**VITA THURSDAY TRAINING ANSWERS**

**SPECIAL VITA TOPICS**

**EXAMPLE 7:** Joe and Jane are both full-time students at Truman State University. Joe is claimed as a dependent by his parents, and Jane claims an exemption for herself.

Who is entitled to claim an education credit?

*Joe - Joe’s parents Jane - Jane*

**EXAMPLE 8:** The client is not claimed as a dependent on someone else’s return, and has the following form that details the amount of tuition and scholarship. How much is included in income? Are they eligible for an education credit? Note that the form has $8,000 billed and $10,000 in scholarships.

*In this case that the scholarship is greater than the tuition and books, hence, they have a taxable scholarship; books may reduce the amount of a taxable scholarship, thus:*

*$1,500 included in income.*

*They are not eligible for an education credit.*

**EXAMPLE 9:** The client is not claimed as a dependent on someone else’s return, and has the following Form 1098-T that details the amount of tuition and scholarship. How much is included in income? Are they eligible for an education credit? What else do we need to ask the client? Note that the 1098-T has $8,000 billed and $6,000 in scholarships.

*Note in this case that the tuition is greater than the scholarship, thus, they qualify for the education credit thus,*

*$0 in income*

*$2,500 qualifying for the American Opportunity Credit and $2,000 qualifying for the Lifetime Learning Credit*

*Note that books can reduce the amount of the taxable scholarship but can only increase the amount of the American Opportunity Credit.*

*Note that if the student is claimed as a dependent by her parents, that it is the parents (and not the student) who get the education credit.*

*Comment: do not be concerned with the details of the education credits, all we want you to be able to determine when the client qualifies – if he/she does, call a reviewer for help.*

**EXAMPLE 10:** For the following international students, determine the student’s taxable income. (Remember that the personal exemption amount is $4,050 , that the standard deduction is only available to taxpayers from India, the standard deduction for a single person is $6,300). For simplicity, also assume that the taxpayer has no book expenses or no withholdings unless otherwise indicated.

1. A student from India has salary income of $10,950, scholarships of $7,000, and tuition of $5,000.

*$2,600 - Salary of $10,950 plus the taxable scholarship (2,000) minus the personal exemption (4,050) minus the standard deduction (6,300) - note that a person from India gets the standard deduction*

1. A student from India has salary income of $10,950, scholarships of $4,000, and tuition of $5,000.

*$600 – Salary (10,950) minus the personal exemption (4,050) minus the standard deduction (6,300) - note that a person from India gets the standard deduction and there is no taxable scholarship in this case because tuition is greater than the scholarship*

1. A student from China has salary income of $10,950, scholarships of $5,000, and tuition of $7,500.

*$1,900 - under the US/China treaty, she can exclude $5,000 in salary income; thus, $5,950 minus her $4,050 exemption is taxable – note she has no taxable scholarship because her tuition is greater than her scholarship*

1. A student from China has salary income of $10,950, scholarships of $12,000, and tuition of $8,000.

*$1,900 - under the US/China treaty, she can exclude $5,000 in salary income. Thus, $5,950 minus her $4,050 exemption is taxable. There is a scholarship exclusion available under the US/China treaty. Therefore, the excess of her scholarship over her tuition of $4,000 is NOT taxable.*

1. A student from Hong Kong has salary income of $6,950.

*$2,900 - note that the US/China treaty does not apply to HK; thus, she does not receive a salary exclusion; thus, her taxable income is $6,950 minus her personal exemption of $4,050.*

1. A student from Vietnam has salary income of $7,950, scholarships of $10,000, and tuition of $8,000.

*$5,900 - no treaty, hence, taxable income is $7,950 minus the personal exemption of $4,050. The excess of her scholarship over tuition of $2,000 is also taxable.*

**EXAMPLE 11:** Determine if the individuals in the following situations qualify for the Missouri Property Tax Credit and what documentation is required if they receive the credit. Note that TaxWise will calculate the credit if the taxpayer does qualify.

1. Rob is 25 years old and pays real estate taxes on his home that he owns.

*Rob does not qualify for the credit because he is 25 years old (not 65) and is not permanently disabled.*

1. Rob is 25 years old, disabled, and pays real estate taxes on his home that he owns.

*Rob qualifies for the credit because he is permanently disabled. He will need to provide a copy of a receipt for the property taxes paid.*

1. Lucy is 68 years old and pays rent on her apartment.

*Lucy qualifies for the credit because she is at least 65 years old. She will need to provide a copy of her rent receipt(s) and a signed letter from her landlord.*

1. Lucy is 68 years old and pays property taxes on her car.

*Lucy does not qualify for the credit because this credit does apply to taxes paid on personal property.*

1. Lucy is 68 years old and pays property taxes on her car and on her home that she owns.

*Lucy qualifies for the credit based on the property taxes paid on her home, not on the property taxes paid on her car as that is personal property. She will need to provide a copy of a receipt for the property taxes paid on her house.*

**VITA THURSDAY FAQ QUESTIONS**

\*Please note that all of these answers can be found on the FAQ Sheet on pages 2-4 in the Thursday Training materials.

1. What if a client pays alimony?
* Type “alimony”
* Select “Go to Form Alimony Paid now”
* Enter spouse's SSN and amount paid.
1. What if a client receives alimony?
* Type “alimony”
* Select “Go to Form Alimony Received now”
* Enter amount of alimony received.
1. What if the client says to you that she gave $500 to her church?
* **Call reviewer.**
1. What if the client has a form 1099-C?
* **Call reviewer.**
1. What if the client has a statement from a mutual fund informing her that she paid foreign taxes of $30?
* Type “1099”
* Select “Go to Form 1099-DIV now”
* Click “Begin” next to Interest or Dividend Income
* Select “Dividend Income, Form 1099-DIV”
* Enter the foreign tax paid found in Box 6 on the 1099.
1. What if the client wants to deduct moving expenses because she moved 5 miles from the south side of Kirksville to the north side?
* No deduction.
1. What if the client moved from Kansas to Kirksville in order to take a new job?
* Type “3903”
* Select “Go to Form 3930 now”
1. What if the client thinks she qualifies for an energy credit?
* **Call reviewer.**
1. What if the client has a form 1099-MISC?
* This is self-employment income.
* **Call reviewer.**
1. What if the client has child care expenses?
* Type “2441”
* Select “Go to Form 2441 now”
1. What if the client brings in form 1099-G?
* This is unemployment compensation.
* Type “1099g”
* Select “Go to Form 1099-G, Box 1 now”
1. What if the client has Social Security Benefits?
* Type “ssa 1099”
* Click “Go to Form SSA-1099 now”
1. What if the client has Pension Income?
* Type “1099-R”
* Select “Go to Form 1099-R now”
* Make sure the schedule exactly matches the 1099R.
1. What if the client provides proof of real estate taxes paid?
* Within the Missouri state section, click “Begin” next to Credits
* Click “Begin” next to Property Tax Credit Information (Form MO-PTS)
1. What if the client has mortgage interest expense?
* Itemized Deduction
* **Call Reviewer.**
1. What if the client has information for student loan interest paid?
* Only deductible if **not** claimed as a dependent by parents.
* Type “Student”
* Click “Go to Form Student Loan Interest now”
1. What if a client has information about the insurance mandate?
* **Call Reviewer.**
1. What if a client asks about Obamacare?
* **Call Reviewer.**
1. What if a client asks about the Affordable Care Act?
* **Call Reviewer.**
1. What if the client asks you for your phone number?
* Are they cute?
* If yes, give them your number.