



2016 Software Training

Comprehensive Instruction

Table of Contents

Course Overview	2
IRS PTIN Requirements.....	3-5
AFSP	6-12
CTEC Certification	13-16
CTEC Certification and Federal CE	17-18
Tax Year 2016 Partner Banks	19
Valued Partners.....	20-21
Form 8867 Due Diligence.....	22
IRS Modernized E-File.....	24-25
Affordable Care Act	26-43
Tax Scenarios	44
Sample Forms for Tax Scenerarios	45-62
2016 Software Changes	63-75
Path Act	76-77
Affordable Care Act Examples	77-88
Lesson 1 – Education Credits	89-92
Lesson 2 – Cancellation of Debt for a Credit Card.....	93
Lesson 3 – Schedule C & 8829	94-96
Lesson 4 - Schedule D –Reporting Multiple Stock Sales.....	96
Lesson 5 – Partnership (K-1) Input	97-98
Lesson 6 – Mortgage Relief Exclusion	99-100
Lesson 7 – Cancellation of Debt	101-102
Reference Material.....	103
How to	104-114

Course Overview

In this section, we will cover the following topics:

- IRS PTIN Requirements
- New Annual Filing Season Program (AFSP)
- CTEC Certification
- Tax Year 2016 Partner Banks
- Valued Partners
- Form 8867 Due Diligence
- IRS Modernized E-File (MeF)
- Affordable Care Act
- 2016 Software Changes



IRS PTIN Requirement

The IRS requires that anyone who prepares a federal tax return for compensation to have a Valid 'Preparer Tax Identification Number', or PTIN

Information about your PTIN can be located at the IRS website: <http://www.irs.gov/ptin>

IRS PTIN Requirement

To access the PTIN system at <http://www.irs.gov/ptin>

1. Create/log into your user account on the portal
2. Apply for/renew your PTIN using the online system for fast results (**Sign-up and renewal for 2016 are currently available**)
3. Pay the **\$50** PTIN application fee for a new PTIN or to renew your PTIN
4. You will receive your PTIN as well as further instructions via email/mail

IRS PTIN Requirement

All paid preparers must renew their PTIN by December 31 each year!

- All Preparer Tax Identification Numbers (PTINs) expire on December 31, 2016 this year, but the system continues to accept renewals
- A public database of tax preparers is coming soon
- CE requirements for 2016 are voluntary at this moment
- The IRS PTIN sign-up system is generally unavailable from midnight until approximately 8:00 a.m. ET each Sunday morning while regular system maintenance is performed

For PTIN questions call: 877-613-PTIN (7846)

- If you prefer to submit a paper application, use Form W-12, available for download from IRS.gov
- **Please note, it will take 4-6 weeks to process your PTIN using this method**

IRS AFSP

What is the Annual Filing Season Program?

The IRS's Annual Filing Season Program (AFSP) is a new voluntary program designed to encourage tax return preparers to participate in continuing education (CE) courses.

Unenrolled return preparers can elect to voluntarily take continuing education each year in preparation for filing season and receive an AFSP – Record of Completion.

IRS AFSP

The Annual Filing Season Program Benefits!

Tax Professionals who elect to participate in the program would receive the following benefits:

- The IRS will issue a "Record of Completion" once all requirements are fulfilled
- Inclusion in the "Directory of Federal Tax Return Preparers with Credentials and Select Qualifications" on the IRS.gov website that will be available in January 2015 to help taxpayers determine return preparer qualifications
- Beginning January, 2016, only non-credentialed tax return preparers who have a record of completion under the Annual Filing Season Program will be permitted to represent taxpayers before the IRS during an examination of a return that they signed or prepared

IRS AFSP

Who are IRS AFSP Exempt Individuals?

- Anyone who passed the Registered Tax Return Preparer (RTRP) test administered by the IRS between November 2011 and January 2013
- Established state-based return preparer program participants currently with testing requirements: Return preparers who are active registrants of the state of California, Oregon, and/or Maryland
- Part 1 of the E.A. exam: Tax practitioners who have passed the Special Enrollment Exam Part 1 within the past two years
- VITA volunteers: Quality reviewers and instructors with active PTINs
- Other accredited tax-focused credential-holders: The Accreditation Council for Accountancy and Taxation's Accredited Business Accountant/Advisor (ABA) and Accredited Tax Preparer (ATP) programs

IRS AFSP

IRS AFSP Exempt Individuals Education Requirements

Exempt Preparers who are able to obtain the AFSP Record of Completion after completing 15 Hours of Continuing Education are one of the following:

Required CE hours of completion for exempt preparers for Filing Season 2017 is – 15 total CE Credit Hours:

- 3 hours of Tax Law Updates
- 10 hours of Federal Tax Law
- 2 hours of Ethics

IRS AFSP

IRS AFSP Exempt Individuals

What YOU need to do – to get IRS AFSP Certified?

If you are a Tax Professional in CA and you:

Purchased the 20 Hour CTEC with CE/AFSP education from Refunds Today:

- NOTHING

Purchased only the 20 Hour CTEC education from Refunds Today only:

- Upgrade your course to include the AFSP certification (www.refundstoday.com)
 - \$33 Upgrade

Purchased the 20 Hour CTEC education from another CTEC educator:

- Complete the required CE hours or Purchase the AFSP Course from Refunds Today

If you are a exempt Tax Professional, how can Refunds Today help you?

- AFSP Course (\$99)
- Individual Courses to complete the requirements (\$8 each CE Hour)

IRS AFSP

IRS AFSP Non-Exempt Individuals

For 2016 filing season, NON-Exempt return preparers with a valid PTIN will need to complete 18 hours of continuing education (CE) from an IRS-approved CE provider like Refunds Today to obtain an AFSP record of completion valid for the upcoming filing season.

Continuing education requirements must be fulfilled each year for a preparer to continue to earn an updated AFSP record of completion.

IRS AFSP

IRS AFSP Non-Exempt Individuals Education Requirements

If you are not exempt from taking the Annual Federal Tax Refresher Course (AFTR) than the require hours of CE Credit is as follows:

18 Total Hours:

- 6 hour AFTR Course
- 10 hours of Federal Tax Topics
- 2 hours of Ethics

If you are a **NON-Exempt Tax Professional**, how can Refunds Today help you?

- AFSP Course (\$99)
- AFTR Course (if you have completed other qualifying CE hours elsewhere) (\$49)
- Individual Courses to complete the requirements (\$8 each CE Hour)

CTEC Certification

Who is required to be certified?

- Tax Preparers in the state of California are required to be CTEC Certified
- The CTEC URL is www.ctec.org

CTEC Certification

Requirements for *new* CTEC Registered Tax Preparers

- Must complete 60-hours (45 hours federal and 15 hours state) of qualifying tax education from a CTEC Approved Provider
- Must obtain a PTIN (Preparer Tax Identification Number) from the IRS
- Must purchase a \$5,000 tax preparer bond
- Must register with CTEC within 18 months from the completion date on the certificate of completion
- Registration for NEW CTEC Registered Tax Preparers begins on November 1st

CTEC Certification

Renewal requirements for CTEC Registered Tax Preparers

- Must complete 20-hours (10 hours federal tax law, 3 hours federal tax update, 2 hours of Ethics and 5 hours for State) of continuing tax education each year
- Must maintain a valid PTIN from the IRS
- Must maintain a \$5,000 tax preparer bond
- Must renew their registration by October 31st of each year

CTEC Certification

- The registration for 60 hours opens after November 1st, the fee is \$33
 - The renewal fee for 20 hours is \$33 before October 31st and \$88 after October 31st (Subject to Change)
- **Note:** Individuals not registered with CTEC that are caught preparing tax returns illegally will be issued a \$2,500 penalty by the FTB
- If the individual fails to comply and register within 90 days, the penalty increases to \$5,000

CTEC Certification and Federal CE

Refunds Today:

- Is an authorized CTEC education provider
 - Is authorized by the IRS to offer the new IRS Annual Filing Season Program (AFSP) course
 - Offers the 20-Hour Continuing Education online course and exam for current CTEC authorized tax professionals
 - Offers the 60-Hour Education online CTEC course and exam
- Please visit our website @ www.refundstoday.com for more details!

CTEC Certification and Federal CE

20 Hour CTEC Course Quantity: <input type="text" value="1"/> \$56.00 Add to Cart	20 Hour CTEC w/IRS AFSP Quantity: <input type="text" value="1"/> \$89.00 Add to Cart
60 Hour CTEC Course Quantity: <input type="text" value="1"/> \$199.00 Add to Cart	60 Hour CTEC w/IRS AFSP Quantity: <input type="text" value="1"/> \$239.00 Add to Cart
Full IRS AFSP Continuing Education Course This bundle satisfies all required components (18 Credit Hours) of the 2015 ASFP Program 6 Hour AFTR - 10 Hours Federal Tax Law 2 Hours Ethics Quantity: <input type="text" value="1"/> \$99.00 Add to Cart	AFTR 6 Hour Course Only 6 Hour Course with Comprehensive Test Quantity: <input type="text" value="1"/> \$49.00 Add to Cart

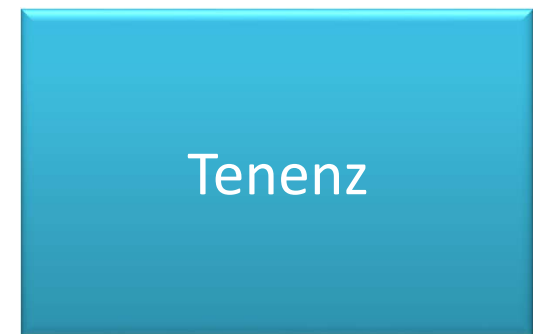
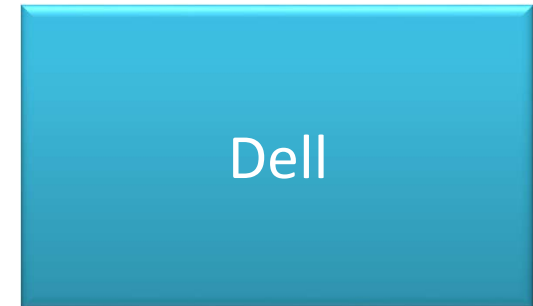
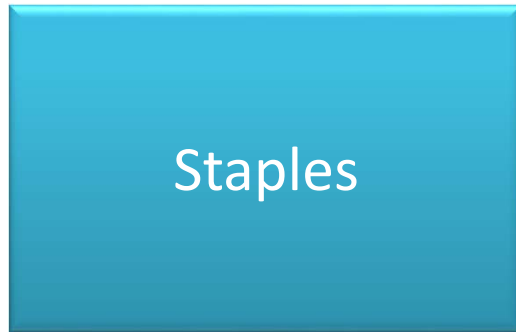
Tax Year 2016 Partner Banks



- Offer the benefit of deducting preparer fees directly from the refund, so there's no out of pocket expense to the taxpayer and distributing the remainder of the refund through one of four methods:
 - A cashier's check that you print in your office
 - A direct deposit to the taxpayer's account
 - Loading the remaining refund to a debit card issued by bank partner
 - Walmart Direct2Cash
- Each bank offers an advance on refunds this year between \$500-\$1250 (depending on the bank the ERO pays a fee per advance between \$25-50. River City Bank is the only bank that won't charge the ERO a fee but only if the return is a bank product and you're enrolled in their Pricing Plan #2)
- Bank Product fees range between \$30-\$45 per Federal bank product (some banks charge State Bank Product fees)

Being a Refunds Today Customer

Strategic Partnerships



Refunds Today Valued Partners

The screenshot shows the Refunds Today website interface. At the top, there is a navigation bar with links for DASHBOARD, ACCOUNT, SUPPORT, TRAINING, DOWNLOADS, and 2016 CATALOG. The 'SUPPORT' link is highlighted with a red box, and a red arrow points to it from below. On the left side, there is a 'Support' menu with several options: Support Center, 1099 A/C Support Form, Remote Support Assistance, Misc. Forms & Documents, Important Contact Info, Email Refunds Today Support, Valued Partners (highlighted with a red box and a red arrow pointing to it from the right), and State Email Notifications. The main content area is titled 'Valued Partners' and features four partner cards:

- STAPLES Advantage**: Receive HUGE discounts of up to 15% to 80% on commonly used items by signing up with Staples Advantage today. Shop online or in-store and receive the same discount. [More information](#)
- DELL**: The right computer system is a crucial part of keeping your business operating smoothly during tax season. Our partners at Dell have developed some special offers for Refunds Today customers. [More information](#)
- Surgent Professional Education**: In this competitive market, an Enrolled Agent credential creates greater value for your clients. This means greater revenue potential for you. [More information](#)
- TENZENZ**: Professionalize your tax presentation to your customer by including a custom tax folder and/or slip sheet. Tenzenz® offers a full line of tax related products as well as other Accounting and Marketing items. [More information](#)
- PROTECTION PLUS Audit Assistance™**: Refunds Today is proud to announce our new affiliation with Protection Plus Audit Assistance. This value-loaded new product allows you to offer a more robust audit assistance option to your customers than ever before. [More information](#)

Form 8867 Due Diligence

Completing and submitting the Form 8867 for each tax return claiming EITC is a due diligence requirement

Form 8867 must be completed with each EITC return filed electronically or by mail

- Failure to meet due diligence requirements subject to a **\$500** penalty under [Internal Revenue Code section 6695\(g\)](#) for each EITC return or claim for refund
- There is no maximum to the number of penalties IRS can impose
- See [Consequences of Filing EITC Returns Incorrectly](#) for additional actions IRS can take for failing to meet your due diligence requirements

Due Diligence

It is very important to understand due diligence!

- 7216 Compliance, Use and Disclosure Forms
- If e-filing, Form 8879 must be signed, dated, and kept
- Make notes about your taxpayer to help in case of audits
- Never assume!
- Ask lots of questions!
- Utilize Form 8867 (EIC Checklist) in the software (IRS required)
- Make copies of identification documents
- If taxpayer is itemizing deductions, stress the importance of documentation

IRS Modernized E-File (MeF)

What is Modernized E-File (MeF)

A web-based system that allows electronic filing of corporate, individual, partnership, exempt organization and excise tax returns through the Internet

Uses the widely accepted Extensible Markup Language (XML) format

- XML is an industry standard that is used when identifying, storing and transmitting data rather than the proprietary data transmission formats used by the older e-file program

IRS Modernized E-File (MeF)

Key Benefits

- New error code explanations provide more complete information in the Acknowledgement File
- Fast acknowledgements
 - Transmissions are processed upon receipt
- Improved refund processing times
- The ability to electronically file prior-year tax returns for the current and previous two tax years
- The ability to electronically file prior-year state tax returns for the current and previous two tax years

Affordable Care Act

What is the ACA?

Affordable Care Act (ACA), is the health care reform law enacted in 2010

- Often referred to as *Obamacare*

The ACA contains new health insurance coverage and financial assistance options for individuals and families

The IRS administers the tax provisions included in the law

Affordable Care Act Tax Provisions

Considerations for 2016 – HIGHER PENALTIES

Individual Shared Responsibility Payment

- Taxpayers and their family must either have health care coverage, have an exemption from coverage, or make a payment when they file their 2016 tax return in 2017
- Most people already have qualifying health care coverage and will not need to do anything more than maintain that coverage throughout 2016

Change in Circumstances

- If taxpayers are receiving the advance Premium Tax Credit to help pay for their insurance coverage, they should report changes such as income or family size to their marketplace
- Reporting changes will help to make sure they are getting the proper amount of assistance

Affordable Care Act Tax Provisions

Higher Penalty for 2016

Taxpayers who do not have coverage in 2016 must pay the **higher** of these two amounts

- **2.5% of the taxpayer's yearly household income**, (The maximum penalty is the national average premium for a Bronze plan)
- **\$695 per person for the year (\$347.50 per child under 18)**
- The maximum penalty per family using this method is **\$2,085**
- For tax year 2017 and beyond, the percentage option will remain at 2.5%, but the flat fee will be adjusted for inflation

Taxpayers who did not have coverage in 2015 must pay the **higher** of these two amounts:

- **2% of the taxpayer's yearly household income**, (The maximum penalty is the national average premium for a Bronze plan.)
- **\$325 per person for the year (\$162.50 per child under 18)**
- The maximum penalty per family using this method is **\$975**

Affordable Care Act Tax Provisions

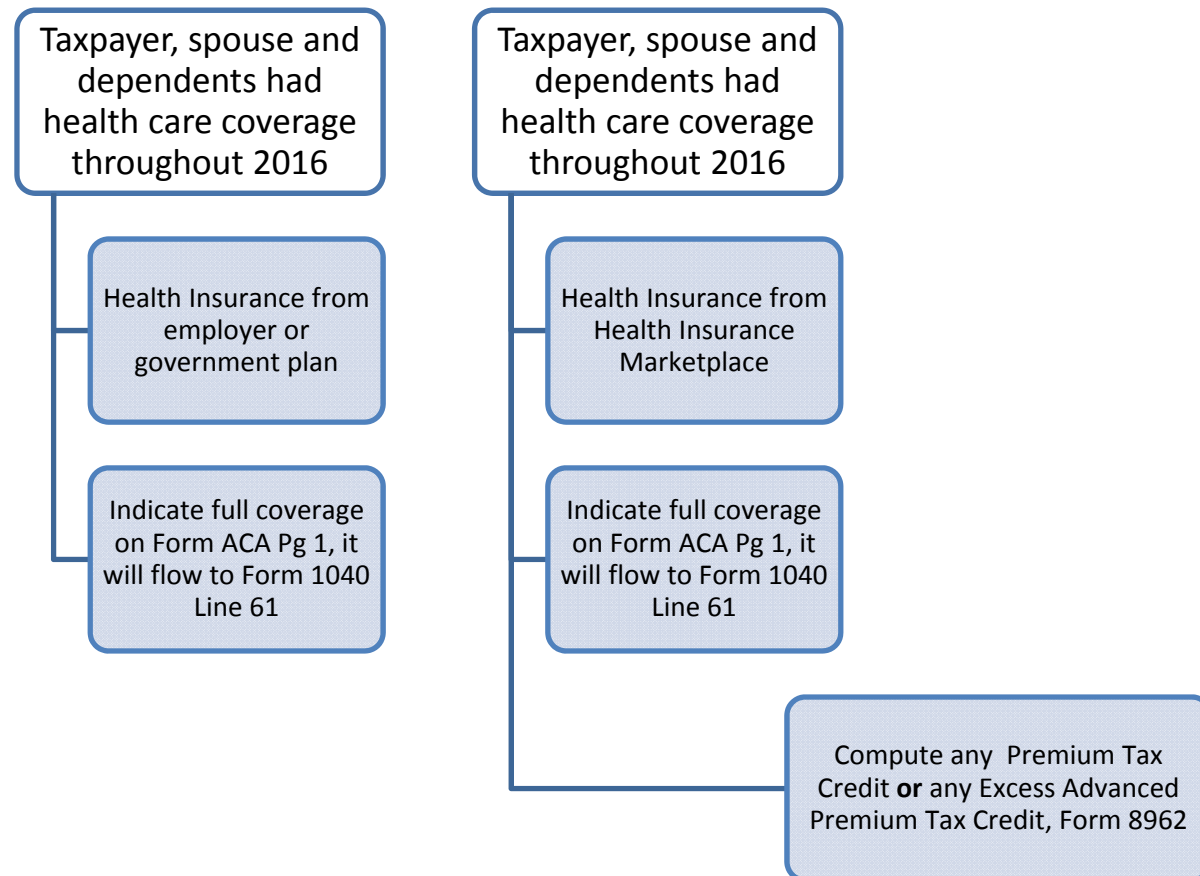
Considerations for 2015 – Advance Premium Tax Credit

Failure to File 2014 Tax Returns Will Prevent Advance Payments of Premium Tax Credit in 2016

- Individuals who received advance payments of the Premium Tax Credit (PTC) in 2014 must file a 2014 tax return
- Individuals who fail to file a 2014 tax return will not be eligible to receive advance payments of the PTC in 2016
- Individuals who are not eligible for advance payment of the PTC will be responsible for the full cost of the monthly premiums and all covered services
- In addition, non-filers may need to pay back some or all of their 2014 advance payments

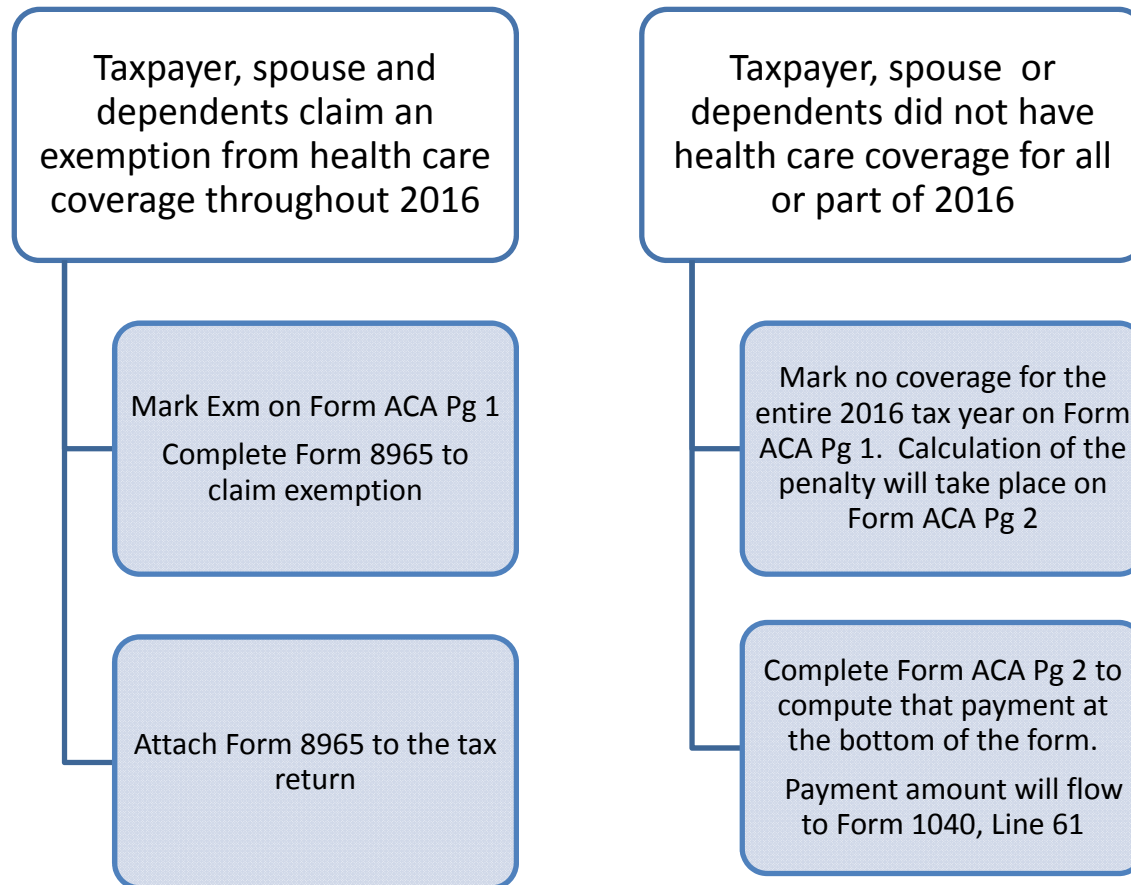
Applying Affordable Care Act Tax Provisions

Taxpayers With Health Care Coverage



Applying Affordable Care Act Tax Provisions

Taxpayers Without Health Care Coverage



IRS ACA Forms

- Form 1095-A
- Form 1095-B
- Form 1095-C
- Form 8962
- Form 8965
- Affordable Care Act Worksheet (Form ACA Pg 1 and Pg 2)

1095 Series IRS Forms

The entity that provides an individual's health insurance will be responsible for sending a Form 1095

- Taxpayers will receive a 1095-A if they were covered by a federal or state marketplace (also called an exchange)
- Taxpayers will receive a 1095-B if they were covered by other insurers such as small self-funded groups or employers who use the Small Business Health Options Program (SHOP).
 - They may also receive a 1095-B from your insurance carrier if you are enrolled in a fully-insured employer sponsored plan
- Taxpayers will receive a 1095-C if coverage was provided by their employer

Form 1095-A

Form 1095-A, Health Insurance Marketplace Statement.

Form 1095-A is a notice from the ACA Exchange to those who enrolled in coverage through the Health Insurance Marketplace.

Information from this form will be used if the taxpayer is claiming any Premium Credit for Marketplace Health Insurance Contributions.

Information from this form is also used to compute any repayment of the Advance Premium Credit.

Form 1095-A		Health Insurance Marketplace Statement		<input type="checkbox"/> VOID	OMB No. 1545-2232
Department of the Treasury Internal Revenue Service		<input type="checkbox"/> Do not attach to your tax return. Keep for your records. <input type="checkbox"/> Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a .		<input type="checkbox"/> CORRECTED	2016
Part I Recipient Information					
1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name			
4 Recipient's name	5 Recipient's SSN	6 Recipient's date of birth			
7 Recipient's spouse's name	8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth			
10 Policy start date	11 Policy termination date	12 Street address (including apartment no.)			
13 City or town	14 State or province	15 Country and ZIP or foreign postal code			
Part II Covered Individuals					
A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date	
16					
17					
18					
19					
20					
Part III Coverage Information					
Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit		
21 January					
22 February					
23 March					
24 April					
25 May					
26 June					
27 July					
28 August					
29 September					
30 October					
31 November					
32 December					
33 Annual Totals					
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 60709Q Form 1095-A (2016)					

Form 1095-B, Health Coverage

Generally, 1095-B forms are filed by insurers for:

- Employers who use the SHOP, small self-funded groups
- Individuals who get covered outside of the health insurance Marketplace

Form **1095-B** Health Coverage VOID CORRECTED OMB No. 1545-2952 **2016**

Department of the Treasury Internal Revenue Service **Do not attach to your tax return. Keep for your records.** Information about Form 1095-B and its separate instructions is at www.irs.gov/form1095b.

Part I Responsible Individual

1 Name of responsible individual 2 Social security number (SSN or other TIN) 3 Date of birth (if SSN or other TIN is not available)

4 Street address (including apartment no.) 5 City or town 6 State or province 7 Country and ZIP or foreign postal code

8 Enter letter identifying Origin of the Health Coverage (see instructions for codes): 9 Reserved

Part II Information about Certain Employer-Sponsored Coverage (see instructions)

10 Employer name 11 Employer identification number (EIN)

12 Street address (including room or suite no.) 13 City or town 14 State or province 15 Country and ZIP or foreign postal code

Part III Issuer or Other Coverage Provider (see instructions)

16 Name 17 Employer identification number (EIN) 18 Contact telephone number

19 Street address (including room or suite no.) 20 City or town 21 State or province 22 Country and ZIP or foreign postal code

Part IV Covered Individuals (Enter the information for each covered individual.)

(a) Name of covered individual(s)	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of coverage												
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
23			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 60704B Form **1095-B** (2016)

Form 1095-C, Health Coverage

- Employers will use Form 1095-C to report information about health care coverage offered to their full-time employees
- The form also helps the IRS administer premium tax credits for any employee who qualified and enrolled for coverage at a Health Insurance Marketplace rather than enrolling in an employer plan

1095-C Employer-Provided Health Insurance Offer and Coverage
 Form 1095-C
 Department of the Treasury
 Internal Revenue Service

OMB No. 1545-2251
 2016

VOID
 CORRECTED

► Do not attach to your tax return. Keep for your records.
 ► Information about Form 1095-C and its separate instructions is at www.irs.gov/form1095c

Part I Employee (Applicable Large Employer Member (Employer))

1 Name of employee 2 Social security number (SSN) 7 Name of employer 8 Employer identification number (EIN)

3 Street address (including apartment no.) 9 Street address (including room or suite no.) 10 Contact telephone number

4 City or town 5 State or province 6 Country and ZIP or foreign postal code 11 City or town 12 State or province 13 Country and ZIP or foreign postal code

Part II Employee Offer of Coverage Plan Start Month (Enter 2-digit number):

14 Offer of Coverage (enter required code)	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16 Section 49804 Safe Harbor and Other Exemption Code (if applicable)													

Part III Covered Individuals
 If Employer provided self-insured coverage, check the box and enter the information for each individual enrolled in coverage, including the employee.

	(a) Name of covered individual(s)	(b) SSN or other TIN	(c) DOB (if SSN or other TIN is not available)	(d) Covered all 12 months	(e) Months of Coverage											
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
17				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 60705M Form 1095-C (2016)

Form 8965, Health Coverage Exemptions

- If the taxpayer or another member of the tax household was granted a coverage exemption from the Marketplace, complete Part I of Form 8965.
- If the taxpayer or another member of the tax household is claiming a coverage exemption on the tax return, complete Part II or Part III of Form 8965. Depending on the situation, they may need to complete one or more parts of the form.

US 8965		Health Coverage Exemptions		2016												
Name: JOHN SMITH		SSN: 111-11-1111														
Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.																
Part I: Marketplace-Granted Coverage Exemptions for Individuals If you and / or a member of your tax household have an exemption granted by the Marketplace, complete Part I. If you need more space, use the continuation sheet to list additional individuals.																
	a Name of individual	b SSN	c Exemption certificate number													
1	_____	_____	_____													
2	_____	_____	_____													
3	_____	_____	_____													
4	_____	_____	_____													
5	_____	_____	_____													
6	_____	_____	_____													
Part II: Coverage Exemptions for Your Household Claimed on Your Return																
Filing threshold					16,650.											
Household income from ACA worksheet					0.											
Estimated gross income entered in this return					0.											
7a Are you claiming an exemption because your household income is below the filing threshold?					<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No											
b Are you claiming a hardship exemption because your gross income is below the filing threshold?					<input type="checkbox"/> Yes <input type="checkbox"/> No											
Part III: Coverage Exemptions Claimed on Your Return for Individuals If you and / or a member of your tax household are claiming an exemption on your return, complete Part III. If you need more space, use the continuation sheet to list additional individuals.																
	a Name	b SSN	c Exemption type	d Full year	e Jan	f Feb	g Mar	h Apr	i May	j Jun	k Jul	l Aug	m Sep	n Oct	o Nov	p Dec
8	_____	_____	-	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	_____	_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Form 8962

Form 8962, Page 1, Premium Tax Credit.

Subsidized Exchange purchasers will file Form 8962 to compute any Premium Tax Credit.

The Premium Tax Credit will show on Form 1040, Page 2, Line 69

Form 8962 will also be used to compute any repayment of Advance Premium Tax Credit.

US 8962		Premium Tax Credit	2016
Name: JOHN SMITH		SSN: 111-11-1111	
Check here if applying for relief (see instructions) <input type="checkbox"/> If married filing separately and not applying for relief, complete lines 1 through 5, skip lines 6 through 8b, and complete lines 9 and 10. When completing lines 11 or 12 through 23, complete only Column F to determine how much you must repay.			
Part I: Annual and Monthly Contribution Amount			
1	Tax family size		1
2a	Modified AGI		0.
b	Enter total of your dependents' modified AGI	0.	0.
3	Household income		0.
4	Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2016 and you lived in Alaska and / or Hawaii, or if filing jointly and you and your spouse lived in different states, check all of the boxes that apply. The table that results in the highest income will be used. <input type="checkbox"/> Alaska <input type="checkbox"/> Hawaii <input type="checkbox"/> Other 48 states and DC		
5	Household income as a percentage of Federal poverty line		0 %
6	Is the result on line 5 401%? See instructions if the result is less than 100%. <input type="checkbox"/> No. Continue to line 7. <input type="checkbox"/> Yes. You are not eligible to receive PTC. If advance payment of the PTC was made, skip lines 7 and 8 and go to line 9. If you did not receive any advance payment of PTC, stop here.		
If the percentage on line 5 is less than 100%, did the taxpayer meet the requirements under "Estimated household income at least 100% of the Federal poverty line" or "Alien lawfully present in the United States" in the instructions? <input type="checkbox"/> Yes <input type="checkbox"/> No			
7	Applicable figure from the table in the instructions		0.0000
8a	Annual contribution amount. Multiply line 3 by line 7		0.
b	Monthly contribution amount. Divide line 8a by 12		0.
Part II: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit			
9	Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? (see instructions) <input type="checkbox"/> Yes. Skip to Part IV, Shared Policy Allocation, or Part V, Alternative Calculation for Year of Marriage <input type="checkbox"/> No. Continue to line 10.		
10	Check the "Yes" box below if ALL of the following conditions apply (see instructions). a You were enrolled in a qualified health plan for all 12 months during 2016; b Your enrollment premium was the same for every month of 2016. Your enrollment premium is reported in Part III, column A, lines 21 through 32, of Form 1095-A; c Your SLCS premium is the same for every month of 2016. Your SLCS premium is reported in Part III, column B, lines 21 through 32, of Form 1095-A. (See missing or incorrect SLCS premium on Form 1095-A in the instructions). <input type="checkbox"/> Yes. Continue to line 11. Compute your annual PTC. Skip lines 12 - 23 and continue to line 24. <input type="checkbox"/> No. Continue to lines 12 - 23. Compute your monthly PTC and continue to line 24.		
Annual Calculation Complete only line 11 or lines 12 through 23. If the percentage on line 5 is more than 400 or the taxpayer is a dependent of another who received PTC, only complete column F. The taxpayer			

Affordable Care Act Tax Provisions

Premium Tax Credit for 2016 Tax Year

Claiming Premium Tax Credits: To claim the premium tax credit, taxpayers must get insurance through the Marketplace. They can elect to have advance tax credit payments sent directly to their insurer during 2016, or wait to claim the credit when they file their tax return in 2017.

If a taxpayer chooses to have advance payments sent to their insurer, they will have to reconcile the payments on their 2016 tax return filed in 2017.

REVISED Shared Responsibility Payment Worksheet

Affordable Care Act Worksheet

- Page 1 is used to enter taxpayer, spouse or dependent information concerning health care coverage

US Affordable Care Act Worksheet 2016

Name: JOHN SMITH SSN: 111-11-1111

Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 Yes No
 Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965? Yes No

JOHN SMITH Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year)
 Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year)
 Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)

Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965: January February March April May June July August September October November December

- Page 2 is used to show the computation of the Shared Responsibility payment

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Total number of boxes checked per month, not more than 5	0	0	0	0	0	0	0	0	0	0	0	0
2 Total number of boxes checked per month for individuals 18 or over	0	0	0	0	0	0	0	0	0	0	0	0
3 One-half the number of boxes checked per month for individuals under 18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Add lines 2 and 3 for each month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Multiply line 4 by \$695 for each month, maximum of \$2,085	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 Sum of the number of boxes checked on line 1 above for the year												0
7 Modified AGI for this return												0.
Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero												0.
Household income												0.
8 Filing threshold												0.
9 Subtract line 8 from line 7												0.
10 Multiply line 9 by 2.5%												0.
11 Is line 10 more than \$2,085?												0.
<input type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero.												0.
<input type="checkbox"/> No. Amount calculated based on worksheet B												0.
12 Divide line 11 by 12												0.
13 Multiply line 6 by \$223												0.
14 Smaller of line 12 or line 13												0.

ACA Publications

- IRS Publication 5093 - *Healthcare Law Online Resources*
- IRS Publication 5120 - *Facts About Premium Tax Credit*
- IRS Publication 5152 - *Affordable Care Act: Individuals and Families*
- IRS Publication 5156 - *Facts About the Individual Shared Responsibility Provision*
- IRS Publication 5172 - *Facts About Health Coverage Exemptions*
- IRS Publication 5187, *Health Care Law: What's new for Individuals and Families*
- IRS Publication 974, *Premium Tax Credit (PTC)*
- Instructions, Form 8962 - *Premium Tax Credit (PTC)*
- Instructions, Form 8965 - *Health Coverage Exemptions*

Tax Scenarios

- Affordable Care Act Examples
- American Opportunity Credit
- Cancellation of Debt For a Credit Card
- Schedule C dealing with NEW business use of home method Form 8829
- Schedule D – Reporting Multiple Stock Sales
- 1065 Partnership (K-1) Input
- Mortgage Relief Exclusion
- Foreclosure/Cancellation of Debt

1098-T

<input type="checkbox"/> CORRECTED				Tuition Statement	
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number UNIVERSITY OF HOUSTON 4800 CALHOUN RD HOUSTON, TX 77004		1 Payments received for qualified tuition and related expenses \$6,523.00	OMB No. 1545-1574 2016 Form 1098-T	Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.	
FILER'S federal identification no. 99-9876543	STUDENT'S taxpayer identification no. 555-44-5551	2 Amounts billed for qualified tuition and related expenses \$	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>		
STUDENT'S name ANA MARTINEZ		4 Adjustments made for a prior year \$	5 Scholarships or grants \$8,623.00		
Street address (including apt. no.) 3616 ROSALIE ST		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code HOUSTON, TX 77004		8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$	
Service Provider/Acct. No. (see instr.)		Form 1098-T (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service			

1098-T

When dealing with a “1098-T” that has an amount in Box 1 and Box 5, the amount in Box 5 is subtracted from Box 1 to determine the qualified expense amount for the tuition credit.

Determine “Deductible Tuition” expense:

Form 1098-T, box 1 (Qualified Tuition):	\$6,523
Form 1098-T, box 5 (Scholarships/Grants):	- <u>\$8,623</u>
Deductible Amount:	-\$2,100

This amount could not be deducted. The student received more scholarship/grant money than they actually spent.

1098-T

<input type="checkbox"/> CORRECTED			
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number UNIVERSITY OF HOUSTON 4800 CALHOUN RD HOUSTON, TX 77004		1 Payments received for qualified tuition and related expenses \$8,623.00	OMB No. 1545-1574 2016 Form 1098-T
		2 Amounts billed for qualified tuition and related expenses \$	
FILER'S federal identification no. 99-9876543	STUDENT'S taxpayer identification no. 555-44-5551	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>	
STUDENT'S name ANA MARTINEZ		4 Adjustments made for a prior year \$	5 Scholarships or grants \$6,523.00
Street address (including apt. no.) 3616 ROSALIE ST		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>
City or town, state or province, country, and ZIP or foreign postal code HOUSTON, TX 77004			
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$
Form 1098-T (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service			

Tuition Statement

Copy B For Student

This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.

1098-T

When dealing with a “1098-T” that has an amount in Box 1 and Box 5, the amount in Box 5 is subtracted from Box 1 to determine the qualified expense amount for the tuition credit.

Determine “Deductible Tuition” expense:

Form 1098-T, box 1 (Qualified Tuition):	\$8,623
Form 1098-T, box 5 (Scholarships/Grants):	- <u>\$6,523</u>
Deductible Amount:	\$2,100

1098-T

<input type="checkbox"/> CORRECTED				Tuition Statement	
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number TEXAS SOUTHERN UNIVERSITY 3100 CLEBURNE ST HOUSTON, TX 77004		1 Payments received for qualified tuition and related expenses \$ 4,523.00	OMB No. 1545-1574 2016 Form 1098-T	Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.	
FILER'S federal identification no. 98-9876543		2 Amounts billed for qualified tuition and related expenses \$	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>		
STUDENT'S name ANA MARTINEZ		4 Adjustments made for a prior year \$	5 Scholarships or grants \$ 3,523.00		
Street address (including apt. no.) 3616 ROSALIE ST		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code HOUSTON, TX 77004		8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>		
Service Provider/Acct. No. (see instr.)		10 Ins. contract reimb./refund \$			
Form 1098-T (keep for your records)		www.irs.gov/form1098t		Department of the Treasury - Internal Revenue Service	



1098-T

When dealing with a “1098-T” that has an amount in Box 1 and Box 5, the amount in Box 5 is subtracted from Box 1 to determine the qualified expense amount for the tuition credit.

Determine “Deductible Tuition” expense:

Form 1098-T, box 1 (Qualified Tuition):	\$4,523
Form 1098-T, box 5 (Scholarships/Grants):	- <u>\$3,523</u>
Deductible Amount:	\$1,000

Cancellation of Debt For a Credit Card

Generally, if a taxpayer receives Form 1099-C for canceled credit card debt and was solvent (assets greater than liabilities) immediately before the debt was canceled, all the canceled debt will be included on Form 1040, line 21, Other Income. No additional supporting forms or schedules are needed to report canceled credit card debt.

Lenders and creditors are required to issue Form 1099-C if they cancel a debt of \$600 or more. If the debt canceled is less than \$600 some lenders or creditors may send a letter or some other form of notification to the taxpayer. Generally, taxpayers must include all canceled amounts (even if less than \$600) on the Other Income line of Form 1040.

Cancellation of Debt For a Credit Card

<input type="checkbox"/> CORRECTED (if checked)				Cancellation of Debt		
CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. CREDIT CARD COMPANY 3526 DENKER AVE LOS ANGELES, CA 90062		1 Date of identifiable event 08/12/2016	OMB No. 1545-1424 2016 Form 1099-C		Copy B For Debtor This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
		2 Amount of debt discharged \$5,000				
		3 Interest if included in box 2 \$				
CREDITOR'S federal identification number 95-9876543	DEBTOR'S identification number 555-55-5552	4 Debt description CREDIT CARD				
DEBTOR'S name ROBERT EVERHART						
Street address (including apt. no.) 4024 DALTON AVE		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>				
City or town, state or province, country, and ZIP or foreign postal code LOS ANGELES, CA 90062						
Account number (see instructions)		6 Identifiable event code	7 Fair market value of property \$			
Form 1099-C		(keep for your records)		www.irs.gov/form1099c Department of the Treasury - Internal Revenue Service		

Simplified Option for Home Office Deduction

- **Note:** This simplified option does not change the criteria for who may claim a home office deduction. It merely simplifies the calculation and recordkeeping requirements of the allowable deduction.

Highlights of the simplified option:

- Standard deduction of \$5 per square foot of home used for business (maximum 300 square feet)
- Allowable home-related itemized deductions claimed in full on Schedule A (For example: Mortgage interest, real estate taxes)
- No home depreciation deduction or later recapture of depreciation for the years the simplified option is used

Simplified Option for Home Office Deduction

Using Simplified Method Inside the Taxwise Program

28	Total expenses	0.
29	Tentative profit (loss). Subtract line 28 from line 7	0.
30	Expenses for business use of the home. Attach Form 8829 unless using the simplified method	0.
Simplified method filers only		
	Enter the total square footage of the home	0
	Enter the total square footage of the part of the home used for business	0

* Just fill out the information inside Sch C Pg 1, right below line 30. If you elect to use the regular method you will just need to link form 8829 from line 30.

1099-A Form

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0877		2016 Form 1099-A Acquisition or Abandonment of Secured Property
LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. EZ ESCROW INC 200 MAIN STREET SAN ANTONIO, TX 78230				
LENDER'S federal identification number 95-2222222	BORROWER'S identification number 555-55-5556	1 Date of lender's acquisition or knowledge of abandonment 11/25/2016	2 Balance of principal outstanding \$ 599,000	Copy B For Borrower This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
BORROWER'S name DANIEL AND MARTHA MARTINEZ		3	4 Fair market value of property \$350,000	
Street address (including apt. no.) 11700 WALL STREET		5 If checked, the borrower was personally liable for repayment of the debt <input checked="" type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code SAN ANTONIO, TX 78230		6 Description of property 1147 PASSO GRANDE SAN ANTONIO, TX 78230		
Account number (see instructions)				
Form 1099-A (keep for your records)		www.irs.gov/form1099a		Department of the Treasury - Internal Revenue Service

1099-A

Using the information from the 1099-A and the Escrow documentation, it will help us with our computations.

Principal Balance Outstanding (POB) **\$599,000 (Box 2)**
Fair Market Value (FMV) **\$350,000 (Box 4)**

Taxable COD Income:

Form 1099-A, box 2(POB)	\$599,000
Form 1099-A, box 4 (FMV) -	<u>\$350,000</u>
Taxable COD Income:	\$249,000

1099-A

Now we will need to calculate the “Excludable COD Income” by using the formula below:

**QPRI (= Original Purchase Price or Adjusted Basis) –
FMV = Excludable portion under IRC Section 108(h)**

Qualified Principal Residence Indebtedness (QPRI)	\$450,000
Form 1099-A, box 4 (FMV):	- <u>\$350,000</u>
Excludable COD Income:	\$100,000

1099-A

Next, calculate the “Remaining COD Income” using the formula below:

$$\text{PBO} - \text{QPRI} = \text{Remaining COD Income}$$

Form 1099-A, box 2 (PBO)	\$599,000
Qualified Principal Residence Indebtedness (QPRI):-	<u>\$450,000</u>
Remaining COD Income:	\$149,000

1099-A

When “Computing the Gain or Loss on the Sale,” use the formula below:

Sales Price – Adjusted Basis = *Gain or Loss*

- Please note that:
 - Loss on a Sale of Personal Property is non-deductible.
 - Loss on a disposition of a personal residence is non-reportable.
- We will use the **Sale Price**, which is the **FMV**.
- When determining “***Adjusted Basis***” use the formula below:
 - Original Basis (Purchase Price):
 - + Substantial Improvements
 - + or – other adjustments

1099-A

Computing the Gain or Loss on the Sale

This info will go on Schedule D Worksheet 2:

GAIN or LOSS:

Sales Price (FMV): \$350,000

Adjusted Basis: - \$450,000

GAIN or LOSS: - \$100,000

1099-C Form

<input type="checkbox"/> CORRECTED (if checked)			
CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. EZ ESCROW INC 200 MAIN STREET SAN ANTONIO, TX 78230		1 Date of identifiable event 08/31/2016	OMB No. 1545-1424 <div style="font-size: 2em; font-weight: bold;">2016</div> Form 1099-C
		2 Amount of debt discharged \$ 158,000	
		3 Interest if included in box 2 \$	
CREDITOR'S federal identification number 99-2222222	DEBTOR'S identification number 555-55-5557	4 Debt description 120 WESTOW DRIVE HAWTHORNE, CA 90250	
DEBTOR'S name LANNY LORD Street address (including apt. no.) 10 WESTON DRIVE City or town, state or province, country, and ZIP or foreign postal code HAWTHORNE, CA 90250			
5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>		6 Identifiable event code	7 Fair market value of property \$ 240,000
Account number (see instructions)			

Cancellation of Debt

Copy B For Debtor
 This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.

Form **1099-C** (keep for your records) www.irs.gov/form1099c Department of the Treasury - Internal Revenue Service

1099-C

When you are dealing with the “Sale of a Rental Property,” make to sure gather as much information as possible.

Original Purchase Price: \$250,000

- **Breakdown of Original Purchase Price:**
House \$200,000 Land \$50,000

Date Placed in Service January 2, 2006

Re-Financed in 2007 for \$400,000

When we input the data for the “Sale of Rental Property”:

<i>Total Selling Price (FMV):</i>	\$240,000
Portion of Selling Price Allocated to the Building:	\$192,000
Portion of Selling Price Allocated to the Land:	\$48,000

We calculated these amounts based on the Property being worth 80% of the FMV.

2016 Software Changes

- IRS has issued guidelines about tax software password requirements to ALL software providers
- This will affect both professional and do-it-yourself programs like Turbo Tax
- IRS will require that every preparer in the office must have a unique user



2016 Software Changes

- The first time the software opens up and you try to Login, it'll require that you Login into Admin first, you'll click on Login and this window will pop up:

The screenshot shows a 'Modify User' dialog box. The 'User name' field contains 'Admin'. The 'Password' field is empty and has a red border with the word 'Required' written below it. The 'Assigned group' dropdown is set to 'Administrators'. The 'Assigned group's actions' list includes: Acknowledgements, Align Checks, Apply Update from Diskette, Archive Backup, Carry Forward Print Year Data, Classic Print Defaults, Classic Print Return(s), Classic Print Ins Return, and Client Diary. The 'PortalSafe Login Credentials' section has fields for 'E-mail', 'Password', 'Account ID', and 'Rekey password'. There is a checkbox for 'Use Admin's Information for All Users' which is unchecked. At the bottom, there are 'Help', 'OK', and 'Cancel' buttons.

- After you setup the password for Admin and you Login, you'll need to setup the passwords for all the other Users in the software

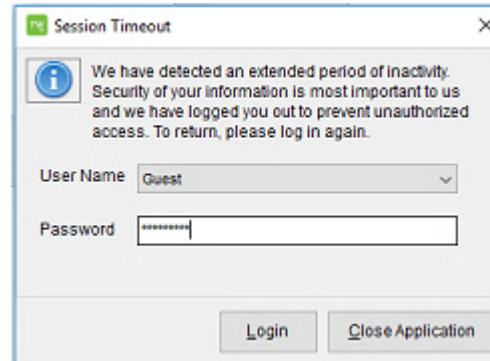
2016 Software Changes

- All users (except the Training user and other users assigned to the Training security group) are required to establish a password associated with their user name. Passwords must follow the following guidelines:
 - 8-20 Characters
 - 1 UPPER case letter
 - 1 lower case letter
 - 1 number
 - 1 special character (ex. ? ! \$ _ *)

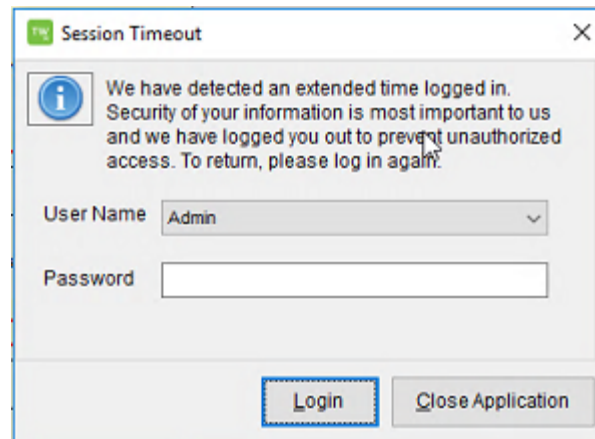
- User passwords will expire after 90 days. After this time period, you will be required to enter a new password for all users that follow the guidelines above

2016 Software Changes

As part of the new IRS requirements, if a user is log in the program and has no activity for 15 minutes or more, they will be required to log in again:

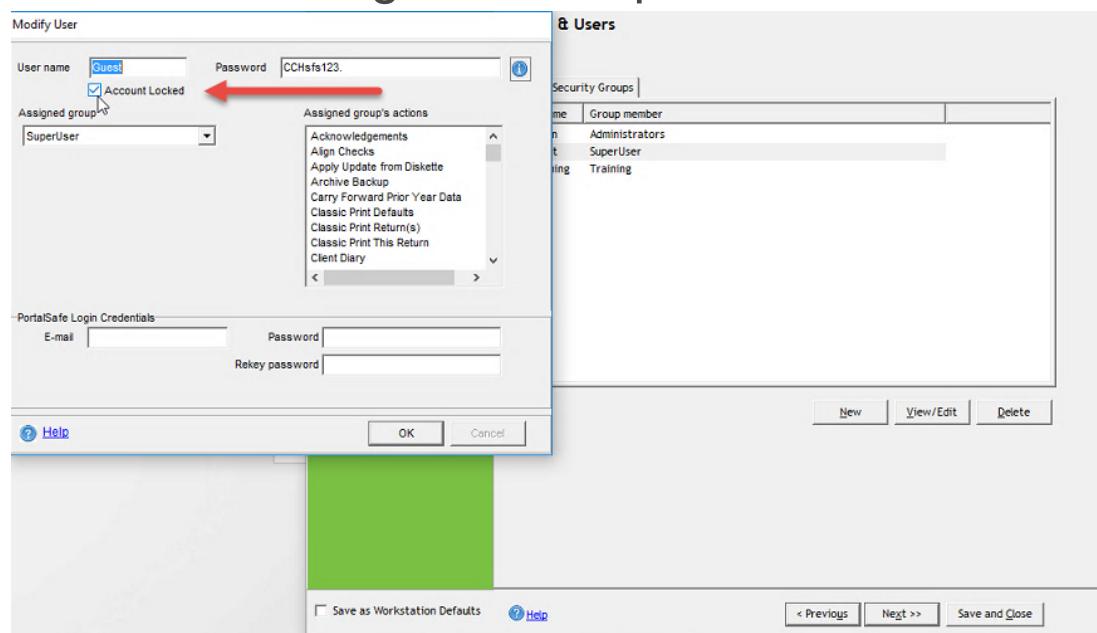


If the program is open for 24 hours or more you will be required to log in again:



2016 Software Changes

If a user has more than 5 failed log in attempts, they will be locked out of their account. The Admin user would need to log in and unlock the account through the setup assistant:



Note: The Admin user can also be locked out after 5 failed attempts. If that happens you will need to contact Refunds Today to unlock the Admin user.

2016 Software Changes

Form 8867 has been updated and it is now 2 pages instead of 4 pages. This is how Page 1 of the form looks:

US 8867		Paid Preparer's Due Diligence Checklist		2016	
Name: JOHN & Lisa SMITH		SSN: 111-11-1111			
To be completed by preparer and filed with Forms 1040, 1040A, 1040EZ, 1040NR, 1040SS, or 1040PR.					
Preparer's name		Tom Preparer			
Preparer's PTIN		P12345678			
Due Diligence Requirements Complete the appropriate column for all credits claimed on this return (check all that apply).					
		Earned income credit	Child tax credit / additional CTC	American opportunity tax credit	
1 Did you complete the return based on information for tax year 2016 provided by the taxpayer or reasonable obtained by you?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2 Did you complete the applicable EIC and / or CTC / ACTC worksheets found in the Form 1040, 1040A, 1040EZ, or 1040NR instructions and / or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet(s) that provides the same information, and all related forms and schedules for each credit claimed?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3 Did you satisfy the knowledge requirement?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
To meet the knowledge requirement, did you					
a Interview the taxpayer, ask adequate questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s)?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b Review adequate information to determine that the taxpayer is eligible to claim the credit(s) and in what amount?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
4 Did any information provided by the taxpayer, a third party, or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? If "Yes", answer questions 4a and 4b. If "No", go to question 5		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
a Did you make reasonable inquiries to determine the correct or complete information?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b Did you document your inquiries? Documentation should include the questions you asked, when you asked, the information that was provided, and the impact the information had on your preparation of the return		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
5 Did you satisfy the record retention requirement? To meet the record retention requirement, did you keep a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility or to compute the amount for the credit(s)?		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
In addition to your notes from the interview with the taxpayer, list those documents, if any, that you relied on.					

2016 Software Changes

Form 8867 Page 2:

US 8867 (2016) Page 2

Name: JOHN & Lisa SMITH SSN: 111-11-1111

Due Diligence Questions for Returns Claiming EIC

9a Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tie-breaker rules), and have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed? Yes No
 N/A

b Did you explain to the taxpayer that he / she may not claim the EIC if the taxpayer has not lived with the child for over half the year, even if the taxpayer has supported the child? Yes No

Due Diligence Questions for Returns Claiming Child Tax Credit and / or additional CTC

10a Does the child reside with the taxpayer who is claiming the CTC / ACTC? If "Yes", go to question 10c. If "No", answer question 10b Yes No

b Did you ask if there is an active Form 8332, Release / Revocation of Claim to Exemption for Child by Custodial Parent, or a similar statement in place and, if applicable, did you attach it to the return? Yes No

c Have you determined that the taxpayer has not released the claim to another person? Yes No

Due Diligence Questions for Returns Claiming the American Opportunity Tax Credit

11 Did the taxpayer provide substantiation such as Form 1098-T and receipts for the qualified tuition and related expenses for the claimed AOTC? Yes No

2016 Software Changes

Tax Prep Partner Series

CCH Tax Prep Partner Series speeds up your tax preparation process so that you can focus on servicing your clients and growing your business. It provides a state-of-the-art tax compliance library, which includes explanatory material organized by topic, examples, planning tips, filled-in business tax preparation forms, practice aids and tools.

- “How to” guidance for 1040, 1120S, 1120 and 1065
- Has Filled-in forms, elections, checklists, client letters, etc. specific to the type of return you are preparing
- Integrated into the Refunds Today Software

<p>Tax Prep Partner Standard Bundle</p> <p>Content covers 1040, 1065, 1120, 1120S returns, with detailed explanations, examples and compliance tips, plus hundreds of practice aids and productivity tools to boost efficiency.</p> <p>\$599.00</p> <p>Add to Cart →</p>	<p>Tax Prep Partner 1040</p> <p>Content covers 1040 returns, with detailed explanations, examples and compliance tips, plus hundreds of practice aids and productivity tools to boost efficiency.</p> <p>\$275.00</p> <p>Add to Cart →</p>	<p>Tax Prep Partner 1040 Lite</p> <p>Content covers 1040 returns, with detailed explanations, as well as examples and compliance tips.</p> <p>\$99.00</p> <p>Add to Cart →</p>
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2016 Software Changes

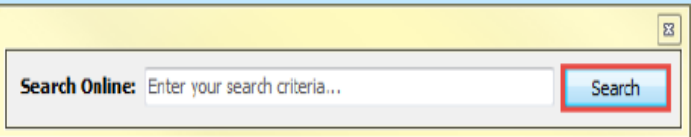
Toolbar Icons

Refunds Today 2016 includes 3 toolbar icons for quick access to tax research tools. These include Tax Help, Search Online, and Practice Aids.



2016 Software Changes

Toolbar Icons

Integrated Research: Toolbar Icons	How it works
Tax Help	<ul style="list-style-type: none">Click the Tax Help icon while in a return to access the home page of IntelliConnect
Search Online 	<ul style="list-style-type: none">Search Online opens a search bar, allowing you to search the Internet for answers while inside a return. Type a keyword, then click Search.
Practice Aids	<ul style="list-style-type: none">Practice Aids consist of flowcharts, checklists, client letters and other tools specific to the return type.

2016 Software Changes

E-Signature History

June 2000 ESIGN Act – allows electronic signatures to have the same legality as a traditional ink signature. In fact, President Clinton used a digital signature to sign the act 15 years ago.

March 2014 – IRS starts to allow E-Signatures

2016 Software – E-Signature is offered through the Refunds Today Software

2016 Software Changes

E-Signature IRS Regulations

Consent—Signers must consent to receive and sign documents electronically before viewing and signing documents.

Tamper –Proof Technology –Signed documents be protected from tampering.

Non-Repudiation—E-Signature vendors must record an audit log of the entire signing ceremony, and this information must be associated with the document for non-repudiation. The audit log must include:

- The date and time of signing
- The IP address of the signer
- Document lifecycle notifications
- The result of authentication (whether they passed)
- The result of consent (yes or no)
- Each electronic signature in the document

2016 Software Changes

E-Signature, TaxWise & You: Benefits of E-Signing

- Reduce the likelihood of tax fraud
- Reduce the time and cost of printing and mailing signature forms
- You sign with your mouse, no signature pad required
- Gather signatures in person or, if more convenient, from remote clients
- Secure delivery of the return to the taxpayer
- IRS compliance



PATH Act Impact on Tax Returns with Refunds

- **New for 2016:** Section 201 of the PATH Act mandates that no credit or refund for an overpayment for a taxable year shall be made to a taxpayer before February 15, 2017. If the taxpayer claimed the Earned Income Tax Credit or Additional Child Tax Credit on the return
 - This change begins January 1, 2017, and may affect some returns filed early 2017
 - To comply with the law, the IRS will hold the refunds on EITC or ACTC-related returns until February 15, 2017
 - The IRS will hold the entire refund
- Under the new law, the IRS cannot release part of the refund that is not associated with the EITC and ACTC
- Taxpayers should file as they normally do, and tax return preparers should also submit returns as they normally do
- The IRS will begin accepting and processing tax returns once the filing season begins, per standard procedure
- The IRS still expects to issue most refunds in less than 21 days

Form 8379, Injured Spouse Allocation

- If a taxpayer paper files Form 8379 with a joint return, processing time is about 14 weeks
- If a taxpayer files Form 8379 electronically with a tax return, the processing time is about 11 weeks
- If a taxpayer files Form 8379 by itself after a joint return has been filed, additional processing time required of about 8 weeks

Tax Scenarios & Program Functions

This class teaches users of the Refunds Today software how to take advantage of advanced functionality. We hope by showing you more advanced system settings and configuration options, that it will benefit your tax preparation business.

This workshop will also introduce you to more complex tax preparation scenarios. We hope that this will prepare you to tackle more complex taxpayer situations and attract more clients to your tax preparation business.

In order to get the most out of this course, you should have a solid understanding of basic setup concepts, such as Tax Form Defaults. You should also be familiar with adding forms and completing a tax return. If this is your first time using the Refunds Today software, we strongly recommend going through our Basic course first, which will give you general information and better understanding of the software's functionality

Affordable Care Act Examples

Example 1 - Full Coverage through Taxpayer's Employer:

1. Maria and her daughter Ana had health insurance coverage for the entire tax year 2016 through Maria's employer. We will take a look at their return to see what needs to be completed in regards to the Affordable Care Act.
 - a. You will need to ask the client to verify what kind of health insurance coverage they had for themselves and their dependent for this scenario.
 - b. In their return we will need to jump into Form ACA Pg 1 and answer the questions at the top of the form. In our example the taxpayer and dependent did not buy insurance through the marketplace and is not claiming an exemption so we'll answer both questions NO. Next to the taxpayer and dependent we'll select that they had minimum essential coverage for the entire year.

US	Affordable Care Act Worksheet	2016
Name: <u>MARIA HILL</u>		SSN: <u>553-10-1020</u>
Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<u>MARIA HILL</u> Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input checked="" type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December
_____ Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December
<u>ANA HILL</u> Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input checked="" type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December

- c. We will now go to Form ACA Pg 2; line 7 of that form is asking to enter the modified AGI for any dependent included in the return that is required to file a tax return. For

our example the daughter did not work so the answer is zero. We will just F3 that line to remove the red.

6	Sum of the number of boxes checked on line 1 above for the year		0
7	Modified AGI for this return	35,500.	
	Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero	0.	
	Household income		35,500.
8	Filing threshold		0.
9	Subtract line 8 from line 7		35,500.
10	Multiply line 9 by 2.5%		888.
11	Is line 10 more than \$2,085?		
	<input type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero.		
	<input type="checkbox"/> No. Amount calculated based on worksheet B		0.
12	Divide line 11 by 12		0.
13	Multiply line 6 by \$223		0.
14	Smaller of line 12 or line 13		0.

d. You will now see that the box "Full-year coverage" has been automatically checked on Form 1040 Pg 2 Line 61.

59	Additional tax on IRAs, other qualified retirement plans, etc		0.
60 a	Household employment taxes. Schedule H		0.
	b. First-time homebuyer credit repayment. Form 5405		0.
61	Health care: individual responsibility	Full-year coverage: <input checked="" type="checkbox"/>	0.
62	Taxes from	<input type="checkbox"/> Form 8959 <input type="checkbox"/> Form 8960	
	UT: 0.	MSA: 0.	72M5: 0.
	EPP: 0.	453A (C): 0.	S72P: 0.

Example 2 - No health insurance coverage for the entire tax year 2016:

2. John and Jane did not have health insurance for themselves or their son Billy for 2016; we will take a look at their return to see what they will need to do for their 2016 Tax Return.
 - a. We will need to compute their Affordable Care Act Worksheet because they did not have the minimum essential coverage for themselves or their dependent.
 - b. Since no one in the return had coverage for any part of 2016, we will go to Form ACA Pg 1 and answer the questions at the top of the form. In our example everyone in the return did not buy insurance through the marketplace and is not claiming an exemption so we'll answer both questions NO. We will select the box next to each person in the return claiming that they did not have minimum essential coverage and are not claiming an exemption for any part of the year.

US	Affordable Care Act Worksheet	2016
Name: <u>JOHN & JANE FOSTER</u>		SSN: <u>553-10-1021</u>
Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<u>JOHN FOSTER</u> Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input checked="" type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December
<u>JANE FOSTER</u> Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input checked="" type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December
<u>BILLY FOSTER</u> Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965	<input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input checked="" type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)	<input type="checkbox"/> January <input type="checkbox"/> February <input type="checkbox"/> March <input type="checkbox"/> April <input type="checkbox"/> May <input type="checkbox"/> June <input type="checkbox"/> July <input type="checkbox"/> August <input type="checkbox"/> September <input type="checkbox"/> October <input type="checkbox"/> November <input type="checkbox"/> December

- c. In the middle of Form ACA Pg 2 Worksheet, it will calculate their Shared Responsibility Payment for not having the minimum essential coverage.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Total number of boxes checked per month, not more than 5	3	3	3	3	3	3	3	3	3	3	3	3
2 Total number of boxes checked per month for individuals 18 or over	2	2	2	2	2	2	2	2	2	2	2	2
3 One-half the number of boxes checked per month for individuals under 18	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
4 Add lines 2 and 3 for each month	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
5 Multiply line 4 by \$695 for each month, maximum of \$2,085	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5	1737.5

- d. Line 7 will become red because there is a dependent in this return. When there is a dependent the worksheet requires that you enter the total AGI for any dependent in the return who is required to file a tax return. In this example the dependent does not require to file because he is only 6 years old so we will use F3 to remove the red.

6 Sum of the number of boxes checked on line 1 above for the year		36
7 Modified AGI for this return	35,500.	
Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero	0.	
Household income		35,500.

- e. At the bottom of Form 1040 ACA Worksheet you will see the calculation for their Shared Responsibility Payment on Line 14.

8 Filing threshold	20,700.
9 Subtract line 8 from line 7	14,800.
10 Multiply line 9 by 2.5%	370.
11 Is line 10 more than \$2,085? <input type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero. <input checked="" type="checkbox"/> No. Amount calculated based on worksheet B	20,850.
12 Divide line 11 by 12	1,738.
13 Multiply line 6 by \$223	8,028.
14 Smaller of line 12 or line 13	1,738.

- f. This amount will flow over to Form 1040 Pg 2 Line 61.

59 Additional tax on IRAs, other qualified retirement plans, etc	0.
60 a Household employment taxes. Schedule H	0.
b First-time homebuyer credit repayment. Form 5405	0.
61 Health care: individual responsibility Full-year coverage: <input type="checkbox"/>	1,738.
62 Taxes from <input type="checkbox"/> Form 8959 <input type="checkbox"/> Form 8960 <input type="checkbox"/>	

Example 3 - Health insurance coverage through the Marketplace:

3. Steve and his wife Peggy received Forms 1095-A in the mail. They've never received these forms before and they're not sure what to do with them exactly. Form 1095-A provides essential information about health care coverage purchased through a health care exchange. Information from Form 1095-A it's entered on Form 8962, not Form 1040. This information will be used to calculate their Premium Tax Credit.
 - a. For their return we will go to Form ACA Pg 1 and answer the questions at the top of the form. In this example they both bough insurance through the marketplace for the entire year, so we'll need to answer the first question at the top as YES. We'll answer the second question as NO because no one is claiming any type of exemption. Next to each person the return we'll select the box indicating that they had minimum essential coverage for the entire year.

US		Affordable Care Act Worksheet		2016				
Name: STEVE & PEGGY ROGERS		SSN: 553-10-1022						
Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962		<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No				
Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965?		<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No				
STEVE ROGERS		<input checked="" type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)						
Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965		<input type="checkbox"/> January	<input type="checkbox"/> February	<input type="checkbox"/> March	<input type="checkbox"/> April	<input type="checkbox"/> May	<input type="checkbox"/> June	<input type="checkbox"/> July
		<input type="checkbox"/> August	<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December		
PEGGY ROGERS		<input checked="" type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year) <input type="checkbox"/> Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year) <input type="checkbox"/> Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)						
Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965		<input type="checkbox"/> January	<input type="checkbox"/> February	<input type="checkbox"/> March	<input type="checkbox"/> April	<input type="checkbox"/> May	<input type="checkbox"/> June	<input type="checkbox"/> July
		<input type="checkbox"/> August	<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December		

- b. This will generate Form 8962 on your Forms Tree to fill out. You will need to select the box on Line 4 that corresponds to your client's situation. For this example it will be "Other 48 states and DC".

US 8962		Premium Tax Credit		2016
Name: <u>STEVE & PEGGY ROGERS</u>		SSN: <u>553-10-1022</u>		
Check here if applying for relief (see instructions) <input type="checkbox"/> If married filing separately and not applying for relief, complete lines 1 through 5, skip lines 6 through 8b, and complete lines 9 and 10. When completing lines 11 or 12 through 23, complete only Column F to determine how much you must repay.				
Part I: Annual and Monthly Contribution Amount				
1	Tax family size			<u>2</u>
2a	Modified AGI			<u>25,000.</u>
b	Enter total of your dependents' modified AGI	<u>0.</u>		<u>0.</u>
3	Household income			<u>25,000.</u>
4	Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2016 and you lived in Alaska and / or Hawaii, or if filing jointly and you and your spouse lived in different states, check all of the boxes that apply. The table that results in the highest income will be used.			
	<input type="checkbox"/> Alaska <input type="checkbox"/> Hawaii <input checked="" type="checkbox"/> Other 48 states and DC			<u>15,930.</u>
5	Household income as a percentage of Federal poverty line			<u>156 %</u>
6	Is the result on line 5 401%? See instructions if the result is less than 100%.			

- c. On Line 9 you will answer the question either Yes or No depending on the taxpayer's situation. For our example we will select NO. For Line 10 we will select YES because they did have coverage from January to December.

Part II: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit	
9	Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? (see instructions) <input type="checkbox"/> Yes. Skip to Part IV, Shared Policy Allocation, or Part V, Alternative Calculation for Year of Marriage <input checked="" type="checkbox"/> No. Continue to line 10.
10	Check the "Yes" box below if ALL of the following conditions apply (see instructions). a You were enrolled in a qualified health plan for all 12 months during 2016; b Your enrollment premium was the same for every month of 2016. Your enrollment premium is reported in Part III, column A, lines 21 through 32, of Form 1095-A; c Your SLCSPP premium is the same for every month of 2016. Your SLCSPP premium is reported in Part III, column B, lines 21 through 32, of Form 1095-A. (See missing or incorrect SLCSPP premium on Form 1095-A in the instructions). <input checked="" type="checkbox"/> Yes. Continue to line 11. Compute your annual PTC. Skip lines 12 - 23 and continue to line 24. <input type="checkbox"/> No. Continue to lines 12 - 23. Compute your monthly PTC and continue to line 24.

- d. On Line 11 you will need to enter their Premium amount from Form 1095-A Line 33A on Column A. On Column B you will need to enter their Annual Premium Amount Of SLCSPP from Form 1095-A Line 33B.

	A Annual enrollment premiums Form 1095-A line 33a	B Annual applicable SLCSPP premium Form 1095-A line 33b	C Annual contribution amount Line 8a	D Annual maximum premium assistance	E Annual premium tax credit allowed	F Annual advance payment of PTC Form 1095-A line 33c
11 Annual totals . . .	<u>12,336.</u>	<u>11,244.</u>	<u>1,088.</u>	<u>10,156.</u>	<u>10,156.</u>	<u>9,540.</u>

- e. Based on these values you will see that it will calculate their Premium Tax Credit on Line 26 of Form 8962 Pg 1.

24	Total premium tax credit	10,156.
25	Advance payment of PTC	9,540.
26	Net premium tax credit	616.

- f. This amount will show up on Form 1040 Pg 2 Line 69.

64	Federal income tax withheld	1,500.
	Enter Federal withholding from 1099s (1099B, etc)	0.
65	2016 estimated tax payments and amount applied from 2015 return	0.
	If estimated tax was paid in joint names and you are now divorced, enter ex-spouse's SSN: _____ and check here	<input type="checkbox"/>
66 a	Earned income credit	No: <input checked="" type="checkbox"/> 0.
	b Nontaxable combat pay election	0.
67	Additional child tax credit. Schedule 8812	0.
68	American opportunity credit. Form 8863	0.
69	Net premium tax credit. Form 8962	616.
70	Amount paid with request for extension of time to file	0.

Example 4 - Health insurance coverage through the Marketplace for part of the year:

1. George had insurance from the marketplace but for only part of the year. For the rest of 2016 he had coverage from the marketplace. He received Form 1095-A in the mail and that's what will be used to calculate his Premium Tax Credit. Form ACA Pg 1 will be used to calculate his Shared Responsibility Payment for not having coverage for part of the year.
 - a. For his return we will go to Form ACA Pg 1 and answer the questions at the top of the form. In this example he purchased insurance through the marketplace for part of the year, so we'll need to answer the first question at the top as YES. We'll answer the second question as NO because he is not claiming any type of exemption. Next his name we'll select the box indicating that he had minimum essential coverage for the part of the year. Below that we'll select the months in which he did not have any minimum essential coverage.

US Affordable Care Act Worksheet 2016

Name: GEORGE MARTINEZ SSN: 553-10-1024

Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 Yes No
 Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965? Yes No

GEORGE MARTINEZ Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year)
 Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year)
 Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)

Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965

January February March April May June July
 August September October November December

b. On Form ACA Pg 2 you will see the calculation for his Shared Responsibility Payment on Line 14.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Total number of boxes checked per month, not more than 5	1	1	1	1	0	0	0	0	0	0	0	0
2 Total number of boxes checked per month for individuals 18 or over	1	1	1	1	0	0	0	0	0	0	0	0
3 One-half the number of boxes checked per month for individuals under 18	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Add lines 2 and 3 for each month	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Multiply line 4 by \$695 for each month, maximum of \$2,085	695.0	695.0	695.0	695.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 Sum of the number of boxes checked on line 1 above for the year												4
7 Modified AGI for this return												35,250.
8 Filing threshold												10,350.
9 Subtract line 8 from line 7												24,900.
10 Multiply line 9 by 2.5%												623.
11 Is line 10 more than \$2,085? <input type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero. <input checked="" type="checkbox"/> No. Amount calculated based on worksheet B												2,780.
12 Divide line 11 by 12												232.
13 Multiply line 6 by \$223												892.
14 Smaller of line 12 or line 13												232.

c. This amount will flow over to Form 1040 Pg 2 Line 61.

59 Additional tax on IRAs, other qualified retirement plans, etc 0.
 60 a Household employment taxes. Schedule H 0.
 b First-time homebuyer credit repayment. Form 5405 0.
 61 Health care: individual responsibility Full-year coverage: 232.
 62 Taxes from Form 8959 Form 8960

- d. Form 8962 needs to be filled out to determine their Premium Tax Credit. You will need to select the box on Line 4 that corresponds to your client’s situation. For this example it will be “Other 48 states and DC”.

US 8962		Premium Tax Credit	2016
Name: <u>GEORGE MARTINEZ</u>		SSN: <u>553-10-1024</u>	
Check here if applying for relief (see instructions) <input type="checkbox"/>			
If married filing separately and not applying for relief, complete lines 1 through 5, skip lines 6 through 8b, and complete lines 9 and 10. When completing lines 11 or 12 through 23, complete only Column F to determine how much you must repay.			
Part I: Annual and Monthly Contribution Amount			
1	Tax family size		<u>1</u>
2a	Modified AGI		<u>35,250.</u>
b	Enter total of your dependents' modified AGI	<u>0.</u>	<u>0.</u>
3	Household income		<u>35,250.</u>
4	Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2016 and you lived in Alaska and / or Hawaii, or if filing jointly and you and your spouse lived in different states, check all of the boxes that apply. The table that results in the highest income will be used.		
	<input type="checkbox"/> Alaska <input type="checkbox"/> Hawaii <input checked="" type="checkbox"/> Other 48 states and DC		<u>11,770.</u>
5	Household income as a percentage of Federal poverty line		<u>299 %</u>
6	Is the result on line 5 401%? See instructions if the result is less than 100%.		

- e. On Line 9 you will answer the question either Yes or No depending on the taxpayer’s situation. For our example we will select “No”. For Line 10 we will select “No” because they did have coverage from January to December.

Part II: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit	
9	Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? (see instructions)
	<input type="checkbox"/> Yes. Skip to Part IV, Shared Policy Allocation, or Part V, Alternative Calculation for Year of Marriage
	<input checked="" type="checkbox"/> No. Continue to line 10.
10	Check the "Yes" box below if ALL of the following conditions apply (see instructions).
a	You were enrolled in a qualified health plan for all 12 months during 2016;
b	Your enrollment premium was the same for every month of 2016. Your enrollment premium is reported in Part III, column A, lines 21 through 32, of Form 1095-A;
c	Your SLCSP premium is the same for every month of 2016. Your SLCSP premium is reported in Part III, column B, lines 21 through 32, of Form 1095-A. (See missing or incorrect SLCSP premium on Form 1095-A in the instructions).
	<input type="checkbox"/> Yes. Continue to line 11. Compute your annual PTC. Skip lines 12 - 23 and continue to line 24.
	<input checked="" type="checkbox"/> No. Continue to lines 12 - 23. Compute your monthly PTC and continue to line 24.

- f. Since they didn’t have coverage for the entire year through the marketplace we will skip Line 11 and go straight to Line 12-23. On Lines 12-23 you have to enter their monthly calculations how they show on their Form 1095-A. The only column that

you have to be careful with is Column C on Form 1095-A. That column goes on Column F inside the program on Form 8962.

Part III Coverage Information

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January			
22 February			
23 March			
24 April			
25 May	\$1028.35	\$937.06	\$795.00
26 June	\$1028.35	\$937.06	\$795.00
27 July	\$1028.35	\$937.06	\$795.00
28 August	\$1028.35	\$937.06	\$795.00
29 September	\$1028.35	\$937.06	\$795.00
30 October	\$1028.35	\$937.06	\$795.00
31 November	\$1028.35	\$937.06	\$795.00
32 December	\$1028.35	\$937.06	\$795.00
33 Annual Totals			

Monthly Calculation						
	A Monthly enrollment premiums Form 1095-A lines 21 - 32 column a	B Monthly applicable SLCSP premium Form 1095-A lines 21 - 32 column b	C Monthly contribution amount Line 8b or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32 column c
12 January	0.	0.	0.	0.	0.	0.
13 February	0.	0.	0.	0.	0.	0.
14 March	0.	0.	0.	0.	0.	0.
15 April	0.	0.	0.	0.	0.	0.
16 May	1,028.	937.	283.	654.	654.	795.
17 June	1,028.	937.	283.	654.	654.	795.
18 July	1,028.	937.	283.	654.	654.	795.
19 August	1,028.	937.	283.	654.	654.	795.
20 Sept	1,028.	937.	283.	654.	654.	795.
21 October	1,028.	937.	283.	654.	654.	795.
22 Nov	1,028.	937.	283.	654.	654.	795.
23 Dec	1,028.	937.	283.	654.	654.	795.
Totals	8,224.	7,496.	2,264.	5,232.	5,232.	6,360.

- g. For this example you will see on Line 24 the total Premium Tax Credit that the taxpayer qualifies for and on Line 25 you can see the amount they got in advance of the PTC.

24	Total premium tax credit	5,232.
25	Advance payment of PTC	6,360.
26	Net premium tax credit	0.

- h. Part 3 on Form 8962 will calculate how much excess advance payment of PTC they received on Line 27. Line 28 will calculate the repayment limitation and Line 29 will show how much their repayment amount will be.

Part III: Repayment of Advance Payment of the Premium Tax Credit		
27	Excess advance payment of PTC	1,128.
28	Repayment limitation	750.
29	Excess advance payment premium tax credit repayment	750.

- i. Their excess advance payment will be calculated on Form 1040 Line 46.

43	Taxable income	24,900.
44	Tax. From <input checked="" type="checkbox"/> the tax table or schedule <input type="checkbox"/> Form 8615 <input type="checkbox"/> Schedule D Tax Worksheet <input type="checkbox"/> Schedule J <input type="checkbox"/> Foreign earned income tax worksheet	3,275.
Check if any tax is from		
<input type="checkbox"/>	Form(s) 8814	0.
<input type="checkbox"/>	Form 4972	0.
<input type="checkbox"/>	962 election. Link from the checkbox to access the required explanation	0.
	Education credit recapture amount	0.
45	Alternative minimum tax. Attach Form 6251	0.
46	Excess advance premium tax credit repayment. Form 8962	750.
47	Add lines 44, 45, and 46	4,025.

Example 5 - Individuals with ITINs who are not Citizens or Legal Residents of the United States:

1. Enrique and his wife Mariana both have ITINs and didn't have any health coverage for 2016. There are several exemptions from the requirement to maintain health coverage and one of those is for individuals that are not U.S. citizens, U.S. nationals or legal residents.
 - a. When dealing with this type of return you will need to go into Form ACA Pg 1 and answer the questions at the top of the form. In this example they did not buy insurance through the marketplace for any part of the year, so we'll need to answer the first question at the top as NO. We'll answer the second question as YES because they are claiming an exemption. Next to their names we'll select the box indicating that they are granted an exemption for the entire year.

US **Affordable Care Act Worksheet** 2016

Name: ENRIQUE & MARIANA ALFARO SSN: 925-99-1023

Did the taxpayer, spouse, or any dependent receive insurance through the Marketplace? See Form 8962 Yes No
 Was the taxpayer, spouse, or any dependent granted a Marketplace exemption or do you want to apply for any of the exemptions allowed on Form 8965? Yes No

ENRIQUE ALFARO Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year)
 Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year)
 Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)

Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965
 January February March April May June July
 August September October November December

MARIANA ALFARO Had minimum essential coverage and / or is applying for or was granted an exemption for all 12 months (no penalty for the year)
 Had minimum essential coverage and / or is applying for or was granted an exemption for part of the year (penalty applies for only part of the year)
 Did not have minimum essential coverage and is not claiming an exemption for any part of the year (penalty applies for all 12 months)

Check the boxes for each month this person did not have minimum essential coverage and is NOT claiming an exemption on Form 8965
 January February March April May June July
 August September October November December

b. This will activate Form 8965. For this example question 7b will be answered as NO.

7a Are you claiming an exemption because your household income is below the filing threshold? Yes No
 b Are you claiming a hardship exemption because your gross income is below the filing threshold? Yes No

c. You will need to complete Part III as well of this form for any individuals with ITINs in the return that qualify for this exemption. On column C of this section you will put code C as the Exemption Type for any individuals with ITINs who are not citizens or legal residents of the United States. On column D check the box stating that they are exempt for the entire year.

Part III: Coverage Exemptions Claimed on Your Return for Individuals
 If you and / or a member of your tax household are claiming an exemption on your return, complete Part III.
 If you need more space, use the continuation sheet to list additional individuals.

	a Name	b SSN	c Exemption type	d Full year	e Jan	f Feb	g Mar	h Apr	i May	j Jun	k Jul	l Aug	m Sep	n Oct	o Nov	p Dec
8	ENRIQUE ALFARO	925-99-1023	C	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	MARIANA ALFARO	925-99-1022	C	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Lesson 1 – Education Credits

Maria Martinez lives with her daughter Ana and is claiming her as a dependent. She does not itemize her deductions and has no other sources of income besides her W2. She pays for her daughter to go to school. Maria purchased course related books and supplies for Ana, who is in her 2nd year of college and this is the 2nd year that she has paid for any tuition and supplies that were not covered by the scholarships Ana received. Ana is a full time student who does not work and is not filing a tax return for a refund. She received 2 separate 1098-T forms for the University's she attended.

- **Objective:** To determine how much of a tax credit Maria will get for these expenses, and use the "1098-T forms" and receipt information provided.

<input type="checkbox"/> CORRECTED									
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number UNIVERSITY OF HOUSTON 4800 CALHOUN RD HOUSTON, TX 77004			1 Payments received for qualified tuition and related expenses \$8,623.00		OMB No. 1545-1574 2016 Form 1098-T		Tuition Statement		
FILER'S federal identification no. 99-9876543		STUDENT'S taxpayer identification no. 555-44-5551		3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>			Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.		
STUDENT'S name ANA MARTINEZ			4 Adjustments made for a prior year \$		5 Scholarships or grants \$6,523.00				
Street address (including apt. no.) 3616 ROSALIE ST			6 Adjustments to scholarships or grants for a prior year \$		7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>				
City or town, state or province, country, and ZIP or foreign postal code HOUSTON, TX 77004			8 Check if at least half-time student <input checked="" type="checkbox"/>		9 Checked if a graduate student <input type="checkbox"/>				
Form 1098-T (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service									

<input type="checkbox"/> CORRECTED									
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number TEXAS SOUTHERN UNIVERSITY 3100 CLEBURNE ST HOUSTON, TX 77004			1 Payments received for qualified tuition and related expenses \$4,523.00		OMB No. 1545-1574 2016 Form 1098-T		Tuition Statement		
FILER'S federal identification no. 98-9876543		STUDENT'S taxpayer identification no. 555-44-5551		3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>			Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.		
STUDENT'S name ANA MARTINEZ			4 Adjustments made for a prior year \$		5 Scholarships or grants \$3,523.00				
Street address (including apt. no.) 3616 ROSALIE ST			6 Adjustments to scholarships or grants for a prior year \$		7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>				
City or town, state or province, country, and ZIP or foreign postal code HOUSTON, TX 77004			8 Check if at least half-time student <input checked="" type="checkbox"/>		9 Checked if a graduate student <input type="checkbox"/>				
Form 1098-T (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service									

1. Go to **1040 Pg 2 Line 50 (Education Credits)** and press **F9** to add **8863 Pg 2**.

2. You will begin with **Part III: Student & Educational Institution** section and enter the **student's name and SSN on lines 20 & 21**.
3. You will enter the **educational institution info on lines 22a and 22b for both institutions** and **answer the questions accordingly**. Line 22a/b 2 and 3 will ask about 2016 and 2015 forms received.
4. Next you will answer questions 23 – 26 that pertain to this student's situation. Be very careful when answering these questions. **This info determines which credit the taxpayer will qualify for.**
 - a. Question 23 asks if they took the credit for any 4 prior tax years. It implies that they took the credit 4 times which includes the old Hope credit. **(NO)**
 - b. Question 24 asks about student enrollment. **(YES)**
 - c. Question 25 asks about postsecondary education completion. **(NO)**
 - d. Question 26 asks if student was convicted of a felony for possession or distribution of a controlled substance. **(NO)**

US 8863 (2016)	Page 2
Name: <u>MARIA MARTINEZ</u>	SSN: <u>555-55-5551</u>
Caution: Complete Part III for each student for whom you are claiming either the American opportunity credit or lifetime learning credit. If you need to list additional students, press Shift F10 to duplicate this form.	
Part III: Student and Educational Institution Information	
20	Student's name as shown on page 1 of this tax return <u>ANA MARTINEZ</u>
21	Student's social security number <u>555-44-5551</u>
22	Educational institution information
a	Name of first educational institution <u>UNIVERSITY OF HOUSTON</u>
1	Enter US address or foreign address
	US Address <u>4800 CALHOUN RD</u>
	Zip code, city, and state <u>77004- HOUSTON TX</u>
	Foreign street address _____
	Foreign city _____
	Foreign province / state _____
	Foreign Zip code _____
	Foreign country code _____
2	Did the student receive Form 1098-T from this institution for 2016? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3	Did the student receive Form 1098-T from this institution for 2015 with Box 2 filled in and Box 7 checked? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4	If you checked "Yes" in 2 or 3, enter the institution's EIN from Form 1098-T <u>99-9876543</u>
b	Name of second educational institution, if any <u>TEXAS SOUTHERN UNIVERSITY</u>
1	Enter US address or foreign address
	US Address <u>3100 CLEBURNE ST</u>
	Zip code, city, and state <u>77004- HOUSTON TX</u>
	Foreign street address _____
	Foreign city _____
	Foreign province / state _____
	Foreign Zip code _____
	Foreign country code _____
2	Did the student receive Form 1098-T from this institution for 2016? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3	Did the student receive Form 1098-T from this institution for 2015 with Box 2 filled in and Box 7 checked? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4	If you checked "Yes" in 2 or 3, enter the institution's EIN from Form 1098-T <u>98-9876543</u>
	If you need to list additional educational institutions, F9 here for a worksheet <input type="checkbox"/>

23 Has the Hope Scholarship Credit or American opportunity credit been claimed for this student for any 4 tax years before 2016? Yes No
 If "Yes", go to line 31 for this student. If "No", go to line 24.

24 Was the student enrolled at least half-time for at least one academic period that began or is treated as having begun in 2016 at an eligible educational institution in a program leading towards a postsecondary degree, certificate, or other recognized post-secondary educational credential? See instructions Yes No
 If "Yes", go to line 25. If "No", go to line 31 for this student.

25 Did the student complete the first 4 years of post-secondary education before 2016? Yes No
 If "Yes", go to line 31 for this student. If "No", go to line 26.

26 Was the student convicted, before the end of 2016, of a felony for possession or distribution of a controlled substance? Yes No
 If "Yes", go to line 31. If "No", complete lines 27 through 30 for this student.

5. For **Line 27** press **F9** and select "**NEW Scratch Pad**". First, you will need to calculate how much tuition related expenses are deductible. Take the amount from each **Form 1098-T Line 5 (Scholarships or Grants)** and **subtract** it from **Line 1 (Payments Received for qualified tuition and related expenses)**.
 - a. On the **Scratchpad**, at the top type a description such as, "**Education Expenses**".
 - b. For our first item, we will use "**University of Houston 1098-T**" as the *Type*.
 - c. Now we will go to the *Amount* column and **Press F5** to access the **Calculator**.
 - d. Once you do the calculation and press *Enter* you will see the amount of **\$2,100**.
 - e. For the second item, we will use "**Texas Southern University 1098-T**" as the *Type*.
 - f. Go to the amount column and **Press F5** to access the **Calculator**.
 - g. Once you do the calculation and press *Enter* you will see the amount of **\$1,000**.
6. Since she has a receipt for books, we will input "**BOOKS**" as the *Type* and **\$213** for the *Amount*.
7. She also has receipts for supplies, so we will input "**SUPPLIES**" as the *Type* and **\$189** for the *Amount*.

Detail Sheet		2016
Name: <u>MARIA MARTINEZ</u>		SSN: <u>555-55-5551</u>
Description: <u>EDUCATION EXPENSES</u>		
Type	Amount	
UNIVERSITY OF HOUSTON 1098T	2,100.	
TEXAS SOUTHERN UNIVERSITY 1098T	1,000.	
BOOKS	213.	
SUPPLIES	189.	

8. Now, press **F10** to close the form and we will see the calculated values of **\$3,502** on **Line 27**, **\$1,502** on **Line 28**, **\$376** on **Line 29**, and **\$2,376** on **Line 30**.

American Opportunity Credit		
27	Adjusted qualified education expenses. See instructions - do not enter more than \$4,000	3,502.
28	Subtract \$2,000 from line 27, but not less than -0-	1,502.
29	Multiply line 28 by 25%	376.
30	If line 28 is -0-, amount from line 27. Otherwise, add \$2,000 to the amount on line 29. Skip line 31	2,376.

9. Press *F10* again to close the form and we will be back on the *1040 pg 2* and you will see *Line 50* has calculated to be **\$1,426** as a **Nonrefundable Credit**.
10. With the "*American Opportunity Credit*", up to 40% of the credit may be **Refundable**, and in this scenario you will see the amount of **\$950** calculated on *Line 68*.
11. To see the calculations we will go to the *8863 pg 1* on the left hand side in the *Forms Tree*. You will see the *Refundable portion* calculated on *Line 8* and the *Nonrefundable portion* calculated on *Line 19*.

Note: We **DO NOT** check the box below *Line 7* on the *8863 pg 1* since the taxpayer does not meet the conditions listed in *Pub 970*. You will also see a reminder at the top of the form in regards to claiming credits and certain qualifications.

For more information on this topic, see
IRS Publication 970 – Tax Benefits for Education

Lesson 2 – Cancellation of Debt for a Credit Card

Robert Everhart made a deal with his credit card company to pay \$2,000 on his \$7,000 balance, and the company agreed to take it as payment in full. In September, Robert received a Form 1099-C from his credit card company reporting \$5,000 (the amount of debt canceled). Robert was solvent immediately before the debt was canceled.

Objective: Report Robert’s entire COD on Form 1040, Line 21.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-1424		2016 Form 1099-C	Cancellation of Debt	
CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. CREDIT CARD COMPANY 3526 DENKER AVE LOS ANGELES, CA 90062		1 Date of identifiable event 08/12/2016	2 Amount of debt discharged \$5,000			
		3 Interest if included in box 2 \$				
CREDITOR'S federal identification number 95-9876543	DEBTOR'S identification number 555-55-5552	4 Debt description CREDIT CARD			Copy B For Debtor <small>This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.</small>	
DEBTOR'S name ROBERT EVERHART						
Street address (including apt. no.) 4024 DALTON AVE						
City or town, state or province, country, and ZIP or foreign postal code LOS ANGELES, CA 90062						
Account number (see instructions)						
Form 1099-C (keep for your records)		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>	6 Identifiable event code	7 Fair market value of property \$		
		www.irs.gov/form1099c		Department of the Treasury - Internal Revenue Service		

1. In order to report the cancellation of debt, first got to Form 1040 Pg 1 Line 21.
2. On *Line 21* press F9 to add a NEW 1040 Wkt 7.
3. On *Line 17* type in “**Cancellation of Debt COD**” next to Describe.
4. On the *Amount* column type in **\$5,000**.

13	Income for failure to maintain HDHP coverage from Form 8889, line 20		0.
14	Jury duty pay		0.
15	NOL carried forward - enter as a negative amount		0.
A statement is required for e-file. F9 here for the NOL statement <input type="checkbox"/>			
16	Medicaid waiver payments to a care provider incorrectly reported on Form W-2 - enter as a negative amount		0.
17	Describe . CANCELLATION OF DEBT COD	I	5,000.

5. Press F10 to go back to Form 1040 Pg 1 Line 21 and you should see the calculation take place.

For more information on this topic, see **IRS Publication 4681 – Canceled Debts, Foreclosures, Repossessions, and Abandonments**


Lesson 3 - Schedule C with Form 8829 (BONUS DEPRECIATION & SEC 179 DEDUCTION)

In this scenario we will be working with a taxpayer that started a Tax Preparation Business and his wife also has her own business. Erik Foster is married with 3 dependents and does not itemize their deductions. He works from his home and his wife Jane Foster also owns her own business.

Objective: We will be looking at his Schedule C, add 8829, and depreciate some assets.

1. Go back to the *Forms Tree* and select the asset that says **COMPUTER**.
2. Since this asset was placed in service this year, he can elect to take the **Section 179 deduction**. He has elected to take **75%** of the asset value.
 - a. We will go down to Line 5 and Press F5.
 - b. We will multiply the asset value (\$1500) x (.75), which gives us they value of \$1125.
 - c. The asset does not qualify for Special Depreciation Allowance for this asset, so we will select "NO".
3. Before we filling out **Form 8829** we will use the simplified method first to see what the total deduction would be with that method compared to using the long method.
 - a. We will enter the total square footage of the home and the total square footage of the part of the home used for the business.

28	Total expenses	4,029.
29	Tentative profit (loss). Subtract line 28 from line 7	40,971.
30	Expenses for business use of the home. Attach Form 8829 unless using the simplified method	1,000.
Simplified method filers only		
	Enter the total square footage of the home	2000
	Enter the total square footage of the part of the home used for business	200



- b. It calculates that the expenses for busines use of the home is **\$1,000** with the simplified method. Now we will use **Form 8829** to see which method might benefit the taxpayer.
4. Add **Form 8829** from side the Schedule C by going to **Line 30** and **press F9** to select the form. Start with **Part I** and enter the information provided. This determines how much of his home was used.
 - a. The area used for his home is "200" sq ft and it goes on Line 1.
 - b. The total area of his home is "2000" sq ft and it goes on Line 2.
 - c. Now you will see Line 3 and Line 7 calculate that his business use percentage is 10%.
5. Next we will go to **Part II** and enter the information provided. This will determine the **Allowable Deduction**. Notice you must separate the **Direct and Indirect Expenses**.

- a. On **Line 8** type in the *Schedule C number* that this corresponds to, which is "1".
- b. In the **(a) Direct** column we will input the expenses paid directly for the *home office* and in the **(b) Indirect** column we will input the expenses for the *entire home*.
 - 1. Line 10 Deductible mortgage interest = **(b) \$4500**
 - 2. Line 11 Real estate taxes = **(b) \$1000**
 - 3. Line 17 Insurance = **(b) \$400**
 - 4. Line 19 Repairs and Maintenance = **(a) \$300 and (b) \$1400**
 - 5. Line 20 Utilities = **(b) \$1800**

6. Next we will fill out the information for the **Depreciation of his home in Part III.**

a. First we will need to enter the home information on lines 36 - 38.

- 1. The **FMV** of the house is **\$130,000** on **line 36**.
- 2. The value of the land is **\$20,000** on **line 37**.

Notice the basis of building and the business basis are auto calculated on lines 38 - 39.

b. Now to figure the depreciation we will go to **line 40** and **press F9** to add the **"Business use of Your Home Depreciation"** worksheet.

- 1. First you will need to enter the copy number of form 8829 that the asset belongs to which is "1".
- 2. On row A we will need to enter the **date placed in service** which is **1/11/2016**.
- 3. Next we will select the **Method** which is **"MACRS"**.
- 4. Then we will type the *number of recovery years* which is **"39"** for a Nonresidential real property.
- 5. Next we will type the *convention* which is **"MM"** for a Nonresidential real property.

c. Now we will **press F10** and we will see the **Depreciation allowable** calculated on **line 41**.

Notice that the calculation will actually be reflected in Part II Line 29.

7. Once completed, **Press F10** and we can see the deduction on the *Schedule C Line 30*.

28	Total expenses	4,029.
29	Tentative profit (loss). Subtract line 28 from line 7	40,971.
30	Expenses for business use of the home. Attach Form 8829 unless using the simplified method	1,440.
Simplified method filers only		
	Enter the total square footage of the home	0
	Enter the total square footage of the part of the home used for business	0

8. You will notice that for this scenario it would benefit the taxpayer more to do the long method using **Form 8829** instead of the simplified method. It will always depend on the situation though; **Form 8829** could only be used if the taxpayer has the required information to provide in order to fill out the form.

For more information on this topic see

IRS Publication 587 – Business Use in Home

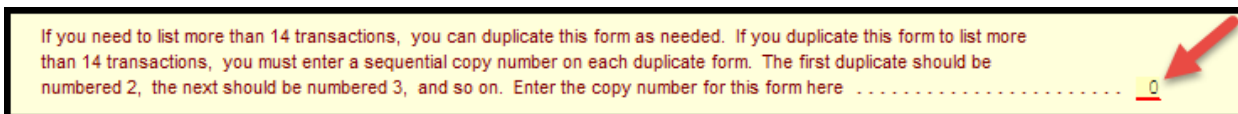
IRS Publication 946 – How to Depreciate Property

Lesson 4 – Schedule D: Reporting Multiple Stock Sales

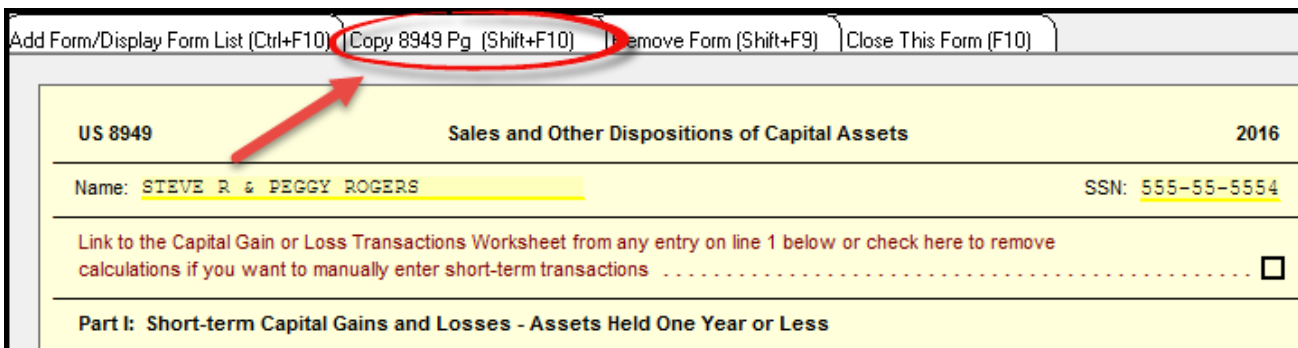
In this scenario, Steve Rogers and Peggy Rogers have multiple stock sales to report in their return. They have W2 income and two dependents.

Objective: To make sure all of the stock transactions are all being reported and calculated from the capital gains worksheet and into the corresponding Form 8949.

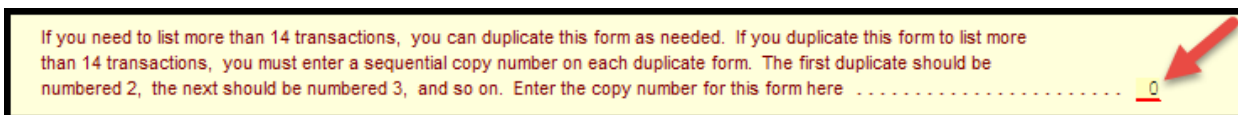
1. First we take a look at the forms tree and check what **Form 8949** is in red.
 - a. You will find that **Form 8949 Pg 1A** and **Form 8949 Pg 2A** are in red
 - b. This means that we need to create copies of each one of those forms to make sure every transaction is accounted for.
2. Go to **Form 8949 Pg 1A** and put “1” in the box in red on the box that’s in red.



3. Next select “Copy 8949 Pg” on top of the form to create a new **Form 8949 Pg 1A**



4. On the new **Form 8949 Pg 1A** that gets generated put a “2” inside the box that’s in red



5. You would continue this process until you get to the end of the transactions that belongs on this form.
6. We now need to do the same for **Form 8949 Pg 2A**
7. Repeats steps 2 through 4 for **Form 8949 Pg 2A**

Lesson 5 – Partnership (K-1) Input

Kevin and Mary Reynolds are filing a joint return. They have 3 dependents and they itemize their deductions. Kevin received a Schedule K-1 from a business that he has invested in, and he is one of the active partners who will receive self-employment income due to their participation. We've prepared the Partnership return so he's information will flow from the Partnership return into his 1040 return

Objective: Determine how much income was earned from the partnership and how much they will owe in taxes if any.

1. Click on *Add Form* or *Go to 1040 Line 17* and press *F9*. Select **Sch E Pg 2 - K1 Information**.
2. Go to *Line 28 A* and press *F9*. Select **NEW K1 P/S - Partnership** and **S Corporation K1 Wkt.**
3. Now, let us begin to entering the **Federal ID** for the Partnership:
 - a. Federal ID: **95-8033803**
 - b. Once you enter it and select *Enter*, you should get this message:

The screenshot shows the 'US Schedule E Partner's and Shareholder's K-1 Worksheet' for the year 2015. The form is partially filled out. At the top, it says 'This K-1 belongs to the: Taxpayer Spouse'. Below that, the Name is 'KEVIN REYNOLDS' and the SSN is '457-12-3456'. There are fields for 'Name of partnership or S corporation', 'P / S', 'Foreign partnership' (with a checkbox), 'Federal ID' (with '95-8033803' entered), and 'All at risk' (with 'Yes' and 'No' checkboxes). A 'Confirm' dialog box is open in the foreground, displaying a question mark icon and the text: 'A matching K1 from another return was found, would you like to import the data from the K1?'. At the bottom of the dialog are 'Yes' and 'No' buttons.

- c. Select YES and the information for Kevin's K-1 should flow into his 1040 Return
 - d. Scroll down that the following information is now there:
 - i. Line 1 Ordinary business income = **\$19,129**
 - ii. Line 7 Royalties = **\$300**
 - iii. Section 179 election amount = **\$2,179**
 - iv. Line 13a Cash contributions – 50% = **\$465**
 - v. Line 13i Deductions = **\$75**
 - vi. Line 14a Net earnings from Self-Employment = **\$19,129**
4. Now that the values have been verified let's finish filling out the rest of the information for the K-1 Worksheet.

5. Select Taxpayer at the top
6. Put "P" for Partnership in the P/S box
7. Select YES for All at risk

US Schedule E		Partner's and Shareholder's K-1 Worksheet		2015	
This K-1 belongs to the: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse					
Name: <u>KEVIN REYNOLDS</u>				SSN: <u>457-12-3456</u>	
Name of partnership or S corporation	P / S	Foreign partnership	Federal ID	+ All at risk	
<u>SAMPLE PARTNERHSIP</u>	<u>P</u>	<input type="checkbox"/>	<u>95-8033803</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

8. Go down to Line 12 and F3 to remove the red
9. Line 14a select Nonfarm
10. On line 17 F3 those lines because in this example it doesn't apply
11. Line 20a you can also F3 to remove the red because there is no investment income
12. Go to "Sch E Pg1". Answer the question "A Did you make any payments in 2012 that would require you to file Form 1099?" = NO. You will see the calculated value of "FROM K-1" on Line 1C. You can press F3 on the address lines and you will see the **Type** field indicates **6 for Royalties**. We see the other calculated values of Line 3b Payments not reported on Line 3a, Line 19 Other (Expenses), Line 20 (Total Expenses).
13. Return to "Sch E Pg 2". Go to Line 27 "Reporting un-allowed loss..." and mark "NO".

For more information on this topic, see

2015 Instructions for Schedule E (Form 1040) – Supplemental Income and Loss
Partner's Instructions for Schedule K-1 (Form 1065)

Lesson 6 – Mortgage Relief Exclusion

When a taxpayer loses their home because of foreclosure, they may receive Form 1099-A or 1099-C which details the foreclosure or abandonment. A tax preparer cannot enter the information from these forms directly into the Form 1040. The tax preparer must determine whether there is “taxable cancellation of debt income” from the transaction, and whether there might be a “gain or loss” on the “sale” even though the taxpayer lost the house. The tax preparer must also get additional information from the taxpayer in order to help make this determination (such as Escrow documentation). In these last 2 lessons, we will look at a couple of examples which deal with a couple of typical situations.

- **Daniel Ramirez and Martha Ramirez** purchased their home May 18, 2006 for **\$450,000**.
- They re-financed in April 2006, for **\$600,000**.
- The home was foreclosed on **November 25, 2016**.
- **The Refinance changes the loan to “Recourse”, which may require more research.**
- *Repossession* of the property **did not** fully satisfy the debt.
- The **Form 1099-A** has **Box 5** marked that they were “personally liable for repayment”.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0877		2016 Form 1099-A	Acquisition or Abandonment of Secured Property
LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. EZ ESCROW INC 200 MAIN STREET SAN ANTONIO, TX 78230		1 Date of lender's acquisition or knowledge of abandonment 11/25/2016			
LENDER'S federal identification number 95-2222222	BORROWER'S identification number 555-55-5556		3 [REDACTED]		Copy B For Borrower This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
BORROWER'S name DANIEL AND MARTHA MARTINEZ		4 Fair market value of property \$350,000			
Street address (including apt. no.) 11700 WALL STREET		5 If checked, the borrower was personally liable for repayment of the debt <input checked="" type="checkbox"/>			
City or town, state or province, country, and ZIP or foreign postal code SAN ANTONIO, TX 78230		6 Description of property 1147 PASSO GRANDE SAN ANTONIO, TX 78230			
Account number (see instructions)					
Form 1099-A (keep for your records)		www.irs.gov/form1099a		Department of the Treasury - Internal Revenue Service	

Using the information from the 1099-A will help us with our formulas.

Principal Balance Outstanding (PBO) -----\$599,000 (Box 2)

Fair Market Value (FMV) -----\$350,000 (Box 4)

1. First we will try to determine the “Taxable COD Income” by using the formula below:
 - Form 1099-A, box 2 (PBO) \$599,000
 - Form 1099-A, box 4 (FMV): - \$350,000
 - **Cancellation of Debt Income: \$249,000**
2. Next we will try to determine the “Excludable COD Income” by using the formula below:

QPRI – FMV = Excludable portion under IRC Section 108(h)

- Original Purchase Price (QPRI) \$450,000
- Form 1099-A, box 4 (FMV): - \$350,000
- **Excludable COD Income:** **\$100,000**

3. To report the “*excludable COD income*”, we will use “**Form 982**”.

- a. Go to *Add Form* and type in “**982**” in the search box.
- b. Mark item **1e “Discharge of qualified principal residence indebtedness.”**
- c. Enter the “*excludable COD income*” amount in *Line 2*.

4. Now we will use the formula below for the “**remaining COD Income**”.

- **PBO – QPRI = Taxable COD**
- Form 1099-A, box 2 (PBO) \$599,000
- Original Purchase Price (QPRI): - \$450,000
- **Taxable COD Income:** **\$149,000**

5. Now that we have the “*remaining COD Income*”, we will report it on Form 1040.

- a. Click on the Form **1040 Page 1** in *Forms Tree*.
- b. Go to *Line 21* and press *F9* to add the “**1040 Wkt 7 – Other Income Worksheet**”.
- c. Type the description “**FORECLOSURE COD**” on line 17.
- d. Enter “**J**” for the *TSJ* column.
- e. Enter the amount of **\$149,000**.
- f. Press *F10* to return to Form 1040.

6. Next we need to determine if there was a “**Gain or Loss on the Foreclosure Disposition**”.

- a. We will use the **Sale Price**, which is the **FMV**.
- b. When “**Determining Adjusted Basis**” use the formula below:
 - **Original Basis:** (Original Purchase Price or QPRI)
 - **+ Substantial Improvements**
 - **+ Or – other adjustments**

- When you are “**Computing the Gain or Loss on the Sale**”, use the formula below.
- **Sales Price – Adjusted Basis = Gain or Loss**

- a. Please note that - Loss on Sale of Personal Property is non-deductible.
- b. Please note that - Loss on disposition of a personal residence is non-reportable.

7. In order to report the “*gain or loss*”, you will go to *Add Form*. Select *Schedule D Worksheet 2 “Capital Loss Carryover, Residence Sale”*.

- a. Line 1 - Date Sold **11/25/2016**
- b. Line 1 - Acquisition Date **5/18/2006**
- c. Line 4 - Selling Price **\$350,000**
- d. Line 7 - Adjusted Basis **\$450,000**

8. There was *no gain* on the sale so there will be nothing to report on *Schedule D*.

Lesson 7 – Cancellation of Debt

For our last example we will be determining the “Gain or Loss from a Foreclosed Rental Property”. Some key notes to remember in this lesson are:

- **IRC Section 108(h)** is not applicable to a *Rental Property*.
- We will use a formula for the “**Calculation of COD Income**” for the Rental Property.
- **COD Income for a Rental is reported on Schedule E.**
- *Depreciation* is required on a Rental Property.
- Getting familiar with the “**Adjusted Basis Calculation**”.
- **Gain or Loss on the Sale of a Business Property is reported on Form 4797.**

Lanny Lord files as single, has no dependents, has W2 income, and he does not itemize deductions. He bought a Single-Family Residence to use as a Rental Property. The property was foreclosed and we will use the “**Form 1099-C**” he received below to help with our calculations to determine how much he may owe in taxes.

Original Purchase Price: \$250,000

- **Breakdown of Original Purchase Price: House \$200,000 Land \$50,000**
- **Date Placed in Service was January 2, 2006.**
- **Re-Financed in May 2007 for \$400,000, which may require more research.**

Form 1099-C shows:

- **The property was foreclosed on August 31, 2016 in Box 1.**
- **The Cancelled Debt amount of \$158,000 is in Box 2.**
- **Borrower was “Personally liable for repayment” is marked “Yes” in Box 5.**
- **FMV amount of \$240,000 is in Box 7.**

<input type="checkbox"/> CORRECTED (if checked)			2016		Cancellation of Debt
CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. EZ ESCROW INC 200 MAIN STREET SAN ANTONIO, TX 78230		1 Date of identifiable event 08/31/2016	2 Amount of debt discharged \$158,000	3 Interest if included in box 2 \$	
CREDITOR'S federal identification number 99-2222222	DEBTOR'S identification number 555-55-5557	4 Debt description 120 WESTOW DRIVE HAWTHORNE, CA 90250		Copy B For Debtor This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
DEBTOR'S name LANNY LORD		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>			
Street address (including apt. no.) 10 WESTON DRIVE		City or town, state or province, country, and ZIP or foreign postal code HAWTHORNE, CA 90250		6 Identifiable event code	
Account number (see instructions)		7 Fair market value of property \$240,000			
Form 1099-C (keep for your records)		www.irs.gov/form1099c		Department of the Treasury - Internal Revenue Service	

The COD Calculation has already been done by the lender. In order to double-check the COD amount, you would need to get the PBO figure from your client (which could be found on Form 1099-A if received also) and subtract the FMV from that amount.

- PBO – FMV = COD
- (\$398,000 – \$240,000 = \$158,000)
- \$158,000 goes to Schedule E Pg 1 Line 3

1. Go to the *Schedule E* on the left hand side in the *Forms Tree*.
2. Enter the “COD Amount” on line 3 on Sch E Pg 1.
3. Go to lower section of Schedule E “Worksheet for At Risk Limitation and Rental Activities” (using CTRL+E) and mark “YES” for “Did you Actively Participate in the rental activity during 2015?”
4. Mark the box for “Check if the Property was sold in 2014”.

Now we will input the data for the “Sale of Rental Property”:

- Total Selling Price (FMV): **\$240,000**
- Portion of Selling Price Allocated to the Building: **\$192,000**
- Portion of Selling Price Allocated to the Land: **\$48,000**

We calculated these amounts based on the Property being worth 80% of the FMV.

Go to *Forms Tree*, Select Asset Worksheet entitled “*Rental House*”.

5. Click on the “Sale, Exchange, Disposition” button.
6. Go to the section, “Sale of Depreciable Asset”.
 - a. Enter Line 1 Date Sold: **08/31/2016**
 - b. Enter Line 4 Selling Price: **\$192,000**
 - c. Select Property Code Section: **Mark “1250 Property”**
7. Next go to *Forms Tree*, and select the Asset Worksheet entitled “*Land*”.
8. Click on the “Sale, Exchange, Disposition” button.
9. Go to the section, “Sale of Depreciable Asset”.
 - a. Enter Line 1 Date Sold: **08/31/2016**
 - b. Enter Line 4 Selling Price: **\$48,000**
 - c. Property Code Section: **Mark “Other 1231 Property”**

We have completed the input necessary for the foreclosure of the rental property. Look at the amounts that have been calculated on the **Schedule E**. Also, look at the forms that were generated due to the “sale” of the property. The **Form 4797** is generated and you will see the assets sold.

The **Schedule D** gets generated due to the transactions on the **4797**, which flows to **1040 Line 13**. When you look over the 1040 you will also see the amounts that carried from the **Schedule E**.

For more information on this topic, see

IRS Publication 4681 – Canceled Debts, Foreclosures, Repossessions and Abandonments

Reference Material

Other Publications which may be of interest to you:

IRS Publication 525 – Taxable and Nontaxable Income

IRS Publication 544 – Sales and Other Dispositions of Assets

IRS Publication 551 – Basis of Assets

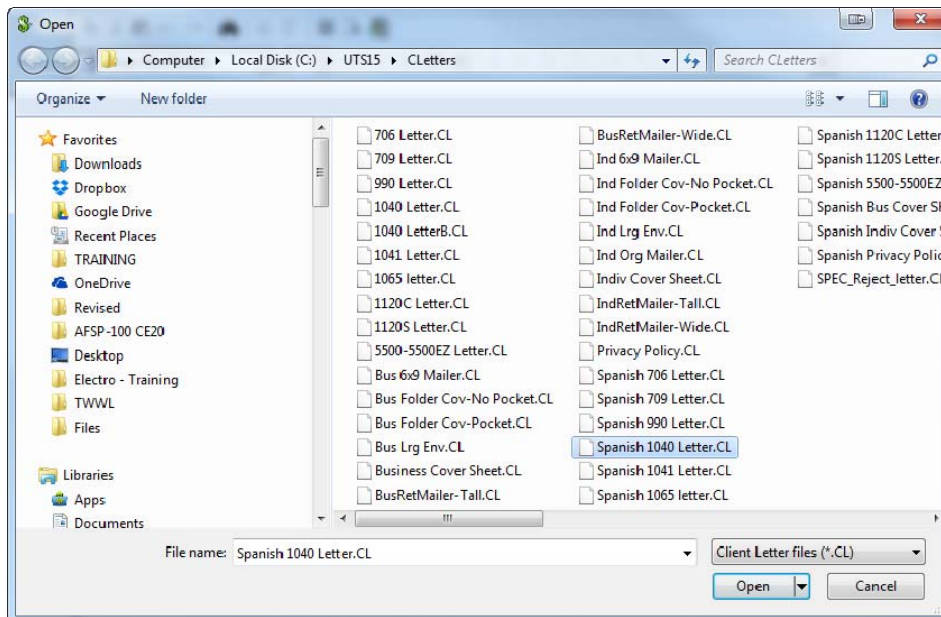
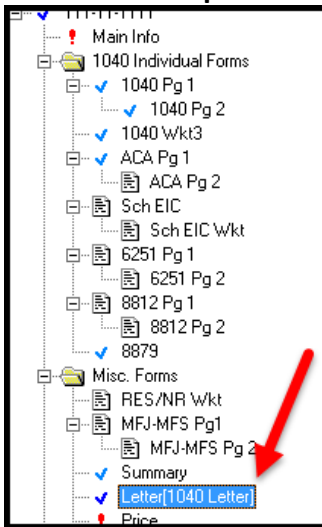
IRS Publication 908 – Bankruptcy Tax Guide

How to Add or Change Client Letter

This lesson will show you how to add/change the Client Letter in the Tax Form Defaults from the preconfigured letters. (NOTE: Or a customized letter you created.)

To add/change a Client Letter, use the following steps:

1. Log into the Refunds Today software as **ADMIN**.
2. Select the **Tools** menu and then select **Edit Tax Form Defaults**.
3. Select the **1040 Package** and click **YES** on the confirmation box.
4. Once inside Tax Form Defaults go to the *Forms Tree* on the left and select **Letter** in the **Misc Forms** section. (see display on the right)
5. Now the **Letter** menu will be activated and select **Open Letter**.
6. Select the **Spanish Letter 1040.CL** and click **Open**.



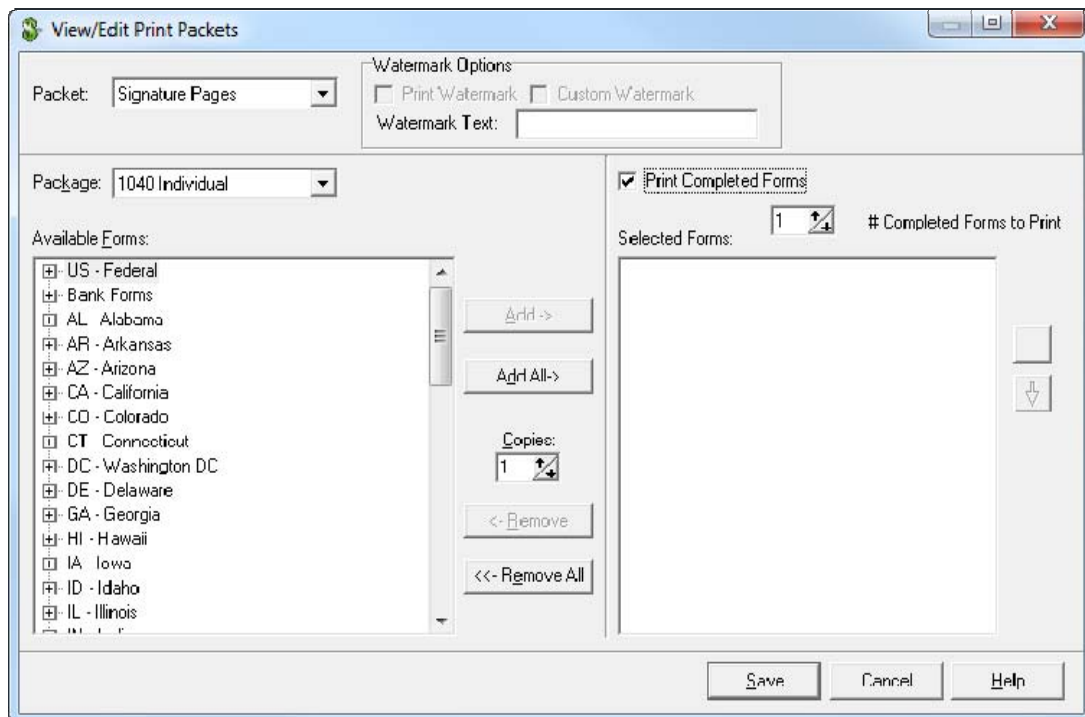
- ❖ If you only want to add/change a Client Letter for a taxpayer, simply follow these steps above inside a tax return.
- You can repeat these steps above if you want to *add* another letter to your tax form defaults or to a tax return. If you use folders for example you can add a "Cover Sheet" or you may just to want include a "Privacy Policy". To accomplish this you will need to actually add an additional letter through the **Add Form** tab and select **Letter**.

How to Configure Print Packets

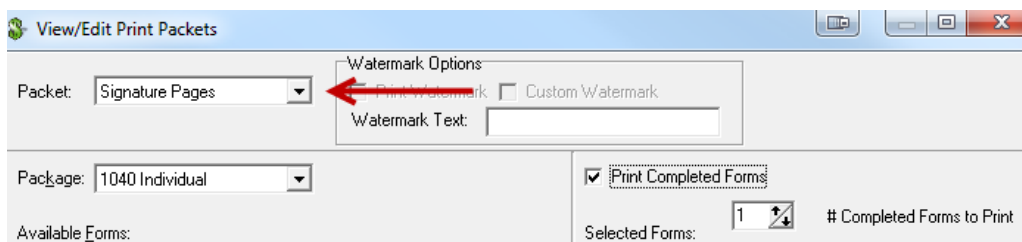
Print Packets are designed to allow you to separate forms that may need to be signed, mailed, or just need to be kept for auditing purposes. Configuring the print packets will give you flexibility in determining which forms you print. You can save paper, toner, and time by limiting printing to required forms only.

1. Log into the Refunds Today software as **ADMIN**.
2. Select the **Tools** menu then select **Utilities/Setup Assistant**.
3. Inside the **Utility** window, select **Setup**, then go to **View/Edit Print Packets**.

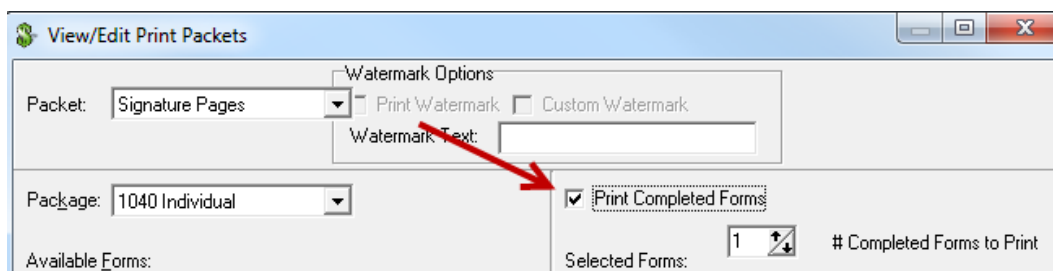
You will see the window below (which can be expanded):



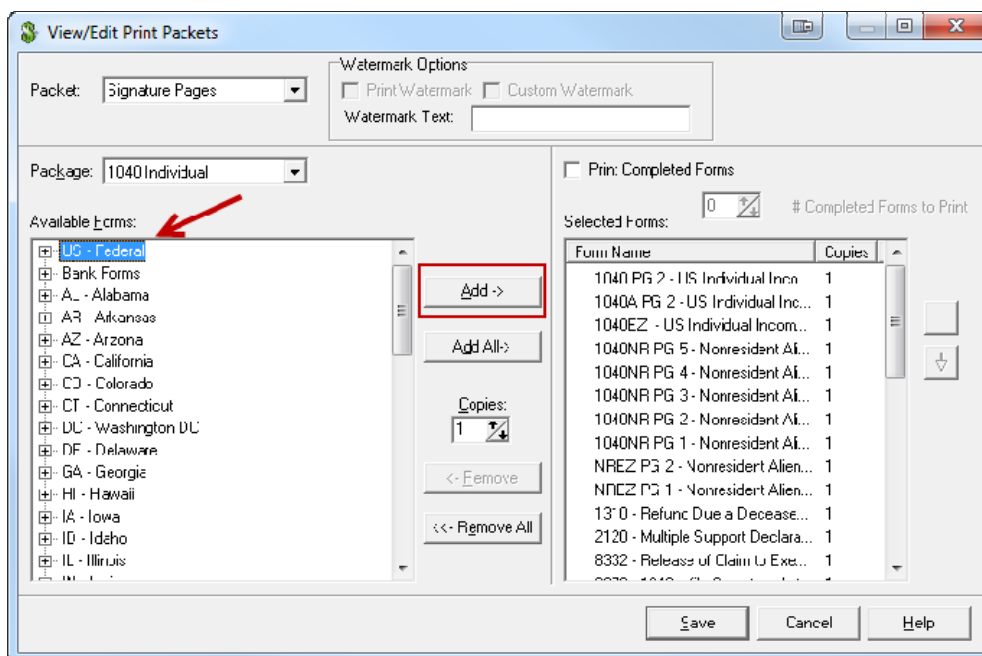
4. Select **Signature Pages** for example. (These are the pages that need to be signed for bank products or kept for records like the 8879.)



5. Important: **Uncheck Print Completed Forms** box on the top right hand corner of the window if it is checked. By doing this you ensure only the forms you select will print and it will avoid printing things such as unneeded worksheets.



6. Select which forms you want in the **Available Forms** column to add to the **Selected Forms** column.
7. Select **US-Federal** and expand list, then select the forms/worksheets you want and click **Add**. (NOTE: You can also increase the number of copies.)



- Repeat these steps if you want to modify another print packet, such as the **Taxpayer Federal Copy** as displayed.

How to Edit User Password

Using Security Manager

This simple procedure will be very useful and will help maintain security in your office, on your laptop, or on your home computer. Keep in mind, all software and hardware in your office is subject to IRS 7216 compliance standards of taxpayer confidentiality.

Below is a brief recap of the default users in the Refunds Today software. There are also default groups that give different access to areas within the software.

Admin

The Admin user is assigned to the *Administrators* group, which has rights to all menu commands, including Security Manager, but you cannot Start a New Return. The Admin user was created for setup and configuration purposes. The only modification you can make to this user is to add, change, or delete a password. (Password protection is recommended if you have multiple users.)

Guest

The Guest user is assigned to the *SuperUser* group, which has rights to all menu commands except Security Manager, Edit History List, and Tax Form Defaults.

The Guest user can be modified by adding, editing, or removing a password. Although this default user is used to create tax returns, it is recommended that you create unique user names if you have multiple preparers or other staff in your office.

Training

The Training user is assigned to the *Training* group, under which all practice returns can be submitted to the Training Electronic Filing Center. The Training user has limited access to the Refunds Today and can only prepare practice returns. (NOTE: In this mode you must use your EFIN as the last digits of any SSN/EIN.)

You can *add, remove, or change* a user's password or *change the group(s)* to which a user is assigned.

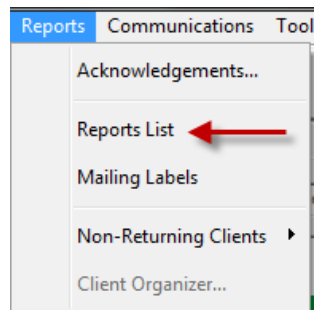
1. Log in to the program as **ADMIN**.
2. From the **Tools** menu, select **Utilities/Setup Assistant**.
3. From Utility window, select **Setup**, and then go to **Security Manager**.
4. Make sure you select the "**Users**" tab. (as opposed to "Groups")
5. Select the desired *User ID* and click **Modify**. (For this example we will use Admin.)
6. Enter a password for the Admin user.
7. Click **OK** to save your changes.
8. Click **OK** to exit *Security Manager*. (Repeat steps 4 - 7 if you want to edit another user.)

Also keep in mind that you can Add users or groups and make changes to areas they can access.

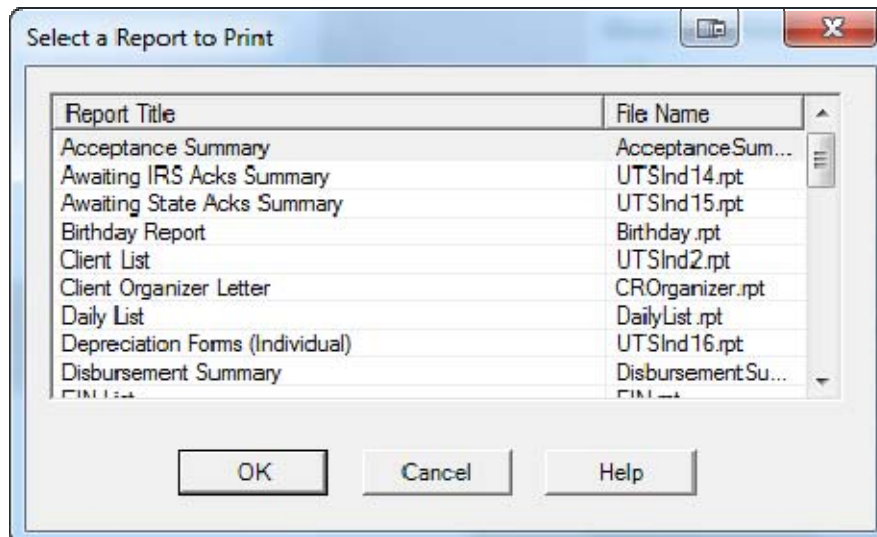
How to Run/Export Reports

Reports can be used to search and produce detailed information about your tax returns. The use of reports can facilitate office management, track tax returns, and look at bank product information. This is especially useful for checking on rejections or confirming an acceptance.

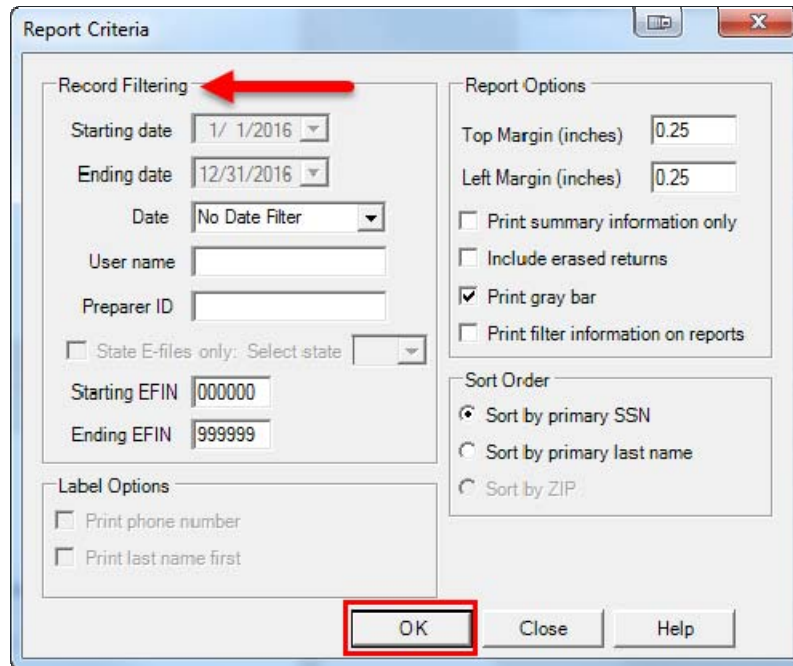
1. Click on 'Reports' from the menu options and then click on 'Reports List'.



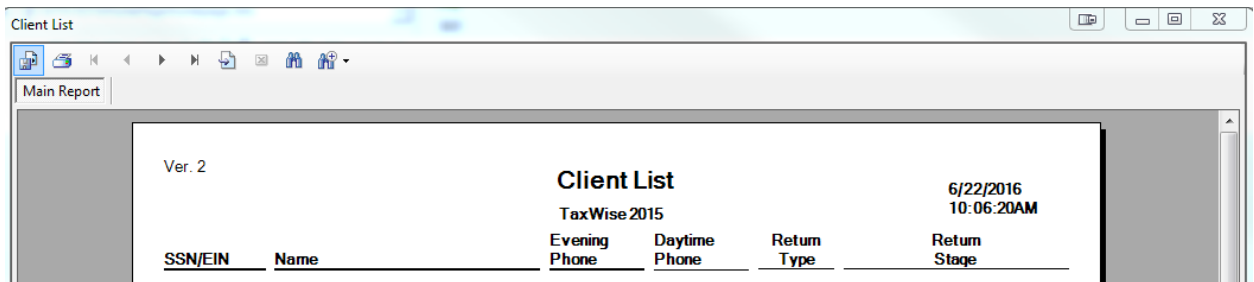
2. This will open the 'Select a Report to Print' window with a list of reports available. Once you have located the type of report that you want click 'OK'. (such as the *Client List*)




3. This will open the 'Report Criteria' selection box. We **do not** recommend altering any of the default settings unless you are looking for specific info. Simply click **OK**.

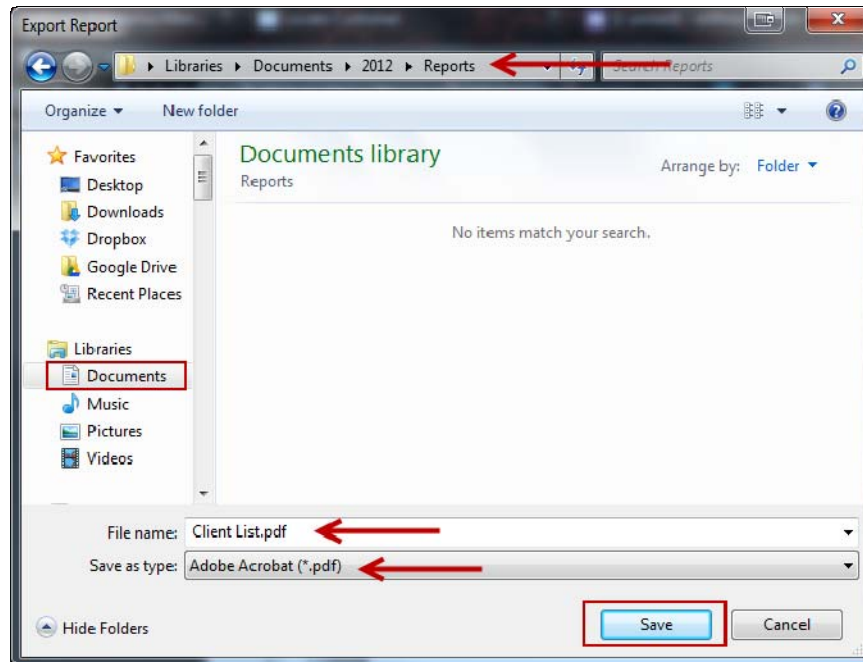


- The report then opens in a new window titled with the type of report [see below] displaying selected information ready to print (or export) and includes the **Reports toolbar** with different function buttons across the top of the report.

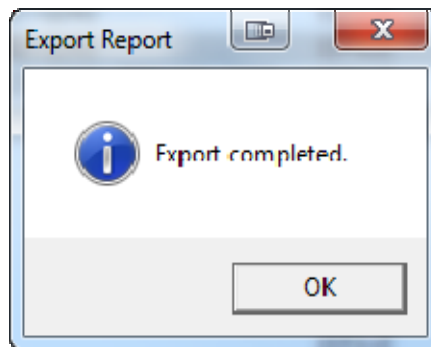



- The first function on the report toolbar is the **'Export Report'** function. This function allows you to export the report to a file format without having to print the report.

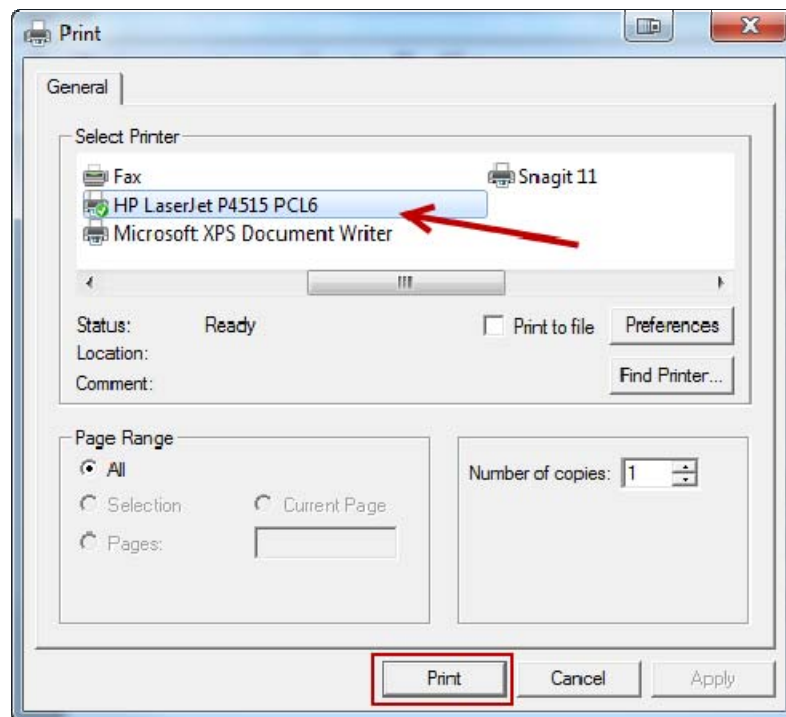
- Click on the **'Export Report'** icon.  This will open a window where you can select the location to save the file, change file name, and select the type of file [in this scenario we chose Adobe Acrobat (*.pdf), a common format used and that can be attached to emails]. Once all the necessary selections have been made click **'Save'**.



6. After you click 'Save' you should get an 'Export completed' message. Click on OK and you can easily verify by opening the document from the file location.



7. The next function in the Reports toolbar is the 'Print Report' function. Click the icon  and the 'Print' window is displayed with the printer, preferences, and number of copies to print. Once the selections have been made you can click 'Print' to send job to the printer.



- There are also other functions on the Reports toolbar, such as the arrows that allow you to go to the beginning page of the report or the last page of the report; as well as going back and forth one page at a time.
- You can also find specific text in the report such as a taxpayer's SSN [take into consideration that the field **does not** auto format meaning that you have to key in any additional characters and symbols needed].
- The last function is mainly an onscreen comfort function that allows you to alter the view of the report allowing the user to zoom in/out of the report

Returns Submitted and Awaiting IRS Acknowledgment - Make sure you transmit to the filing center to pick up the latest acknowledgement files and that you process the acknowledgement file(s).

- From the Main Page, click on **Reports > Reports List**
- Choose **Awaiting IRS Acks Summary** and Click **OK**
- Do not change the search criteria and Click **OK**
- Report will display all returns waiting for an IRS Acknowledgment

IMPORTANT - After getting and processing all your acknowledgements, if you see a return in this report that has a "Date Sent" more than 2 days ago, please contact customer service and we will assist you in re-transmitting the return.

Returns Submitted and Awaiting State Acknowledgment - Again, make sure you transmit and process your acknowledgements.

- From the Main Page, click on **Reports > Reports List**
- Choose **Awaiting State Acks Summary** and Click **OK**

- Do not change the search criteria and Click **OK**
 - Report will display and show all returns waiting for a State Acknowledgement
- IMPORTANT - State returns are **NOT** being transmitted until the Federal return is accepted. You will see a small 'lock' next to these returns. Once the Federal return is accepted, this 'lock' will disappear and the return will be queued for transmission. All States *with the exception of CA and MA* allow the ERO to "unlink" the Federal from the State return and submit separately.

Returns Rejected by the IRS or the Filing Center - Again, make sure you transmit and process your acknowledgements.

- From the Main Page, click on **Reports > Reports List**
 - Choose **Outstanding Rejected Returns** and Click **OK**
 - Do not change the search criteria and Click **OK**
 - Report will show all rejected returns from both the IRS and the filing center.
- Any reject code will be displayed in the last column. Detailed information on the specific reject, either IRS, State, or Filing Center, can be found in the acknowledgment reports printed for that day or by pressing CTRL-Q, searching for the SSN, and clicking on the Reject tab.

E-File Status and Federal E-File Summary - Again, make sure you transmit and process your acknowledgements.

- From the Main Page, click on **Reports > Reports List**
 - Choose **IRS Electronic Filing Summary** and Click **OK**
 - Do not change the search criteria and Click **OK**
 - Report will show the current E-File status of all returns in your system.
 - *As this may be a large report, you may want to export to Excel for sort functionality.*
- Use this report to review any return that you expect to have "IRS Accepted" under the E-File Status, but currently shows a different status. The final page of the report will provide you with a summary of all e-files created, accepted, and rejected.

State E-File Status - Again, make sure you transmit and process your acknowledgements.

- From the Main Page, click on **Reports > Reports List**
 - Choose **State E-File Status** and Click **OK**
 - Do not change the search criteria and Click **OK**
 - Report will show the current E-File status of State returns in your system.
 - *As this may be a large report, you may want to export to Excel for sort functionality.*
- Use this report to review any return that you expect to have "State Accepted" under the E-File Status, but currently shows a different status. The final page of the report will provide you with a summary of all State e-files created, accepted, and rejected.

Keyboard Shortcuts**Function Keys**

F1 - Display Help	Shift+F1 - IRS Instructions
F2 - Save Return	
F3 - Estimate	Shift+F3 - Un-Estimate
F5 - Calculator	
F6 - View 2nd Form	
F7 - Return Status	
F8 - Override Entry	Shift+F8 - Un-override Entry
F9 - Link Form	Shift+F9 - Remove Form
F10 - Close Form/Return	Shift+F10 - Add New Copy
	Ctrl+F10 - Add New Form
F11 - Insert Variable	Shift+F11 - Pause Timer
Alt+Insert - Insert a line	Alt+Delete - Delete a line
Alt+F1 - View Context-Sensitive Help	Alt+F9 - Sort Ascending
Alt+F10 - Sort Descending	Space Bar - Drop down list
Ctrl+Page Up - Previous Page/Form	Ctrl+Page Down - Next Page/ Form

Shortcut keys are combination keystrokes.

File Menu

Ctrl+N - Start a New Return	Ctrl+I - Apply for ITIN
Ctrl+O - Open Return	Ctrl+Y - Open Return by SSN/EIN
Ctrl+U - Change User	Ctrl+Q - Search/Query for Taxpayer

Edit Menu

Ctrl+F9 - Auto Link Depreciation Worksheet	Ctrl+Z - Undo Entry Text
Ctrl+Y - Redo	Shift+F8 - Unoverride
Ctrl+C - Copy Entry Text	Ctrl+X - Cut Entry Text
Ctrl+V - Paste Entry Text	Ctrl+Delete - Delete Entry Text
Ctrl+A - Select All	Ctrl+F - Find
Ctrl+F3 - Find Next	Ctrl+L - Replace
Ctrl+E - Go to Required Entry	Alt+Enter - Object Properties

Form Menu

Ctrl+F10 - Add Form/Display Form List	Shift+F10 - Copy This Form
Shift+F9 - Remove Form	

View Menu

Ctrl+Alt+W – Refunds Today Web	Ctrl+T - Show Forms Tree
Alt+F1 - Context-Sensitive Help	

Bank Menu

Ctrl+H - Print Checks	
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Tools Menu

Ctrl+D - Run Return Diagnostics	Ctrl+M - Make IRS e-files
Ctrl+B - Backup to Disk	Ctrl+R - Restore From Disk

NOTES
