculate the 18% of rent that can be claimed as property tax ($\$6,000 + 6,600 = \$12,600 \times .18 = \$2,268$) NOTE: The Sterlings cannot claim double rent payments for June & July because you can only claim for a residence you owned & <u>occupied as your principal residence</u>
		Worksheet F, under Line 7	TW will complete the rest of Worksheet F and determine that it is better for the Sterlings 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 the Sterlings rent, do not check box that says "Check here if on October 1, 2013 you were a New Jersey homeowner"
20		Diagnostics	
			Run Diagnostics again. All errors should be corrected before you begin to handle refund/balance due
21a	Intake Sheet Note 14	Main Info	Direct Deposit of Federal Refund
		Bank Account Information Section	Enter Routing number (RTN) - 123456789 Enter Account number (DAN) - 87654321

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Step	Form / Note	TW Screen	Learning Points
		1040 Pg 2	Direct Deposit of Federal Refund
		Line 74	Once bank account information is entered on Main Info, TW makes 1040 Pg 2 red in forms tree to ensure that you enter the information again for verification purposes Re-enter Routing and Bank Account numbers Check box for checking account
21b	Note 14	NJ DD Wkt	Direct Debit of NJ Balance Due
			The Sterlings want to handle their NJ balance due using the same bank account info as the Federal
		Direct Debit of Balance Due Section	Check box that says "Check here if you want your balance due withdrawn from your bank account... " Enter the date the Sterlings want the money to be debited from their account (today) Answer No to question "Will the refund or debit you are requesting involve a foreign bank account?"
		Bank Account Information Section	Enter Routing number Enter Bank Account number Check "Checking" box as account type NOTE: If taxpayer gets refunds from both Federal & State, they can just check a box on NJ DD Wkt that says to use the same bank account as for Federal. However, for a Direct Debit for NJ, you must enter the bank account info again
		Electronic Filing Only Section	Re-enter data under Electronic Filing Only section for verification purposes
22	Note 9	NJ ES Wkt	TY2014 Estimated Tax Payments
			If estimated tax is \$400 or less, no estimated tax payments are required. However, the Sterlings have requested that you prepare 2014 NJ estimated payment vouchers for \$200. You will have to add the NJ ES Wkt by clicking on the Add icon at the top of the forms tree and typing in NJ ES Wkt
		Line 21	On the line that says "Estimate desired, if different from required," enter 200. TW will automatically transfer 1/4 of that amount (\$50) to each estimated tax payment due date at the bottom of the screen. Four payment vouchers will be printed as part of the return. Explain to the client that each voucher should be mailed in with a payment by the appropriate due date
23		Diagnostics	
			Run Diagnostics and correct errors as needed
24		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"
25		Prep Use	Quality Review
		Line 14	Ask Mentor to perform Quality Review. Mentor enters initials when finished