| **Step** | **Form / Note** | TSO Navigation Path / Screen Line | **Learning Points** |
| --- | --- | --- | --- |
| **0** | **Intake Sheet Interview** |  | **Filing Status, Dependency** |
|  | Filing Status |  | Using the charts in 4012 Tabs B and C (or your preferred online tool), you determine that Peter and Helen can file as Married Filing Jointly (MFJ) |
|  | Notes |  | Fill in Page 1, shaded area:  - Question 1 – NO  - Question 2 – NO  - Question 3 – YES  - Question 4 – YES  - Question 5 – YES  Based on these answers & Pub 4012 Tab C (or your preferred online tool), Peter’s sister, Beatrice Packer, can be claimed as a Qualifying Child for dependency |
| **1a** | **Intake Sheet** |  | **Filing Status** |
|  | Part II | Basic Information \ Filing Status | Based on your determination in Step 0, enter the Paces as MFJ |
| **1b** | **Intake Sheet** |  | **Personal Information** |
|  | 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.” TSO uses this to start the correct state return |
|  |  |  | Entry of telephone number is important if we need to reach the taxpayer. It does not appear on the 1040 and will not be used by the IRS or NJ Division of Taxation |
|  | Additional Informa- tion | Basic Information \ Personal Information | Check box that taxpayer wishes to contribute $3 to the Presidential Election Campaign Fund; do not check for spouse |
| **1c** | **Intake Sheet** |  | **New Jersey Return** |
|  | Part I  Notes | Start of NJ Return  “Do you meet Property Tax Credit or Deduction Eligibility Requirements?”  “Does the Taxpayer have Health Insurance?”  “Does the Spouse have Health Insurance?”  “Select the County or Municipality of your current residence”? | 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  Complete the NJ questions presented as follows:  Answer NO at this point. You can update as needed when you are completing the State section  Answer YES  Answer YES  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.). Click on Continue right after this question  Do not enter any other 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 |
|  |  | NJ Checklist   * Health Insurance for Children row * Disabled row * Number of Dependents Under Age 22 that Attended College Full Time row * Gubernatorial Elections Fund * Health Insurance Coverage for Taxpayer and Spouse * Veteran | Complete the Basic Information section of the Checklist now, as follows:  Dependent’s Health Care Coverage – Answer YES to indicate that dependent Beatrice has health care coverage as of now  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  Since Peter and Helen are both disabled, circle YES for both Taxpayer (TP) and Spouse (SP)  Answer 0  Answer YES for Taxpayer (TP) and NO for Spouse (SP). The Paces want this answer to be the same as for the Presidential Election Fund. Intake/Interview Sheet shows a split answer for Presidential  Answer YES to indicate that both Peter and Helen have health insurance coverage  Answer YES since Peter is a veteran and qualifies for the veterans exemption of $3,000 ($6,000 for 2019) |
| **1d** | **Intake Sheet** |  | **Dependents or Qualifying Persons** |
|  | Part II | Basic Information \ Dependents/Qualifying Person | Enter information about Peter's sister, Beatrice  TSO automatically populates Beatrice's last name as Pace, the same as taxpayer’s. Change her last name to Packer  Enter Citizen, Sister and 12 months lived in home  Check box that this person is disabled |
| **2** | **1099-R** |  | **1099-R for Acme Pensions - Peter** |
|  |  | 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’s TIN | Payer Information | Enter Payer's Taxpayer Identification # (TIN). 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? | Check that the 1099-R is for Peter |
|  |  | Recipient Information | TSO populates Peter's name & address info from the Basic Information section. If printed 1099-R address is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter $11,000 as gross distribution amount  TSO transfers to 1040 Line 4a |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount. If the taxable amount should be something different, you must manually change it |
|  | Box 4 | Federal Income Tax Withheld | Enter $1,100 as the Federal income tax withheld |
|  | Box 7 | Distribution Code | Enter code 3, which is for a disability pension. Since Peter is 69, you can assume that he is over the minimum retirement age for the company he retired from. Therefore, this disability pension will be treated the same as any other pension for Federal tax purposes |
|  |  |  | There is no need to enter any state information since there were no state withholdings  NJ tax law states that once you reach age 65, a disability pension is treated as a regular pension. Therefore, NJ will treat the taxable amount in Box 2a that flows through to the NJ return as taxable income |
|  |  |  | TSO transfers the taxable amount in Box 2a ($11,000) to 1040 Line 4b and to NJ 1040 Line 20a  TSO transfers the Federal tax withheld to 1040 Line 16 |
|  |  |  | Q: If Peter’s age were under 65, but over his company’s minimum retirement age, his disability pension would be treated as a regular pension for the Federal return  However, if he were under 65, NJ would treat this as disability income, and it would not be reportable or taxable. You would have to enter the amount of the disability pension as a negative Adjustment to Line 20a on the NJ Checklist for later entry in the State section |
|  |  |  | Since the Paces have another 1099-R, click on Save and Enter Another |
| **3** | **1099-R** |  | **1099-R for Acme Pensions - Helen** |
|  |  | 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’s TIN | Payer Information | Enter Payer's Taxpayer Identification # (TIN). 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? | Check that the 1099-R is for Helen |
|  |  | Recipient Information | TSO populates Helen’s name & address info from the Basic Information section. If printed 1099-R address is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter $12,000 as gross distribution amount  TSO transfers to 1040 Line 4a |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount. If the taxable amount should be something different, you must manually change it |
|  | Box 4 | Federal Income Tax Withheld | Enter $1,200 as the Federal income tax withheld |
|  | Box 7 | Distribution Code | Enter code 3, which is for a disability pension. The minimum retirement age for the company Helen worked for is 62. Since Helen is 59, she is under the minimum retirement age. Therefore, this disability pension should be reported as wages on the Federal return |
|  |  | Rollover or Disability Section | Check the box that states, “Check here to report on Form 1040, Line 1 (Distribution code must be a “3”). TSO then transfers the Box 2a amount to 1040 Line 1, instead of Line 4b |
|  |  |  | There is no need to enter any state information since there were no state withholdings  TSO automatically transfers the Box 2a amount to NJ 1040 Line 20a as taxable pension income (even though it is wages for the Federal). However, NJ tax law states that disability income received when you are under 65 is not reportable or taxable. Therefore, you must note a negative $12,000 amount on the Adjustments to Line 20a row in the Income Subject to Tax section of the NJ Checklist for later entry in the TSO State Section |
|  |  |  | TSO transfers the Federal tax withheld to 1040 Line 16 |
|  |  |  | Q: If the minimum retirement age for Helen’s company were 58, Helen would be over the minimum retirement age. Therefore, her disability pension would be treated as a regular pension. You would not check the box on the 1099-R screen to tell TSO to treat the income as wages. TSO would transfer the disability amount to 1040 Line 4b  Since Helen would still be under 65, NJ would treat the disability amount as not reportable or taxable. You would still have to do the NJ Checklist entry to subtract the amount from NJ taxable pension Line 20a when you reach the State section |
|  |  |  | Q: When disability income is reported as wages, it is considered earned income. Therefore, Helen would be eligible to make an IRA contribution, assuming she met all other requirements. Also, the disability income could be used to qualify for EIC |
|  |  |  | Since the Paces have another 1099-R, click on Save and Enter Another |
| **4a** | **CSA 1099-R** |  | **CSA 1099-R for Office of Personnel Management** |
|  |  | 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’s TIN | Payer Information | Enter Payer's Taxpayer Identification # (TIN). 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? | Check that the CSA 1099-R is for Peter |
|  |  | Recipient Information | TSO populates Peter's name & address info from the Basic Information section. If printed CSA 1099-R info is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter gross distribution amount ($17,000)  TSO transfers to 1040 Line 4a (total is now $28,000 since Helen’s disability pension is on Line 1) |
|  | Box 2a | Taxable Amount | Since the taxable amount is not shown on the CSA 1099-R, you must determine how much of the pension is taxable. Peter made after-tax contributions to his pension (as shown in Box 9b), so he is allowed to exclude a portion of his contributions from each year’s distribution. To determine how much he can exclude, it is best to use the Bogart Annuity Calculator on the TaxPrep4Free.org Preparer page to do this calculation. Print out the Bogart results and include in taxpayer’s envelope for next year |
|  |  | Bogart Annuity Calculator Data Entry | Enter 02/01/2014 as the annuity starting date  Enter annuitant's birth date (01/02/1949)  Since this is a joint or survivor annuity, enter spouse's birth date (02/03/1959)  The calculator determines that the combined age for the survivor annuity is 119  Enter $17,000 as the gross distribution from the CSA 1099-R Box 1  Enter $15,000 as the total annuity contributions from Box 9b  Click on the "Click here to calculate" button |
|  |  | Bogart Annuity Calculator Results | Since Peter only received 11 months of his pension during his first year, the calculator determines that he could exclude $458 of his contributions in 2014. For each year from 2015-2017, he received 12 months of pension and excluded $500 a year  The calculator also determined that the taxable amount of this year's distribution is $16,500  You can enter the Bogart results into TSO in either of 2 ways:  Enter the taxable amount from the Bogart Form 1099-R box into Box 2a of the 1099-R OR  Below Box 2a, click on “Click here for options.” Choose Simplified Method Worksheet. Then enter all the information from the Bogart Simplified General Rule Worksheet box into TSO. This option will give you carryforward data next year to calculate the taxable amount for this pension  WARNING: Choose only one method of entry. Do not enter Bogart taxable amount directly into Box 2a and also complete TSO’s Simplified Method Worksheet |
|  |  |  | TSO transfers the taxable amount of $16,500 to 1040 Line 4b (now totals $27,500 since Helen’s disability is shown on 1040 Line 1) & to NJ 1040 Line 20a (now totals $39,500 since you have not yet subtracted out Helen’s disability pension; the negative amount is captured on the NJ Checklist, but not yet entered in the State section) |
|  | Box 4 | Federal Income Tax Withheld | Enter the Federal income tax withheld ($1,700). TSO transfers to 1040 Line 16 (total is now $4,000) |
|  | Box 7 | Distribution Code | Enter 7 as the distribution code - normal distribution |
|  | Box 9b | Total Employee Contributions | Enter $15,000 as the total employee contributions |
|  | Box 10 | State Income Tax Withheld | Enter $340 as the NJ income tax withheld  TSO transfers to NJ 1040 Line 53 |
|  |  |  | Use a scratch pad on TaxPrep4Free.org Preparer page to calculate the excludable amount of the distribution that is not taxable this year ($17,000 – 16,500 = $500). You can also get this number from the 2018 line of the Bogart Tax Exclusion Table in the Exclusion This Year column  Since Peter was able to exclude $500 from his gross distribution, you have to enter that amount on NJ 1040 Line 20b as excludable pension. Note the amount on the Adjustments to Line 20b row in the Income Subject to Tax section of the NJ Checklist for later entry in the TSO State Section |
|  |  |  | Q: If TP has Annuity Calculator printout from a previous year (and the dates and amounts were entered correctly), then you could use the numbers from the table on page 2 without needing to re-calculate |
| **4b** | **CSA-1099-R** |  | **Schedule A - Medical Deductions** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical and Dental Expenses |  |
|  |  |  | Box 5 on a 1099-R may contain the current year's amount of employee contributions or insurance premiums. On a CSA 1099-R, Box 5 contains the amount that the employee contributes to his health insurance premiums. This amount can be deducted as a medical expense on Sch A  Enter $2,300 as a medical and dental insurance expense |
|  |  |  | Q: The Federal refund did not change when you entered the medical expenses because the Paces are still using the standard deduction  The NJ refund also did not change. TSO now calculates medical expenses on NJ 1040 Line 31. TSO calculates the amount of medical expenses that is greater than 2% of NJ Gross Income. The Gross Income is $0 at this point, because all of Peter’s pension income is offset by the Pension Exclusion on Line 28a, which is $60,000 for MFJ in 2018. Therefore, the allowable NJ medical expense deduction on NJ 1040 Line 31 is the entire $2,300. However, the Paces had no taxable income at this point. Their refund is strictly comprised of the state taxes withheld from their pensions and the EITC. |
|  |  |  | Since the Paces have another 1099-R, click on Save and Enter Another |
| **5** | **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’s TIN | Payer Information | Enter Payer's Taxpayer Identification # (TIN). 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? | Check that the 1099-R is for Helen |
|  |  | Recipient Information | TSO populates Helen'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 ($1,000)  TSO transfers to 1040 Line 4a (Total is now $29,000 since Helen’s disability pension is on Line 1) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($1,000). If the taxable amount should be something different, you must manually change it  TSO transfers the taxable amount to 1040 Line 4b (total now $28,500) & to NJ 1040 Line 20a (total now $40,500) |
|  | Box 4 | Federal Income Tax Withheld | Enter $100 as the Federal tax withheld. TSO transfers to 1040 Line 16 (total now $4,100) |
|  | Box 7 | Distribution Code | Enter code 7 for a normal distribution  Check box for IRA/SEP/SIMPLE to indicate that this is a distribution from an IRA |
|  |  |  | Q: Helen took this IRA distribution in November. If she had taken it in June, she would have been younger than 59½. That means she would have been subject to a 10% early withdrawal penalty. The Federal refund would have decreased due to the additional tax due. The NJ refund would not have changed since NJ does not have an early withdrawal penalty |
| **6** | **SSA-1099** |  | **SSA-1099 for Social Security** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions Form 1099-R/ RRB, SSA \ Social Security Benefits/ RRB-1099 |  |
|  | Box 5 | Taxpayer's Social Security Benefit | Enter $16,000 as Peter's SS benefit. Always enter the amount from Box 5. It will be in pink on a real SSA-1099  TSO transfers to 1040 Line 5a  Since Social Security is not taxable for NJ, nothing is transferred to the NJ 1040 |
|  |  |  | TSO calculates that $9,825 of the Social Security is taxable on 1040 Line 5b. This calculation is based on AGI + tax-exempt interest + 1/2 of the Social Security. If AGI or tax-exempt interest changes as the problem continues, TSO will recalculate the taxable part of Social Security as needed |
|  | Box 6 | Taxpayer's Federal Tax Withheld | Enter $600 as Federal Tax withheld  TSO transfers to 1040 Line 16. Total Federal tax withheld is now $4,700 |
|  |  |  | Social Security is neither reportable nor taxable on the NJ return |
|  | Description box | Taxpayer's Medicare Premiums | Use a scratch pad on TaxPrep4Free.org Preparer page to calculate the total amount of Medicare premiums ($1,385 + 615 = $2,000)  Enter $2,000 as Peter's Medicare premiums |
|  |  |  | TSO includes the Medicare premiums as a Sch A itemized medical deduction. Even though they are included, they do not show on the medical deduction screen |
|  |  |  | Social Security was $16,000, but AGI only went up $8,825. That is because SS is only partially taxable |
| **7a** | **K-1** |  | **K-1 for Acme Partners – Entity Information** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ K-1 Earnings \ Sch K-1 (Form 1065) |  |
|  | Box F | Whose K-1 is this? | Check that the K-1 is for Peter |
|  | Boxes B&A | Partnership's Name | Enter Acme Partners as the partnership's name |
|  |  | Partnership's EIN | Enter Partnership's EIN. TSO populates address if in database. Always check to make sure it matches printed K-1; address can frequently change. Make necessary corrections |
|  |  |  | Check box that says, "This K-1 is from a Passive Entity" |
|  |  |  | Check box that says, "All Investment is At-Risk" |
|  |  |  | Click Continue |
| **7b** | **K-1** |  | **K-1 for Acme Partners - Income** |
|  | Box 5 | Interest income | There has been a long-term bug in TSO where taxable interest from Sch K-1 Box 5 is not transferring to NJ 1040 Line 16a. Therefore, we have to do a work-around: Use the normal TSO 1099-INT screen to enter the taxable interest from the Sch K-1.  Enter nothing on TSO K-1 screen for Box 5 |
|  | Box 6a | Ordinary Dividends | Enter $747 as ordinary dividends  TSO transfers to Sch B Line 5, 1040 Line 3b & NJ 1040 Line 17 |
|  | Box 6b | Qualified Dividends | Enter $212 as qualified dividends  TSO transfers to 1040 Line 3a |
|  | Box 8 | Net Short-Term Capital Gain (Loss) | Enter $-72 as net short-term loss  TSO transfers to Sch D Line 5 |
|  | Box 9a | Net Long-Term Capital Gain (Loss) | Enter $281 as net long-term gain  TSO transfers to Sch D Line 12 |
| **7c** | **K-1** |  | **K-1 for Acme Partners - Credits** |
|  |  |  | There is nothing to enter on this screen, so just click Continue |
| **7d** | **K-1** |  | **K-1 for Acme Partners - Deductions** |
|  | Box 18a | Tax Exempt Interest Income | Enter $33 as exempt interest income  TSO transfers to 1040 Line 2a & NJ 1040 Line 16b |
| **7e** | **K-1** |  | **Interest Income 1099-INT** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Interest Income, Form 1099-INT | Because of TSO bug mentioned above |
|  | Partnership’s Name & Address  Partnership’s EIN | Payer's Name & EIN | Enter Payer's name and EIN. TSO populates address if in database. Always check to make sure it matches printed Sch K-1; address can frequently change. Make necessary corrections |
|  | Partner's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Peter, the taxpayer |
|  | Box 5 | Interest Income (Box 1) | Enter $434 as interest income  TSO transfers to Sch B Line 1, 1040 Line 2b & NJ 1040 Line 16a |
|  |  |  | Q: We added $434 to AGI in this step. Because AGI increased, TSO recalculated the taxable Social Security amount (+$369). Therefore, AGI went up a total of $803 ($434 + 369) |
| **8a** | **1099-INT** | Interest Income Screen | **1099-INT for Acme Brokerage Statement (Interest)** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Interest Income, Form 1099-INT |  |
|  | Payer's Name & Address  Payer’s Federal ID # | Payer's Name & EIN | Enter Payer's Name and EIN. TSO populates address if in database. Always check to make sure it matches printed 1099-INT; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Peter, the taxpayer |
|  | Line 1 | Interest Income (Line 1) | Enter $1,500 for taxable interest  TSO transfers to Sch B Line 1, to 1040 Line 2b & to NJ 1040 Line 16a |
|  | Line 2 | Early Withdrawal Penalty | Enter $23 as an early withdrawal penalty that Peter was charged because he withdrew money from a CD before its maturity date  Line 1 includes the total interest you earned (before any penalty was applied.) Line 2 is the amount of the penalty charged  On the Federal return, TSO transfers the Box 1 interest to 1040 Line 2b. It then populates the Box 2 amount as an adjustment to income on Sch 1 Line 30 so that you are not taxed on the penalty  On the NJ return, TSO automatically subtracts the early withdrawal penalty from the taxable interest amount on NJ 1040 Line 16a |
|  | Line 3 | Interest on U.S. Savings Bonds and Treasury obligations (Box 3) | Enter $2,500 as taxable interest on U.S. Savings Bonds (Not tax-exempt for Federal unless it is used for education expenses)  TSO transfers to Sch B Line 1 & to 1040 Line 2b |
|  |  | Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return | Interest on U.S. Savings Bonds is not taxable in NJ  Enter $2,500 as the amount to subtract from the NJ 1040 taxable income  Choose NJ from the drop-down menu  TSO transfers to NJ 1040 Line 16b for tax-exempt interest, instead of Line 16a for taxable interest |
|  | Line 4 | Federal Tax Withheld (Box 4) | Enter $300 for Federal tax withheld  TSO transfers to 1040 Line 16 (total now $5,000) |
|  | Line 8 | Tax-Exempt Interest | Enter $3,000 as Federal tax-exempt interest  TSO transfers to 1040 Line 2a  We handle the NJ aspect of this in Step 8b |
|  | Line 10 | Market Discount | Enter $105 as market discount on bonds. TSO automatically adds the $105 to the taxable interest in Box 1. The taxable totals on Sch B, 1040 Line 2b, and NJ 1040 Line 16a are all increased by $105 |
|  | Line 11 | Bond Premium | Enter $116 as bond premium. TSO automatically subtracts the $116 from the taxable interest on Line 1. The taxable totals on Sch B, 1040 Line 2b, and NJ 1040 Line 16a are all decreased by $116  NOTE: This amount is listed as an Amortizable Bond Premium (ABP) Adjustment on Sch B |
|  | Line 12 | Bond Premium on Treasury obligations | Enter $127 as bond premium on Treasury obligations. TSO automatically subtracts the $127 from the interest on Treasury obligations on Line 3. The taxable totals on Sch B and 1040 Line 2b are decreased by $127  NOTE: This amount is listed as an Amortizable Bond Premium (ABP) Adjustment on Sch B |
|  |  | Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return | Since Treasury obligations are not taxable for NJ, you have to adjust the amount that you told TSO to subtract from NJ 1040 taxable income when you entered Line 3 above. You previously entered $2,500. Now subtract this $127 of bond premium on Treasury obligations. Change the $2,500 to $2,373  TSO decreases the amount that was on NJ 1040 Line 16b as tax-exempt interest by $127 |
|  | Line 13 | Bond Premium on Tax-Exempt Bond | TSO does not automatically handle this. You must manually subtract this $138 in bond premium on tax-exempt bonds from the amount of tax-exempt interest on Line 8 ($3,000) and change the amount that is on Line 8 to $2,862 |
| **8b** | **1099-INT** | Taxable State Interest Screen | **1099-INT for Acme Brokerage Statement (NJ Interest)** |
|  | Line 8  New Jersey Muni Bond line under Interest Detail |  | To determine how much of the Federal tax-exempt interest is taxable for NJ, you must examine the detail behind the tax-exempt interest. Interest on NJ bonds are tax-exempt for NJ as well as for the Federal. Therefore, for the NJ Muni Bond, you do not have to do anything special for the NJ return once you have entered the Line 8 Federal tax-exempt interest for the NJ bond ($1,300) minus the Line 13 bond premium on tax-exempt bond ($58)  TSO transfers $1,242 ($1,300 – 58) to NJ 1040 Line 16b (total NJ tax-exempt interest now $3,648) |
|  | Line 8  NY Muni Bond line under Interest Detail | Taxable State Interest Item | Interest on municipal bonds from states other than NJ are taxable for NJ even though they are tax-exempt for the Federal. Therefore, click on Edit Interest Items under Taxable State Interest  Choose New Jersey from the drop-down menu as the State  Choose Taxpayer from the drop-down menu as Owner  Enter $1,620 as the amount that should be added as taxable interest for NJ. This is the $1,700 of interest on the NY bond minus the $80 of bond premium from Line 13 that is associated with the NY bond  TSO transfers the $1,620 to NJ 1040 Line 16a (total NJ taxable interest now $3,520) |
| **9a** | **1099-DIV** | Dividend Income Screen | **1099-DIV for Acme Brokerage Statement (Dividends)** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Dividend Income, Form 1099-DIV | Click on Add Interest and Dividends line to add another Interest and Dividends form. Click on Dividend Interest Income, Form 1099-DIV to enter taxable dividends |
|  | Payer's Name & Address  Payer’s Federal ID # | Payer's Name & EIN | Enter Payer's Name and EIN. TSO populates address if in database. Always check to make sure it matches printed 1099-INT; address can frequently change. Make necessary corrections |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Peter, the taxpayer |
|  | Line 1a | Ordinary Dividends | Enter $300 as ordinary dividends  TSO transfers to Sch B Line 5, to 1040 Line 3b (total now $1,047), & to NJ 1040 Line 17 (total now $1,047) |
|  | Line 1b | Qualified Dividends | Enter $200 as qualified dividends  TSO transfers to 1040 Line 3a (total now $412) |
|  | Line 2a | Capital Gain to Schedule D | Enter $99 as capital gains distributions  TSO transfers to Schedule D Line 13 & to NJ 1040 Line 19 (total now $308) |
|  | Line 3 | Nondividend Distributions | Enter $33 as nondividend distributions  Nondividend distributions are return of capital. They are not taxable when they are distributed, but they should be entered into TSO anyway. They should be subtracted from the cost basis when the investment is sold |
|  | Line 4 | Federal Income Tax Withheld | Enter $80 as Federal income tax withheld  TSO transfers to 1040 Line 16 (total Federal tax withheld now $5,080) |
|  | Line 7 | Foreign Tax Withheld | Enter $44 as foreign tax paid  TSO transfers to Sch 3 Line 48 as a foreign tax credit |
|  | Line 11 | Exempt-Interest Dividends | Enter $800 as exempt interest dividends received from a regulated investment company (mutual fund)  TSO transfers to 1040 Line 2a (total Federal tax-exempt interest now $3,695)  NOTE: Even though this line is called exempt-interest dividends, the amount is reported on the 1040 interest line, not the dividend line  We handle the NJ aspect of this in Step 9b |
|  | Line 12 | Specified Private Activity Bond | Interest dividends from private activity bonds (PAB) are not normally taxable. However, they are taxable for the Alternative Minimum Tax (AMT)  Do not enter the $8 for the specified private activity bond interest dividends on the Dividends screen. Instead, enter it on the Alternative Minimum Tax Form 6251 screen directly  It is possible that the PAB interest dividends may contribute to the taxpayer owing AMT.  The time to check for AMT is when you have finished the Federal return (Sch 2 Line 45). If there is any AMT included, the return would become Out of Scope (unlikely for our clients) |
| **9b** | **1099-DIV** | Taxable State Interest Screen | **1099-DIV for Acme Brokerage Statement (Exempt-Interest Dividends for NJ)** |
|  |  |  | Look at the Exempt-Interest Dividends detail to determine if the Federal exempt-interest dividend is treated the same or differently for NJ. The rule is that interest attributable to NJ bonds held by mutual funds is only tax-exempt in NJ if the mutual fund is a “NJ Qualified Investment Fund” (has 80% or more of its investments in obligations that are exempt from NJ income tax - New Jersey will usually be part of fund name). See instructions for NJ 1040 Line16b and GIT-5 for more details, as well as NJ Special Handling document Page 3 on TaxPrep4Free |
|  | Line 11 Select US General Fund |  | The Select US Tax-Exempt Fund is not a NJ Qualified Investment Fund since it is not NJ specific. Therefore, the exempt interest attributable to NJ is taxable (10%-$30), as well as the part attributable to all other states (60%-$180), together totaling 70% ($210). The only part that is tax exempt on the NJ return is the part attributable to the US obligations, which includes the District of Columbia, Puerto Rico, and US possessions (30%-$90) |
|  | Line 11 Select NJ Qualified Fund |  | The Select NJ Qualified Fund is considered a "NJ Qualified Investment Fund," so the exempt interest attributable to NJ obligations (70%-$350) is tax exempt, along with the part for US obligations (23%-$115). Only the part attributable to all other states (7%-$35) is taxable |
|  |  | Taxable State Interest Item | Click on Edit Dividend Items under Taxable State Dividend to add the amounts that are taxable for NJ  Choose New Jersey from the drop-down menu as the State  Choose Taxpayer from the drop-down menu as Owner  Use a scratch pad on TaxPrep4Free.org Preparer page to calculate the amount that should be added as taxable for NJ  Enter $245 ($210 + 35)  TSO transfers the taxable interest to NJ 1040 Line 16a (total NJ taxable interest now $3,765)  TSO transfers the tax-exempt interest to NJ 1040 Line 16b (total NJ tax-exempt interest now $4,203) |
| **9c** |  | Federal section \ Other Taxes \ Alternative Minimum Tax (Form 6251) | Search for AMT or 6251 in the search box at the top of the main menu  Click on Go to Form Alternative Minimum Tax now |
|  | Line 12 | Specified private activity bond interest dividends (AMT) | Interest from private activity bonds is not normally taxable. However, it is taxable for the Alternative Minimum Tax  Enter $8 for the specified private activity bond interest |
| **10** | **Prior Year Return** |  | **Capital Loss Carryover from Prior Year Return** |
|  |  | Federal section \ Income \ Capital Gain and Losses (Schedule D) \ Other Capital Gains Data (including Capital Loss Carryover) |  |
|  |  | Long Tem Loss Carryover from 2017 | Since the Paces’ return was not prepared at an AARP TaxAide site last year, we have to manually enter the capital loss carryover from their prior year return  Enter $12,345 as the long-term carryover amount for Peter. (Enter as positive number) |
| **11** | **1099-B** |  | **Brokerage Statement for Acme Brokerage Page 3 of 4 – 1099-B** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Capital Gains and Loss Items | You could choose to enter the 2 transactions for the Acme Corp stock as one consolidated transaction if you wish. Since there were only 2 transactions, this Guide shows them separately. |
|  | Recipient’s Name | Form Belongs To | Choose Peter as the form’s recipient |
|  | Description | Description of Property | Enter 50 ZACO (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Enter 9/1/1996 as date acquired |
|  | Date Sold | Date Sold | Enter 5/10/2018 as date sold |
|  | Proceeds | Sales Price | Enter $4,000 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu |
|  | Cost or Other Basis | Cost | Enter $3,000 as cost basis |
|  |  | Adjustment to Gain or Loss | No adjustment to profit/loss needed |
|  |  |  | TSO calculates a long-term gain of $1,000 |
|  |  |  | Click Save and Enter Another |
|  | Recipient’s Name | Form Belongs To | Choose Peter Pace as the form’s recipient |
|  | Description | Description of Property | Enter 100 ZACO (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Enter 9/1/1996 as date acquired |
|  | Date Sold | Date Sold | Enter 10/20/2018 as date sold |
|  | Proceeds | Sales Price | Enter $7,500 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu |
|  | Cost or Other Basis | Cost | Enter $6,000 as cost basis |
|  |  | Adjustment to Gain or Loss | No adjustment to profit/loss needed |
|  |  |  | TSO calculates a long-term gain of $1,500 |
|  |  |  | Click Save and Enter Another |
|  | Recipient’s Name | Form Belongs To | Choose Peter Pace as the form’s recipient |
|  | Description | Description of Property | Enter 65 ZAI (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Click on Alternate Option for date acquired. Choose Inherited - Long Term from drop-down menu |
|  | Date Sold | Date Sold | Enter 10/20/2018 as date sold |
|  | Proceeds | Sales Price | Enter $5,555 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu |
|  | Cost or Other Basis | Cost | Enter $7,222 as cost basis, the Fair Market Value of the stock on the date Peter's uncle died |
|  | Box 1g | Adjustments to Gain or Loss | Enter $197 as a positive adjustment to the loss for this sale |
|  | Box 1f | Adjustment Explanation | This statement shows a code W in the Adjustment Code column. Check Pub 4012 Page D-26 to see that this indicates a wash sale. A wash sale means that Peter sold a security at a loss, but he purchased something substantially identical within 30 days before or after the sale. Therefore, the IRS does not allow him to claim the loss  Check the box next to “W - Nondeductible Loss from a Wash Sale” |
|  |  |  | TSO calculates a long-term loss of $-1,470 ($5,555-7,222+197) |
|  |  |  | Click Continue |
|  |  | 8949 with Code E Checked | **Long-Term Capital Gains with No Cost Reported to IRS** |
|  |  |  | TSO transfers all the long-term capital gains transactions with no cost basis reported to the IRS to a Form 8949. TSO checks box for Code E |
|  |  | Sch D | **All Capital Gains Transactions** |
|  |  | Line 9 | TSO transfers totals from 8949 with Code E Checked (Sales Price $17,055, Cost $16,222, Adjustments to Gain or Loss $197, Gain or Loss $1,030) |
|  |  | Sch 1 Line 13 | **Capital Gain/Loss** |
|  |  |  | Q: Prior to this step, Sch D already had a net loss of $-12,037 on Sch D Line 16. Adding the $1,030 gain from this step results in $-11,007 on Line 16. Since the maximum loss allowed on Sch 1 Line 13 is $-3,000, which was already there from prior steps, the AGI and Federal refund do not change |
|  |  | NJ 1040 | **All Capital Gains Transactions** |
|  |  | Line 19 | NJ does not allow carryover loss from the prior year. Therefore, the capital gain from this step ($1,030) is just combined with the short-term loss from the K-1 ($-72) + the long-term gain from the K-1 ($281) + the capital gains distribution from the 1099-DIV ($99). The total ($1,338) is transferred to NJ 1040 Line 19 |
| **12** | **1099-B** |  | **Brokerage Statement for Acme Brokerage Page 4 of 4 - 1099-B** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Capital Gains and Loss Items |  |
|  |  |  | You are allowed to consolidate a number of 1099-B transactions, instead of entering each one separately, as long as the transactions are all in the same category. Since all these transactions are the same 1099 code D (long-term transactions with cost reported to IRS), you can consolidate all of them and just report the totals. You would need to enter a separate line for the consolidation of each other 1099 Code grouping (A, B, E). There is no need to mail in copies of the brokerage statement and Forms 8949 |
|  | Recipient’s Name | Form Belongs To | Choose Peter Pace as the form’s recipient |
|  | Description | Description of Property | Enter Acme Brokerage as description of property |
|  | Date Acquired | Date Acquired | Click on Alternate Option under dated acquired. Choose Various - Long Term from the drop-down menu |
|  | Date Sold | Date Sold | Enter 12/31/2018 as date sold (just use the last day of the year as sell date for consolidated transactions)  NOTE: For 2019, if various (short or long-term) is selected as an Alternate Option for Date Acquired, do not enter an entry for Date Sold |
|  | Proceeds | Sales Price | Enter $19,560 as sales price |
|  | Basis Reported to IRS | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis Reported to the IRS from the drop-down menu |
|  | Cost or Other Basis | Cost | Enter $9,800 as cost basis |
|  | Box 1g | Adjustments to Gain or Loss | Enter $0 as adjustment to gain or loss (or just leave blank) |
|  | Box 1f | Adjustment Explanation | Check the box next to “M - Reporting Multiple Transactions on a Single Row” |
|  |  |  | TSO calculates a long-term gain of $9,760 |
|  |  | 8949 with Code D Checked | **Long-Term Capital Gains with Cost Reported to IRS** |
|  |  |  | TSO transfers the long-term consolidated capital gains transaction with the cost basis reported to the IRS to a Form 8949. TSO checks box for Code D |
|  |  | Sch D | **All Capital Gains Transactions** |
|  |  | Line 8b | TSO transfers totals from 8949 with Code D Checked (Sales Price $19,560, Cost $9,800, Gain or Loss $9,760) |
|  |  | Sch 1 Line 13 | **Capital Gain/Loss** |
|  |  |  | Prior to this step, Sch D had a net loss of $-11,007 on Sch D Line 16. Adding the $9,760 gain from this step results in $-1,247 on Line 16. TSO transfers this to Sch 1 Line 13. There is no longer any carryover to next year |
|  |  | NJ 1040 | **All Capital Gains Transactions** |
|  |  | Line 19 | TSO adds the $9,760 gain from this step to the $1,338 already on Line 19 (total on Line 19 now $11,098) |
| **13** | **W-2G** |  | **W-2G for New Jersey Lottery** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ Gambling Winnings (W-2G) |  |
|  | Winner's Name & Address | This W-2G Issued To: | Click that the W-2G is for Helen |
|  |  | Payee's Address | TSO populates Helen's address info from the Basic Information section. If printed W-2G info is different, make necessary changes |
|  | Payer's Name & Address  Payer Federal ID # | Payer's ID # | 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 |
|  | Box 1 | Gross Winnings | Enter $10,000 as gross winnings.  Since the Federal taxes gross gambling winnings, TSO transfers $10,000 to Sch 1 Line 21 (Line 8 for 2019) and populates GAMBLING WINNINGS as the Other Income Type |
|  |  | Gambling Losses | Enter $9,000 as gambling losses  NOTE: TSO knows that you can only claim losses up to the amount of winnings, so it will give you an error message if you try to enter more  TSO transfers $9,000 to Sch A Other Itemized Deductions on Line 16 |
|  |  |  | NJ does not tax lottery winnings less than or equal to $10,000 in one instance. Since this lottery winnings is exactly $10,000, it is not taxable for NJ  You should note this information on the NJ Checklist in case there are other gambling winnings later in the problem. You would need this data in order to calculate the net gambling winnings for entry later in the State section. Note +$10,000 on the NJ Line 24 Total Gambling Winnings row and then -$10,000 on the NJ Lottery Winnings (<=10,000 in 1 instance) row. Also enter -$9,000 on the Gambling Losses row. If there are no other gambling winnings, then net gambling winnings would be negative, and you would not enter anything as the net taxable winnings in the State section |
|  | Box 2 | Date Won | Enter 7/1/2018 as date won |
|  | Box 3 | Type of Wager | Enter LOTTERY as type of wager |
|  | Box 4 | Federal Tax Withheld | Enter $2,000 as the Federal tax withheld  TSO adds this amount to 1040 Line 16 (total Federal withholdings now $7,080) |
|  |  |  | Q: Federal: all $30,000 would be taxable; NJ: None would be taxable, because $10,000 threshold applies to each individual win |
| **14** | **Notes** |  | **Recoveries – NJ Tax Refund Worksheet** |
|  |  |  | When a taxpayer receives tax refunds in the current tax year for taxes paid in a prior year, you must determine if the refunds are considered recoveries. They are recoveries if the taxpayer received a tax benefit in a prior year by claiming a deduction for the taxes paid. Therefore, you must check the prior year’s return to see if the taxpayer itemized. If the refund is for property taxes, look at Sch A to see if they took a real estate deduction. If the refund is for income taxes, check Sch A to see if they claimed a deduction for state income taxes paid (not sales tax)  If a refund is considered a recovery, it may be wholly or partially taxable in the current tax year |
|  |  |  | The Pace family received a NJ income tax refund for $203 in 2018 when they filed their 2017 return. On their 2017 return, you see they itemized and claimed state income taxes on Sch A Line 5. Therefore, the income tax refund is a recovery  NOTE: On 2017 Sch A, Line 5a is checked if they claimed income taxes, while 5b is checked for sales tax. On 2018 return, there is only one box for either state income taxes or sales tax (Line 5a); it is checked if they took sales tax |
|  |  |  | The Paces also received 2 property tax rebates – a Property Tax Reimbursement (PTR) check for $1,200 and Homestead Benefit (HB) credits on their property tax bill for $400. Since the Paces have been itemizing and claiming property taxes, both these rebates are recoveries  The PTR may be wholly or partially taxable in TY2018  The HB will be fully taxable. The HB was for taxes paid 3 years ago. You do not have detailed information from the tax return 3 years ago. Also, the NJ Tax Refund Worksheet (see below) only works for prior year tax refunds. Therefore, the entire HB amount will be taxable |
|  |  | NJ Tax Refund Worksheet – Taxable Amounts for 2018 section | Use the NJ Tax Refund Worksheet on the TaxPrepr4Free Preparer page to determine how much of the income tax and PTR recoveries are taxable in TY2018. These 2 recoveries are for taxes paid in the prior year. The calculator figures out how much tax benefit the Paces received last year by claiming income taxes and property taxes on Sch A for the amounts that were later refunded. This will be the taxable amount they have to declare on this year’s return  Choose 2018 as current year. Enter the refunds received |
|  |  | NJ Tax Refund Worksheet – Schedule A Info for 2017 section | Enter the required information from the 2017 Sch A |
|  |  | NJ Tax Refund Worksheet – Taxable Amounts for 2018 section | For the Homestead Benefit (HB) recovery, you cannot adjust the taxable amount because the HB was for taxes paid 3 years ago. Therefore, the Worksheet will show that the entire HB amount is taxable ($400)  The calculator tells you that out of the total $1,803 in refunds received, $950 is taxable and $853 is not taxable. |
|  |  |  | Q: Calculating the taxable amounts for the two entries (State and Local Tax Refunds and Other Income) is described in Pub 17. Basically, the total taxable amount from prior year refunds ($550) is split between the two amounts based on the ratio of the original recovery amounts. |
| **14a** | **Notes** |  | **Recoveries – State and Local Refunds** |
|  |  | Federal section \ Income \ Enter Myself \ State and Local Refunds (Form 1099-G Box 2) |  |
|  |  |  | Since the calculator is dealing with both the income tax refund and the PTR (total of $1,403), it will apportion the tax benefit the Paces received ($550) between the two  $46 is taxable for the income tax refund  $504 is taxable for the PTR  The entire HB is taxable ($400) |
|  |  | Bypass State Refund Worksheet Line | Enter $46 as the taxable amount of the income tax refund  TSO transfers this to Sch 1 Line 10 (For 2019, it is Sch 1 Line 1) |
| **14b** | **Notes** |  | **Recoveries – Other Income Not Reported Elsewhere** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ Other Income Not Reported Elsewhere | For documentation and Quality Review purposes, it is better to do separate entries for the PTR and the HB |
|  |  | PTR | Since the income must be assigned to either Peter or Helen (joint is not an available option), choose Peter  Enter “PTR Recovery” as description of other income  Enter $504 as amount of other income  Click on Continue and then click Add an Other Income Item |
|  |  | HB | Choose Peter as person who form belongs to  Enter “Homestead Benefit Recovery” as description of other income  Enter $400 as amount of other income |
|  |  | NJ Checklist | NJ does not tax refunds or rebates  TSO knows not to transfer the taxable amount of the state income tax refund on Sch 1 Line 10 to the NJ return. No further action is needed  Since there are multiple different items that can be claimed on the Federal Other Income line on Sch 1, TSO flows all Other Income to the NJ return. Therefore, you must note a negative amount on the Adjustments to Line 26 – Other Income row in the Income Subject to Tax section of the NJ Checklist for later entry in the TSO State Section  Enter $-504 on the PTR Recovery line  Enter $-400 on the Homestead Benefit Recovery line |
| **15a** | **Notes** |  | **Deductions - Medical & Dental Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Compare Deductions | Before you start to enter the rest of the Paces’ itemized deductions, check that the total of their itemized deductions so far is $9,340. You can do this by looking at the Compare Deductions screen, which compares the family’s standard deduction vs. itemized deductions  The $9,340 is composed of the $340 state taxes withheld on the CSA-1099-R (Step 4) and the $9,000 in gambling losses (Step 13) |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses | The IRS allows you to deduct qualified medical expenses that exceed 7.5% of your AGI for 2018  NJ allows you to deduct qualified medical expenses that exceed 2% of NJ Gross Income |
|  | Medicare – Parts B and D |  | Medicare premiums were already entered when the Social Security SSA-1099 was entered. The premiums are included in medical expenses, but they do not show up on the Medical Deductions screen |
|  | Insurance Paid by Office of Personnel Manage-ment |  | The medical insurance premiums shown on the CSA 1099-R from the Office of Personnel Management in Box 5 were already entered as Medical and Dental Insurance in Step 4b |
|  | Insurance Policy from HealthCare .gov |  | Helen purchased a Marketplace policy (Step 18). These premiums can also be claimed as medical expenses. However, in order to determine the correct amount to claim, you must first calculate the amount of Premium Tax Credits that the Paces are entitled to. Therefore, you must wait until Step 18b to enter these medical expenses |
|  | Doctor Co-Pays and Deductibles | Amounts Paid to Doctors/Dentists | Enter $300 as doctor bills |
|  | Long Term Care (LTC) Insurance | Qualified Long-Term Care Premiums | Click on Add Premiums button under Add/Edit Long-Term Care Premiums.  Choose Helen from the drop-down menu. Be sure to choose the correct person, since allowable LTC premiums are based on attained age  Enter $1,800 as total premiums paid  Based on Helen's attained age as of 12/31/2018, she is in the age bracket of more than 50 but not more than 60. Therefore, the maximum deduction that she can claim for LTC premiums is $1,560. TSO gives you an error message to say that you entered too high an amount for LTC premiums. Click on the error message to go back to the screen where you can change the $1,800 to $1,560 |
|  |  |  | Total allowable medical expenses are now $6,160 (total of Medicare premiums + insurance from Office of Personnel Management CSA-1099-R + co-pays + allowable LTC premiums) |
|  |  |  | TSO calculates 7.5% of Federal AGI ($69,123 x .075 = $5,184) |
|  |  |  | TSO calculates the amount of medical expenses that are greater than 7.5% of AGI ($6,160– 5,184). This results in an allowable Federal medical expense deduction of $976. If AGI changes due to later entries and when Marketplace premiums are added, TSO recalculates the medical deduction automatically |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $10,316 vs. a Standard Deduction of $25,300. The Paces will still use the standard deduction at this point  TSO transfers $25,300 to 1040 Line 8 |
|  |  |  | The Medical and Dental Expenses on Sch A Line 1 ($6,160) are less than the total amount of medical expenses that you entered ($6,400). This is because not all of the LTC expenses can be claimed (only $1,560 out of $1,800) |
|  |  |  | TSO calculates the allowable medical expenses on NJ 1040 Line 31 ($6,160 - expenses greater than 2% of NJ Gross Income, which is 0 at this point). This amount will be re-calculated later as necessary when Marketplace premiums are added or if NJ gross income changes |
| **15b** | **Notes** |  | **Deductions - Taxes You Paid** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Taxes You Paid |  |
|  | **State Taxes Paid** | Sch A – Taxes Your Paid | The Paces can claim either the state & local income taxes they have paid **OR** the state sales tax, whichever is greater. TSO has been collecting all the state taxes you have entered so far that can be claimed on Line 5a. Now we have a few extra items to add |
|  | **NJ Income Taxes Paid** | Additional State and Local Income Tax | The $42 tax bill from three years ago that the Paces paid can be claimed on this return, since they paid it in 2018  Enter $42 as additional state income tax paid  TSO transfers to Sch A Line 5a |
|  | **Sales Tax** | State and Local Sales Tax Paid | Click on Add Sales Tax Worksheet |
|  |  | Sales Tax Worksheet | Enter zip code of locality where the Paces lived in 2018 |
|  |  |  | Enter 365 as number of days lived in the state  If you do not enter the zip code and number of days, TSO will not consider the sales tax at all. It will just automatically choose state income taxes as the best option for the taxpayer |
|  |  |  | You do not have to enter the percents for the state and local sales tax |
|  |  |  | TSO uses sales tax charts to determine the allowable sales tax to claim. This is based on the taxpayer's state, tax rate, number of exemptions and income range (includes AGI plus non-taxable income)  TSO transfers to Sch A Line 5a  NOTE: If the client paid sales tax on a large purchase, such as a car, truck, RV, plane, boat or home-building material, you can claim that sales tax amount in addition to the amount from the sales tax charts. Enter in the box, “General Sales Tax Paid.” |
|  |  |  | When calculating the sales tax deduction, there are certain non-taxable items that can be included in your income that do not appear on the tax return, such as cash gifts, inheritances, workers compensation, child support, etc. You can see a list of them in the Sales Tax tool on the TaxPrep4Free.org Preparer page. If any of these apply, you can add them to the Modified AGI that TSO calculates. Enter on the Sch A – Taxes You Paid screen in the Box labelled “Amount to Adjust the Calculated MAGI By” (Print a copy of this for the TP file.) |
|  |  |  | TSO determines whether it is better for the taxpayer to claim state income taxes or state sales tax. It populates the amount of the better option on Sch A Line 5a. It will check a box on that line if sales tax is claimed, rather than income taxes |
|  | **Real Estate Taxes** | Real Estate Taxes (non-Business Property) | On Sch A, the Paces can claim the net amount of property taxes they paid on their residence in NJ. The net amount is the amount billed after Veterans or Senior Citizens (SC) deduction(s) are applied, but prior to any Homestead Benefit credits received for a prior year  Since the Paces brought in the escrow reconciliation statement from their mortgage company, we know that the lender paid $6,300 in property taxes on their behalf. However, the lender pays the amount due after the HB credits have been applied. Therefore, we have to add the $400 HB to the mortgage company amount to arrive at the net ($6,700) Do not add in the SC deduction  The Paces’ condo in Thackerville, OK is their second home, not a rental property. Therefore, they are also allowed to claim the property taxes they paid on the condo (2,450)    Use the property tax scratch pad on TaxPrep4Free.org to document the total amount of property taxes they can claim  Enter $9,150 ($6,700 + 2,450) as property taxes  TSO transfers to Sch A Line 5b |
|  |  |  | The Paces meet the eligibility requirements to claim the NJ property tax deduction/credit. Note the real estate tax information on the NJ Checklist in the Credits section for entry later in the TSO State section  For NJ, you can claim the gross amount of property taxes paid. This is the amount **before** the Veterans and Senior Citizen deductions are subtracted. For PTR recipients, you claim the gross amount from their base year; for non-PTR recipients, you claim the gross amount from the current year. Since the Paces are in the PTR program, the gross amount from their base year ($5,650) is on Line 10 in the PTR Application Book  Enter $5,650 on the Property Tax row in the Credits section  Also enter the Block, Lot, and Qualifier information for the principal residence and the Municipality info on the NJ Checklist  NOTE: For NJ, you can only claim the property taxes you paid on your principal residence; you cannot claim taxes on a second property |
|  |  |  | Once you have entered the $9,150 of property taxes on Sch A, the total Taxes You Paid will equal $10,054 ($9,150 + 904 state income taxes). However, the Taxes You Paid section is capped at $10,000, so the Paces can only claim $10,000 in this section |
|  |  |  | Itemized Deductions on the Compare Deductions screen are now $19,976 vs. a Standard Deduction of $25,300. The Paces will still use the standard deduction  1040 Line 8 will still be $25,300 |
|  |  |  | Q:   |  |  |  | | --- | --- | --- | | **Description** | **2017** | **2018** | | Gross Property Tax | 6,850 | 6,950 | | Deductions | 250 | 250 | | Net Property Tax | 6,600 | 6,700 | | Homestead Benefit | 375 | 400 | | Check or Escrow amount | 6,225 | 6,300 | | PTR Base year amount | 5,650 | 5,650 | | PTR Refund | 1,200 |  | | OK Condo tax | 2,400 | 2,450 | | Sch A Property Tax | 9,000 | 9,150 | |
|  |  |  | Q: If they didn’t get SC deduction in current year, there would be no impact on the PTR refund. The PTR = gross amount of current year property taxes – gross amount from base year. Since gross is before the SC deduction, there is no change |
|  |  |  | Q: Amount of deduction lost to SALT limitation = $54 Total state taxes paid = $10,054; SALT limitation = $10,000; difference = $54 |
| **15c** | **Notes** |  | **Deductions - Interest You Paid** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Mortgage Interest & Expenses \ Home Mortgage Loan(s) Used to Buy/Build/Improve Home |  |
|  |  | Did You Use All of Your Home Mortgage Loan to Buy, Build, or Improve Your Home | Answer YES |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Mortgage Interest & Expenses \ Mortgage Interest Reported on Form 1098 | Click on Add Interest and Points Paid button |
|  | Lender's Name & Address | Recipient/Lender's Name | Enter Acme Mortgage as the lender's name for the loan on the Paces’ principal residence |
|  | Box 1 | Interest Paid | The Paces paid interest related to the loan on their principal residence  Enter $2,135 as the interest that can be claimed  TSO transfers to Sch A Line 8a  NOTE: For mortgages entered into after December 15, 2017, the amount of interest you can deduct is on no more than $750,000 of debt used to buy, build, or substantially improve your principal home and a second home ($375,000 in the case of married taxpayers filing separate tax returns) for tax years 2018 through 2025 |
|  | Box 6 | Points Paid | The Paces also paid points when they took out the loan in 2018. These points can also be claimed when paid as long as all the requirements listed in Pub 17 are met (Page 171 for 2018 Pub 17)  Enter $565 as points paid  TSO adds this to the amount on Sch A Line 8a (total now $2,700)  NOTE: Points from refinancing must be spread over the life of the mortgage unless used to remodel (See Pub 17 “Points”) |
|  | Box 5 |  | Mortgage insurance premiums (shown in Box 5) were not deductible for the 2018 tax year  NOTE: We believe that the new spending bill passed in late December 2019 will allow for the mortgage insurance premiums deduction to be reinstated. Waiting for confirmation |
|  | Second 1098 |  | The deduction for home equity debt is disallowed as a mortgage interest deduction unless the home equity debt was used to build, buy, or substantially improve the taxpayer’s qualified residence. Since the Paces used their Home Equity Line of Credit on the Thackerville condo to pay gambling debts, they cannot deduct the $777 interest paid on this loan |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $22,676 vs. a Standard Deduction of $25,300. The Paces will still use the standard deduction  1040 Line 8 will still be $25,300 |
|  |  |  | Q: Yes, NJ loan would not be deductible, but the OK loan would be. Federal does not required loans to be on principal residence |
|  |  |  |  |
| **15d** | **Notes** |  | **Deductions - Gifts to Charity** |
|  | **Cash Gifts to Charity** | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Gifts to Charity \ Cash Gifts to Charity |  |
|  |  |  | First you must determine which donations are deductible   * Church cash donations are deductible, and there are written records * You must determine if the Most Worshipful Sons of Solomon Grand Lodge of Oklahoma is an IRS Exempt Organization. There is a link on TaxPrep4Free.org Preparer page IRS section that links to an Exempt Organization Search tool. Just enter Thackerville in the City Search field. The Lodge is listed as included in Pub 78, so you can claim the donation as a deduction. The Paces have a canceled check as documentation * The donation to Santa is not deductible because there are no records * Donations to a political party are not deductible |
|  |  | Total Cash Amount Donated | You can enter cash gifts to charity one by one, or you can group all cash contributions as one single entry. It is easier to group them  Click on Override button  Use a scratch pad on TaxPrep4Free.org to document the deductible cash donations ($520 + 80 = $600)  Enter $600 as total cash amount donated  TSO transfers to Sch A Line 11 |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $23,276 vs. a Standard Deduction of $25,300. The Paces will still use the standard deduction  1040 Line 8 will still be $25,300 |
|  |  |  | If later entries change any number on Sch A, TSO will automatically compare the revised total itemized deductions against the standard deduction and repopulate 1040 Line 8 as appropriate |
| **16** | **Notes** |  | **Credit for the Elderly or 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 |
|  |  |  | Q: The Paces do not qualify for this credit. Their AGI is over the limit for Married Filing Jointly. Therefore, you do not have to enter anything into TSO |
| **17a** | **NJ Estimated Payment for 2017** | **Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Taxes You Paid \** Edit |  |
|  |  | Prior Year 4th Quarter State Estimates paid after 12/31/2017 | Since the last quarter NJ estimated tax payment for 2017 was paid at the beginning of January 2018, you can claim $50 as an itemized deduction for 2018 as State Income Tax on Schedule A Line 5a  Enter $50 as the 4th quarter estimated tax payment for 2017 paid in 2018  It is still better for the Paces to claim Sales Tax on Line 5a (box is checked), rather than State Income Taxes |
|  |  |  | Q: Nothing changes on Sch A due to this step because the Paces were already at the $10,000 cap for the SALT section |
| **17b** | **NJ Estimated Payments for 2018** | Federal section \ Payments & Estimates \ State Estimated Payments |  |
|  |  | Estimated State Tax Paid on(4/15/2018) | Enter the $60 estimated tax payment made on 4/14/2018 |
|  |  | Estimated State Tax Paid on(6/15/2018) | Enter the $60 estimated tax payment made on 6/15/2018 |
|  |  | Estimated State Tax Paid on(9/15/2018) | Enter the $60 estimated tax payment made on 9/11/2018 |
|  |  | Estimated State Tax Paid ON or AFTER (12/31/2018) | Enter the $70 estimated tax payment made on 1/14/2019. Make sure that you put it on the line for a payment made after 12/31/2018 so that TSO can properly handle the transfers to the Federal and NJ 1040s |
|  |  | State Name | Choose New Jersey from the drop-down menu |
|  |  |  | TSO transfers the total of the amounts applied to 2018 NJ taxes ($250), no matter when paid, to NJ 1040 Line 55 |
|  |  |  | TSO also transfers $180 to Sch A Line 5a as State Income Taxes paid in 2018 (no matter what tax year they are for). Total itemized deductions are now $23,276 |
| **18a** | **Notes** |  | **ACA Health Insurance – Health Insurance Section** |
|  |  | 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 YES |
|  |  | 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."  If these situations do not apply, just click Continue |
|  |  | Was your entire household insured for all 12 months of 2018? | Answer YES |
|  |  | Did you receive a 1095-A statement or any Premium Tax Credits to assist you in paying for your health care for 2018?  Are you required to repay all of the APTC received?  Is your household income below 100% of the federal poverty line, or do you meet all the requirements under either “Estimated household income at least 100% of the federal poverty line” or “Alien lawfully present in the United States”?  Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?  Premium Amount (Form 1095-A, line 33A)  Annual Premium Amount of SLCSP (Form 1095-A, line 33B)  Annual Advance Payment of PTC (Form 1095-A, line 33C) | Answer YES since Helen received a 1095-A, and it shows that she received Advance Premium Tax Credits  Answer NO. You would only answer YES if you were not considered lawfully present in the U.S. or you meet the Health Coverage Tax Credit criteria. TSO automatically calculates a full repayment of APTC when the Modified AGI is greater than 400% of the Federal Poverty Line (See Pub 4012 Page H-8)  TSO defaults to NO. This is correct for the Paces, so leave as is  Answer YES. This means that you can use the yearly totals from the 1095-A, instead of having to list all the monthly amounts  Enter $6,840 as the annual premium amount  Enter $7,553 as the premium amount of the Second Lowest Cost Silver Plan (SLC for the Paces' county  Enter $480 as the annual amount of Advance PTC that was paid to the insurance company on Helen's behalf during the year |
|  |  | Enter any premium amount paid through a salary reduction agreement that is excluded from gross amount  Dependents’ Modified AGI | This entry is included in the affordability threshold when determining affordability. Since you will not be completing the affordability worksheets for Paces, you do not need to enter anything on this line  NOTE: All exemptions go away on the Federal return for 2019, since the Shared Responsibility Payment (SRP) is set to 0. We are not sure how TSO will handle the NJ Health Mandate for 2019 yet    You must include a dependent's Modified AGI in household income if the dependent has a tax filing requirement (refer to Pub 4012 Page H-10). Since Beatrice only receives $250 per month in Social Security benefits, she does not have a filing requirement  Just click Continue |
|  |  |  | TSO completes Form 8962 to calculate the Premium Tax Credit (PTC) that the Paces are entitled to ($362). It then compares the $362 with the Advance PTC that the Paces received during the year ($480)  TSO determines that the Paces have to repay $118 of the Advance PTC that Helen received  TSO transfers $118 to Schedule 2 Line 46 as excess advance PTC |
| **18b** | **Notes** |  | **ACA Health Insurance – Add Sch A Amount** |
|  |  |  | Using a scratch pad on TaxPrep4Free.org Preparer page, calculate the amount the Paces can claim as medical expenses for Helen’s Healthcare.gov policy  The Paces can claim the premiums they paid for the Marketplace policy as a medical expense on Sch A. The total cost of the policy was $6,840 (Form 1095-A, Column A total). However, Healthcare.gov paid $480 to the insurance company on Helen's behalf during the year as an Advance PTC (Form 1095 Column C total). Therefore, the Paces' out-of-pocket expenses during the year were $6,360  When you complete the Paces' income tax return, you see that they have to repay $118 of the $480 Advance PTC. So you can add the $118 to their out-of-pocket expenses during the year for a total medical expense of $6,478 |
|  |  |  | If the Paces’ return showed that they would receive a net PTC amount on Sch 5 Line 70, you would subtract that amount from their out-of-pocket expenses since they would receive additional subsidy support (N/A in this problem) |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses | There is already $2,300 on the medical and dental insurance line for the premiums shown on the CSA 1099-R. Add $6,478 for a total of $8,778. Total itemized deductions are now $29,754, which is higher than their standard deduction of $25,300. The Paces will claim $29,754 on 1040 Line 8 |
| **19** | **NJ Checklist** |  | **State Section (New Jersey)** |
|  |  |  | As you have been completing the Federal section, you have been collecting information on areas where NJ tax law requires different handling than the Federal. Now you will enter that information into the State section |
| **19a** | **NJ Checklist** |  | **NJ Checklist - Basic Information** |
|  |  | State section \ Edit \ Enter Myself \ Basic Information | You answered some of the Basic Information questions when the NJ return was started in Step 1  Looking at the NJ Checklist, you see that there are a few additional items in this section that you need to enter |
|  |  | Were you disabled as of December 31, 2018? (Taxpayer) | Answer YES for Peter. Peter will receive an extra exemption on the NJ 1040 |
|  |  | Were you disabled as of December 31, 2018? (Spouse) | Answer YES for Helen. Helen will receive an extra exemption on the NJ 1040 |
|  |  | Gubernatorial Elections Fund (Taxpayer) | Since the Paces want their answers to the Gubernatorial Elections Fund question to be the same as for the Presidential Election Campaign Fund, Answer YES for Peter |
|  |  | Gubernatorial Elections Fund (Spouse) | Answer NO for Helen |
|  |  | Were you a military veteran…? (Taxpayer) | Per the Interview Notes in Step 0, Peter meets the requirements for the NJ Veterans Exemption. Answer YES |
|  |  | Were you a military veteran…? (Spouse) | Answer NO for Helen |
| **19b** | **NJ Checklist** |  | **NJ Checklist - Income Subject to Tax** |
|  |  | State section \ Edit \ Enter Myself \ Income Subject to Tax |  |
|  | NJ Line 24 - Gambling Winnings row | Enter Taxable Gambling Winnings | When you calculated the NJ net gambling winnings on the Checklist, the total came out to be less than 0. Since NJ does not allow a net gambling loss, you do not need to enter anything on the gambling winnings line |
|  | Adjustments to Line 20a row | Enter Military Pension or Survivor's Benefit Payments Received - Spouse | Since Helen is under age 65, her disability pension is not taxable for NJ. Therefore, you have to enter $-12,000 to subtract her disability pension amount from NJ taxable pension income on NJ 1040 Line 20a |
|  | Adjustments to Line 20b row | Tax-Exempt Pensions and Annuities | You should have already noted the amount excluded from tax on the Office of Personnel Management pension in Step 4  Enter $500 as the tax-exempt pension amount  TSO transfers to NJ 1040 Line 20b |
|  | Adjustments to Line 26 | Taxable Amount of Scholarships included on Federal Return | On the Federal return, the PTR and Homestead Benefit recoveries were reported as Other Income on Sch 1 Line 21. Since neither of the rebates are taxable for NJ, we must subtract the $504 PTR and the $400 HB recovery amounts from NJ 1040 Line 26 Other Income by entering negative adjustment amounts |
| **19c** | **NJ Checklist** |  | **NJ Checklist - Subtraction from Income** |
|  |  | State section \ Edit \ Enter Myself \ Subtractions from Income |  |
|  |  |  | There are no additional items in this section that need to be entered |
| **19d** | **NJ Checklist** |  | **NJ Checklist - Credits** |
|  |  | State section \ Edit \ Enter Myself \ Credits |  |
|  | Property Tax row |  | Click on Begin |
|  |  | Did You Meet Property Tax Eligibility Requirements? | Answer YES to indicate that the Paces meet the requirements to claim a NJ property tax deduction/credit |
|  |  | Enter Property Taxes Paid | You should have already noted the gross amount of the property taxes that the Paces paid on their principal residence from Step 15b ($5,650) on the NJ Checklist. Since they are PTR recipients, this amount is their gross taxes from their base year. Remember that NJ does not allow them to claim the property taxes they paid on their second home, the condo in Thackerville  Enter $5,650 as property taxes |
|  |  | Were You a Homeowner in 2018? | Answer YES |
|  |  | Are you eligible and file for a homestead benefit application to receive the property tax credit with the homestead benefit? | Answer YES  Since the Paces are eligible and file for the HB, they will receive the $50 property tax credit on their property tax bill, along with the HB. If they were not eligible or didn’t file for the HB, TSO populates the $50 credit on NJ 1040 Line 54 |
|  |  | Block Information | Enter 50001 as the block # of the Paces' residence |
|  |  | Lot Information | Enter 00002 as the lot # of the Paces' residence |
|  |  | County/Municipality | Choose the county/municipality for the property for which the Paces are claiming the property tax deduction/credit.  For some people, this county/municipality may not be the same as the county/municipality chosen in the NJ Basic Information section (where they live when taxes are prepared) if people have moved  TSO transfers to NJ 1040 Line 38c |
| **19e** | **NJ Checklist** |  | **NJ Checklist - Tax** |
|  |  | State section \ Edit \ Enter Myself \ Tax |  |
|  | Use Tax | Use Tax Due on Out-of-State Purchases | The Paces did not make any purchases that would be subject to Use Tax |
| **19f** | **NJ Checklist** |  | **NJ Checklist - Payments** |
|  |  | State section \ Edit \ Enter Myself \ Payments |  |
|  |  |  | There are no additional items in this section that need to be entered |
| **19g** | **Notes** |  | **NJ Checklist – Miscellaneous Forms** |
|  |  | State section \ Edit \ Enter Myself \ Miscellaneous Forms \ Estimated Payment Vouchers, Form NJ-1040-ES |  |
|  |  |  | There are no additional items in this section that need to be entered |
| **20** |  | E-File Section |  |
|  |  |  | TSO displays a warning message concerning the Federal return. “You have entered Form 1099R for IRA and Pension Distributions. The amount of taxable distribution plus any rollover amounts are less than the gross distribution entered. If this is an annuitized distribution, please continue with the E-file process. If this is not an annuitized distribution, please check and correct the information entered. Select Visit to correct the taxable and rollover amounts.”  This message pertains to the CSA-1099-R in Step 4 where you used the Simplified Method in the Bogart Annuity Calculator to calculate the taxable amount. No action is required for this message  Resolve any other warnings that TSO displays before clicking Continue to move on to e-filing |
| **20a** | **Intake Sheet** |  | **E-File - Return Type** |
|  | Additional Information Section | Federal Return Type | Per the Intake Sheet, the Paces do not want to have their 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 Paces’ refund will be sent to them as a check |
| **20b** | **Notes** |  | **E-File - Tax Preparation & E-File Information** |
|  |  |  | The fees section does not apply to the program |
|  |  | Client Email | The Paces did not provide an email address |
|  |  |  | The E-file PINs are automatically generated by TSO |
| **20c** | **Notes** |  | **E-File - State Return(s)** |
|  |  | State Return Type | Per their interview, the Paces do not want to have their NJ refund direct deposited either  Choose E-file: Paper Check from the drop-down menu |
| **20d** | **Notes** |  | **E-File - Third Party Designee Info** |
|  |  |  | Do not fill in anything in this section |
| **20e** | **Notes** |  | **E-File - Consent to Disclose Tax Return Information** |
|  |  | Consent Status | The Paces agree to GRANT consent. Click on GRANT circle |
|  |  | Primary PIN (for both Taxpayer and Spouse) | Enter any 5-digit number as the PIN |
|  |  | Primary PIN date (for both Taxpayer and Spouse) | Choose today’s date as the primary PIN date |
| **20f** | **Intake Sheet**  **Notes** |  | **E-File - Questions** |
|  |  | Would you say you can carry on a conversation in English, both understanding and speaking? | Choose Prefer Not to Answer from the drop-down menu. Since the Paces answered all the questions this way, it is OK to explain that these questions are asked in order for the AARP Foundation to obtain grant money to continue to fund our free program. Without putting any pressure on the taxpayer, you can just confirm that they still prefer not to answer them |
|  |  | Would you say you can read a newspaper or book in English? | Choose Prefer Not to Answer from the drop-down menu |
|  |  | Do you or any member of your household have a disability? | Choose Prefer Not to Answer from the drop-down menu (even though you know that both Peter and Helen are disabled) |
|  |  | Are you or your spouse a Veteran from the U.S. Armed Forces? | Choose Prefer Not to Answer from the drop-down menu (even though you know that Peter is a veteran) |
|  |  | Was the taxpayer physically present during the entire return preparation and quality review process? | Choose YES from the drop-down menu |
|  |  | Your race? (for both Taxpayer and Spouse) | Choose Prefer not to answer from the drop-down menu |
|  |  | Your ethnicity (for both Taxpayer and Spouse) | Choose Prefer not to answer from the drop-down menu |
|  |  |  | Click Save |
|  |  |  | **E-file – State ID (Optional)** |
|  |  |  | NJ does not require State ID, so no entries in this section |
|  |  |  | **E-File - Submission** |
|  |  |  | Follow District/Site rules for what to do on this screen |