| **Step** | **Form / Note** | **TSO Navigation Path / Screen Line** | **Learning Points** |
| --- | --- | --- | --- |
| **0** | **Intake Sheet Interview** |  | **Filing Status, Dependency** |
|  | SS Cards |  | Notice that there are middle initials on all 3 Social Security cards |
|  | Notes |  | Fill in Page 1, shaded area, based on info in Notes:  - Question 1 – NO for George, YES for John  - Question 2 – NO for both  - Question 3 – YES for both  - Question 4 – YES for both  - Question 5 – YES for both  Based on these answers & Pub 4012 (Page C-3), George can be claimed as a Qualifying Child for dependency; John's dependency will be claimed by Laura's ex-husband |
| **1** | **Intake Sheet** |  | **Federal Basic Information** |
|  | Part I and Part II | Basic Information \ Filing Status | Use Charts on 4012 Pages B-6 and B-7 to determine the proper filing status  Laura can file as Head of Household |
|  | Part I | Basic Information \ Personal Information | To enter a date, choose from drop-down menu or type without leading zeroes |
|  |  |  | Enter current street address & zip code where the taxpayer would like to receive mail from the IRS; TSO will automatically populate city & state  TSO will also default populate the same state as the “Resident state as of 12/31/2018”; change if the taxpayer moved. TSO uses this to start the correct state return |
|  |  |  | Entry of telephone number is important if we need to reach the taxpayer |
|  | Part VII | Basic Information \ Personal Information | Check box that Laura wishes to contribute $3 to the Presidential Election Campaign Fund |
|  |  | Start of NJ Return | Based on the state selected as the resident state as of 12/31, TSO automatically starts the NJ return and provides a NJ refund monitor  Do not enter any information in the TSO State section until you have finished all the Federal and Health Insurance inputs. Instead, as you go through the Federal section, note any information where NJ tax law requires different handling than the Federal. Capture that info on the NJ Checklist. You will then use the Checklist to enter items in the State section later |
|  |  | * County/Municipality row | * County/Municipality Code - Since Pluckemin is not listed in the drop-down menu, use the NJ Municipality Code Lookup Tool on TaxPrep4Free.org Preparer page to determine the proper Municipality for Pluckemin (Somerset - Bedminster Twp.) |
|  | Notes for ACA Step 12 | * Health Insurance for Children row | * Dependent's Health Care Coverage - Answer YES to indicate that dependents have health care coverage as of now. It does not matter if they did not have coverage all of last year for this NJ question (See ACA information).   This info is not used for income tax purposes; it is used to identify and reach out to residents who are uninsured to make them aware of the availability of health care coverage under the Medicaid and NJ FamilyCare Programs |
|  | Part I | * Disabled row | Since Laura is disabled, circle Yes for taxpayer on the NJ Checklist Disabled row in the Basic Information section for entry later when you get to the TSO State section  TSO no longer asks a second disability question under the Subtractions from Income section. It uses the answer from the disabled row in this section  **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Part II  Notes | * Number of Dependents Under Age 22 that Attended College Full Time row | Since neither George nor John is a college student, enter 0  **SEE WORK PRODUCT – NJ CHECKLIST** |
|  |  | * Gubernatorial Elections Fund | Answer Yes to indicate that Laura wishes to contribute to the Gubernatorial Elections Fund  **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Notes for ACA Step 12 | * Has Health Insurance Coverage | Answer Yes to indicate that Laura has health insurance coverage |
|  |  | * Veteran | Circle No since Laura is not a veteran |
|  | Part II | Basic Information \ Dependents/Qualifying Person | List information about first dependent (order does not matter). Add a separate screen for each additional dependent by clicking on the Add A Dependent or Qualifying Child line  John (TSO automatically populates last name the same as taxpayer’s) – Son, 12 months lived in home, "Check if this qualifying child is NOT YOUR DEPENDENT" box checked (since John is claimed by his father)   * Do not check the box that says, "Check if you wish NOT to claim this dependent for Earned Income Credit purposes." Laura can still claim John for EIC as the custodial parent, even though she does not claim his dependency   George (TSO automatically populates last name the same as taxpayer’s) Son, 12 months lived in home, no boxes checked  NOTE: TSO has added a new question to the Dependent screen. “Was this person a U.S. citizen, U.S. national, or U.S. resident alien? (See Pub. 519 for the definition of a U.S. national or U.S. resident alien) If they were not, you can’t claim the child tax credit or the credit for other dependents for this person.” It seems to automatically default to Yes. Change the answer if needed |
| **2** | **Prior Year Return** |  | **State Income Tax Refund** |
|  |  |  | Since Laura did not itemize deductions last year, she did not receive any benefit from the State Income Taxes she paid (Schedule A Line 5a). Therefore, when she receives a NJ income tax refund this year, it is not taxable |
| **3** | **W-2** |  | **W-2 for Acme Corp** |
|  |  | Federal section \ Income \ Enter Myself \ Wages and Salaries (W-2) |  |
|  | Box e | Employee | TSO automatically tells you that this is Laura's W-2 |
|  |  | Employee's Name & Address fields | TSO populates Laura's name & address info from the Basic Information section. If printed W-2 info is different, make necessary changes |
|  | Boxes b & c | Employer's EIN & Name & Address fields | Enter Employer ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed W-2; address can frequently change. Make necessary corrections |
|  | Box 1 | Wages, Tips | Enter $14,598 as Federal wages. TSO automatically populates the amounts in Boxes 3-6. If you change Box 3 or 5 amount to match printed W-2, TSO will recalculate Box 4 or 6  TSO transfers Box 1 wages to 1040 Line 1 |
|  | Box 2 | Federal Tax Withheld | Enter $1,002 as Federal tax withheld  TSO transfers to 1040 Line 16 |
|  | Box 12 | Box 12 Codes & Amounts | Enter code DD and $3,000. This represents the total cost that employee and employer paid for employer-sponsored health coverage plan  This amount cannot be used as medical insurance premiums on Schedule A since it includes the employer’s cost also |
|  | Box 14 | Box 14 Codes & Amounts | Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amounts  Add the amounts for UNEMP and WF/SWF together and enter on the NJ UI/HC/WD line  TSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Total is now $103 |
|  | Box 15 | State Name  State EIN | Choose New Jersey from the drop-down menu  Enter employer's state ID number (if not automatically populated) |
|  | Box 16 | State Wages | TSO automatically populates state wages with the amount from Box 1. Verify that state wages match the paper W-2; change if needed  TSO transfers to NJ 1040 Line 15. |
|  | Box 17 | State Income Tax | Enter $575 as state income tax withheld  TSO transfers to NJ 1040 Line 53 & to Sch A line 5a. Line 5a is now $678 |
|  |  |  | Since Laura has a second W-2, click on Save and Enter Another |
| **4** | **W-2** |  | **W-2 for Acme Diner** |
|  |  | Federal section \ Income \ Enter Myself \ Wages and Salaries (W-2) |  |
|  | Box e | Employee | TSO automatically tells you that this is Laura's W-2 |
|  |  | Employee's Name & Address fields | TSO populates Laura's name & address info from the Basic Information section. If printed W-2 info is different, make necessary changes |
|  | Boxes b & c | Employer's Name & Address fields | Enter Employer ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed W-2; address can frequently change. Make necessary corrections |
|  | Box 1 | Wages, Tips | Enter $2,532 as Federal wages. TSO automatically populates the amounts in Boxes 3-6, based on what you entered in Box 1  Notice that the Social Security Wages on the printed W-2 in Box 3 are less than the Wages in Box 1. That is because there are also Social Security Tips in Box 7. Box 3 + Box 7 = Box 1. Since TSO calculated Box 3 based solely on Box 1 wages, you must manually correct Box 3  Once you manually adjust Box 3 to match the printed W-2, TSO re-calculates Box 4 based on the new amount in Box 3. Since Social Security taxes are also withheld from the SS tips in Box 7, you must now manually correct Box 4  TSO transfers Box 1 wages to 1040 Line 1. Total is now $17,130 |
|  | Box 2 | Federal Tax Withheld | Enter $328 as Federal tax withheld  TSO transfers to 1040 Line 16. Total Federal tax withheld is now $1,330 |
|  | Box 7 | SS Tips | This box shows the tips that were reported to the employer. The employer withholds SS and Medicare taxes as appropriate  Enter $588 as the Social Security tips |
|  | Box 8 | Allocated Tips | The employer legally must also account for estimated unreported tips (calculated from the difference between the reported tips and a specified percentage of food & drink sales). That difference must be allocated among all employees, and each employee’s share is reported on the W-2 as Allocated Tips in Box 8  Enter $250 as allocated tips  TSO transfers to 1040 Line 16. Total wages are now $17,380 |
|  |  |  | The employer does not withhold SS or Medicare taxes on allocated tips, so the employee must pay those with their tax return. TSO automatically completes Form 4137 to calculate the taxes due ($16 for SS; $4 for Medicare)  TSO transfers the total taxes due ($20) to Sch 4 Line 58. It should check that these taxes were from Form 4137. Currently, TSO is checking the box properly on Sch 4 in the PDF, but it is not checking the box on the Summary/Print screen |
|  | Box 15 | State Name  State EIN | Choose New Jersey from the drop-down menu  Enter employer's state ID number (if not automatically populated) |
|  | Box 16 | State Wages | TSO automatically populates state wages with the amount from Box 1. Verify that this matches the printed W-2; change if needed  TSO transfers Box 16 NJ wages to NJ 1040 Line 15. Total NJ wages is now $17,130 |
|  | Box 17 | State Income Tax | Enter $201 as state income tax withheld  TSO transfers to NJ 1040 Line 53 (now $776) & to Sch A line 5a (now $879) |
|  | Box 19 | Box 14 Codes & Amounts | Notice that this W-2 indicates the other NJ taxes withheld below Box 19, not Box 14 where you usually see them. Just enter in Box 14 in TSO  Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amounts  TSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Line 5a is now $897 |
|  |  |  | There is a maximum amount than an employer should withhold for each of these special NJ taxes ($143.23 for unemployment, $64.03 for disability, $30.33 for family leave). If any one employer withholds more than the maximum, the employee would have to obtain the excess back from the employer. However, when an employee works for two or more employers, each can withhold up to the maximum, and the employee can end up paying too much in total. In the case of multiple employers, the employee can claim the excess paid on the NJ 1040 Lines 57 - 59 |
|  |  |  | Once you click on Continue, TSO gives you a warning message, "Your Social Security withholdings (Box 4) appear to be too large. Generally, your Social Security withholdings should not be larger than 6.2% of the amount in Box 3." In this case, SS withholdings should be 6.2% of Box 3 + tips in Box 7, so the Box 4 SS withholdings amount is not too large  Once you have verified that your entries are correct, just click Continue |
| **5a** | **1099-R** |  | **1099-R for Acme IRAs** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R |  |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Whose 1099-R is this? | TSO tells you that the 1099-R is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If printed 1099-R info is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter gross distribution amount ($5,000) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($5,000). If the taxable amount should be something different, you must manually change it |
|  | Box 7 | Distribution Code | Enter code 1 for early distribution, no known exception. Since Laura is withdrawing money from her IRA before age 59½, she is subject to a 10% early withdrawal penalty unless she qualifies for an exemption. Refer to Pub 4012 Page H-4 to see if there is an appropriate exemption.  Laura is eligible for exemption 03 because she is totally and permanently disabled (even though she used the money to pay off credit card debt)  Ensure that the IRA box is checked in Box 7. Note that for TY2018, IRA and pension/annuity distributions both show on the same line 4 on the 1040 |
|  |  |  | When you click Continue after entering the 1099-R data, TSO brings up a page that explains about the penalty. Read carefully  In the middle of the page, TSO asks "What type of plan did you receive this distribution from?" You must click on Retirement Plan |
|  |  |  | TSO transfers the taxable amount in Box 2a ($5,000) to 1040 Line 4b and to NJ 1040 Line 20a |
|  |  |  | Since Laura now has retirement income on NJ 1040 Line 20a, you must now consider whether she is eligible for a pension exclusion on Line 28a. Although she is not age 62+, she is permanently and totally disabled per SSA guidelines. She also meets the other eligibility requirements for a pension exclusion  You should have already circled Yes for the taxpayer on the NJ Checklist Disability Status row in the Subtractions from Income section in Step 1. When you enter this later in the TSO State section, TSO will give Laura a pension exclusion for $5,000. If you enter more pension, annuity, or IRS distribution amounts, TSO will automatically recalculate the pension exclusion |
| **5b** | **1099-R** |  | **Form 5329** |
|  |  | Federal section \ Other Taxes \ Tax on Early Distribution (Form 5329) | Enter the information needed to claim the early withdrawal penalty exemption on Form 5329 now so that you do not forget |
|  |  | Part I  Early Distributions that are not subject to 10% tax | Enter $5,000 to claim an exemption of the entire distribution from the 10% penalty. Laura will still have to pay income tax on the $5,000 she withdrew from the IRA, but she will not have to pay the 10% penalty |
|  |  | Select the reason for exemption | Choose "Total and permanent disability" from the drop-down menu as the reason for the exemption |
|  |  |  | Since Laura has another 1099-R, click on Save and Enter Another |
| **6** | **1099-R** |  | **1099-R for Acme Pensions** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R |  |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Whose 1099-R is this? | TSO tells you that the 1099-R is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If printed 1099-R info is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter gross distribution amount ($5,400) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($5,400) |
|  | Box 7 | Distribution Code | Enter 3 as the distribution code. Refer to Pub 4012 Page D-37 to learn that code 3 indicates a disability pension |
|  |  |  | Federal tax law says that if the taxpayer is under the minimum retirement age for the company she retired from (59 at Laura’s company), this disability income should be reported on 1040 Line 1 as wages, rather than on Line 4 as pension income. This will include the disability in earned income for calculation of the EIC, the Child Care credit, and the Additional Child Tax Credit, which all require earned income  Click on the checkbox under Rollover or Disability section that says, "Check here to report on Form 1040, Line 1. (Distribution code must be a "3")  TSO will display a lengthy warning message when you check the box to report on Line 7. Read it carefully, but then just click Continue since it is correct to check the box |
|  |  |  | TSO transfers $5,400 to 1040 Line 1 |
|  |  |  | NJ tax law says that disability is not taxable if the recipient is under age 65  To subtract the disability pension from NJ income, note the disability amount on the NJ Checklist on the Adjustments to Line 20a row in the Income Subject to Tax section for entry later when you get to the TSO State section |
| **7a** | **1099-MISC** |  | **1099-MISC and Self Employment for Acme Services** |
|  |  | Federal section \ Income \ Enter Myself \ Form 1099-MISC |  |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-MISC; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Whose 1099-MISC is this? | TSO tells you that the 1099-MISC is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If the 1099-MISC info is different, make necessary changes |
|  | Box 7 | Nonemployee Compensation | Enter $5,000 as nonemployee compensation |
|  |  | Create a New Schedule C Income from Business | Once you click Continue, TSO will ask you, "Where would you like to add the income?" Click on +"Create a New Schedule C Income from Business" |
| **7b** | **Notes** |  | **Sch C - Basic Information** |
|  |  | **Basic Information**  Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Basic Information about Your Business |  |
|  |  | Business Owner | Click on Laura as owner of the business |
|  |  | Name & Address | You would normally leave this blank since there is no separate business name or address. However, as of 12/19,18, TSO will only calculate the Qualified Business Income Deduction (QBID) if the Business Name field on the Sch C “Basic Information About Your Business” screen is filled in – use “LAURA LYNCH” until this glitch is fixed |
|  |  | Business Code | When you search for "Editing" using the TSO tool, you do not get any results. So, instead, use the NAICS Search Tool on TaxPrep4Free.org Preparer’s page. Use Ctrl + F to search for the specific word "Editing"  Enter 561410 as business code |
|  |  | Description of Business | When you enter the business code, TSO will automatically populate the description associated with that code, "Document preparation" |
|  |  |  | Since Laura has a second 1099-MISC, enter that first before clicking on any of the other Schedule C menu sections. Just click Continue |
| **7c** | **1099-MISC** |  | **1099-MISC and Self Employment for Acme Services** |
|  |  | Federal section \ Income \ Enter Myself \ Form 1099-MISC | Click on Add a Form 1099-MISC line |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches the printed 1099-MISC; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Whose 1099-MISC is this? | TSO tells you that the 1099-MISC is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If the 1099-MISC info is different, make necessary changes |
|  | Box 7 | Nonemployee Compensation | Enter $7,000 as nonemployee compensation |
|  |  |  | TSO will ask "Where would you like to add the income?" Click on the Edit icon (pencil) for the existing Schedule C to add the second 1099-MISC income  This should bring you back to the Schedule C menu |
| **7d** |  |  | **Schedule C - Questions about the Operation of Your Business** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Questions About the Operation of Your Business |  |
|  |  | Accounting Method | TSO has already defaulted the accounting method to Cash (anything else is Out of Scope) |
|  |  | Method Used to Value Closing Inventory | Click on Not Applicable since there is no inventory for this business |
|  |  | Material Participation | Click on box that says, " Check here if you "materially participated" in the operation of this business during the tax year."  None of the other boxes should be checked since they do not apply. |
| **7e** |  |  | **Schedule C - Income** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Income |  |
|  |  | Gross Receipts or Sales | TSO has already included $12,000 as Total Income from the 2 Forms 1099-MISC. Now enter the $176 as the cash income Laura received  TSO transfers the total income ($12,176) to Sch C Line 1 |
| **7f** |  |  | **Schedule C - Car and Truck Expenses** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Car & Truck Expenses |  |
|  |  | Description of Vehicle | Enter any description of vehicle (CHEVY IMPALA) |
|  |  | Date You Placed Your Vehicle in Service for Business Purposes | Enter 08/01/2017 as the date the car was placed into service for the business |
|  |  | Business Miles | Enter 366 business miles. TSO calculates the business mileage expense of $199 (366 miles x $.545 per mile) |
|  |  | Other | Enter 10,000 as other miles |
|  |  | Checkboxes | Do not check box that says, "Check if you have (or your spouse has) another vehicle available for personal use" since Laura only has one car |
|  |  |  | Check box that says, "Check if your vehicle was available for personal use during off-duty hours." |
|  |  |  | Check box that says, "Check if you have evidence to support your deduction." |
|  |  |  | Check box that says, "If yes, check if the evidence is written." |
|  |  |  | TSO transfers the $199 business mileage expense to Sch C Line 9 & all the other car & truck info to Sch C Part IV |
| **7g** |  |  | **Schedule C - Other Expenses** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ General Expenses |  |
|  |  | Office Expense category | Under the Office Expense category, use the scratch pad to enter separate supporting statements of $2,025 for paper + $1,048 for printer cartridges + $8,850 for copies, for a total of $11,923 of expenses. You could also enter these expenses in the Other Expenses section instead  TSO transfers the total of General Expenses to Schedule C Line 18 |
|  |  |  | Total business expense is now $12,122 ($199 + 11,923), which TSO populates on Sch C Line 28 |
|  |  | **Sch C** | TSO calculates net profit/loss from business of $54 ($12,176 – 12,122) on Sch C Line 31 (losses are Out of Scope)  TSO transfers the net profit to Sch 1 Line 12 & to NJ 1040 Line 18 |
|  |  |  | **Self-Employment Taxes & Adjustment** |
|  |  |  | Self-employment taxes and the associated adjustment to income are only due if net self-employment income is $400 or more. Since Laura's Sch C profit is only $54, she is not subject to self-employment taxes |
|  |  |  | **Qualified Business Income Deduction (QBID)** |
|  |  |  | Under the new tax law, Laura can take a deduction of 20% of her Qualified Business Income (QBI). Her QBI includes her self-employment profit ($54).  TSO will calculate this deduction automatically ($54 x .2 = $11). It populates the deduction amount on 1040 Line 9 |
| **8** | **Notes** |  | **Alimony Received** |
|  |  | Federal section \ Income \ Enter Myself \ Alimony Received |  |
|  |  | Taxpayer Amount of Alimony Received | Enter $900 as amount of alimony received  TSO transfers to Sch 1 Line 11 & to NJ 1040 Line 25 |
| **9** | **Notes** |  | **Sch A Itemized Deductions - Medical & Dental Expenses** |
|  |  |  | Based on the small amount of itemized deductions that Laura has, you can tell that they will not exceed her standard deduction of $18,000. However, you should still enter her medical and dental expenses, since they might exceed the 2% of NJ gross income threshold necessary for her to claim NJ medical expenses |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses |  |
|  | Premiums for Supplemental Insurance | Medical and Dental Insurance | Enter $1,000 as the amount Laura paid for her supplemental insurance |
|  | Doctor Bills | Amounts Paid to Doctors/Dentists | Enter $200 as co-pays and deductibles for doctor and dental bills |
|  |  |  | For the Federal return, Laura's medical expenses do not exceed 7.5% of her AGI so she cannot claim any medical expenses |
|  |  |  | On the NJ return, TSO calculates the amount of medical expenses that exceed 2% of NJ Gross Income on NJ 1040 Line 29. It populates that amount of medical expenses on Line 31 |
|  | Gifts to Charity |  | You don't have to probe with Laura to find out her small amount of charitable donations. Since her itemized deductions will not exceed the standard deduction, TSO will just transfer the standard ($18,000) to 1040 Line 8 |
| **10** | **Notes** |  | **Child and Dependent Care Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits \ Child Care Credit (Form 2441) | Even though Laura's ex-husband is claiming John as a dependent, Laura can still claim the child-care expenses she paid for John. She is the custodial person, and John lived with her for more than ½ the year. See Pub 4012 Page G-5 for details  If a taxpayer has 1 qualifying person, he/she can claim $3,000 in child care expenses. With 2 or more qualifying persons, the taxpayer can claim $6,000 of expenses. Check carefully to make sure that each person fits the criteria to be a qualifying person  Since Laura has 2 qualifying children, she can claim up to $6,000 in expenses. It is not required that both children have qualifying expenses. For instance, one child could have $6,000 in expenses and the other could have none. If one of the qualifying children has no expenses, you must check the box that says, “Qualified Person had no expenses”. Just be careful to ensure that the person meets all the criteria to be a qualifying person before checking that box |
|  |  |  | Click on Add a Child Care Provider line |
|  | **Child Care Provider Info** | ID Number | Click on EIN, and enter Acme Day Care's EIN # |
|  |  | Provider's Name | Enter Acme Day Care as the provider's name |
|  |  | Provider's Address | Enter the address for Acme Day Care |
|  |  | Amount Paid to Provider for Child Care | Enter $1,793 for child care amount paid to provider |
|  |  |  | Click on Add a Child Care Provider line to enter the information for the second provider |
|  |  | ID Number | Click on SSN/ITIN, and enter Edna Loy's SS # |
|  |  | Provider's Name | Enter Edna as the provider’s first name and Loy as the last name |
|  |  | Provider's Address | Enter Edna Loy's address |
|  |  | Amount Paid to Provider for Child Care | Enter $400 for child care amount paid to Edna |
|  |  |  | Click on Step 2 Dependents |
|  | **Dependent Info** | Qualifying Dependent Expenses |  |
|  |  | Dependent Expenses for John | Enter $1,103 ($903 + 200) as the amount paid for qualifying dependent expenses for John |
|  |  | Dependent Expenses for George | Enter $1,090 ($890 + 200) as the amount paid for qualifying dependent expenses for George |
|  | **Qualifying Persons Info** |  | You do not need to go to Step 3 since there are no other qualifying persons that were not listed in Step 2 |
|  |  |  | The total amount paid to the providers of the child care must equal the total expenses paid for all qualifying dependents ($1,793 + 400 = $2,193 is the same amount as $1,103 + 1,090 = $2,193) |
|  |  |  | Click on Continue to Page 2 |
|  | **2411 Page 2** | Additional Income for Taxpayer for This Credit section | The Credit for Dependent Care Expenses is for individuals who paid for child care so that they could work. For this credit to calculate, the taxpayer and the spouse, if applicable, must each have earned income. There are exceptions to the rule for disabled or full-time students who were unable to work. The Additional Income section on Page 2 is used for these exceptions. It helps you calculate how much to add to income for a nonworking spouse for the purpose of calculating this credit only. No income would actually be added to income on the tax return  Since Laura had earned income on her W-2s, the additional income part of Page 2 does not need to be completed |
|  |  | Employer-Paid Dependent Care Benefits | If the employer had paid any dependent care benefits for the employee and noted that amount on the W-2 in Box 10, TSO would automatically subtract that amount when calculating the credit. If the employee received any employer paid dependent care benefits that were not included on the W-2, you would enter the amount manually on the Employer-Paid Dependent Care Benefits line  Laura did not receive any employer paid dependent care benefits |
|  |  |  | TSO creates Form 2441 to claim this credit. It calculates that the allowable credit is $614  TSO transfers to Sch 3 Line 49 as a nonrefundable credit |
| **11** |  |  | **Credit for the Elderly or the Disabled** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits Menu \ Credit for the Elderly or Disabled (Schedule R) | TaxSlayer does not automatically check eligibility for the Credit for the Elderly or Disabled; the preparer must use the chart on Pub 4012 Page G-17 to manually determine potential eligibility. If you think the client is potentially eligible, then you must enter the information that TSO needs to calculate official eligibility and the amount of the credit, if any |
|  |  |  | Laura does not qualify for this credit. Her AGI is over the limit for Head of Household. Therefore, you do not have to enter anything into TSO |
| **12** | **Notes** | **Health Insurance Section** | **ACA Health Insurance** |
|  |  | Did you or your family have health insurance at any time in 2018? | Answer Yes |
|  |  | Did you purchase health care via Healthcare.gov or a State Marketplace? | Answer No |
|  |  | Verify Your Household Members | Household members listed on this screen are the people listed under the Basic Information section. If you need to add or remove dependents, go to the Basic Information section. If you have additional household members that are neither a spouse nor a dependent, click "Add a New Household Member."  Since John is being claimed as a dependent by his father, his father is responsible for reporting John’s health insurance on his return  If these situations do not apply, just click Continue |
|  |  | Was your entire household insured for all 12 months of 2018? | Answer Yes |
|  |  |  | TSO checks the full-year health care coverage box on the first page of the 1040 |
|  | | | |
|  |  |  | **State Section (New Jersey)** |
|  |  |  | As you have been completing the Federal section, you have been collecting information for areas where NJ tax law requires different handling than the Federal. Now you will enter that information into the State section |
| **13a** | **NJ Checklist** |  | **NJ Checklist - Basic Information** |
|  |  | State section \ Edit \ Enter Myself \ Basic Information |  |
|  | Municipality Code row | Select the County or Municipality of your current residence | Answer Somerset – Bedminster Twp. |
|  | Health Insur- ance for Children row | If claiming dependents on your Federal return, are the dependents covered by health insurance coverage? | Answer Yes |
|  | Disabled row | Were you disabled as of 12/31/2018? | Answer Yes. Based on this answer, TSO will calculate an additional exemption on Laura's NJ 1040 Line 8 for $1,000 |
|  | Dependents under age 22 that attended college full time | Enter the number of dependents under age 22 claimed on your Federal return that attended college | Answer 0 |
|  | Gubernatorial Elections Fund row | Gubernatorial Elections Fund | Answer Yes |
|  | Health Insur- ance for Tax-payer and Spouse row | Has Health Insurance Coverage? | Answer Yes |
|  | Veterans row | Were you a military veteran who was honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States by the last day of the tax year? | Answer No. Since Laura was not a veteran, she cannot receive the additional $3,000 veteran’s exemption |
| **13b** | **NJ Checklist** |  | **NJ Checklist - Income Subject to Tax** |
|  |  | State section \ Edit \ Enter Myself \ Income Subject to Tax |  |
|  | Adjustments to Line 20a row | Enter Military Pension or Survivor's Benefit Payments Received - Taxpayer | You should have already noted the disability pension amount from Step 6  Enter $-5,400 to subtract the disability pension from NJ pension income on NJ 1040 Line 20a |
| **13c** | **NJ Checklist** |  | **NJ Checklist - Subtraction from Income** |
|  |  | State section \ Edit \ Enter Myself \ Subtractions from Income | Laura is not eligible for the Other Retirement Income Exclusion since she is not age 62 or older, so there is nothing to do in this step |
| **13d** | **NJ Checklist** |  | **NJ Checklist - Credits** |
|  |  | State section \ Edit \ Enter Myself \ Credits |  |
|  | Property Tax row | Did You Meet Property Tax Eligibility Requirements? | Answer Yes to indicate that Laura meets the requirements to claim a NJ property tax deduction\credit |
|  |  | Enter Property Taxes Paid | Laura can claim 18% of her rent as property taxes paid. The total rent she paid for the year is $9,318 ($755 x 6 = $4,530 + $798 x 6 = $4,788). When you calculate 18% of the rent, you can claim $1,677 as property taxes  Enter $1,677 as property taxes |
|  |  | Were You a Homeowner in 2018? | Answer No since the Laura was not a homeowner last year |
|  |  |  | TSO determines that it is better for Laura to claim the property tax credit than the deduction.  TSO transfers $50 to NJ 1040 Line 54 |
| **13e** | **NJ Checklist** |  | **NJ Checklist - Tax** |
|  |  | State section \ Edit \ Enter Myself \ Tax |  |
|  | Use Tax Row | Use Tax Due on Out-of-State Purchases | Laura did not make any purchases that are subject to Use Tax, so you do not have to do anything in this step |
| **13f** | **NJ Checklist** |  | **NJ Checklist - Payments** |
|  |  | State section \ Edit \ Enter Myself \ Payments |  |
|  | Amount of NJ Refund to Apply to Next Year's Return row | Amount of NJ Refund to Apply to Next Year's Return | Laura does not wish to apply any of her refund to next year's return, so you do not have to do anything in this step |
| **13g** | **NJ Checklist** |  | **NJ Checklist - Miscellaneous Forms** |
|  |  | State section \ Edit \ Enter Myself \ Miscellaneous Forms \ Estimated Payment Vouchers, Form NJ-1040-ES |  |
|  | NJ Estimated Payment Vouchers | NJ Estimated Payment Vouchers | Laura does not have to make any estimated payments, so you do not have to do anything in this step |
|  |  | **E-File Section** |  |
| **14** |  |  | Resolve any warnings that TSO displays before moving on to EIC  The EIC Checklist no longer appears |
| **15a** | **Intake Sheet** |  | **E-File - Return Type** |
|  | Part VII | Federal Return Type | Per the Intake Sheet, Laura does not want to have her refund direct deposited  Choose E-file: Paper Check from the drop-down menu as the Federal return type. This means that you are e-filing the return, but the refund check will be mailed to Laura |
| **15b** | **Notes** |  | **E-File - Tax Preparation & E-File Information** |
|  |  |  | The fees section does not apply to us |
|  |  | Client Email | Enter LLynch101@gmail.com as Laura's email |
|  |  |  | The E-file PINs are automatically generated |
| **15c** | **Notes** |  | **E-File - State Return(s)** |
|  |  | State Return Type | Per her interview, Laura wants to have her NJ refund check mailed also  Choose E-file: Paper Check as the NJ return type from the drop-down menu |
| **15d** | **Notes** |  | **E-File - Taxpayer Bank Account Information** |
|  |  | Name of Bank | Since Laura does not want direct deposit, the bank account section does not appear |
| **15e** | **Notes** |  | **E-File - Third Party Designee Info** |
|  |  |  | Do not fill in anything in this section |
| **15f** | **Intake Sheet**  **Notes** |  | **E-File - Questions** |
|  |  | Would you say you can carry on a conversation in English, both understanding & speaking? | Choose Prefer not to answer from the drop-down menu |
|  |  | Would you say you can read a newspaper or book in English? | Choose Prefer not to answer from the drop-down menu |
|  |  | Are you or your spouse a Veteran after the US Armed Force? | Choose No from the drop-down menu |
|  |  | Do you or any member of your household have a disability? | Choose Yes from the drop-down menu |
|  |  | Are you or your spouse a Veteran from the U.S. Armed Forces? | Choose No from the drop-down menu |
|  |  | Was the taxpayer physically present during the entire return preparation and quality review process? | Choose Yes from the drop-down menu |
|  |  |  | Click Save |
| **15g** |  |  | **E-File - Submission** |
|  |  | Ready for Review | Click on the Ready for Review button. Click on Save and Exit Return |