2002

Military Condensed VITA Quick Reference Guide

IRS

Department of the Treasury
Internal Revenue Service

www.irs.gov

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The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

How to Use This Guide

- Must use with tax preparation software.
- Before you begin – be sure you are in the correct User Name Screen.
- This guide follows the 1040 format.

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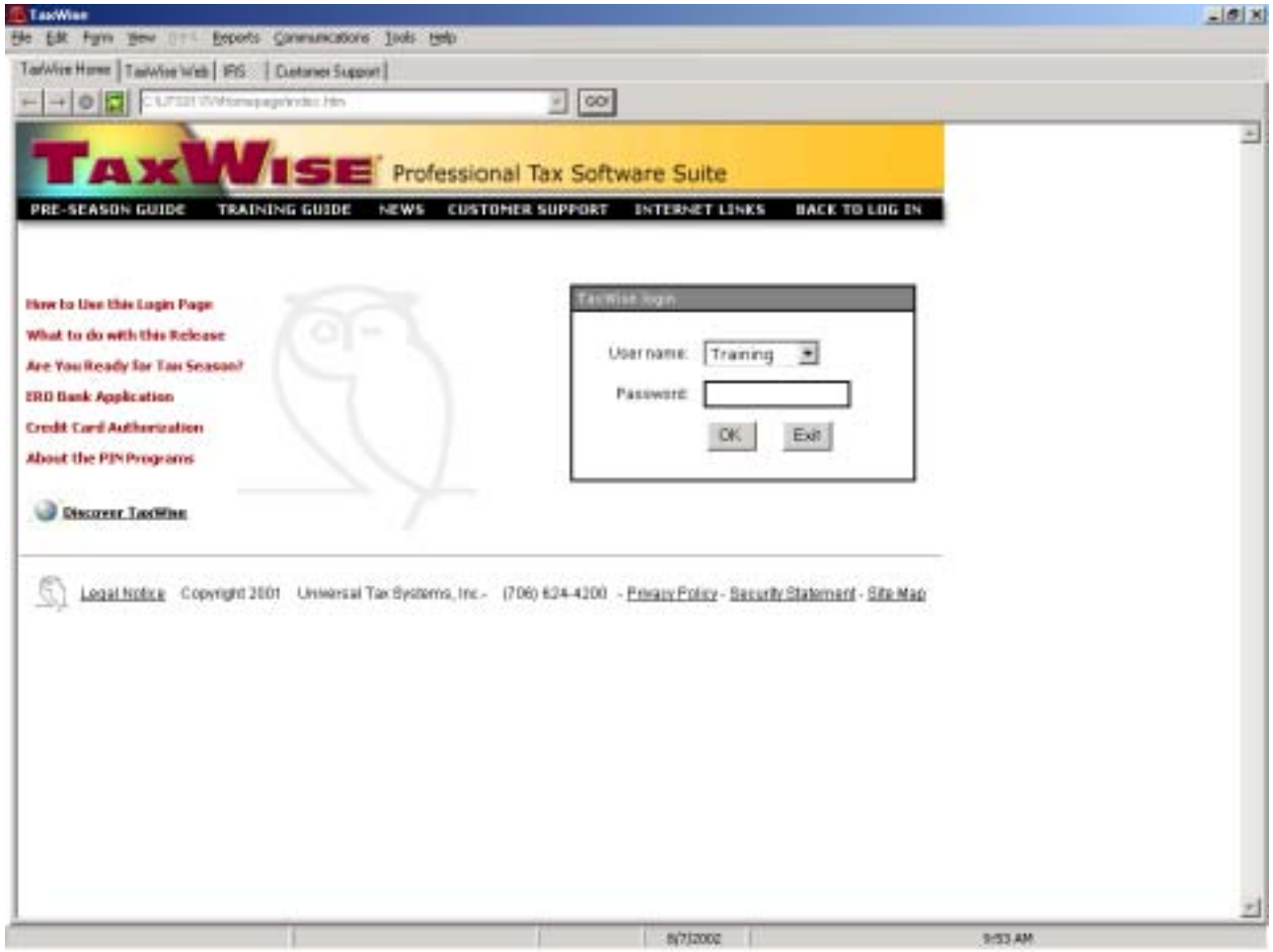
Military Quick Reference Guide

This text is intended for use in conjunction with TaxWise, the e-file software produced by Universal Tax Systems, Inc.


TaxWise
File Edit Forms View Reports Communications Tools Help
TaxWise Home | TaxWise Web | IRS | Customer Support
GO!
TaxWise Professional Tax Software Suite
PRE-SEASON GUIDE
TRAINING GUIDE
NEWS
CUSTOMER SUPPORT
INTERNET LINKS
BACK TO LOG IN
How to Use this Login Page
What to do with this Release
Are You Ready for Tax Season?
ERO Bank Application
Credit Card Authorization
About the PIN Programs
Discover TaxWise
TaxWise Login
User name:
Training
Password:
OK
Exit
Legal Notice Copyright 2001 Universal Tax Systems, Inc. - (706) 624-4200 - Privacy Policy - Security Statement - Site Map
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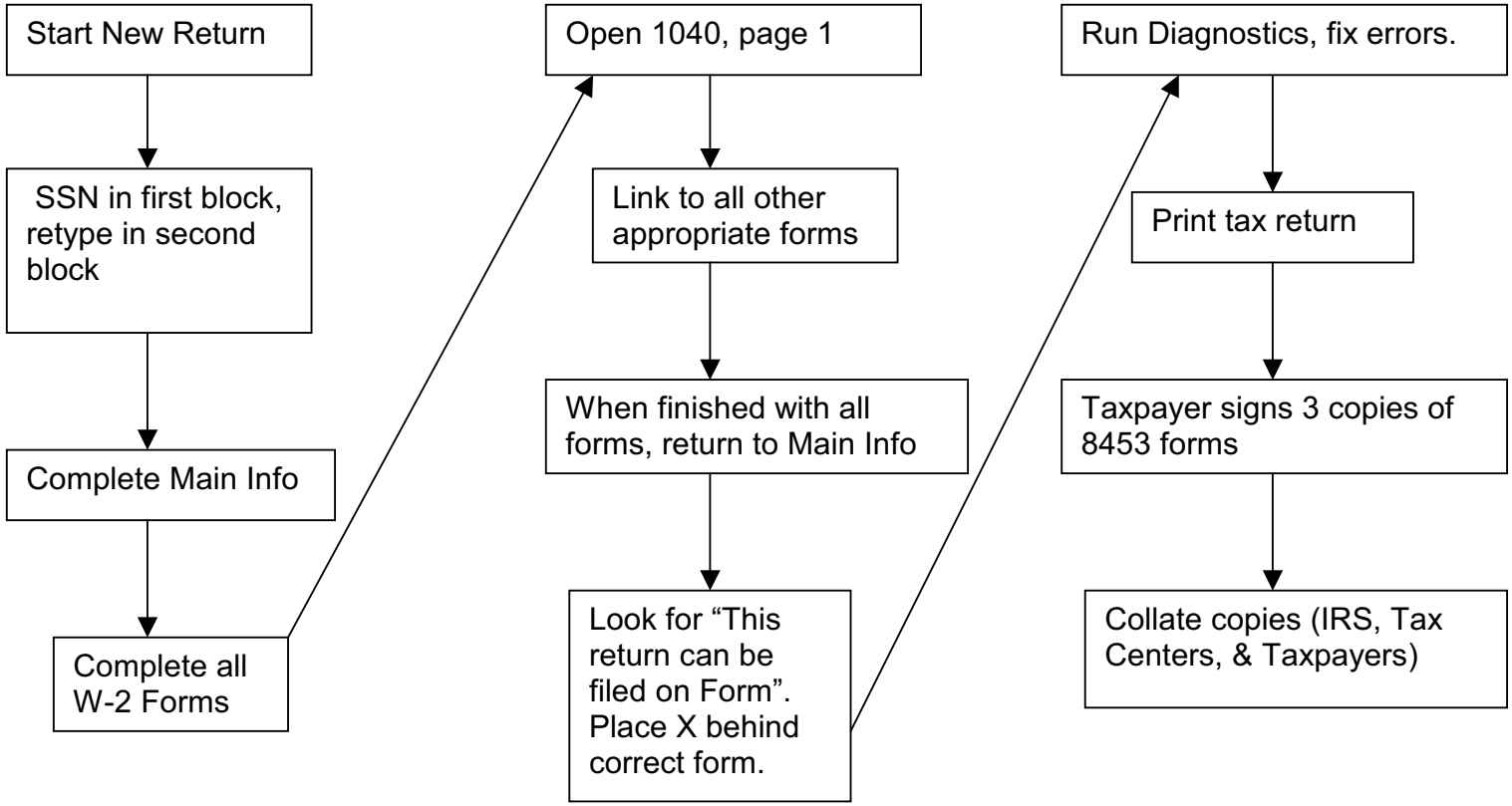
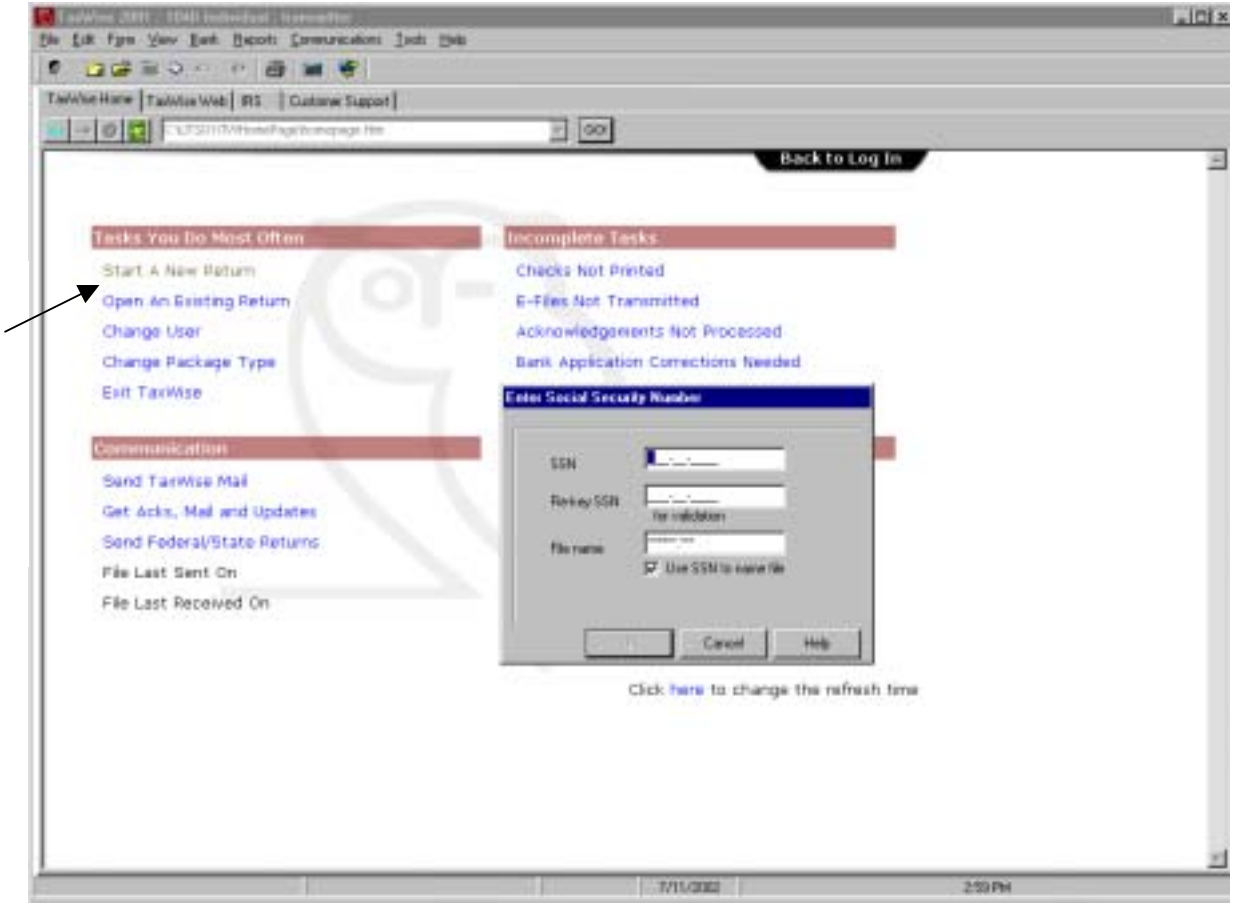
TaxWise Flow Chart



Start a New Return

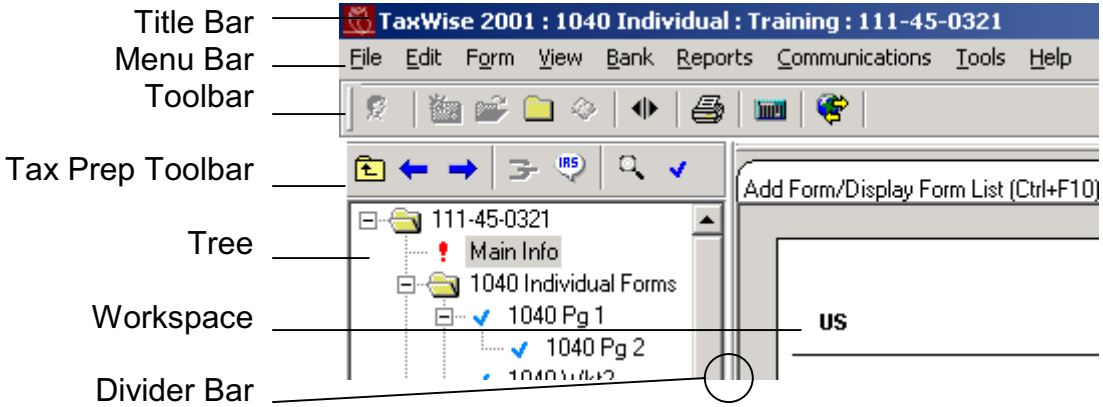
Click here to start a new return



Tax Tip: Check SSN from two different sources.

The Return Opens

The return opens with forms list (tree) on left side and specific form (workspace) on the right.



TaxWise Quick Reference Card

Shift	IRS Help		Un-Estimate		Shift				Un-Override	Shift	Remove Form	Add Copy	Pause Timer
	F1	F2	F3	F4		F5	F6	F7	F8		F9	F10	F11
No Shift	TW Help		Estimate		**No Shift**	Calculator	Second Form	Return Status	Override	**No Shift**	Link	Close Form	Insert Variable

COLOR SCREEN

Yellow ..... Calculated Entries
Green ..... Non-Calculated Entries
Red Block ..... Required Entries
Red on Gray ..... Overridden Entries
White on Red ..... Estimated Entries
Yellow Block ..... Scratch Pad Attached

"Who Must File"
Filing Requirements for Most People

If your filing status is...	AND at the end of 2002 you were*	THEN file a return if your gross income** was at least...
Single	Under 65	$ 7,700
	65 or older	8,850
Married filing jointly***	under 65 (both spouses)	$13,850
	65 or older (one spouse)	14,750
	65 or older (both spouses)	15,650
Married filing seperately	Any age	$ 3,000***
Head of household	Under 65	$ 9,900
	65 or older	11,050
Qualifying Widow(er) with dependent child	Under 65	$10,850
	65 or older	11,750

*If you turned age 65 on Janurary 1, 2003, you are considered to be age 65 at the end of 2002.

Gross income means all income you received in the form of money, goods, property, and services that are not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a seperate return and you lived with your spouse at any time in 2002.

***If you did not live with your spouse at the end of 2002 (or on the date your spouse died) and your gross income was at least $3,000, you must file a return regardless of your age.

"Who Must File"
Filing Requirements in Special Situations

Self employed taxpayers must file if net earnings are $400 or more.

Dependent — single and under 65 (most students)

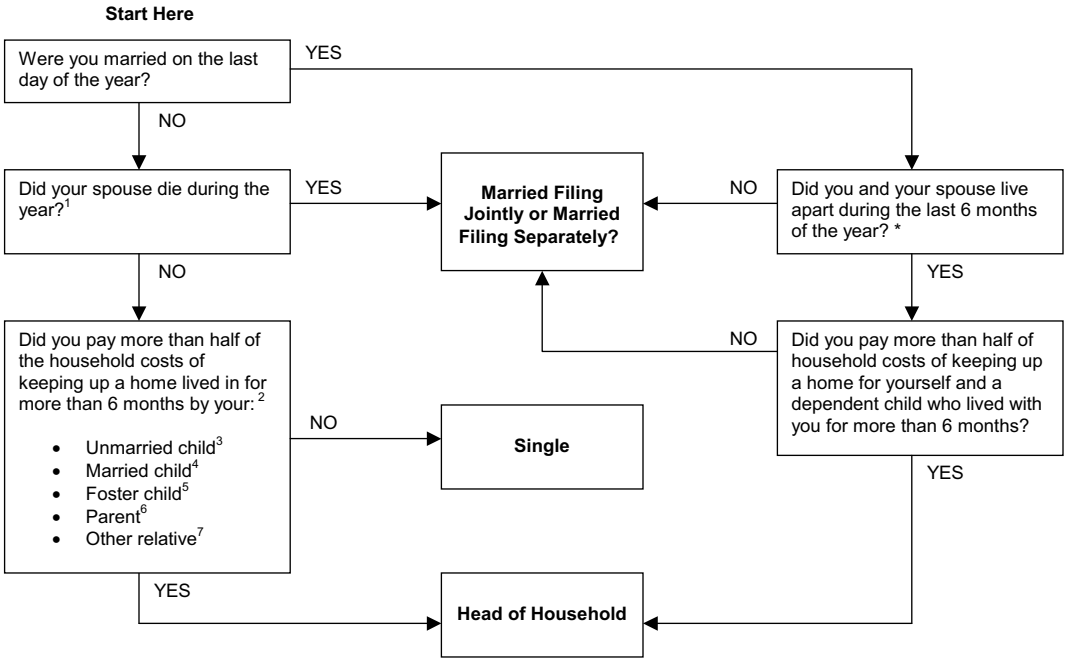
You must file a return if **any** of the following apply:

- Your **unearned income** was over $750.
- Your **earned income** was over $4,700.
- Your **gross income** was more than the **larger** of —
  - $750, **or**
  - Your earned income (up to $4,450) plus $250.

Dependent — 65 or older, blind or married — See Publication 17 or tax form instruction booklet

Advanced earned income credit recipients who have an amount in Box 9 of their W-2 forms.

Determination of Filing Status



*Deployment/TDY is a temporary absence and does not qualify for HOH.

[1] If you paid over half of household costs for a dependent child, you can file as Qualifying Widow(er) for 2 years after the year of death of your spouse.
[2] See Pub. 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year.
[3] An unmarried child includes grandchild, stepchild, or adopted child.
[4] A married child includes grandchild, stepchild, or adopted child, but the child is not a qualifying person unless you can claim an exemption for the child. If you could claim an exemption for the child, except that the child's other parent claims the exemption under the special rules for a noncustodial parent, then the child is a qualifying person.
[5] A foster child must live with you for the entire year, and you must be able to claim an exemption for the individual.
[6] A parent does not have to live with you if you paid more than half the cost of keep up their main home for the entire year, but you must be able to claim an exemption for the parent.
[7] Other relatives include grandparent, brother, sister, stepbrother, stepsister, half brother, half sister stepmother, stepfather, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and, if related by blood, uncle, aunt, nephew, or niece.

Personal Exemptions

Exemption Amounts: The exemption amount is indexed for inflation and generally changes every year. The exemption amount for 2002 is $3,000.

The Taxpayer: Each taxpayer is entitled to claim a personal exemption for himself or herself.

> **Exception: The taxpayer cannot claim an exemption for himself or herself if he or she can be claimed as a dependent on another person's tax return. This is true even if the other person chooses not to claim the taxpayer as a dependent.**

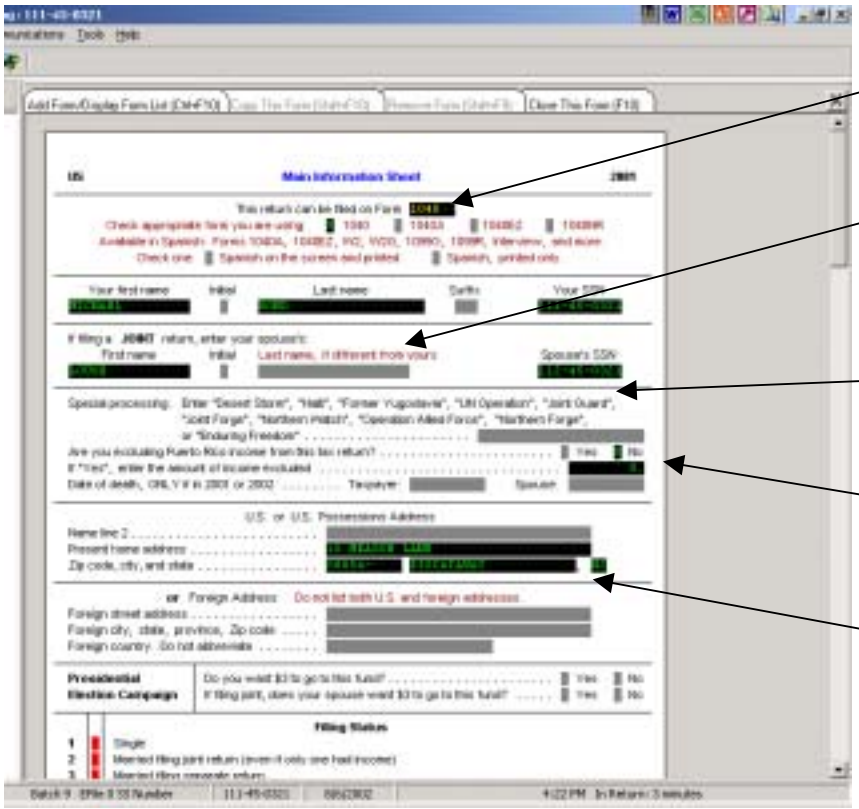
The Spouse: If the taxpayer's spouse can be claimed as a dependent on another person's tax return, the taxpayer cannot claim the spouse's exemption on his or her return.

To claim an exemption for a spouse, the taxpayers must be married by December 31, the last day of the year.

If the taxpayer's spouse died during the year and the taxpayer did not remarry by December 31, the taxpayer can claim the personal exemption for the deceased spouse.

> **Exception:** If the taxpayer was divorced or legally separated from his or her spouse on the date of death, the taxpayer cannot claim the spouse's exemption.

Main Info



Always start with 1040

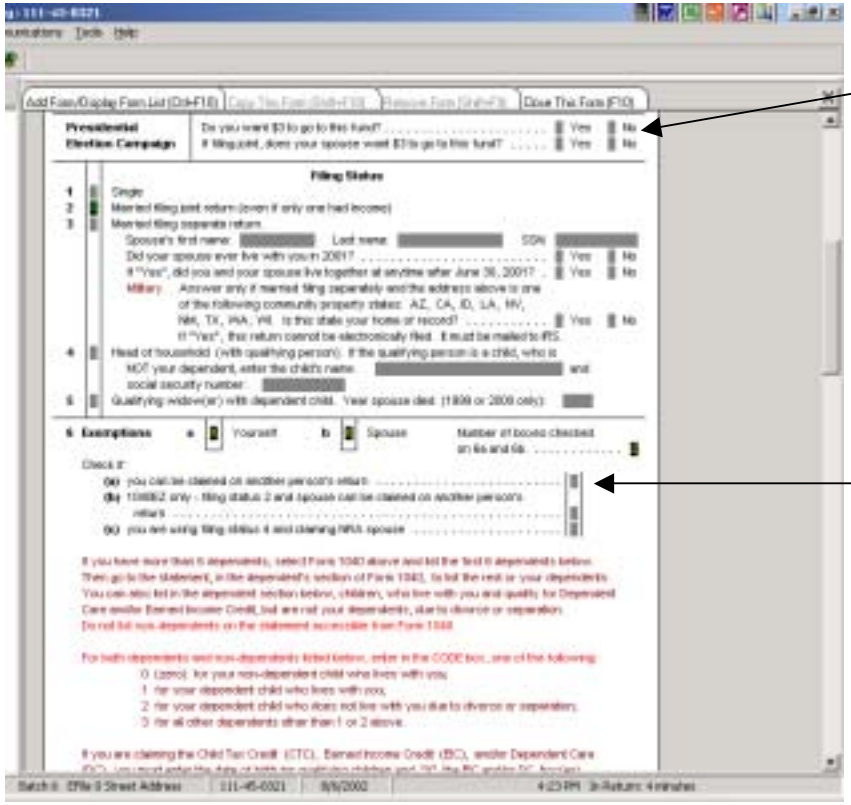
Ask if spouse changed name with Social Security Administration

If applicable, use only one of these listed choices (DO NOT type quotes)

Usually X No

Enter the Taxpayer's current mailing address

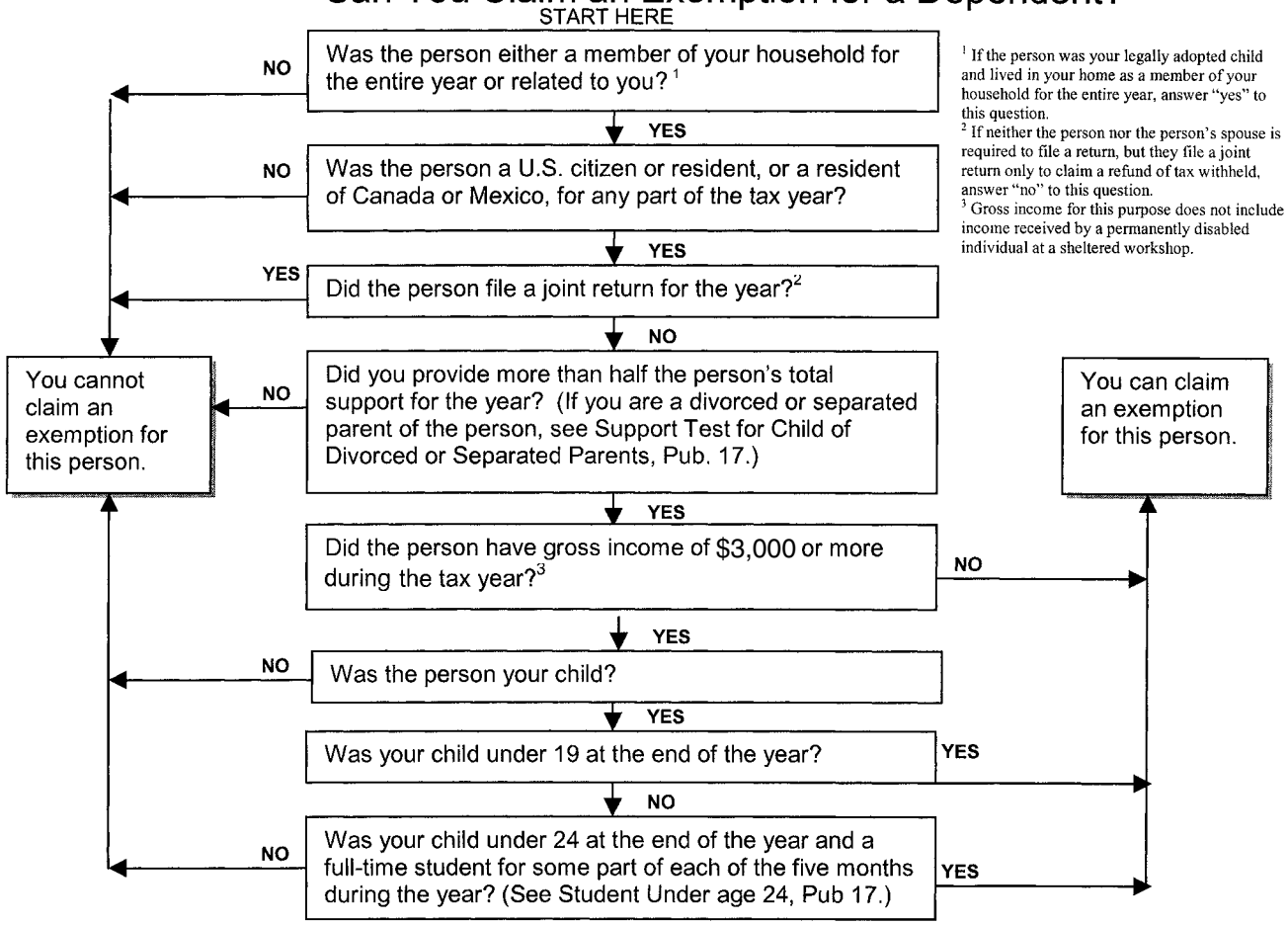
Main Info (cont)



Ask taxpayer and spouse if they want to contribute to the presidential election campaign fund.

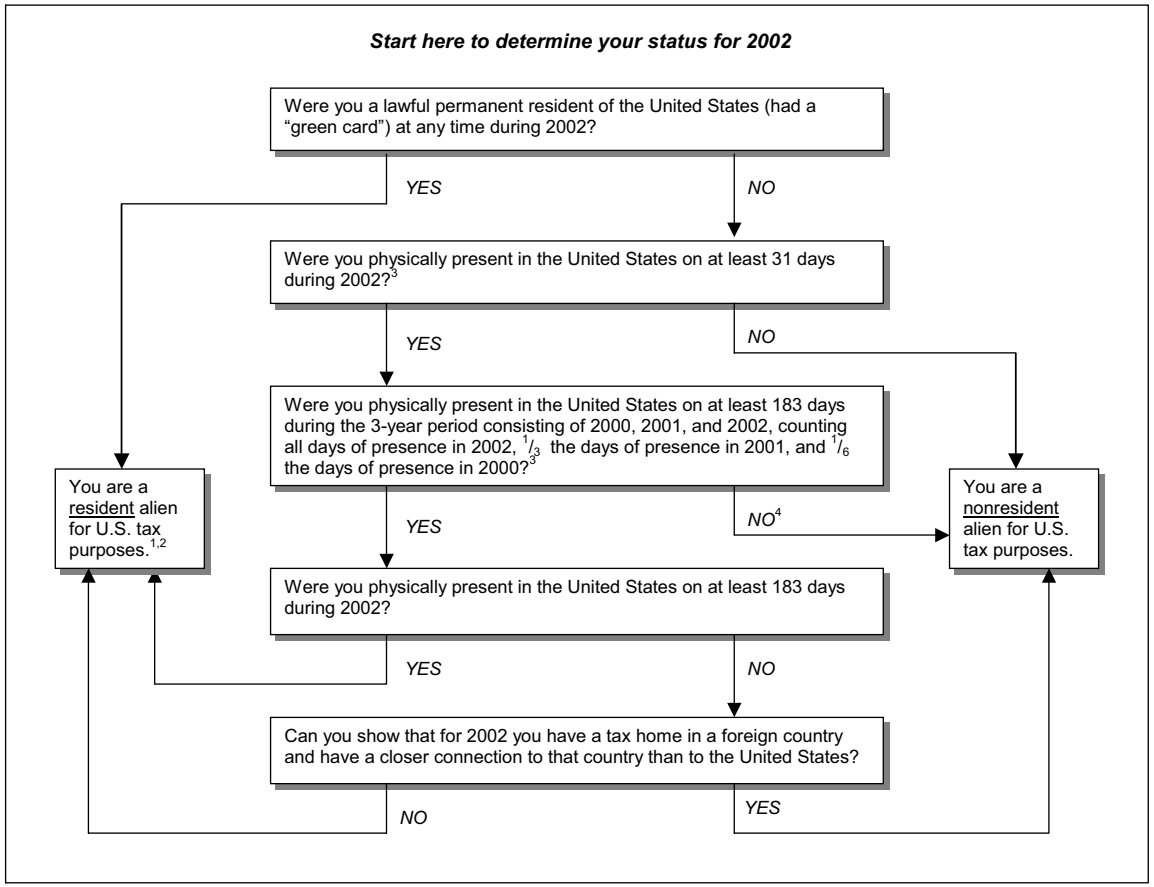
Ask taxpayer if this applies (a) & (b) normally apply to young airman or officers who lived with and were supported by their parents most of the year before getting married or entering the military

Can You Claim an Exemption for a Dependent?



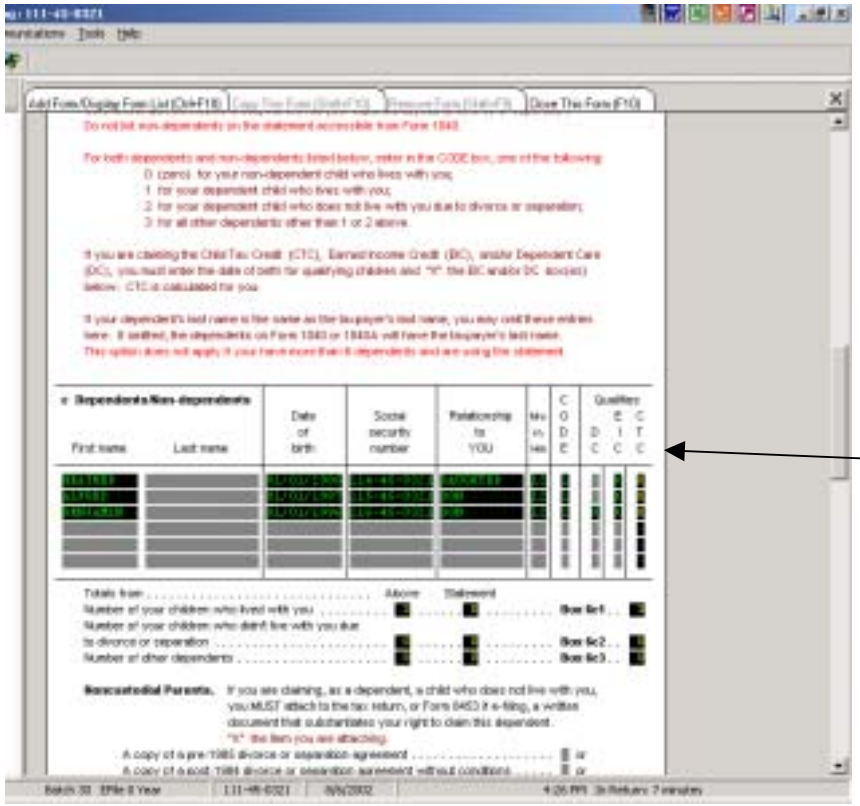
[1] If the person was your legally adopted child and lived in your home as a member of your household for the entire year, answer "yes" to this question.
[2] If neither the person nor the person's spouse is required to file a return, but they file a joint return only to claim a refund of tax withheld, answer "no" to this question.
[3] Gross income for this purpose does not include income received by a permanently disabled individual at a sheltered workshop.

Nonresident Alien or Resident Alien?



1 If this is your first or last year of residency, you may have a dual status for the year. See *Dual-Status Aliens* in Pub 17.
2 In some circumstances you may still be considered a nonresident alien under an income tax treaty between the U.S. and your country. Check the provisions of the treaty carefully.
3 See *Days of Presence in the United States* in this chapter for days that do not count as days of presence in the United States.
4 If you meet the substantial presence test for 2003, you may be able to choose treatment as a U.S. resident alien for part of 2002. For details, see *Substantial Presence Test* under *Resident Aliens* and *First-Year Choice* under *Dual-Status Aliens* in Pub 17.

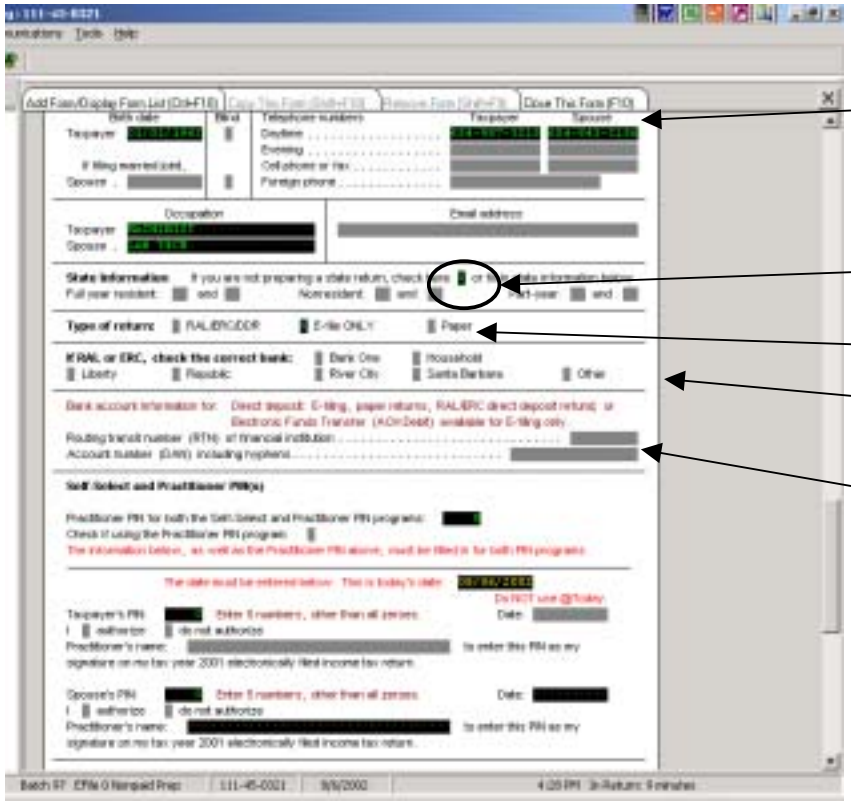
Main Info (cont)



- Click “DC” if child has day care expenses.
- Always click “EIC” if child is an eligible child. *
- “CTC” will “X“ automatically if child qualifies.

* See Page 19 for rules.

Main Info (cont)



Always enter taxpayer's home # and work # so you can contact them if there are any problems with their return.

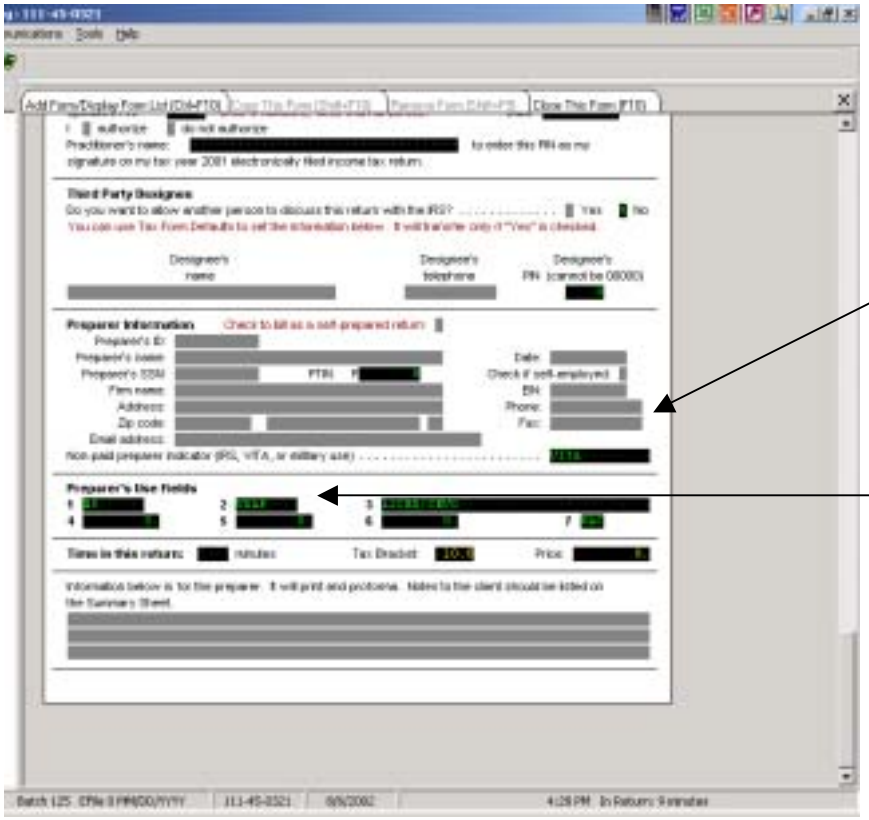
Click "State Info" as shown if not preparing state returns.

"Paper" or "E-File" are the only choices.

No entries in this section.

Type in account # including any hyphens, spaces, zeros, etc. (exactly as printed on bottom of check).

Main Info (cont)



No additional entries in this section

Preparer's Use Fields

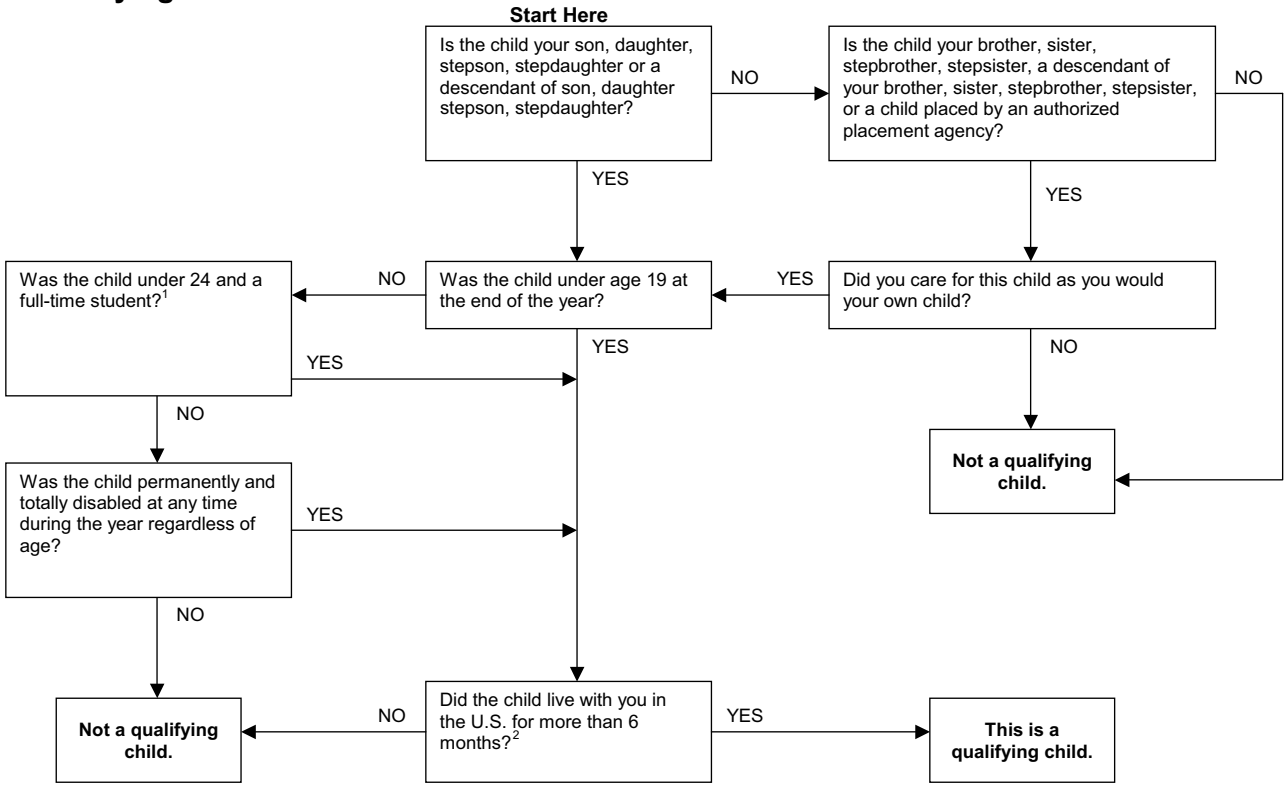
Field 1 – Limited to these options:
Grade (ie: E4 or O3)
RET
DEP
DOD

Field 2 – Limited to these options:
USAF, USA, USN, USMC, USCG, DOD

Field 3 – Taxpayer's organization (ie: 12 FW/JA)

Field 7 – Your initials (optional)

EIC Qualifying Child Determination



[1] To be considered a student, the child must attend school full-time for some part of each of five calendar months of the year. See Pub. 17, *Earned Income Credit*, for rules regarding vocational high school students and night school.

[2] If a child fails to meet the residency test because the child was born or died during the year, the child is considered to meet the test if the child lived with the taxpayer while the child was alive.

Qualifying Child of More Than One Taxpayer

If a child is a qualifying child of more than one taxpayer, the taxpayers may choose which of them will claim the credit on the basis of that child. If two or more children are qualifying children of the same taxpayers (not filing a joint return together), the taxpayers may agree that one will claim the credit on the basis of one child and the other will claim the credit on the basis of the other child.

If two or more taxpayers actually claim the credit on the basis of the same qualifying child, the statute determines which of them is entitled to the credit on the basis of that child. This is the tie-breaker rule. The taxpayer who is entitled to the credit is —

- The parent, if one taxpayer is a parent of the child.
- The taxpayer with the higher AGI, if neither is a parent of the child.
- The parent the child lived with longest during the year, if both taxpayers are parents of the child and they do not file a joint return together.
- The parent with the higher AGI, if both taxpayers are parents of the child, the child lived with both parents for the same length of time during the tax year, and they do not file a joint return together.

Income

The following are examples of income items to consider in determining entries into TaxWise:

Form	Type	TaxWise Entries
W-2	Wages & Salaries	Link and complete Form W-2
W2G	Gambling Winnings	Link and complete Form W2G
1099-B	Sale of Stock	Link and complete Schedule D
1099-DIV	Dividends	Link and complete Schedule B
1099-INT	Interest	Link and complete Schedule B
1099-G	Certain Government Payments	Link and complete Form 1099-G
1099-MISC	Miscellaneous Income or Non-Employee Compensation	Link and complete Schedule C-EZ
	Rent & Royalty	Link and complete Schedule E
1099-R	Distributions from Retirement Plans	Link and complete Form 1099-R

Gross Income

The following are examples of income items to consider in determining whether a return must be filed. You must include in income:

Alimony
Annuities
Awards
Back pay
Bonuses
Breach of Contract
Business income
Commissions
Compensations for personal services
Debts forgiven
Director's fees
Disability benefits (employer-funded)
Discounts
Dividends
Employee awards
Employee bonuses
Estate and Trust income
Farm income
Fees
Gain from sale of property or securities
Royalties
Gambling winnings
Hobby income
Interest
IRA distributions
Jury duty fees
Military pay
Military pension
Notary fees
Partnership income (taxpayer's share)
Pensions
Prizes
Railroad Retirement – Tier II
Rents (gross rent)
Rewards
Salaries
Scholarships and Grants
Severance pay
Social Security payment (portion may be taxable)
Supplemental unemployment benefits
Tips and gratuities
Unemployment compensation
Wages

Gross Income

The following are examples of income items to exclude in determining whether a return must be filed.

You may exclude from income:

Child support

Death payments

Federal Employees' Compensation Act payments

Damages for physical injury (other than punitive)

Gifts, bequests and inheritances

Insurance proceeds

- Accident
- Casualty
- Health
- Life

Interest on tax-free securities

Meals and lodging for the convenience of employer

Payments to the beneficiary of a deceased employee

Relocation payments or payments in lieu of worker's compensation

Rental allowance of clergyman

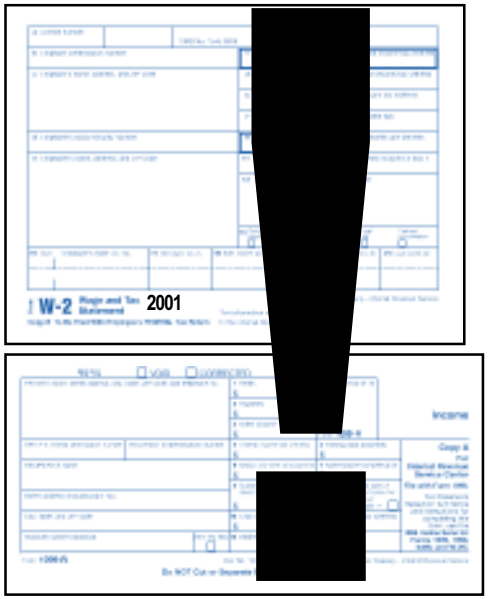
Sickness and injury payments

Veterans' benefits

Welfare payments (including TANF)

Worker's compensation and similar payments

W-2 Address ALERT!



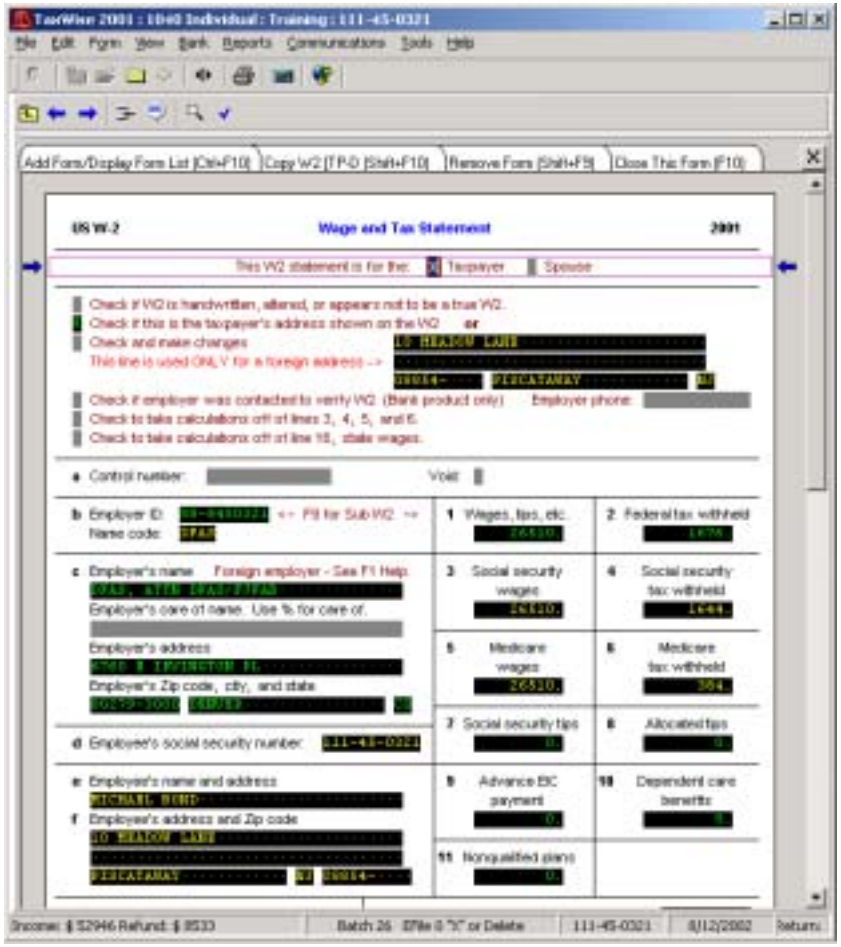
IRS requires that information on electronically filed Forms W-2 and 1099-R match the printed Forms W-2 and 1099-R **exactly**.

For example, the taxpayer/spouse address from the main information section (i.e. TaxWise's **MAIN INFO**) is shown at the top of the W-2 on the TaxWise screen. If it matches the address on the paper W-2, check the box to indicate that it does. If it doesn't match, check the box to make changes **and enter the address from the paper W-2**. Make changes for a 1099-R with a different address accordingly.

A taxpayer with multiple W-2s *or* 1099-Rs could possibly have a *different* address on several, if not all, of the W-2s or 1099-Rs.

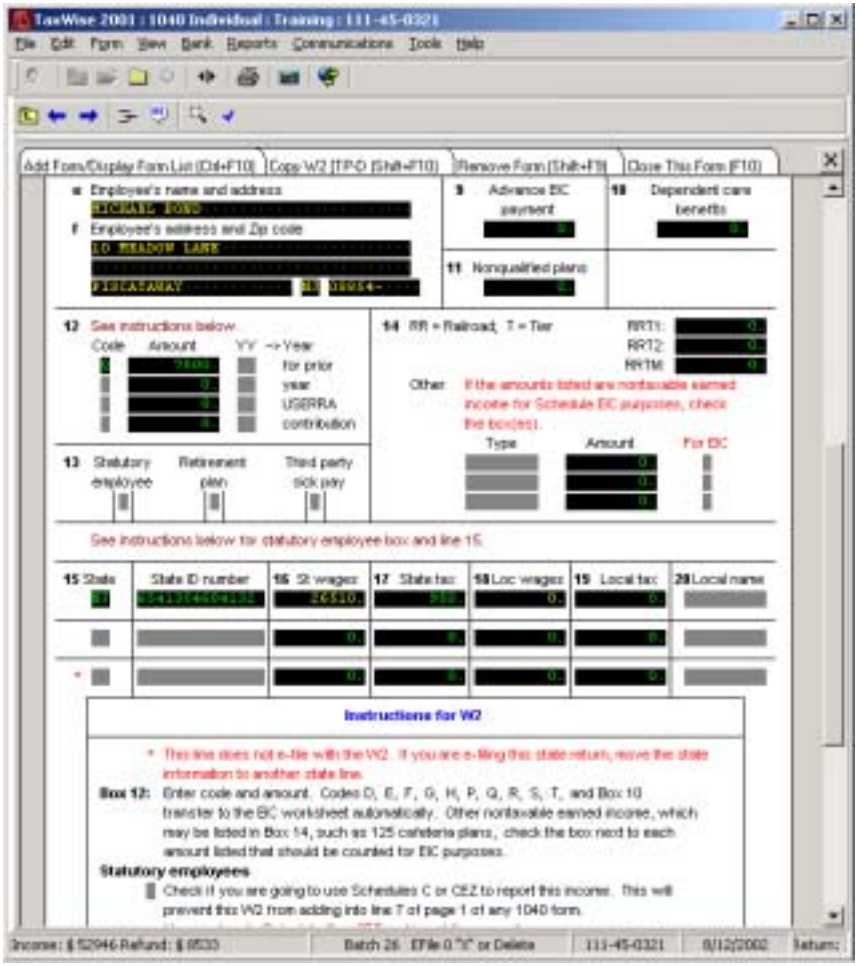
Check them carefully; the change must be done on ***each and every*** W-2 or 1099-R differing from the current address.

IMPORTANT!
The most current address entered in MAIN INFO will not be affected and will remain the current address for the taxpayer(s).



W-2 Instructions

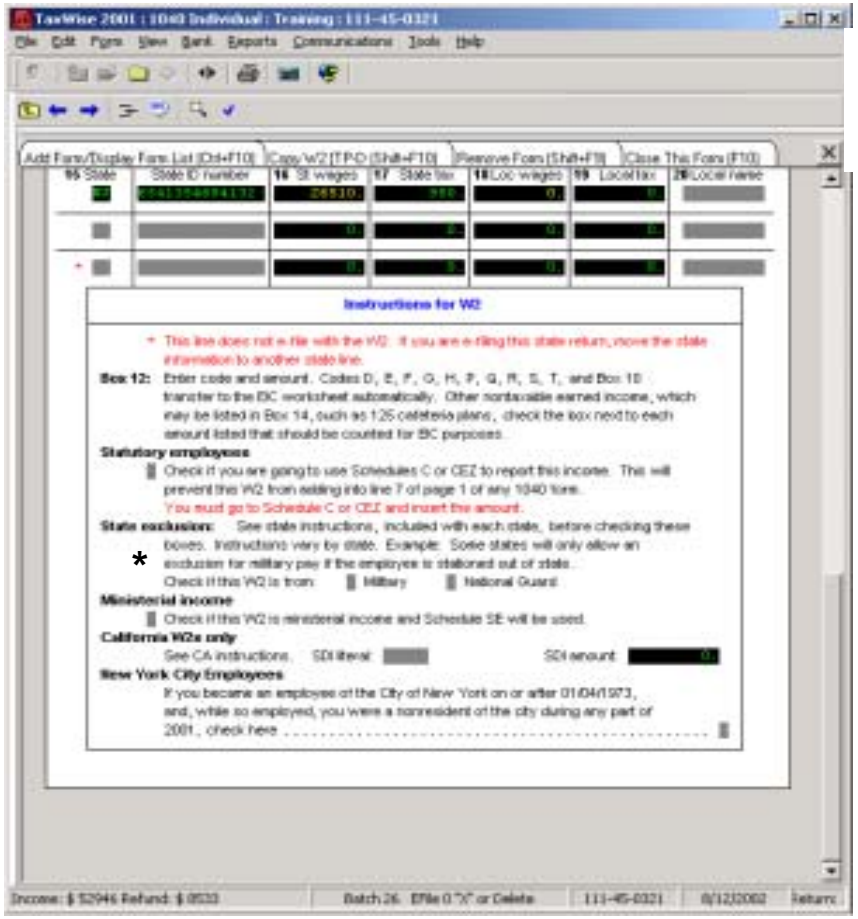
Important: Boxes 3,4,5, & 6 must match paper W-2.



W-2 Instructions (continued)

Important: Complete state information if applicable.

W-2 Instructions (continued)



* See State Instructions before marking Military Box.

1040, Page 1

F9 (Link) to:

Line 8a – Sch B: Interest and Dividend Income (for 1099-INT)

Line 9 – Sch B: Interest and Dividend Income (for 1099-DIV)

Line 10 – Use the worksheet for taxable state/local refunds.

Line 11 – **(No Link, Direct Entry)** If taxpayer does not receive a separate 1099R, military pension is treated by IRS as alimony (taxpayer receives money directly from ex-spouse).

Line 12 – Sch C: Sole Proprietor Profit/Loss, pg 1 (New Sch C required for each business)

Line 13 – Sch D: Sale of Capital Assets, pg 1 (for 1099B)

Line 15a – 1099R: Pension, Annuity, IRA Income (For Roth Conversion, refer to "1099R-Roth Conversion")

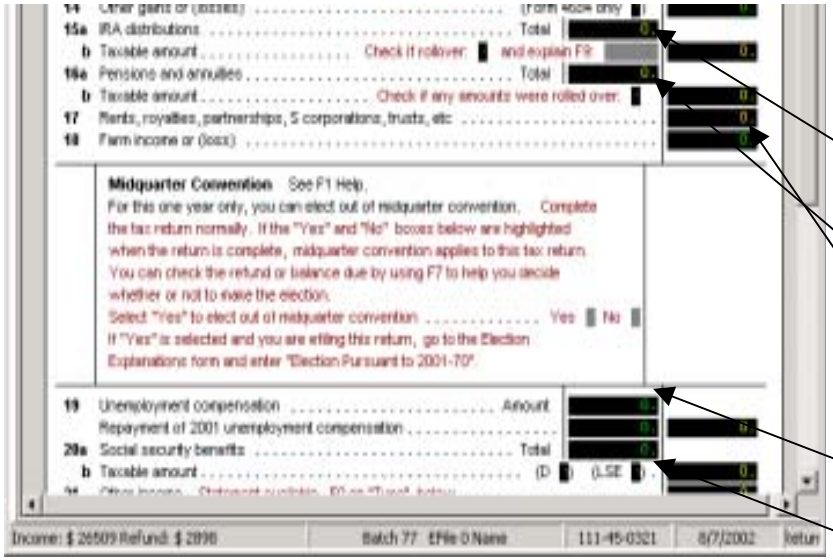
TaxWise 2001 : 1040 Individual : Training : 111-45-0321

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) | Copy This Form (Shift+F10) | Remove Form (Shift+F9) | Close This Form (F10)

7	Wages, salaries, tips, etc. (AB , FB , DCB , SSHIP)		26510.
	Taxable scholarship not on a W2	0.	
	Household employee income not on a W2	0.	
8a	Taxable interest income		15.
b	Tax-exempt interest income	0.	
9	Ordinary dividends		0.
	Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Yes X No		
10	Taxable refunds, credits or offsets of state and local income taxes. F9 for worksheet		0.
11	Alimony received		0.
12	Business income or (loss)		0.
13	Capital gain or (loss). List capital gain distributions on Schedule B dividend worksheet. (Schedule D not required)		0.
14	Other gains or (losses) (Form 4684 only)		0.
15a	IRA distributions Total	0.	
b	Taxable amount Check if rollover: and explain F9:		0.

1040, Page 1, continued



F9 (Link) to:

Line 15a – 1099R: Pension, Annuity, IRA Income (For Roth Conversion, refer to “1099R-Roth Conversion”)

Line 16a – 1099R: Pension, Annuity, IRA Income (For Civil Service, refer to “1099R-Civil Service”)

Line 17 – Sch E: Rent and Royalty Income or Loss

Line 19 Amount – Unemployment Benefits, Fed/St Withholding

Line 20a – Social Security, Etc. Worksheet

1040, Page 1, continued

F9 (Link) to:

Line 23 – IRA Worksheet: If taxpayer cannot deduct the full amount paid

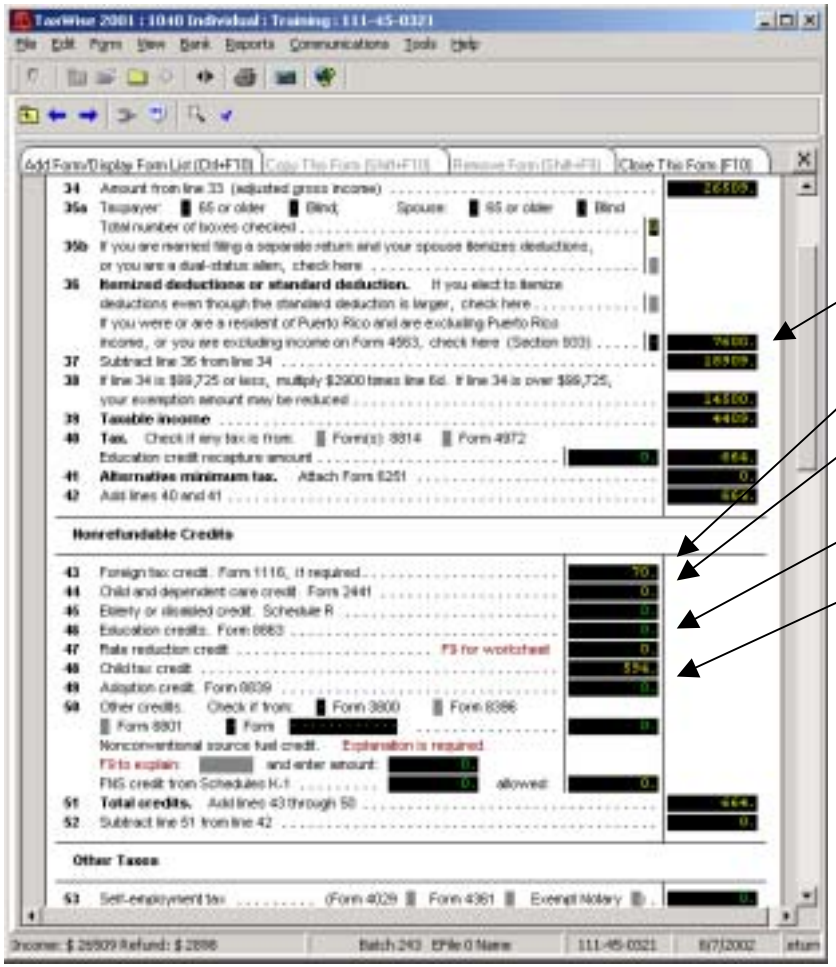
Line 24 **–** Student Loan, Child Tax Credit Worksheet

Line 26 – Form 3903, Moving Expenses

Line 31 – Alimony **(No Link, Direct Entry)**
If **spouse** does not receive a separate 1099R, military pension is treated by IRS as alimony (**taxpayer pays money directly to ex-spouse).**

NOTE: Two adjustments to income were added in Tax Year 2002:

- Educator Expenses
- Tuition and Fee Expenses



1040, Page 2

F9 (Link) to:

Line 36 – Sch A: Itemized Deductions

Line 43 – Form 1116: Foreign Tax Credit

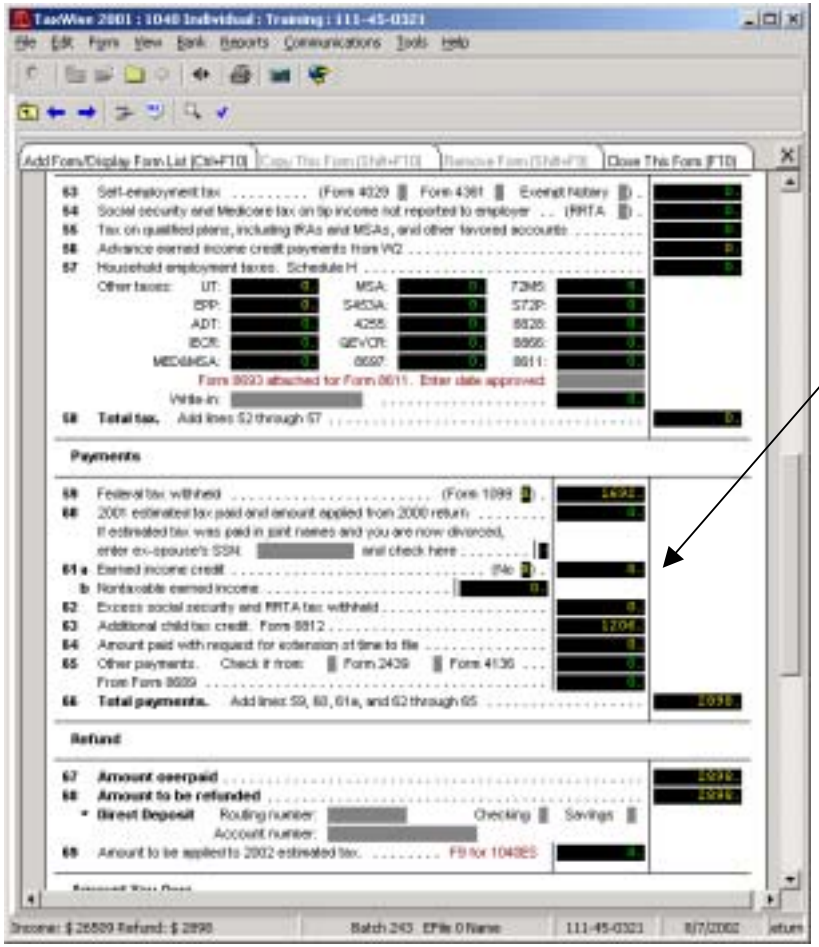
Line 44 – Form 2441: Child Care Credit, pg 1 (Go to “2441: Child Care Credit” instructions to complete form)

Line 46 – Education Credits

Line 49 – Form 8839: Qualified Adoption Expenses, pg 1 (New 8839 required for each adopted child)

NOTE: An additional Nonrefundable credit was added Tax Year 2002:

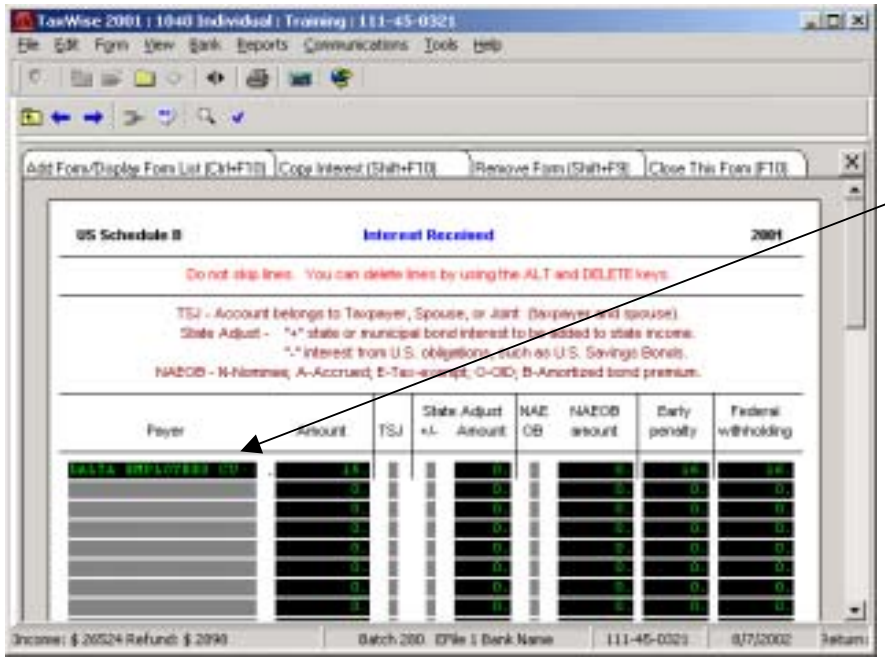
- Retirement Savings



1040, Page 2, continued

F9 (Link) to:

Line 61a – Schedule EIC Worksheet



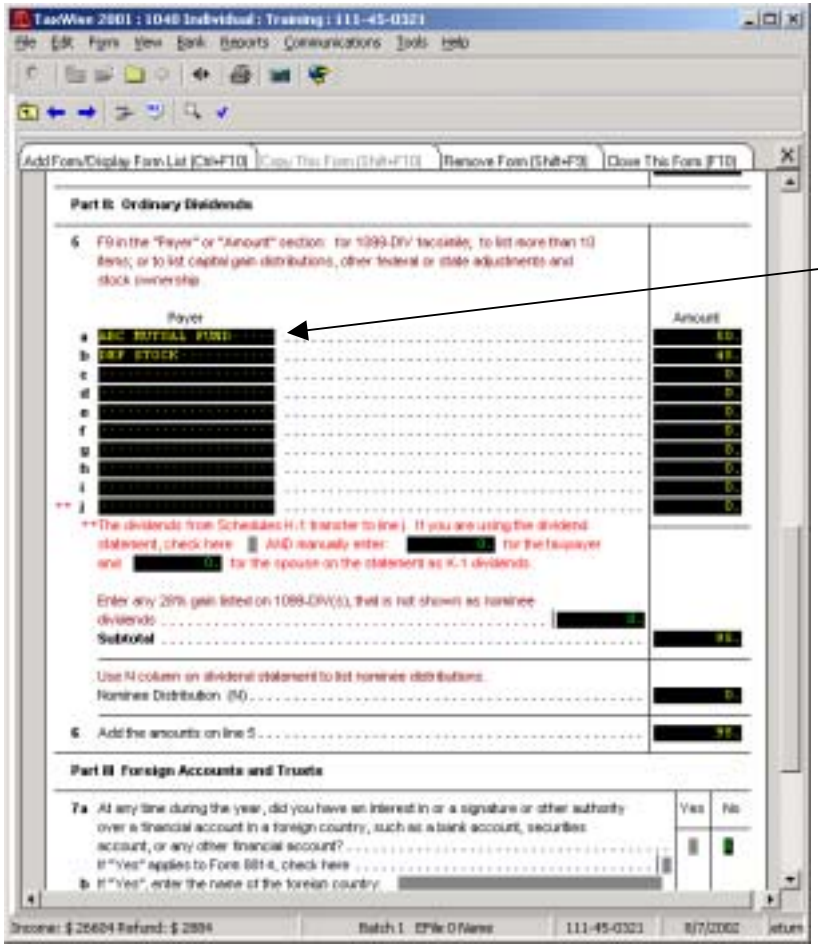
Schedule B – Interest

F9 (Link) to:

1. If first time:
   - Click on "**New Schedule B**: Interest and Ordinary Dividend Income"

2. All subsequent times:
   - Click on "**Schedule B**: Interest and Ordinary Dividend Income"

3. Go to "Additional Interest Income" instructions to complete form



Schedule B – Ordinary Dividends

F9 (Link) to:

1. If first time:
   - Click on "**New Schedule B**: Interest and Ordinary Dividends"

2. All subsequent times:
   - Click on "**Schedule B**: Interest and Ordinary Dividends"

3. Go to "Additional Dividends" instructions to complete form

Additional Interest Income

<u>Interest Received Worksheet</u>

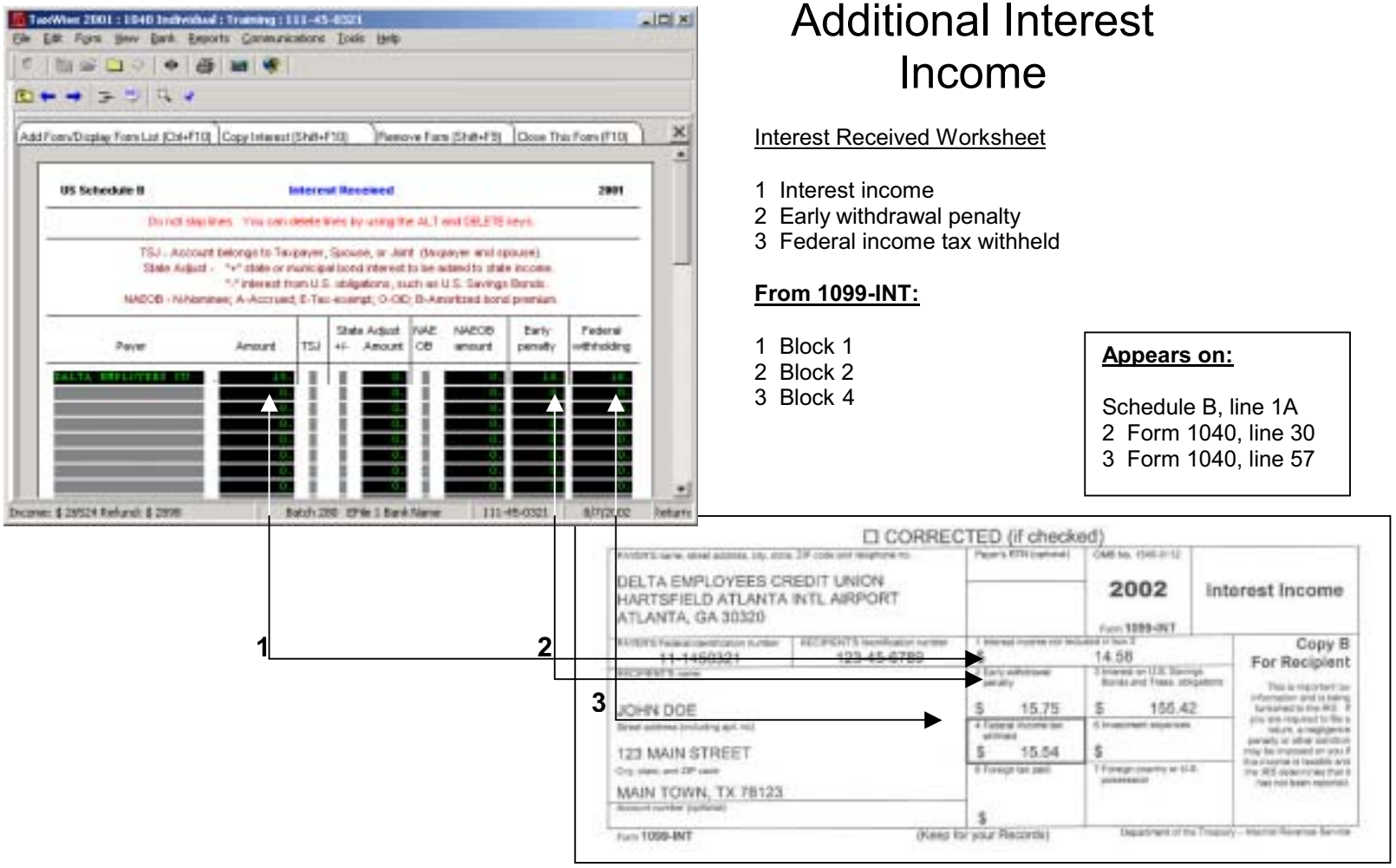
1 Interest income
2 Early withdrawal penalty
3 Federal income tax withheld

<u>From 1099-INT:</u>

1 Block 1
2 Block 2
3 Block 4

<u>Appears on:</u>

Schedule B, line 1A
2 Form 1040, line 30
3 Form 1040, line 57



Additional Dividends

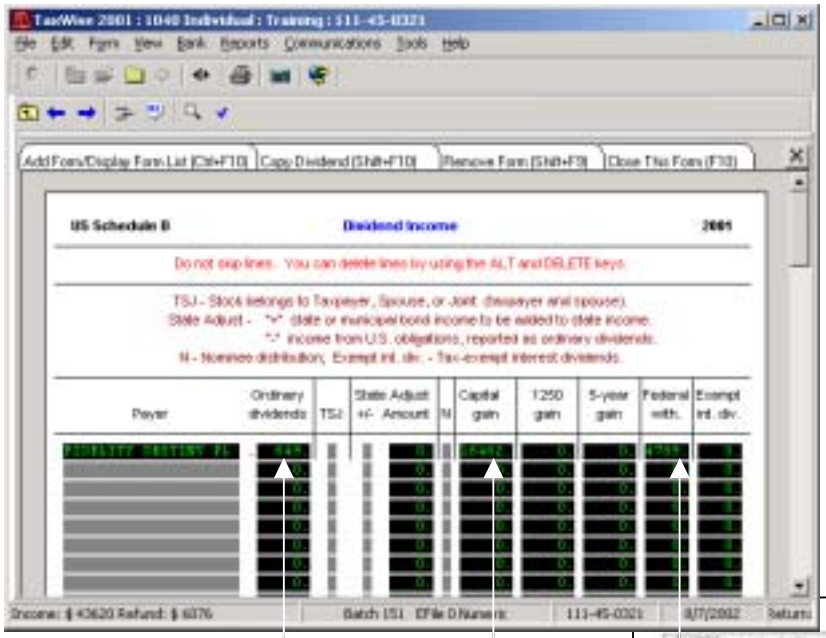
<u>Dividend Income Worksheet</u>
1 Ordinary dividends
2 Capital Gain Distribution
3 Federal Income Tax Withheld

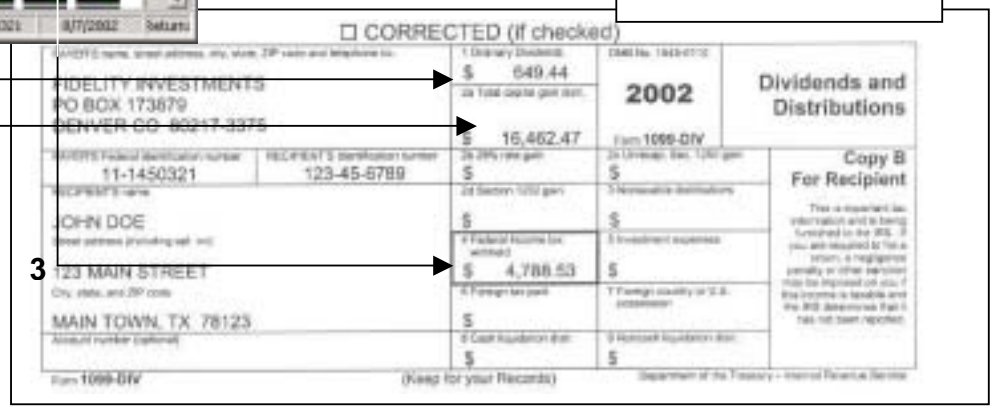
<u>From 1099-DIV:</u>

1 Block 1
2 Block 2a
3 Block 4

<u>Appears on:</u>

1 Schedule B, line 5A
2 Schedule D, line 13F
3 Schedule D, line 13G
4 Form 1040, line 57





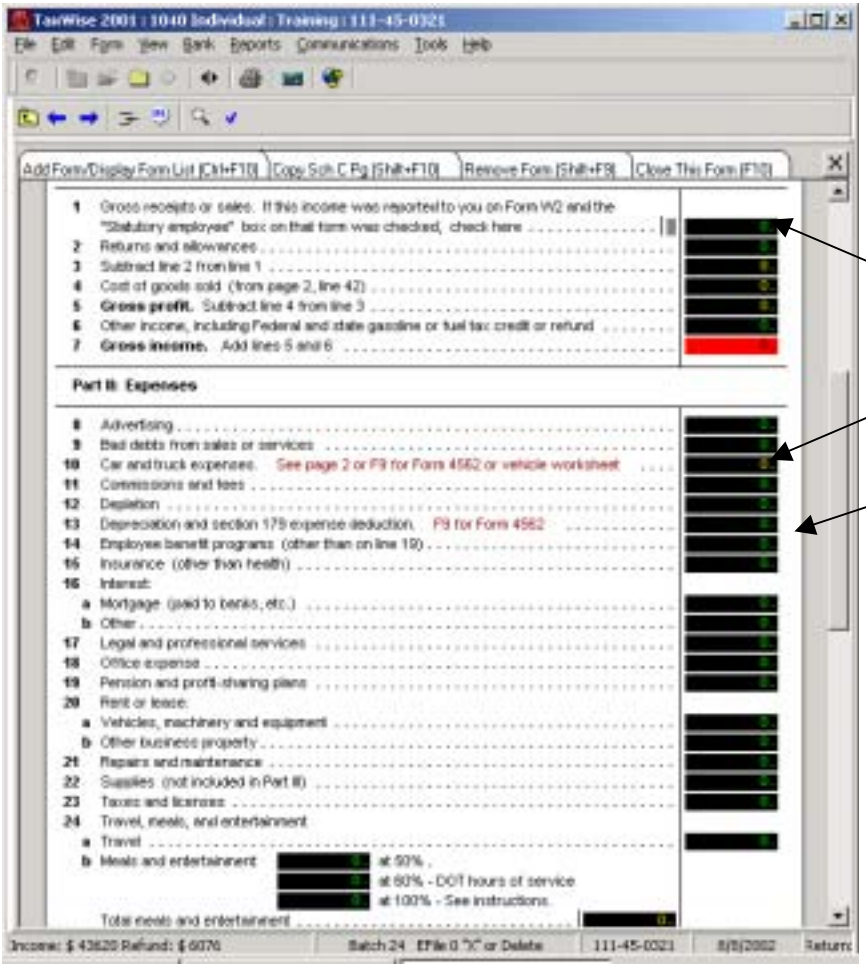
1
2
3

Schedule C-EZ – Net Profit from Business

F1 to access the help file for a listing of the Business Codes to use.

F9 (Link) to:
"New" Form 1099M

Schedule C – Profit or Loss from Business (continued)

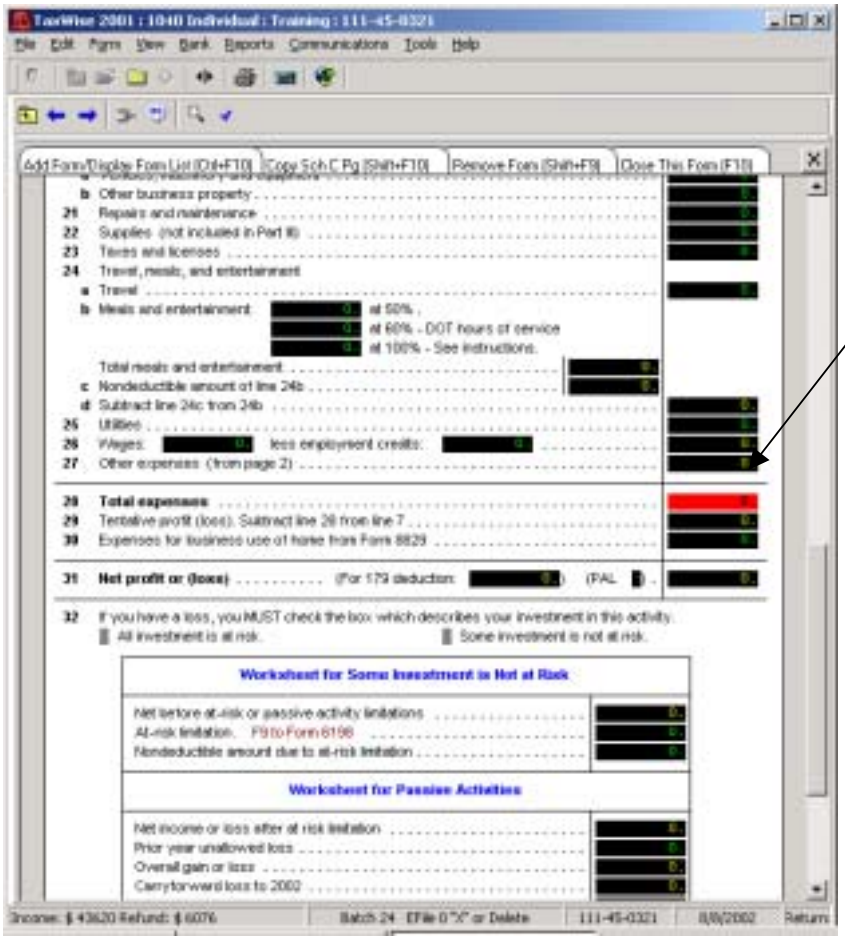


F9 (Link) to:

Direct entry if no 1099M or click on “New 1099M, Miscellaneous Income Statement”

Click on “Schedule C, Sole Proprietor Profit/Loss, page 2”. Enter under Part IV

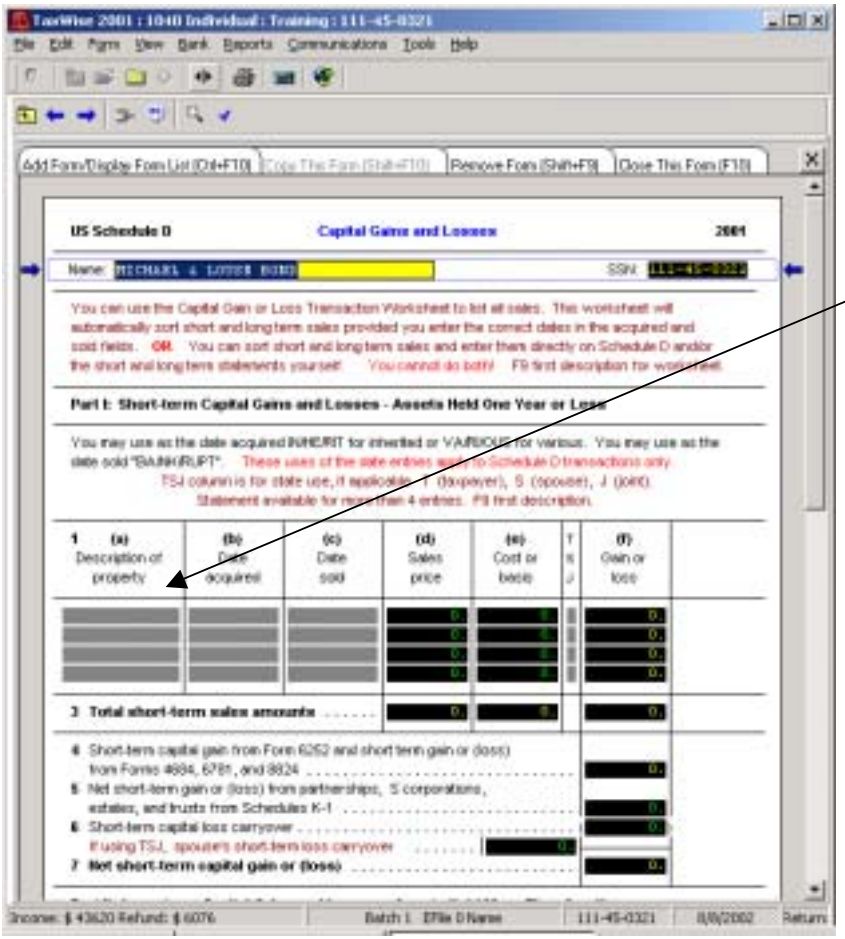
Click on “New 4562, Depreciation/Amortization, page 1” (new 4562 required for each Schedule C). Go to “4562” instructions to complete form.



Schedule C – Profit or Loss from Business (continued)

F9 (Link) to:

Click on “Schedule C, Sole Proprietor Profit/Loss, page 2”
Enter under Part V



Schedule D – Capital Gains and Losses

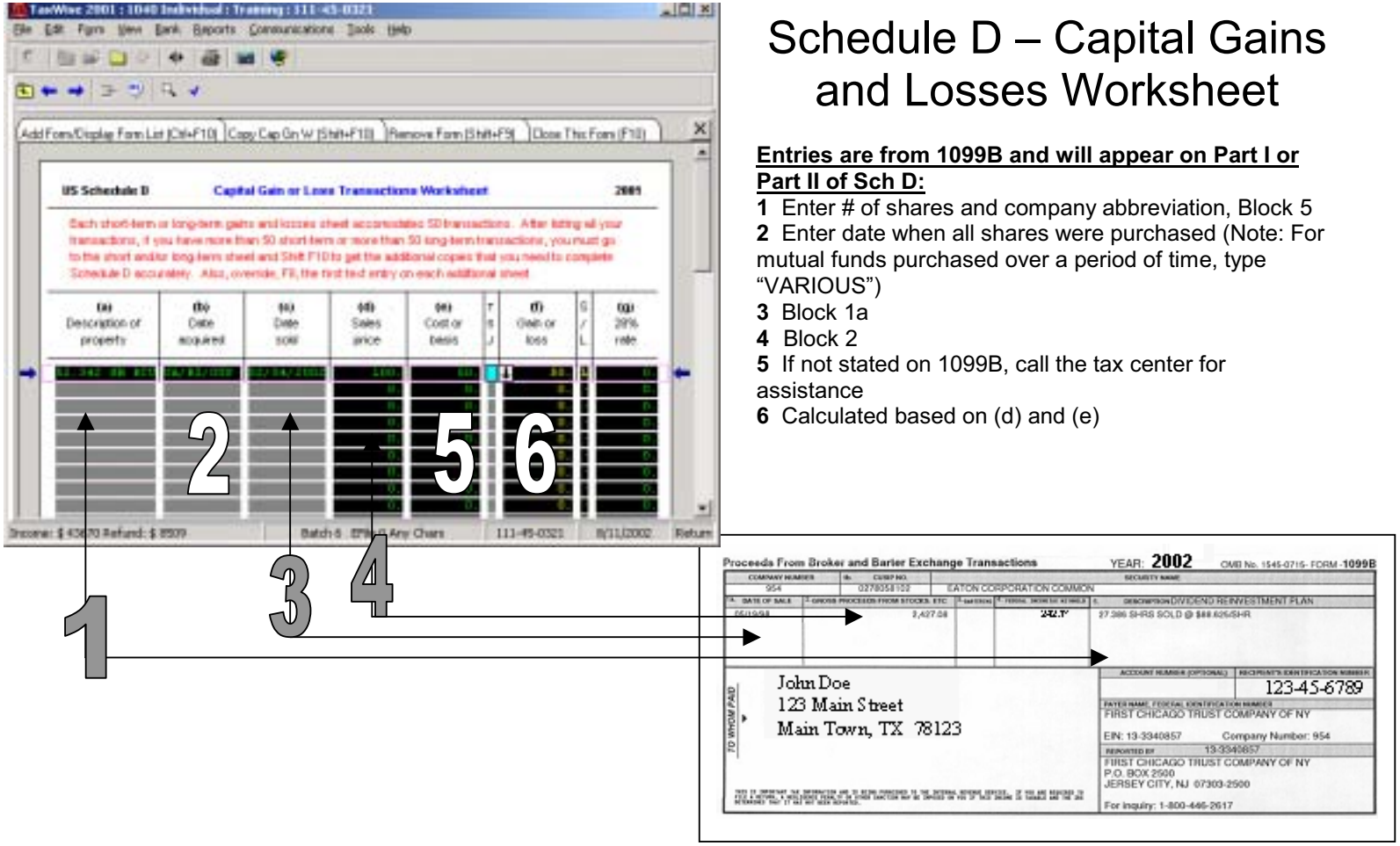
F9 (Link) to:

1. If first time:
   - Click on “New Capital Gain/Loss Transaction Worksheet”
2. All subsequent times:
   - Click on “Capital Gain/Loss Transaction Worksheet”
3. Go to “Capital Gain/Loss Worksheet” instructions to complete form

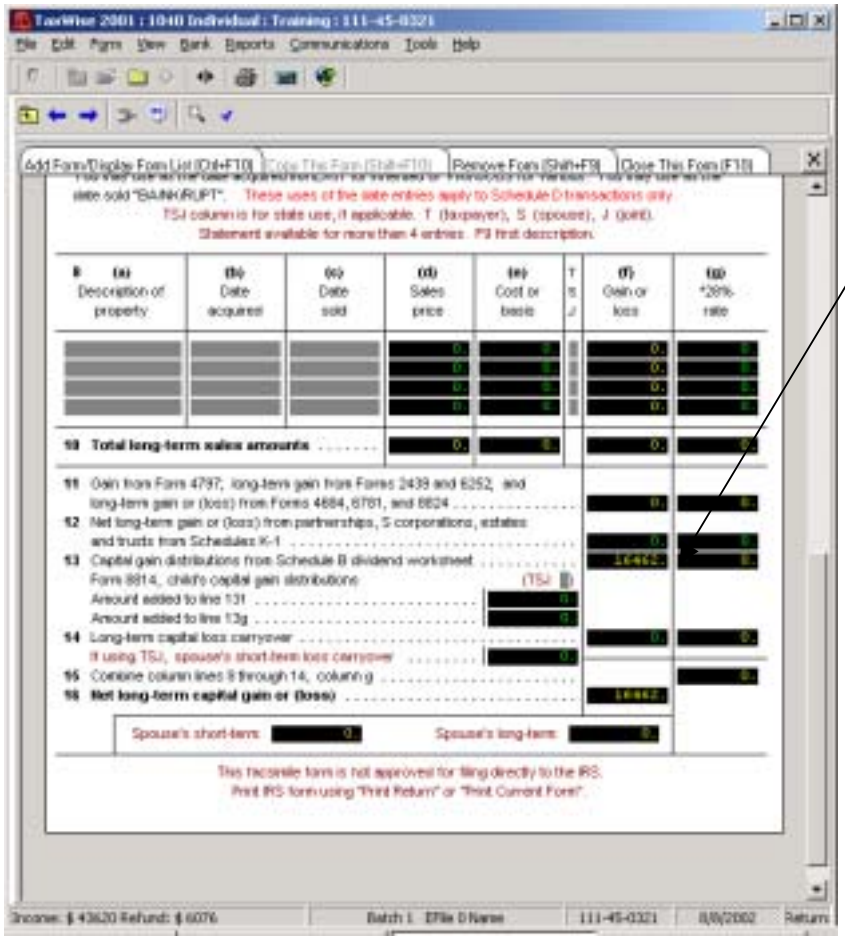
Schedule D – Capital Gains and Losses Worksheet

Entries are from 1099B and will appear on Part I or Part II of Sch D:

1 Enter # of shares and company abbreviation, Block 5
2 Enter date when all shares were purchased (Note: For mutual funds purchased over a period of time, type "VARIOUS")
3 Block 1a
4 Block 2
5 If not stated on 1099B, call the tax center for assistance
6 Calculated based on (d) and (e)

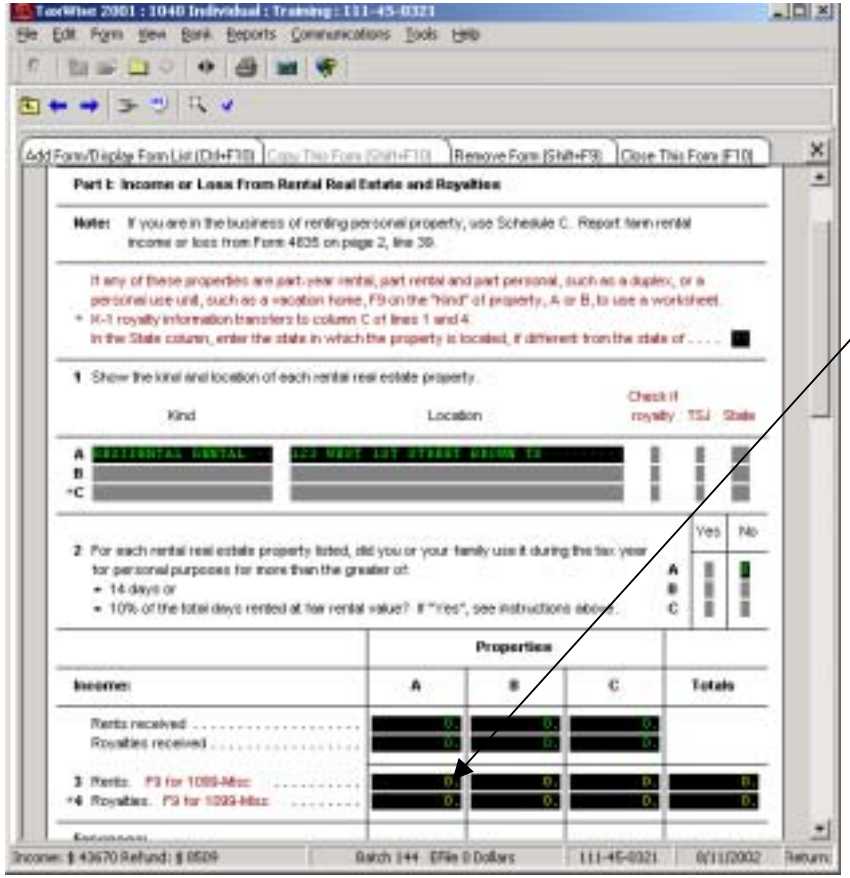


Schedule D – Capital Gains and Losses (continued)



DO NOT manually enter capital gain distributions here!!!
The total will automatically link from "Schedule B: Additional Dividends"

42

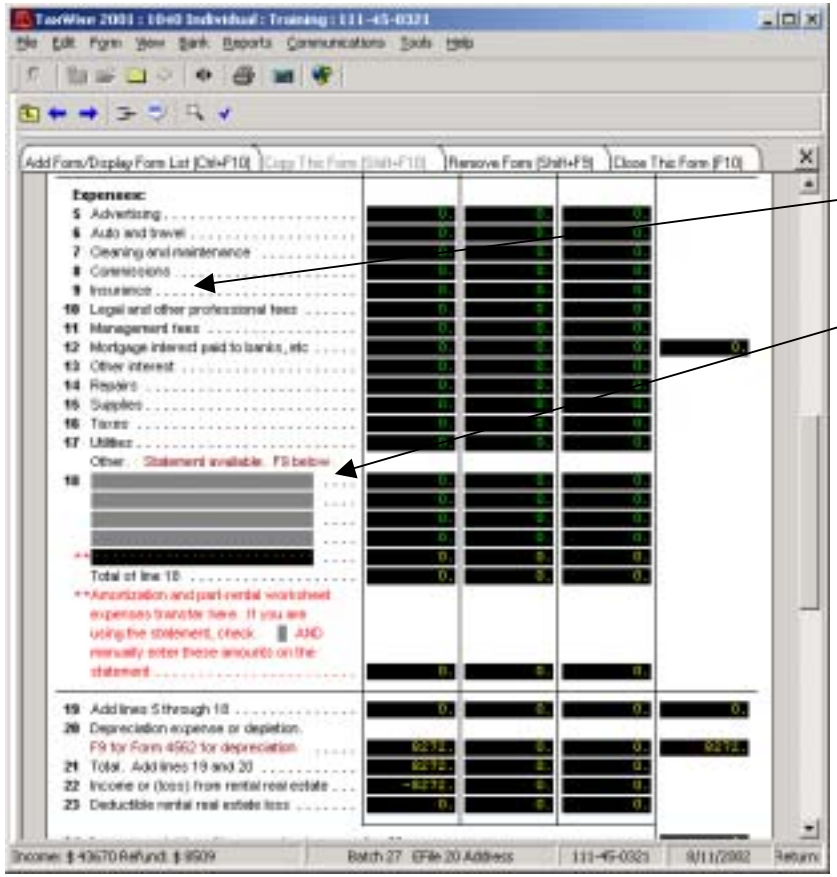


Schedule E – Rental Income and Loss

F9 (Link) to:

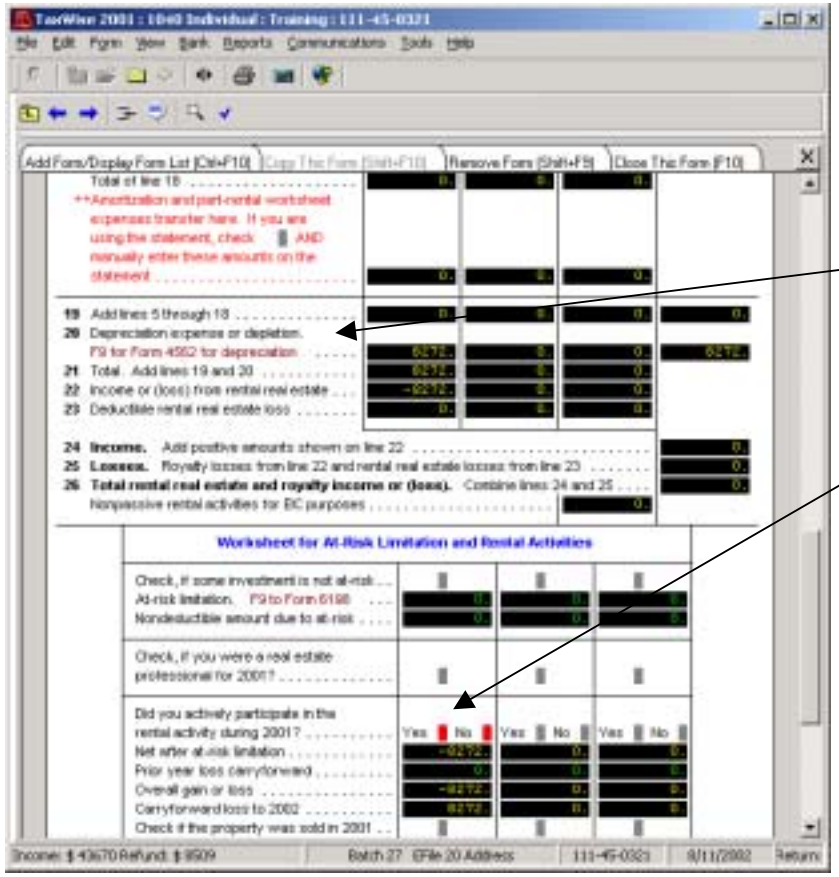
- Click if rent is reported on a 1099M
- Click on “New 1099M: Miscellaneous Income Statement”

Schedule E – Rental Income and Loss (continued)



Can deduct hazard insurance (not home owners) as reported on 1098-Mortgage Interest Statement

Most common entries:
- Home Owner's Association fee
- Telephone bills



Schedule E – Rental Income and Loss (continued)

F9 (Link) to:

- Click on “New 4562: Depreciation/ Amortization, pg 1” (New 4562 required for each rental property)
- Go to “Form 4562” instructions to complete form

Click on “Yes” for Active Participation

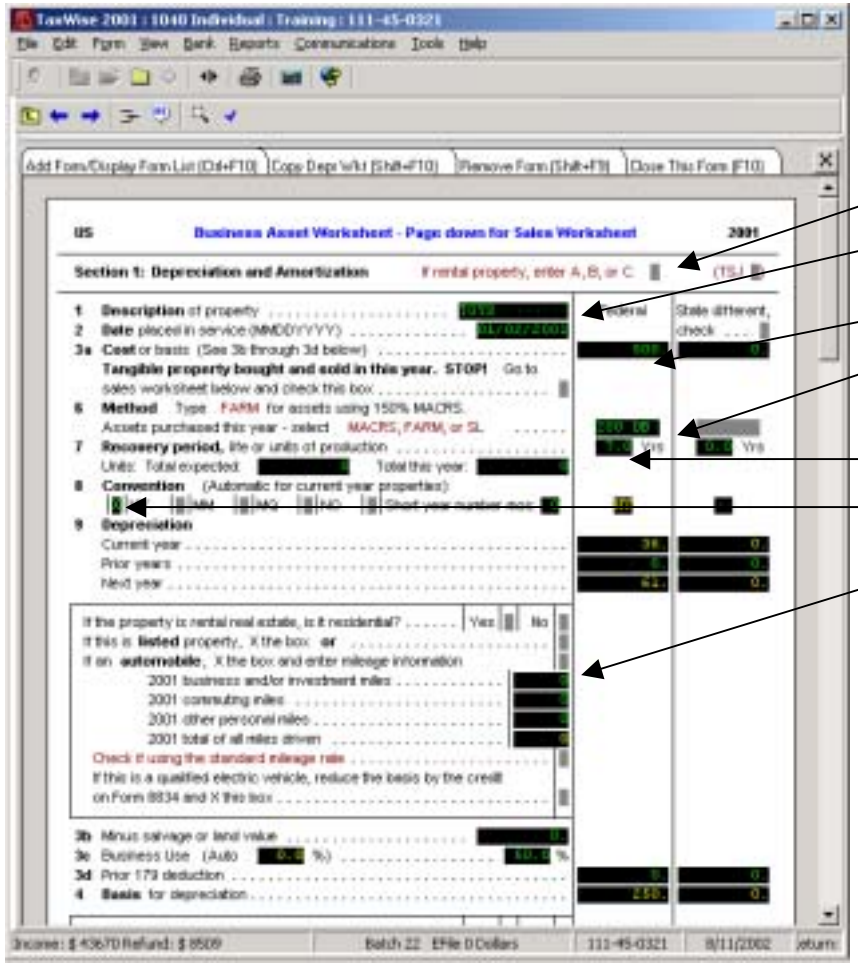
Form 4562 – Depreciation and Amortization

Enter type of business or activity:
•For SCH E - Residential Rental
•For SCH C - Business Activity
ie - Child Care, Vending Machine, Lawn Care, Construction, Cosmetic Distributor

F9 (Link) to:

- If first time for this 4562: Click on “New Depreciation and Amortization Worksheet” (New Depreciation and Amortization Worksheet required for each property/item depreciating)
- Go to “Deprec & Amor-Sch C” or “Deprec & Amor-Sch E” instructions to complete form

Depreciation Worksheet – Schedule C



Leave Blank

ie: swing set, computer, toys, sofa

1. If new: purchase price plus improvements

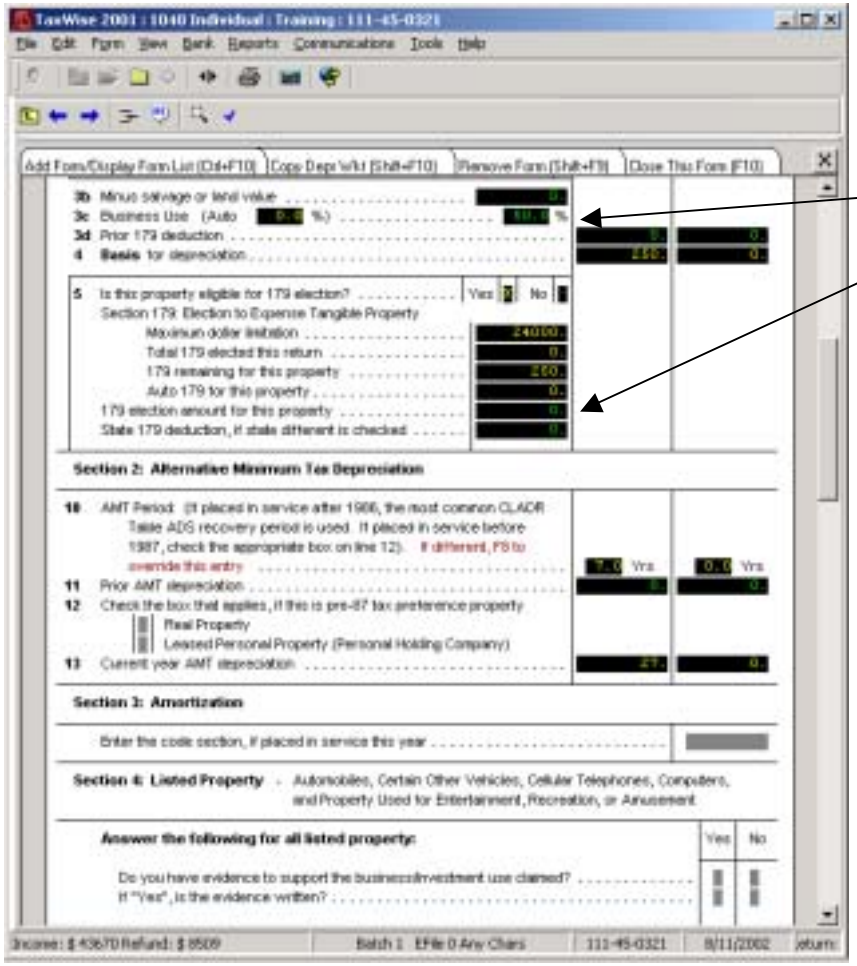
2. If used: fair market value
Enter “200 DB”

Enter 7 YRS, except computers, which are 5 YRS

Check in the HY block

For business use of car

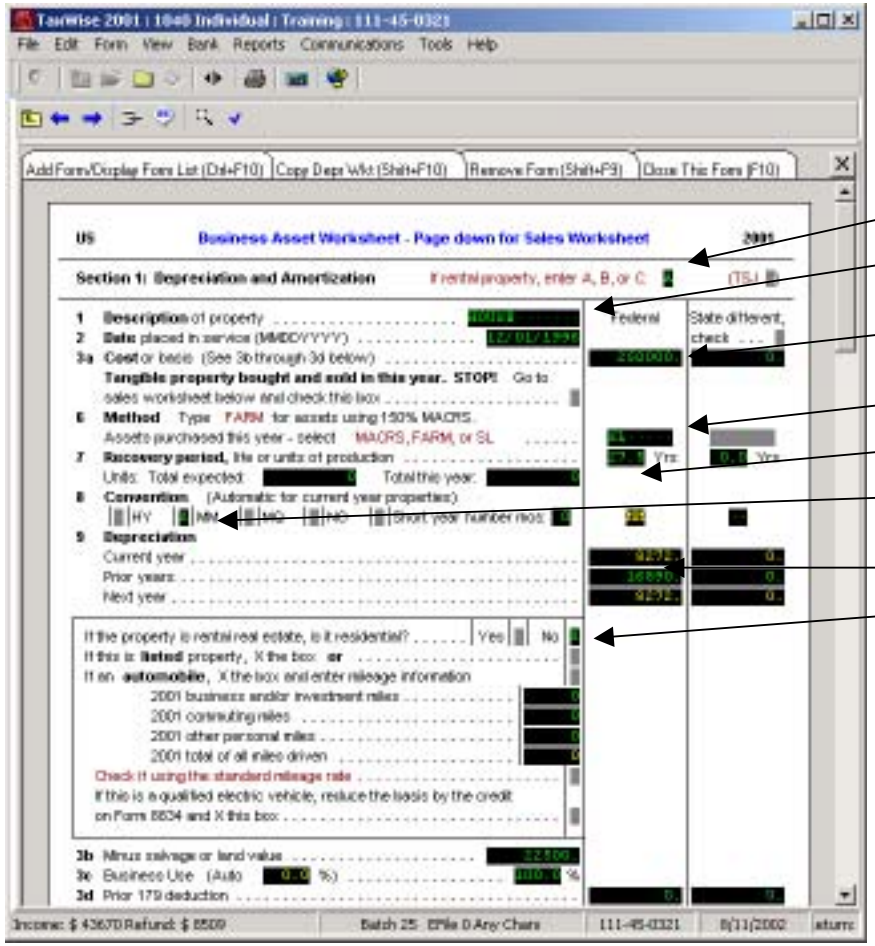
Depreciation Worksheet – Schedule C (continued)



Must prorate based on business vs. personal use

Enter amount from line 4 above if opting to fully depreciate small value items purchased in 2002.

Depreciation Worksheet – Schedule E



Must enter A, B, or C for rental property

ie: house, roof, carpet, washer, refrigerator

Purchase price plus capital improvements

Enter “SL” for a house and “200 DB” for all others

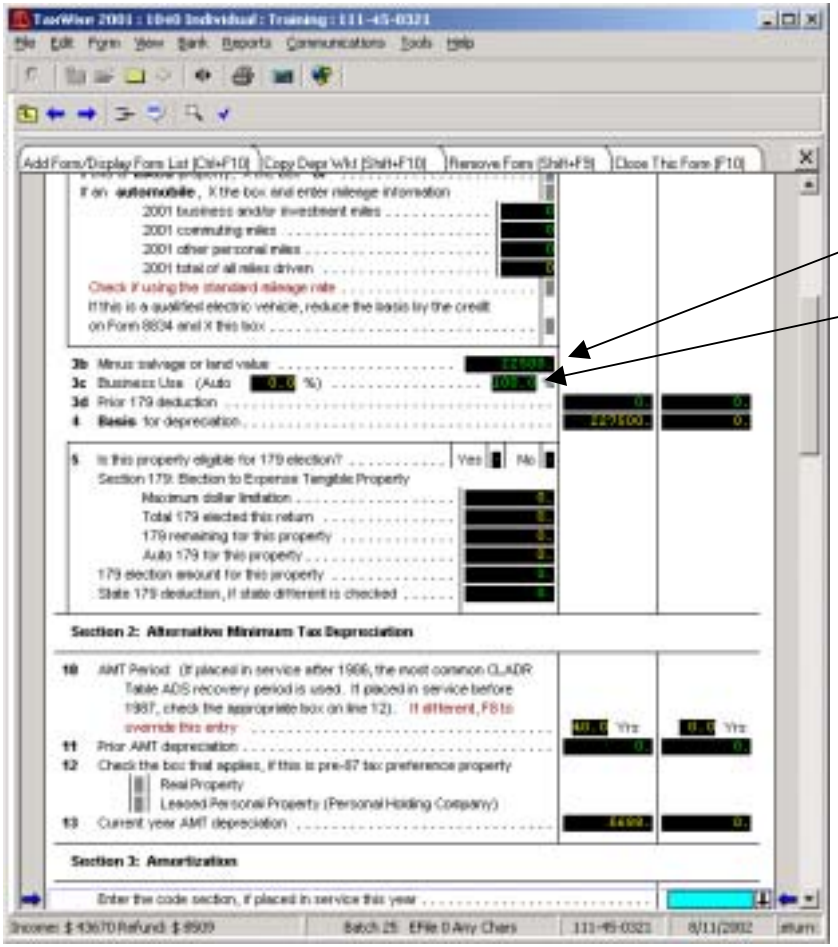
Enter “27.5 YRS” for a house and “7 YRS” for all others

Click on “MM” for a house and “MQ” for all others

Sum of all years prior to 2002

Click on “No” for a house, leave blank for all others

Depreciation Worksheet – Schedule E (continued)

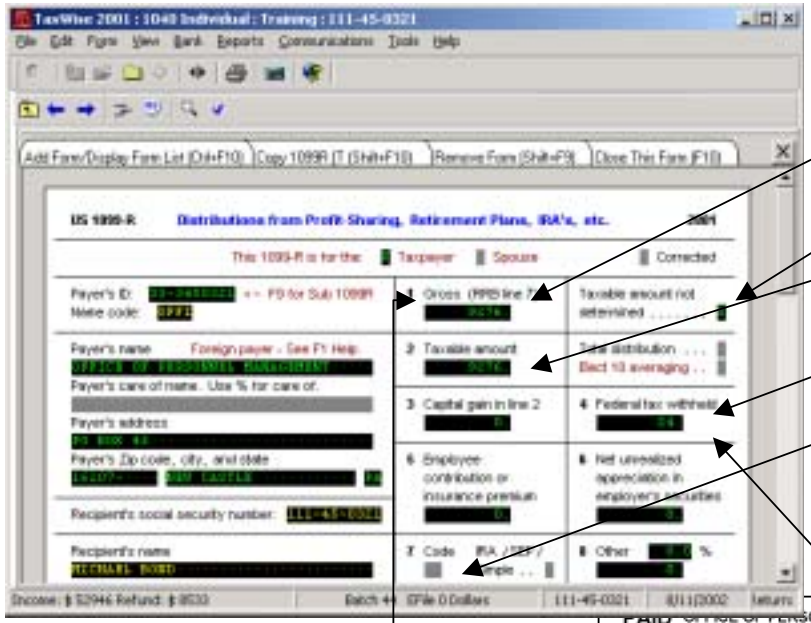


Enter value of land

Always enter “100%” if entire house rented

50

1099-R – Civil Service



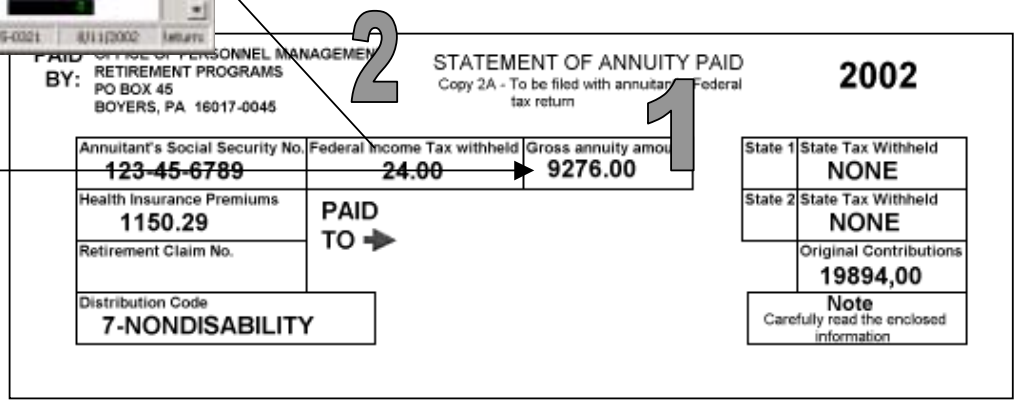
1. Gross annuity amount

"X" this box

Same amount as gross distribution if no longer eligible for tax break OR calculated on worksheet below, line 6

2. Block 11, Federal Income Tax Withheld

Enter distribution code (**Shift F-1** to see which codes require Form 5329)



1099-R – Civil Service (continued)

Note A: This worksheet is used only for the first few years that it takes to deplete the original contributions

Enter original contributions

Read carefully, question taxpayer thoroughly, and mark carefully

Ask taxpayer

Must be entered to determine if any exclusion can be taken in subsequent years

Note B: Stress to taxpayer importance of having this worksheet available for future year tax returns

PAID BY: OFFICE OF PERSONNEL MANAGEMENT
RETIREMENT PROGRAMS
PO BOX 45
BOYERS, PA 16017-0045

STATEMENT OF ANNUITY PAID
Copy 2A - To be filed with annuitant's Federal tax return

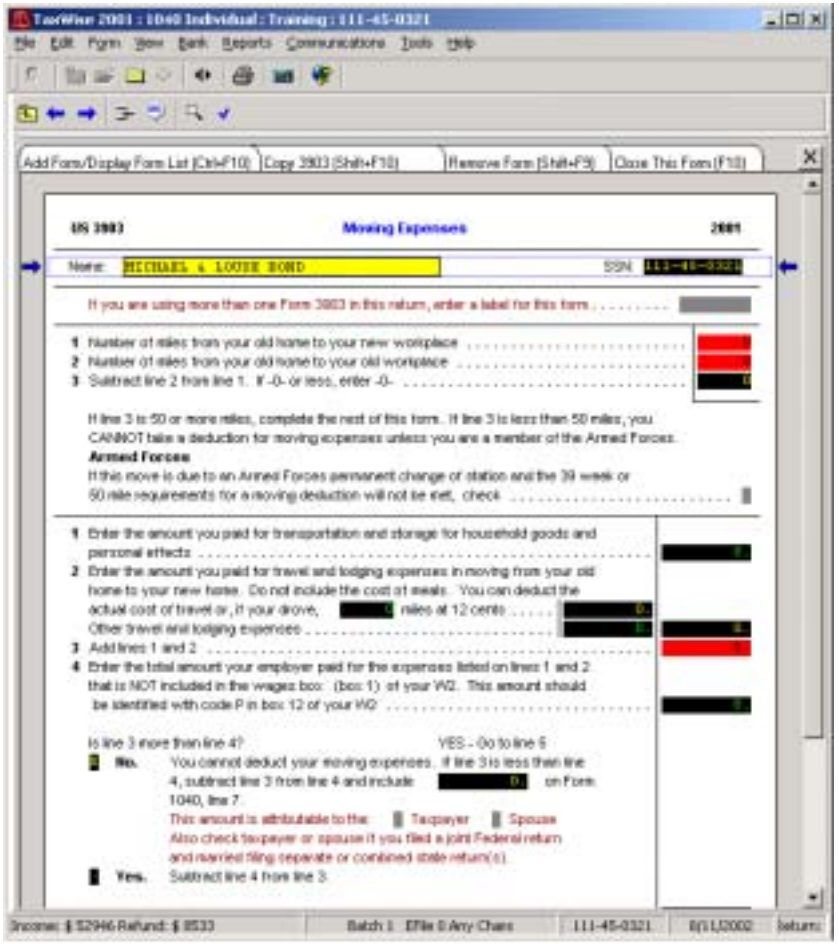
2002

Annuitant's Social Security No.	Federal Income Tax withheld	Gross annuity amount
123-45-6789	24.00	9276.00
Health Insurance Premiums 1150.29	PAID TO →	
Retirement Claim No.		
Distribution Code 7-NONDISABILITY		

State 1	State Tax Withheld NONE
State 2	State Tax Withheld NONE
	Original Contributions 19894,00
	Note Carefully read the enclosed information

Form 2555 – Foreign Earned Income Exclusion

Form 3903 – Moving Expenses



54

Moving Expenses

FROM_____ TO _____

TOTAL Miles _____

Date Signed Out of Old Unit _____

Date Signed Into New Unit _____

TRANSPORTATION & STORAGE OF HOUSEHOLD AND PERSONAL EFFECTS

Truck rental Moving a Pet
Boxes, tape ____
Wiring harness ____
Car Dolly ____
Scale Tickets ____
Gas and oil ____
Parking & Tolls ____
Insurance ____

Health Certificate/Shots ____
Shipping Crate ____
Airfare ____
Hotel Pet Surcharge ____
Kennel Charges ____

Shipping a Car Other Expenses
Cost of shipping POV ____ Postage ____
Driving car to port Insurance ____
(____ miles @ .12 per mile) ____ Storage ____
Insurance ____ Other ____
Shipping Agent's fee ____
Receiving Agent's fee ____

Moving Company Expenses _____

Total $_____
TRAVEL AND LODGING EXPENSES

Hotel (old location) ____ Gas, oil, etc. ____
Lodging (en Route) ____ Airfare ____
Hotel (new location) ____ Tolls ____
Buses, trains, other ____
Total $_____

Schedule A – Itemized Deductions

F9 (Link) to:

- If first time: Click on “New Itemized Deduction Detail”
- All subsequent times: Click on “Itemized Deduction Detail”
- Enter under “Medical Expenses”

Enter taxes and interest reported on Form 1098 – Mortgage Interest Statement, Blocks 1 & 2

Schedule A – Itemized Deductions (continued)

Loan origination fee (from Closing Settlement Statement) can be recorded here if not included as points on Form 1098 (line 10 above)

F9 (Link) to:

- If first time (not done on line 1 above): Click on “New Itemized Deduction Detail”
- All subsequent times: Click on “Itemized Deduction Detail”
- Enter under “Cash Contributions”
- Enter “Contributions Other Than Cash”

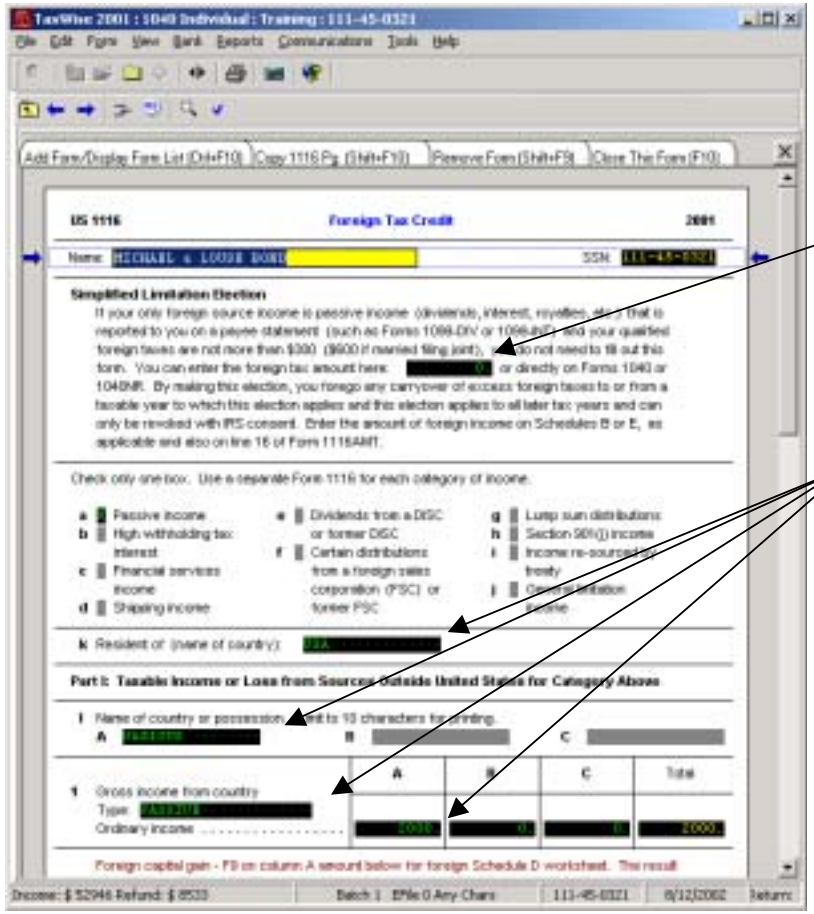
Schedule A – Itemized Deductions (continued)

F9 (Link) to:

Click on “New 2106: Employee Business Expense, page 1” (New 2106 required for each business)

Click on “New Schedule A: Deductions Subject to 2% Limit”

Form 1116 – Foreign Tax Credit



Only file Form 1116 if foreign taxes reported paid on 1099-DIV are more than $300 ($600 if married filing joint)
See "**NOTE" on form

NOTE 1: Fill in boxes where arrows indicate
From 1099-DIV, Block 1

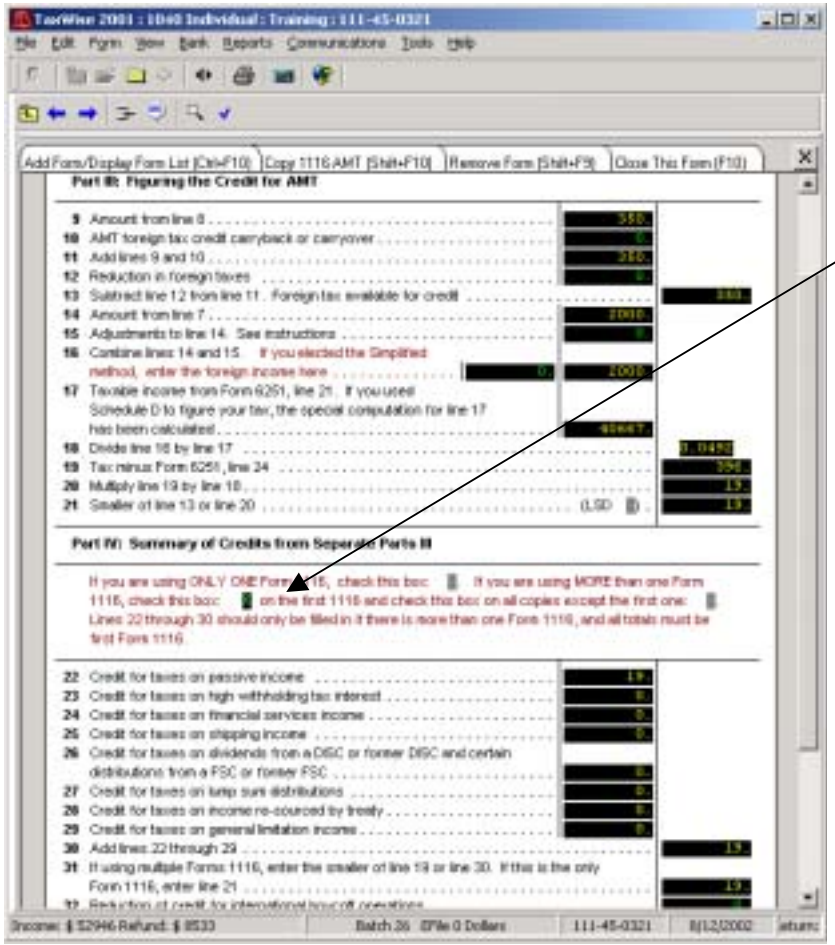
Form 1116 – Foreign Tax Credit (continued)

NOTE 1: Fill in boxes where arrows indicate

Always 12/31/2002

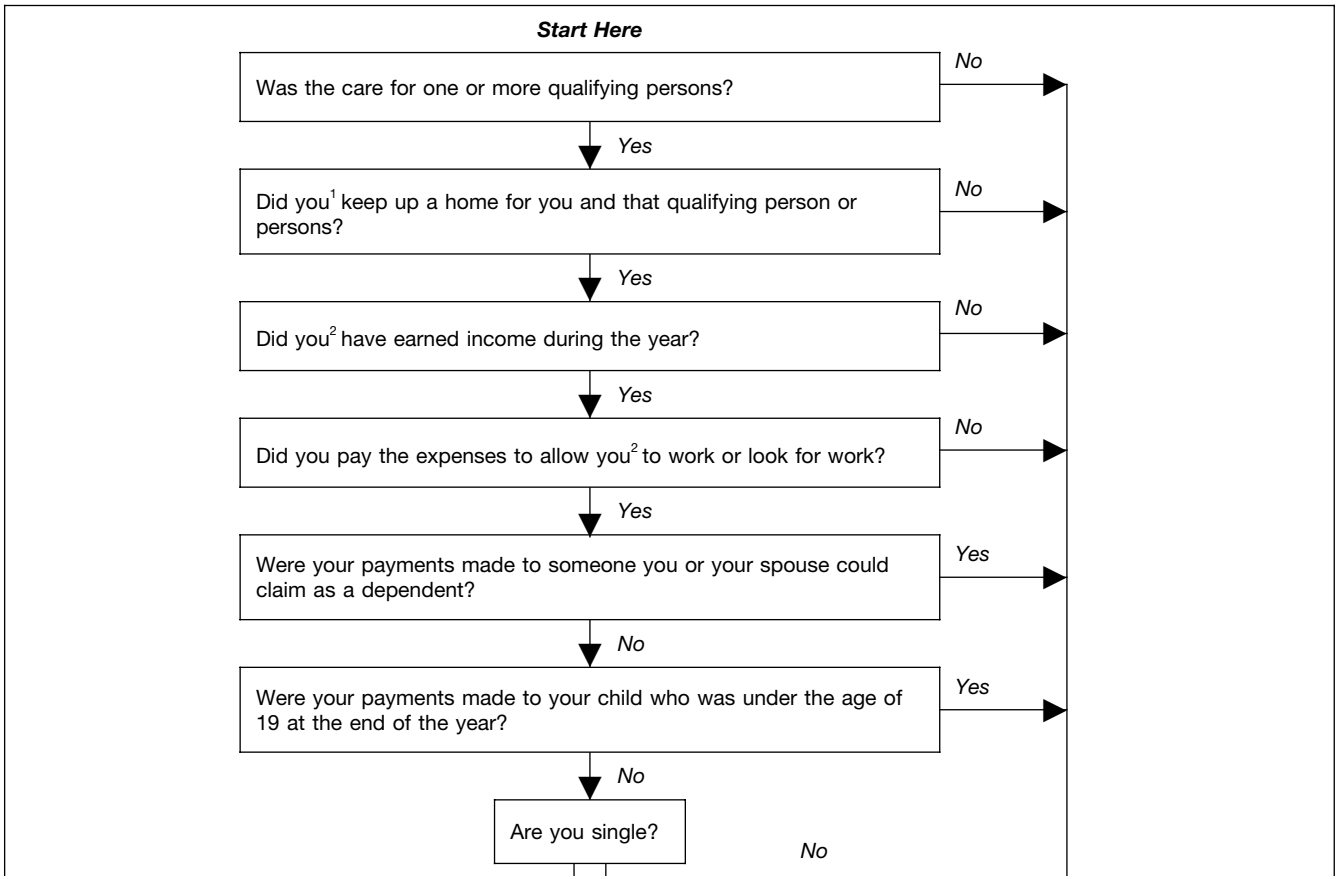
Form 1099-DIV, Block 6

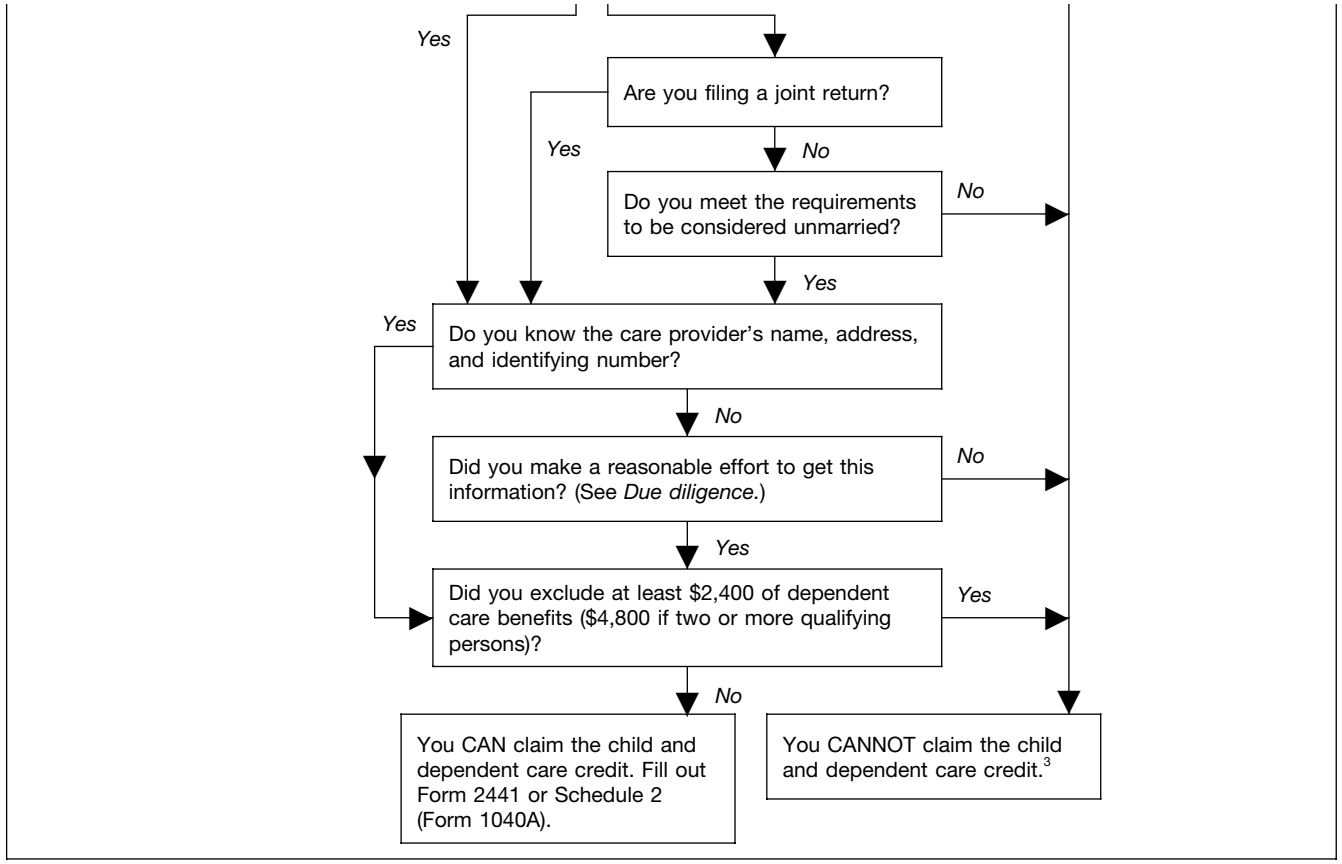
Form 1116 – Foreign Tax Credit (continued)



NOTE 1: Fill in boxes where arrows indicate

Can You Claim the Child and Dependent Care Credit?





[1]This includes your spouse if you were married.
[2]This also applies to your spouse, unless your spouse was disabled or a full-time student.
[3]If you had expenses that met the requirements for 2001, except that you did not pay them until 2002, you may be able to claim those expenses in 2002. See *Expenses not paid until the following year* under *How To Figure the Credit.*

Child and Dependent Care Credit

Qualifying Person

- A child that is under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed,
- A dependent (or a person who could be claimed as a dependent if his or her gross income had been less than the personal exemption amount) who is physically or mentally incapable of self-care,
- A spouse who is physically or mentally incapable of self-care.
  Special rules apply if the parents are divorced or separated. **(see Pub 17)**

Qualified Expenses

- Expenses must be paid, for the care of a qualifying person, to allow the taxpayer to work or look for work.
- Cannot include expenses paid while the taxpayer is off work because of illness.
- Main purpose of expenses must be for the qualifying person's well being and protection.

Form 2441 – Credit for Child and Dependent Care Expenses

NOTE: Prior to link ALL entries in Part I must be blank

- If more than two care providers, link to enter them
- Click on “New 2441: Additional Care Providers”

NOTE: Must be in the same order as provider names

- If more than two care providers, link to enter SSN/EINs and amount paid to each
- Click on “New 2441: Care Providers SSN/EIN, Paid”

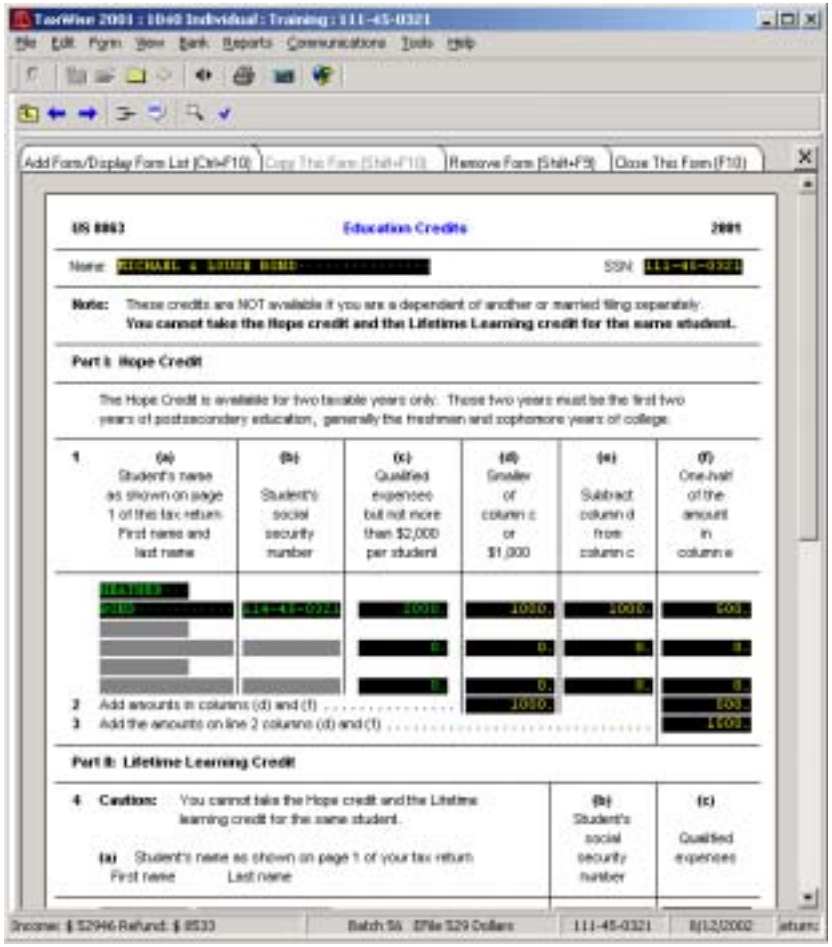
Form 2441 – Credit for Child and Dependent Care Expenses (continued)

- If more than 2 children with dependent care expenses, link to enter all children
- Click on “New 2441: Qualifying Persons”
  If spouse is a full time student, enter number of months here

Education Credits

Hope Credit	Lifetime Learning Credit
Limit is $1,500 per student	Limit is $1,000 per tax return
Only for the first two years of post-educational secondary education	Available for unlimited number of years
Must be pursuing a degree or other credentials.	Courses in degree program or to acquire or improve job skills
At least one-half of full-time workload for one academic period	One or more courses
For tuition, and related expenses (see Pub. 17 for expenses that do not qualify)	For tuition and related expenses (see Pub. 17 for expenses that do not qualify)
Not available to anyone with a felony drug conviction	No other restrictions

Form 8863 – Education Credits



Earned Income Credit

Rules for Everyone	Rules With A Qualifying Child	Rules With No Qualifying Child
Must have a valid SSN issued by SSA. Filing status cannot be married filing separate. Must be a U.S. citizen or resident alien all year. Cannot file Form 2555 or Form 2555-EZ. Investment income must be less than $2,550 Must have earned income.	Child must meet the relationship, age, & residency tests. Taxpayer cannot be a qualifying child of another person. Qualifying child must have a valid SSN.	Taxpayer must be at least age 25 but under age 65. The taxpayer (or spouse if filing a joint return) cannot be the dependent of another person. Taxpayer cannot be a qualifying child of another person. Taxpayer must have lived in the U.S. more than half of the year.

EIC and SSN ALERT!

If the Social Security card has a legend that says **"Not Valid for Employment"** and the number was issued so that the card holder could receive a federally funded benefit, such as food stamps, SSI or Medicaid, the SSN is not a valid SSN for EIC purposes. ITINs issued by IRS to non-citizens who cannot get an SSN and ATINs issued by IRS to adoptive parents for the child they are adopting are also not valid numbers for EIC purposes.

It is an important part of your job to ensure that the taxpayer and all related parties have valid numbers; therefore, you should routinely ask to see the taxpayers' and their childrens' Social Security cards.
(Numbers written on a piece of paper do not ensure accuracy.)

Please note: If the card has the **"Not Valid for Employment"** legend but the taxpayer states that his or her or their children's situation has changed, you should advise the taxpayer to visit a local Social Security office for a replacement card without the legend. (The SSN will remain the same.) The taxpayer can then return to the volunteer site for you to complete the return. The taxpayer may now be eligible for the EIC.

EIC INCOME LIMITS (Earned Income And AGI Must Each Be Less Than the Following Amounts)

Filing Status	No Qualifying Children	One Qualifying Child	Two or More Qualifying Children
Single or Head of Household	$11,060	$29,201	$33,178
Married Filing Joint	$12,060	$30,201	$34,178

Earned income for purposes of the EIC is wages, salaries, tips, net earnings from self-employment, union strike benefits, taxable long-term disability benefits received before minimum retirement age, and gross income received as a statutory employee.

Schedule EIC – Worksheet

TaxWise 2001 : 1040 Individual : Training : 111-45-0321

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) | Copy This Form (Shift+F10) | Remove Form (Shift+F9) | Close This Form (F10)

US Schedule EIC **Earned Income Credit Worksheet** **2001**

Name: MICHAEL & LOUISE DONO SSN: 111-45-0321

Questions to see if you can take the earned income credit

1 Is your filing status married filing separately?
Yes - STOP. You cannot take the credit ..... No - Go to question 2

2 Were you or your spouse a qualifying EIC child of another person in 2001?
Yes - STOP. You cannot take the credit ..... No - Go to question 3

3 Was your home in the United States for more than half of the year 2001?
No - STOP. You cannot take the credit ..... Yes - Go to question 4

4 Is your disqualified income (taxable and tax-exempt interest, dividends, net rent and royalty income, capital gains and passive income = [redacted]) over $2450?
Yes - STOP. You cannot take the credit ..... No - Go to question 5

5 Do you have at least one qualifying child?
Yes - Go to question 5a ..... No - Go to question 6

a If the child is not married, check "Yes". If the child is married, is the taxpayer claiming the child as a dependent? ..... Yes No FRATHER
If "Yes", go to question 5b. Yes No ALFRED

b Is the taxpayer's modified AGI higher than the modified AGI of any other taxpayers for whom the child is a qualifying child? ..... Yes No FRATHER
If "Yes", go to question 6. Yes No ALFRED

Questions 6 and 7 apply to taxpayers having qualifying children.

6 Is the total of your taxable and nontaxable earned income less than $26,281 (less than $32,121 if you have more than one qualifying child)?
No - STOP. You cannot take the credit ..... Yes - Go to question 7

7 Is your modified adjusted gross income less than $26,281 ($32121)?
No - STOP. You cannot take the credit ..... Yes - Figure credit

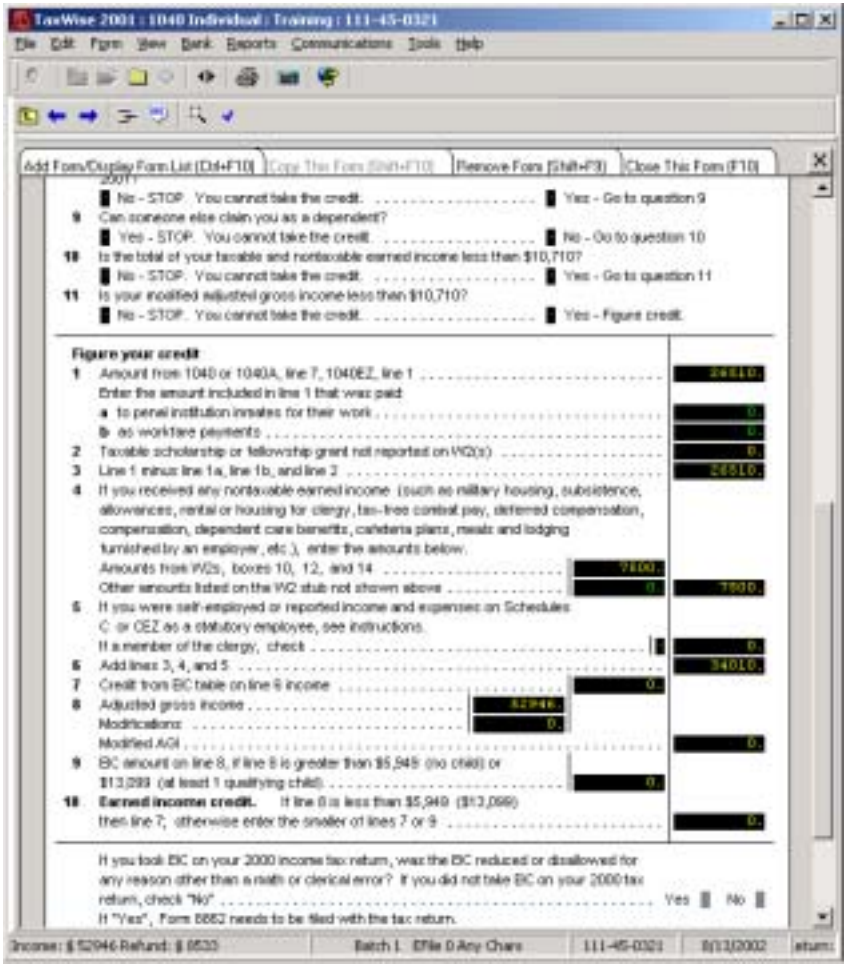
Questions 8 through 11 apply to taxpayers having no qualifying children.

8 Were you (or your spouse if filing jointly) at least 25 years of age but under age 65 at the end of 2001?
No - STOP. You cannot take the credit ..... Yes - Go to question 9

9 Can someone else claim you as a dependent?
Yes - STOP. You cannot take the credit ..... No - Go to question 10

Income: $ 52946 Refund: $ 8533 | Batch 1 Efile 0 Any Chars | 111-45-0321 | 8/13/2002 | eturns

Schedule EIC – Worksheet (continued)



2003 e-file Refund Cycle Chart...

Transmitted and accepted (by Noon) between:	Direct Deposit Sent*	Paper Check Mailed*
Jan 10 and Jan 16	Jan 24	Jan 31
Jan 16 and Jan 23	Jan 31	Feb 7
Jan 23 and Jan 30	Feb 7	Feb 14
Jan 30 and Feb 6	Feb 14	Feb 21
Feb 6 and Feb 13	Feb 21	Feb 28
Feb 13 and Feb 20	Feb 28	Mar 7
Feb 20 and Feb 27	Mar 7	Mar 14
Feb 27 and Mar 6	Mar 14	Mar 21
Mar 6 and Mar 13	Mar 21	Mar 28
Mar 13 and Mar 20	Mar 28	Apr 4
Mar 20 and Mar 27	Apr 4	Apr 11
Mar 27 and Apr 3	Apr 11	Apr 18
Apr 3 and Apr 10	Apr 18	Apr 25
Apr 10 and Apr 17	Apr 25	May 2
Apr 17 and Apr 24	May 2	May 9
Apr 24 and May 1	May 9	May 16

* The IRS does not guarantee a specific date that a refund will be deposited into a taxpayer's financial institution account or mailed.

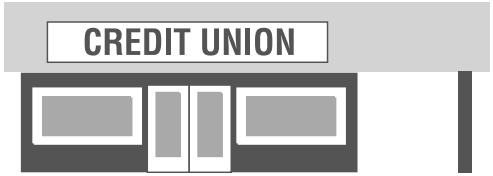
Pointers for Direct Deposit of Refunds

1. Using a voided check as proof of account, verify:

- **Routing Transit Number** (RTN). The RTN must contain 9 digits and begin with 01 through 12 **or** 21 through 32.
- **Depositor Account Number** (DAN). The DAN can be up to 17 characters. Omit spaces, the actual check number, special symbols, and the dollar amounts on canceled checks.

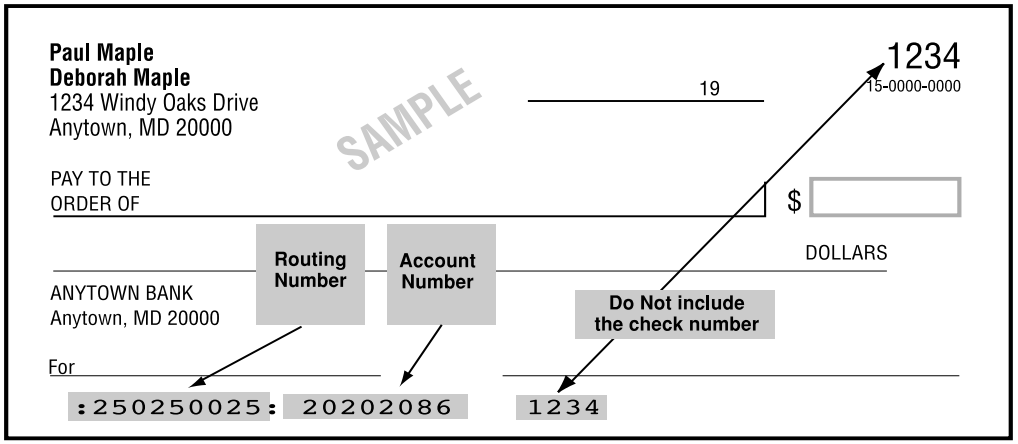
2. Double check the RTN of the financial institution **before** the return is transmitted **if**:

- You are unfamiliar with the financial institution. (Some types of accounts that exist through brokerage firms cannot accept Direct Deposits.)
- The RTN is for a credit union, which is payable through another financial institution. The taxpayer should contact their credit union for the correct RTN.



3. Your local IRS office may be able to provide a listing of financial institutions' RTNs and fields required for DANs. Ask your site coordinator if the listing can be added to the *e-file* software for convenience.
4. Always check the information you have entered **twice**. Entering the incorrect RTN and/or DAN will result in a 4-6 week delay of the refund and an unhappy VITA/TCE customer! If the Direct Deposit is voided, a paper check will automatically be mailed to the address on the electronic tax return.
5. All requests for Direct Deposit of refunds that are delayed for any reason will still be honored, as long as the refund is issued within the same calendar year.

Caution: Some financial institutions will not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a Direct Deposit.



Note: *The routing and account numbers may be in different places on the check.*

Balance Due Returns—File Now, Pay Later…

Payment Options

Explain to the taxpayer that their tax return will be filed now and that payment of the taxes due should be made no later than April 15, 2003.

There are ***three*** payment options available:

1. **Send payment with Form 1040-V to the appropriate lockbox address.**

Form 1040-V, Payment Voucher, will be generated by the *e-file* software when the tax return results in a balance due.

Provide Form 1040-V to the taxpayer and emphasize that they are responsible for sending their payment with Form 1040-V to the appropriate lockbox address.

Caution: Do not attach payment or Form 1040-V to the taxpayer's Form 8453.

Advise the taxpayer that they should:

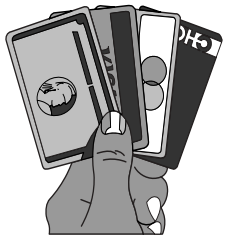
- Make the check or money order payable to the U.S. Treasury. They should **not** send cash.
- Print the primary SSN shown on the tax return, a daytime telephone number, and "2003 Form 1040" on the check or money order.
- Separate the payment voucher at the perforation.
- Put the payment and the voucher *loose* (not stapled together) in the mailing envelope.
- Mail the payment and the Form 1040-V to the lockbox address associated with the service center where the return was electronically filed.

2. **Use the Direct Debit Option**

This option works like Direct Deposit for refund returns. Balance due ***TeleFile*** returns also accept Direct Debit. The bank account information can be included in the electronic return, authorizing the Treasury to debit the taxpayer's account through the Automated Clearing House (ACH) system. For TeleFile returns, the TeleFile script will prompt the taxpayer to identify a payment method; and if Direct Debit is selected, the caller will then be prompted to provide the account information.

There is no fee for the Direct Debit transaction. The taxpayer will designate the date that the debit will occur, which can be as late as April 15, 2003.

3. Pay with a Credit Card (Pay-by-Phone)



This option allows taxpayers to make a tax payment via an interactive voice response system for balance due 1040 series returns; estimated taxes (1040ES), and extensions of time to file (Form 4868). The touch tone option is available 24 hours a day, 7 days a week.

After completing their balance due return the taxpayer can call **Official Payments Corp. at 1-888-2PAY-TAX *or* Phone Charge, Inc. at 1-888-ALL-TAXX.** They will then be prompted to enter a *jurisdiction code of 1040* to select a federal payment option. The taxpayer will continue following the prompts to provide the necessary information including their TIN, credit card number and expiration date.

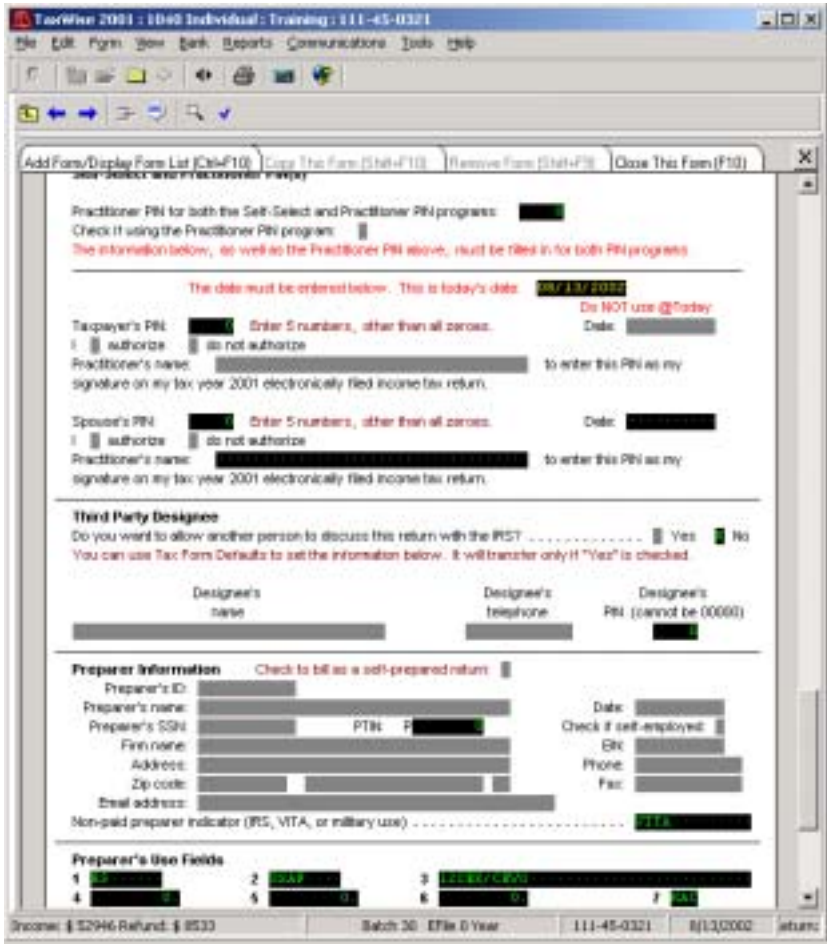
IRS does not directly accept the credit card payment and is therefore not the merchant. The credit card processor covers its costs by assessing a "convenience fee" to taxpayers using this system. The caller will be advised of the amount of this fee. If the taxpayer agrees to the convenience fee, they will be prompted to continue; if they do not agree, they can terminate the call and the transaction will not be completed.

Can't Pay in Full?

Taxpayers who **cannot pay the amount they owe in full by April 15, 2003**, may wish to request an installment agreement. This can be done by completing Form 9465, INSTALLMENT AGREEMENT REQUEST, which will be generated by your software. Form 9465 can be *e-filed* along with the tax return—or separately, as an electronically transmitted document.

If the amount owed is no more than $25,000 and can be paid off within five years, the taxpayer can find out how long their proposed payments would last by accessing the "Interactive Installment Payment Process" link on the "Tax Info for You" section of the IRS Web site at **www.irs.gov**.

Note: *The Web site does not store or transmit any personal data.*



Self-Select PIN

- See Pub 3189 for instructions to use Self-Select PIN.
- VITA Program participants are encouraged to use the Self-Select PIN only when the taxpayer enters a pin.

Obtaining Signatures on Form 8453…

Declaration Control Number (DCN)

0 0 – – 0

IRS Use Only—Do not write or staple in this space.

Form **8453** Department of the Treasury Internal Revenue Service

U.S. Individual Income Tax Declaration for *e-filing* Returns

For the year January 1–December 31, 1997

▶ See instructions on back.

OMB No. 1545-0938

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial | Last name | Your social security number

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If a P.O. box, see instructions. | Apt. no. | Telephone number (optional) ( )

City, town or post office, state, and ZIP code | For Paperwork Reduction Act Notice, see instructions.

Part I Tax Return Information (Whole dollars only)

1 Total income (Form 1040, line 22; Form 1040A, line 14; Form 1040EZ, line 4) 1

2 Total tax (Form 1040, line 53; Form 1040A, line 28; Form 1040EZ, line 10) 2

3 Federal income tax withheld (Form 1040, line 54; Form 1040A, line 29a; Form 1040EZ, line 7) . 3

4 Refund (Form 1040, line 62a; Form 1040A, line 31a; Form 1040EZ, line 11a) 4

5 Amount you owe (Form 1040, line 64; Form 1040A, line 33; Form 1040EZ, line 12) 5

Part II Direct Deposit of Refund (Optional—See instructions.)

Attach Copy B of Forms W-2, W-2G, or 1099-R here.

6 Routing number

The routing number must be nine digits, and the first two must be 01 through 12 or 21 through 32.

7 Account number

8 Type of account: ☐ Checking ☐ Savings

Part III Declaration of Taxpayer (Sign only after Part I is completed.)

9a ☐ I consent that my refund be directly deposited as designated in Part II, and declare that the information shown on lines 6 through 8 is correct. If I have filed a joint return, this is an irrevocable appointment of the other spouse as an agent to receive the refund.

b ☐ I do not want direct deposit of my refund or am not receiving a refund.

If I have filed a balance due return, I understand that if the IRS does not receive full and timely payment of my tax liability, I will remain liable for the tax liability and all applicable interest and penalties. If I have filed a joint Federal and state tax return and there is an error on my state return, I understand my Federal return will be rejected.

Under penalties of perjury, I declare that the information I have given my ERO and the amounts in Part I above agree with the amounts on the corresponding lines of the electronic portion of my 1997 Federal income tax return. To the best of my knowledge and belief, my return is true, correct, and complete. I consent to my ERO sending my return, this declaration, and accompanying schedules and statements to the IRS. I also consent to the IRS sending my ERO and/or transmitter an acknowledgment of receipt of transmission and an indication of whether or not my return is accepted, and, if rejected, the reason(s) for the rejection. If the processing of my return or refund is delayed, I authorize the IRS to disclose to my ERO and/or transmitter the reason(s) for the delay, or when the refund was sent.

Sign Here ▶ Your signature | Date | ▶ Spouse's signature. If a joint return, BOTH must sign. | Date

Part IV Declaration of Electronic Return Originator (ERO) and Paid Preparer (See instructions.)

I declare that I have reviewed the above taxpayer's return and that the entries on Form 8453 are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The taxpayer will have signed this form before I submit the return. I will give the taxpayer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in **Pub. 1345**, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 1997). If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above taxpayer's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This declaration is based on all information of which I have any knowledge.

ERO's Use Only

ERO's signature ▶ | Date | Check if also paid preparer ☐ | Check if self-employed ☐ | Your social security number

Firm's name (or yours if self-employed) and address ▶ | EIN | ZIP code

Under penalties of perjury, I declare that I have examined the above taxpayer's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. This declaration is based on all information of which I have any knowledge.

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address ▶ | EIN | ZIP code

Cat. No. 62706T | Form **8453** (1997)

If the Self-Select PIN option is not used, then Form 8453 must be signed by the taxpayer(s) *prior* to transmission of the return. Two Forms 8453 must be obtained with the original signature(s) —one will be mailed to the service center and the other retained by the volunteer site or designated place of record storage. Responsibilities may vary among territories; therefore, contact your local IRS SPEC territory office for more information.

The signature must be an *original*, not a copy, stamp or facsimile.

If the filing status is "married filing joint return," both signatures are required on Form 8453 prior to transmission of the return… ***but*** both spouses **do not** have to be present at the time of signing- for example, one spouse can take Form 8453 home and return it to the VITA/ TCE site with the other spouse's signature. Advise the taxpayer that their return will ***not*** be transmitted until ***both*** signatures have been obtained.

Caution: A rejected return may contain errors that, when corrected, require substantive changes. If this occurs, a new Form 8453 must be signed by the taxpayer(s). Substantive changes are defined as changes of more than $50 to "Total Income" **or** more than $14 to "Total Tax,"Federal income tax withheld," "Refund" or "Amount you owe."

Collate Copies

IRS copies

- Form 8453 with original signature
- Copy of Release of Dependency
- Copy of Power of Attorney

Tax Center copies:

- Main Information Sheet
- Form 8453 with original signature
- Copy of Release of Dependency
- Copy of Power of Attorney
- Copy of all W-2's

Taxpayer copies:

- Copy of complete tax return with all forms & schedules
- Form 8453 with original signature
- Original Release of Dependency
- Original Power of Attorney
- All other W-2's

Help Sources...

Source	Contact	Phone #
UTS/TaxWise Customer Service		1-800-411-6391
UTS/TaxWise Toll-Free Transmission		1-800-829-5945
VITA/TCE *e-file* Coordinator		
Local Technology Support Specialist		
Automated Tax Refund Information		1-800-829-4477
VITA/TCE Hotline (for volunteers only)*		1-800-829-8482

***February 2 through April 15, 2002**
Mon. - Fri. 8 a.m. through 7:30 p.m. CST
Saturday 8 a.m. through 4 p.m. CST