

# **Earn It! Keep It! Save It!**

## **Instructor Training**



**October 18, 2016**

# Training Materials



# Training Materials - Printed

- Pub 4480, *VITA/TCE Link & Learn Taxes Training Kit* contains:
  - Pub 4836, *VolTax Poster*
  - Pub 4012, *Volunteer Resource Guide*
  - Form 6744, *VITA/TCE Volunteer Assistor's Test/Retest*
  - *Pub 5157-A, ACA – Taxpayer Scenarios*
- Pub 4012, *Volunteer Resource Guide* (standalone)
- Pub 17 available free for volunteer program
- Printed Pub 4491 no longer available. All instructors should download from [irs.gov](http://irs.gov).

# Form 6744 - Tests

- The Form 6744, *VITA/TCE Volunteer Assistor's Test/Retest* contains certification tests and retests for Volunteer Standards of Conduct (Ethics), Intake/Interview and Quality Review, Basic, Advanced, Military, International, Health Savings Accounts, Circular 230, and Foreign Student.
  - All retests will immediately follow each test.
  - The Form 6744 is included in the Publication 4480 kit only.
  - Form 6744 *contains tests only*.
- New Circular 230 test allows attorneys, CPAs and EAs to certify by taking tax law updates test only.

# Other Training Materials

- Publication 4961, *VITA/TCE Volunteer Standards of Conduct - Ethics Training*. Available on Link & Learn.
- Publication 5101, *Intake/Interview and Quality Review Training*. Available on Link & Learn.
- Publication 4942, *Health Savings Accounts (electronic)*
- Link and Learn Taxes and the Practice Lab available in early November.
- Shipments of printed materials may begin as early as the week of November 7, depending on when order was placed.

# Other Training Materials

- Publication 4491-X (electronic) will contain any corrections to the training publications or updates to tax law made after December.
- Publication 4491-W, *VITA/TCE Problems and Exercises*,(electronic only).
- Go to VITA/TCE Central on Link & Learn for additional instructor resources.
- United Way Bay Area will provide direct links to all training products on their web site.

# Protecting Americans from Tax Hikes Act of 2015 (PATH Act)



# *PATH Act* Legislation Changes

- Earned Income Tax Credit (EITC) expanded modifications made permanent
- Additional Child Tax Credit (ACTC) - the reduced earned income threshold for CTC made permanent at \$3,000
- American Opportunity Tax Credit (AOTC) made permanent
  - Employer Identification Number (EIN) of educational institution required for taxpayers claiming the AOTC
  - Educational institutions required to report tuition & expenses **actually paid** on Form 1098-T (2016-no penalty)
  - 2015 law requires 1098-T to take education credits/deduction



# *PATH Act* Legislation Changes

- Educator expenses made permanent
  - Indexed to inflation after 2016 – still \$250
  - Expanded expenses to include professional development expenses
- State sales tax deduction made permanent
- Charitable deduction for IRA distributions made permanent
  - For taxpayers Over 70 ½
  - Distributions made directly to charitable organization
- Wrongly incarcerated individuals can exclude certain amounts from income

# *PATH Act* Legislation Changes

Extended through 2016:

- Exclusion from gross income of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)

# *PATH Act* Legislation Changes

## Program Integrity

- Various changes to refundable credits - EITC, Child Tax Credit and American Opportunity Credit
  - Revised due dates
  - Refund holds
  - Enhanced penalties
  - Increased due diligence
- Update to ITIN processes

# *PATH Act* Legislation Changes

- Mandates IRS hold ALL refunds with Earned Income Tax Credit and Additional Child Tax Credit until February 15<sup>th</sup>
  - Entire refund will be held
  - Returns will be processed as normal – urge clients to file as they have in past
  - Impacts all preparers and filing processes
- Additional screening for improper payments and income verification
  - W-2's and 1099-MISC (Box 7) due by January 31st

# *PATH Act* Legislation Changes

## No Retroactive Claims of EIC, CTC and AOTC

- Earned Income Credit
  - Taxpayer must have SSN by due date of return
  - Qualifying child must have SSN by due date of return
- Child Tax Credit/American Opportunity Credit
  - Taxpayer must have SSN or ITIN by due date of return
  - Child claimed/student must have SSN, ITIN or ATIN by due date of return

# *PATH Act* Legislation Changes

- Paid preparers must meet new due diligence requirements on returns with CTC and AOTC
  - Similar to EITC – new Form 8867
  - Does not apply to volunteer program
- Allows IRS to assess accuracy and fraud penalties on taxpayers who erroneously claim refundable credits
- Extends “math error” authority to CTC and AOTC
  - Establishes credit disallowance period
  - Requires taxpayers to demonstrate eligibility after credit disallowed

# *PATH Act* Legislation Changes

## ITIN Renewal Required

- All ITINs no longer valid if not used for 3 consecutive years
  - If not used to File 2013, 2014 or 2015 returns, will expire 12/31/2016
  - Each year additional ITINs will expire
- ITINs issued prior to 2013 will expire if not renewed – even if used
  - Rolling renewal process through 2020
  - ITIN's with middle digits 78 or 79 expire 12/31/2016

# *PATH Act* Legislation Changes

- Renewal process began October 1, 2016
  - Letters mailed to ITIN holders with 78 and 79
  - Need to renew ITIN only if need file tax return
- Renewal process involves filing a new Form W-7, Application for ITIN – no need for tax return
  - Mail Form W-7 to IRS – need to include original documentation or certified copies (returned in 60 days)
  - Use an Authorized Certified Acceptance Agent (CAA) – listing on [irs.gov](http://irs.gov) or 211
  - Appointment at Taxpayer Assistance Center



# Affordable Care Act (ACA)



# ACA Updates

- Individual Shared Responsibility Payment Increases to greater of:
  - \$695 for TY 16 and beyond (was \$325)
  - 2.5% for TY 16 and beyond (was 2%)
- Open enrollment for 2017/2018 benefit years
  - November 1<sup>st</sup> – January 31<sup>st</sup>
  - Nov 1<sup>st</sup> to Dec 15<sup>th</sup> for future years

# ACA Updates – IRS Letters

- Failure to reconcile Advance Premium Tax Credit
  - Received APTC from Marketplace
  - No Form 8962 on tax return
- Shared policy allocation needed
  - Received APTC for person not claimed on return
  - Did not complete Part IV of Form 8962
  - Out of scope – stress during training
- Respond to letter – not Amended Return

# ACA Intake/Interview Questions

- If 3a is “yes”, 8962 must be completed
- If 3b is “no”, return is out of scope

Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If yes, were advance credit payments made to help you pay your health care premiums?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

# ACA Affordability Calculator

Not an IRS product

## ACA Affordability Calculator

(Version 4.07, 10/10/2016)

Clear and reset calculator

Print a taxpayer copy

### Basic Filing Information:

Taxpayer's Name:

Tax Year: 2015

Filing Status: Single

TP 65 or older

SP 65 or older

Dependents claimed for exemptions: 0

Not eligible for Medicaid

48 states  Alaska  Hawaii  
State expanded Medicaid?  Yes  No

Filing Threshold: 10300  
100% Fed Poverty Line: 11670  
138% Fed Poverty Line: 16105  
400% Fed Poverty Line: 46680

### Household Income Information:

Enter amounts from tax returns only for those dependents who must file other than to obtain a refund of withholding or estimated payments.

Amount	Location	TP & SP	Depend 1	Depend 2	Depend 3	Depend 4	Depend 5
AGI	Form 1040 line 37	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Tax-exempt interest	Form 1040 line 8b	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Social Security Income	Form 1040 line 20a	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Taxable Social Security	Form 1040 line 20b	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Foreign Income	Form 2555 line 45 & 50	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

		Total	Comments
Household Income (MAGI)	Form 8965 part II line 7	<input type="text"/>	Used for affordability test
Household Income (MAGI)	Form 8962 line 3:	<input type="text"/>	Used for PTC/APTC calc

Total dependent MAGI  
For use in Tax Slayer:

Click to test

# Education Benefits



# Education Benefits

## Taxability of Scholarships - Pub 4012, page J-1

- Qualified education expenses **don't include** the cost of equipment and other expenses not required for enrollment in or attendance at an eligible educational institution.
- Taxpayer may be able to increase refund by opting to not reduce scholarship income by qualified expenses.

# Education Benefits

- Tuition and Fees Deduction – 4012, page J-4
  - Beginning in tax year 2016, the tuition and fees deduction won't be allowed unless the taxpayer possesses a valid information return (Form 1098-T, Tuition Statement) from the educational institution.
- Education Credits – 4012, page J-5
  - American Opportunity Credit not refundable to certain individuals who can be claimed as dependents (or not)



# Education Benefits

Education Credits – 4012, page J-6

- American Opportunity Credit
  - “Qualified tuition and related expenses” include expenditures for course materials (books, supplies, equipment) needed for a course of study – does not apply to Lifetime Learning Credit
  - PATH Act requires EIN for AOTC – not for LLC, T&F
  - 2015 law requires 1098-T to take education credits/deduction – applies to AOTC, LLC, T&F
  - Taxpayer/student must have valid TIN by due date of return for AOTC – not for LLC, T&F

# Qualified Education Expenses

Determining qualified education expenses – 4012, page J-7

- Form 1098-T
  - New law requires use Box 1 only – no penalty this year
  - Generally, subtract Box 5 amount from Box 1 amount
- Adjusted Qualified Education Expenses Worksheet
  - Can use scholarship to reduce expenses (unless restricted, e.g. room & board)
  - Including scholarship as taxable income could increase amount of education credit/deduction
    - unless restricted, e.g. for tuition
    - could trigger “Kiddie Tax”

# Education Worksheet

**Not an IRS product**

Simplified Education Credit Worksheet	
Student _____	School _____
<b>Give a copy of completed form to client</b>	
<b>Enter Amounts from 1098-T &amp; Required Books and Materials*</b>	
1098-T Box 1 or 2 -- Tuition	
1098-T Box 5 -- Scholarships	
Books & Required Materials (See below)*	
<b>Step 1: Calculate Scholarship Income</b>	
1098-T Box 5 -- Scholarships	
1098-T box 1 or 2 -- Tuition <b>as negative</b>	(            )
Books & Required Materials* <b>as negative</b>	(            )
Scholarship Income (Sum)	
	If larger than zero Enter on Wkt 1 Scholarship Income
	<b>STOP</b>

# Did You Know?

- Taxpayers who miss the 60-day deadline for rolling over retirement plan or IRA can qualify for waiver of taxes and penalties
  - Must meet one or more of 11 circumstances
  - New self-certification procedure described in Revenue Procedure 2016-47, including model letter to financial institution
- The due date for filing a 2016 return is Tuesday, April 18, 2017.
- Taxpayers can pay their IRS bills in cash at participating 7-Eleven locations.

# Questions?

