**THURSDAY VITA TRAINING**

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**CHINESE PROVERB:** “Tell me, I’ll forget. Show me, I may remember. But involve me and I’ll understand.”

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Note: If you did not attend the Basic training and you want a review of basic topics, such as filing status and dependent qualifications, please go to the BAP website.

**\*\*\*Bring this training packet with you to the Sunday training AND the Saturday filing date.\*\*\***

**PART I: CLIENT DOCUMENTS**

|  |  |
| --- | --- |
| 1040 | Individual Tax Return-all US citizen and resident aliens  |
| 1040 NR | Individual Tax Return-International Student  |
| 1095-A | Health Insurance Marketplace Statement  |
| 1095-B | Health Insurance from Individual Market or Government Plan |
| 1095-C | Health Insurance from Applicable Large Employer |
| 1098-E | Student Loan Interest Statement  |
| 1098-T | Tuition Statement  |
| 1099-C | Cancellation of Debt |
| 1099-DIV | Dividends and Distributions  |
| 1099-G | Unemployment Compensation  |
| 1099-INT | Interest Income |
| 1099-MISC | Self-employment Income and Other Miscellaneous Income |
| 1099-OIT | Early withdrawal of savings |
| 1099-Q | Qualified Education Programs (529 plan) |
| 1099-R | Distribution from Pension, Annuities, IRAs, Insurance Contracts, etc |
| 1099-SA | Health Savings Account |
| 5498-SA | Health Savings Account |
| SSA-1099 | Social Security Benefit Statement  |
| W-2 | Wages and Tax Statement |

**PART II: SPECIAL VITA TOPICS**

**a. SCHOLARSHIPS:** the general rule of scholarships **FOR ALL STUDENTS** is as follows:

**Exclude** scholarships if **all** of the following conditions are met:

* The taxpayer is seeking a degree
* The money is used for tuition, books, etc. **(NOT for lodging and meals)**
* The taxpayer is not expected to render any service in return. (Note: “**Scholarship hours**” worked by students at Truman **ARE** taxable but are reported on a W-2).

Scholarships in excess of tuition and books are taxable income. In other words:

* Scholarship **>** Tuition, books, etc. 🡪 The excess scholarship is taxable
* Scholarship **<** Tuition, books, etc. 🡪 May be eligible for a credit (see below)

**b. EDUCATION TAX CREDITS:**

There are two credits for education expenses. One is the American Opportunity Credit and the other is the Lifetime Learning Credit. Both credits cannot be used for the same student.

**Note:** Many of our clients will NOT qualify for this credit because they are dependents of their parents (for most Truman students, their parents would qualify for the credit but the student would not qualify) or are international students. *As the choice between the two credits is somewhat complex, if you have a client you believe qualifies for the education credit,* ***call a reviewer for assistance***.

**EXAMPLE 7:** Sheldon and Leonard are both full-time students at Truman State University and have qualified education expenses of $6,500 and scholarships of $5,500. Sheldon is claimed as a dependent by his parents while Leonard is not claimed as a dependent on anyone else’s tax return. Who is entitled to claim an education credit in both cases?

**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 qualified educational expenses and scholarships. How much is included in income? Is the client eligible for an education credit?



10,000

8,500

**EXAMPLE 9:** The client is not claimed as a dependent on someone else’s return, and has the following form that details the amount of qualified educational expenses and scholarships. How much is included in income? Is the client eligible for an education credit?



6,000

8,500

**c. INTERNATIONAL ISSUES:**

In general, US citizens and residents (i.e. those with a green card) are taxed on worldwide income. Non citizen/residents are taxed ONLY on US income. Note the following special rules:

* 1. A non-resident with a citizen/resident spouse will be treated as a resident **IF** they file a joint return.
	2. Non-residents with a tax liability file Form 1040NR. If the client does not have any tax liability for the current year and therefore does not need to mail in paper tax forms, we will have them fill out Form 8843 and mail it to the IRS.
	3. Generally, non-residents **are not** entitled to the following:
		1. Head of household filing status
		2. Married-Joint filing status
		3. Education credits
		4. Dependent care credits (unless the child is a US citizen)
		5. Standard deduction (there is an exception for citizens of India under the US-India tax treaty)
			1. Don’t worry, TaxSlayer knows this.
		6. Earned income tax credit
	4. Persons in the US on a student visa **are not** subject to FICA taxes. Often employers do not know this and will withhold FICA taxes anyway**. If you see an international student with a W-2 that shows FICA tax withheld, call a reviewer and we will explain to the student how to get a refund of FICA taxes.**
	5. Recall that the general rule of scholarships **FOR ALL STUDENTS** is as follows:

**Exclude** scholarships if the following conditions are met:

* The taxpayer is seeking a degree
* The money is used for tuition, books, etc. **(NOT for lodging and meals)**
* The taxpayer is not expected to render any service in return. (Note: “**Scholarship hours**” worked by students at Truman **ARE** taxable).
	1. By tax treaty, some student wages and scholarships (for undergraduate study, unless otherwise specified) are exempt; please see the table on the next page.

**Tax Treatment of International Students (Pub 901 and 4011)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Maximum****Presence** | **Salary****Exclusion** | **Scholarship****Exclusion** | **Comments** | **Treaty Article** |
| Bangladesh | 2 years | $8,000 | No limit |  | 21(2) |
| Belgium | No limit | $9,000 | N/A |  | 19(1)(b) |
| Bulgaria | No limit | $9,000 | N/A |  | 19(1)(b) |
| China, People’s Republic of China | No limit | $5,000 | No Limit | Does not apply to Hong Kong | 20(c) – Salary20(b) – Scholarship |
| Cyprus | 5 years | $2,000 | No Limit |  | 21(1) |
| Czech Republic | 5 years | $5,000 | No Limit |  | 21(1) |
| Egypt | 5 years | $3,000 | No Limit |  | 23(1) |
| Estonia | 5 years | $5,000 | No Limit |  | 20(1) |
| France | 5 years | $5,000 | No Limit |  | 21(1) |
| Germany | 4 years | $9,000 | N/A | Salary | 20(4) |
| No Limit | N/A | No Limit | Scholarship | 20(3) |
| Iceland | 5 years | $9,000 | No Limit |  | 19(1) |
| Indonesia | 5 years | $2,000 | No Limit |  | 19(1) |
| Israel | 5 years | $3,000 | No Limit |  | 24(1) |
| Kazakhstan | 5 years | N/A | No Limit |  | 19 |
| Korea, South | 5 years | $2,000 | No Limit |  | 21(1) |
| Latvia | 5 years | $5,000 | No Limit |  | 20(1) |
| Lithuania | 5 years | $5,000 | No Limit |  | 20(1) |
| Malta | No limit | $9,000 | N/A |  | 20(2) |
| Morocco | 5 years | $2,000 | No Limit |  | 18 |
| Netherlands | No Limit | $2,000 | N/A | Salary | 22(1) |
| 3 years | N/A | No Limit | Scholarship | 22(2) |
| Norway | 5 years | $2,000 | No Limit |  | 16(1) |
| Pakistan | No limit | $5,000 | No Limit |  | 13(1) |
| Philippines | 5 years | $3,000 | No Limit |  | 22(1) |
| Poland | 5 years | $2,000 | No Limit |  | 18(1) |
| Portugal | 5 years | $5,000 | No Limit |  | 23(1) |
| Romania | 5 years | $2,000 | No Limit |  | 20(1) |
| Russia | 5 years | N/A | No Limit |  | 18 |
| Slovak Republic | 5 years | $5,000 | No Limit |  | 21(1) |
| Slovenia | 5 years | $5,000 | No Limit | Can apply to graduate school | 20(1) |
| Spain | 5 years | $5,000 | No Limit |  | 22(1) |
| Thailand | 5 years | $3,000 | No Limit |  | 22(1) |
| Trinidad & Tobago | 5 years | $2,000 | No Limit |  | 19(1) |
| Tunisia | 5 years | $4,000 | No Limit |  | 20 |
| Ukraine | 5 years | N/A | No Limit |  | 20 |
| Venezuela | 5 years | $5,000 | No Limit | Can apply to graduate school | 21(1) |

**EXAMPLE 10:** For the following Truman students, determine the student’s taxable income. (Remember that the standard deduction is only available to taxpayers from India and that the standard deduction for a single person is $12,000). In the following examples, assume that the student is an unmarried undergraduate student. For simplicity, also assume that the taxpayer has no book expenses or 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. A student from India has salary income of $10,950, scholarships of $4,000, and tuition of $5,000.
3. A student from China has salary income of $10,950, scholarships of $5,000, and tuition of $7,500.
4. A student from China has salary income of $10,950, scholarships of $12,000, and tuition of $8,000.
5. A student from Hong Kong has salary income of $6,950.
6. A student from Vietnam has salary income of $7,950, scholarships of $10,000, and tuition of $8,000.

**d. DEPENDENT CARE CREDIT:**

To qualify for this credit, the following tests must be met:

1. The child-care expenditure must be for a qualifying person which is generally defined as **one** of the following:
	1. The taxpayer’s qualifying child under the age of 13 when expenses were incurred and for whom a dependency exemption can be claimed.
	2. The taxpayer’s spouse if physical or mentally unable to care for themself.
	3. The taxpayer’s dependent if disabled (regardless of age) – note that the gross income test is waived in this case.
2. The taxpayer must maintain the home in which they live.

1. The taxpayer (and spouse) must both have earned income. This rule is waived if the spouse is either disabled or a full-time student.
2. Payments must be made to another person that is not the taxpayer’s dependent, spouse, or parent of the qualifying person, for care for the qualifying person.
3. The taxpayer *must provide* tax information for the provider (social security number in the case of an individual or Employer Identification Number (EIN) in the case of a corporation). Note that in the case of a tax-exempt care provider such as a church, this tax information is not required.

**e. MISSOURI ISSUES:**

The following is a summary of the Missouri rules:

1. If a Missouri resident has income outside of Missouri, she will have to pay Missouri tax on her entire income. However, she may take a tax credit against Missouri taxes for out-of-state taxes paid. Note that this provision is not unique to Missouri.
2. **Missouri property tax credit:** The taxpayer must meet both of the following criteria:
3. In order to be a qualified taxpayer, the taxpayer must meet at least **one** of the following:
	1. Taxpayer or spouse is at least age 65
	2. Taxpayer or spouse is 100% disabled
	3. Taxpayer must be at least 60 and receiving surviving spouse social security benefits
4. They must pay real estate tax –OR– rent the homestead in which they live.

**NOTE:** Property tax paid on personal property do not qualify for the MO-PTC credit.

There is an income limit, *but TaxSlayer will detect this for you*.

Documentation required:

i. If renting, the taxpayer must provide a copy of their rent receipts and a signed letter from their landlord.

ii. If paying real estate taxes, the taxpayer must provide a receipt for property taxes paid.

**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 TaxSlayer will calculate the credit if the taxpayer does qualify.

1. Penny is 25 years old and pays real estate taxes on her home that she owns.
2. Penny is 25 years old, disabled, and pays real estate taxes on her home that she owns.
3. Raj is 68 years old and pays rent on his apartment.
4. Raj is 68 years old and pays property taxes on his car.
5. Raj is 68 years old and pays property taxes on his car and real estate taxes on his home that he owns.

**PART III: STATE RETURNS WE CANNOT E-FILE**

**(We will provide client with paper copy to mail.)**

California

Florida

Georgia

Kentucky (unless full-year resident, then we can e-file)

Louisiana

Mississippi

New Jersey

Rhode Island

Utah

Wisconsin

**PART IV: STATES with no income tax**

Alaska

Florida

Nevada

New Hampshire (taxes dividends & interest)

South Dakota

Tennessee (taxes dividends & interest)

Texas

Washington

Wyoming

**PART V: STATE ABBREVIATIONS**

|  |  |  |  |
| --- | --- | --- | --- |
| Alabama | **AL** | Montana | **MT** |
| Alaska | **AK** | Nebraska | **NE** |
| Arizona | **AZ** | Nevada | **NV** |
| Arkansas | **AR** | New Hampshire  | **NH** |
| California | **CA** | New Jersey | **NJ** |
| Colorado | **CO** | New Mexico | **NM** |
| Connecticut | **CT** | New York | **NY** |
| Delaware | **DE** | North Carolina | **NC** |
| Florida | **FL** | North Dakota | **ND** |
| Georgia  | **GA** | Ohio | **OH** |
| Hawaii |  **HI** | Oklahoma | **OK** |
| Idaho | **ID** | Oregon | **OR** |
| Illinois | **IL** | Pennsylvania | **PA** |
| Indiana | **IN** | Rhode Island | **RI** |
| Iowa  | **IA** | South Carolina | **SC** |
| Kansas  | **KS** | South Dakota | **SD** |
| Kentucky  | **KY** | Tennessee | **TN** |
| Louisiana  | **LA** | Texas | **TX** |
| Maine  | **ME** | Utah | **UT** |
| Maryland | **MD** | Vermont | **VT** |
| Massachusetts | **MA** | Virginia | **VA** |
| Michigan | **MI** | Washington | **WA** |
| Minnesota | **MN** | West Virginia | **WV** |
| Mississippi | **MS** | Wisconsin | **WI** |
| Missouri | **MO** | Wyoming | **WY** |

**PART VI: ADMINISTRATIVE DETAILS**

**a. EXPECTATIONS OF VOLUNTEERS**

* Volunteers should arrive **15 minutes** before their assigned shifts dressed in **appropriate business casual**. **DO NOT PARK IN FRONT OF VIOLETTE HALL.** These spaces are for clients.
* **Clients should be treated in a courteous manner at all times.**While it is true that we are providing them a free service, it is also true that they are giving us valuable experience. Therefore, it can be argued that we benefit more than they do.
* Volunteers are expected to conduct themselves in a **professional manner** at all times. All information from clients should be handled confidentially and professionally. Do not tell clients their refund or tax due. Reviewers will do that after reviewing the return.
* All volunteers **are required to bring their training materials** (Basic, Thursday, TaxSlayer Demonstration) on the filing date. If volunteers have any questions, they should attempt to find the answer themselves in their handout materials. If they are unable to do so within a reasonable time, they should ask one of the reviewers for help.
* Volunteers should **be prepared to stay beyond their shift** if it is necessary to finish a return. This is part of being a professional.
* As it cannot be predicted when and how many clients will come, volunteers should **bring something to study during slow periods**. During busy periods, volunteers should work diligently, but never rush.
* Due to security concerns, do not bring your phone when you go to prepare a client’s tax return. Leave your cell phone in the volunteer room.

**WE ARE INTERESTED IN QUALITY, NOT QUANTITY.** (Hurry up, but take your time).

**b. RESOURCES WHICH ARE AVAILABLE AT THE SITE:**

* 1. Reviewers for tax help and software questions
	2. Volunteer Coordinator in the volunteer room
	3. Graduate Students – to help with return assembly
	4. This handout and FAQ sheet (bring to the session with you).

**Please bring this handout with you to the other training sessions, as well as to your assigned shift. This is necessary for your certification test, and will help you during the filing session if you have any questions.**

**c. OVERVIEW OF PROCEDURE**

 **Room Assignment**

1424 – Client Greeted

 1428 – Assembly Process

 1404 – Volunteer Waiting Room

 1432 – Filing Room

1. **Volunteer arrives** at VH 1404, 15 min before beginning of shift, dressed in business casual, with their training and reference materials. Report to the volunteer coordinator.
2. **Client Greeted**

As clients arrive, a student greeter will meet them. The greeter will make sure clients have all necessary information, and assist the client in filling out an intake sheet. The greeter will assemble a folder for the client as well. Once the intake process is complete, the greeter will take the folder to VH 1404 (the volunteer waiting room) and ask the volunteer coordinator to review the documents for complexity and assign a volunteer to the return. The volunteer coordinator will introduce the client and volunteer.

1. **Preparation of Returns**
* Escort the client(s) to the computer room (VH 1432)
* Prepare the tax return using the TaxSlayer software.
* After the return is completed, ask a reviewer to review the return. After the return has been reviewed, the client will be informed of their refund (or tax due) and asked if they have any questions. Then the reviewer will give TaxSlayer print instructions and sign the client time card.
* Retrieve the return from the printer. Remember that many people will be using the same printer; hence, **it is very important that you get your client’s return only.**
* Take the return and escort the client to VH 1428 for assembly. The assemblers consist of graduate tax students who have been trained to compile the returns.
* Introduce the client to the assembly assistant and return to the waiting room for another client.
1. **After Finishing Return**

Return to VH 1404 and report to the volunteer coordinator.

1. **End of Shift**

Sign out in VH 1404 at the end of your shift and complete a survey about your experience. Your input will provide valuable information for future VITA improvements.

**PART VII: VITA POSITION DESCRIPTIONS**

**VP of VITA**

The VP of VITA is in charge of all of the logistics and volunteers of VITA. I will be available to answer all questions related to VITA.

**Volunteer**

Volunteers handle the frontline interactions with the clients. I arrive at VH 1404, dressed in business causal, 15 minutes before my shift begins and sign in with the volunteer coordinator. When assigned a client, the volunteer coordinator or his assistant takes me to meet the client. I then lead the client to VH 1432, where I enter all of the information into TaxSlayer while explaining the basics of the process to the client. When finished with the return, I raise my hand and wait patiently for the reviewer to come check the return. Once the return has been checked, the reviewer hands me the tax return and I escort the client to the assembly room. Here, I introduce the client to the assembly assistant and return to 1404 to await another client. I am assigned to work a 4 hour shift, but being a professional I will remain until released by the volunteer coordinator.

**Volunteer Coordinator**

The Volunteer Coordinator reviews the difficulty of the return and matchs the return with a volunteer of the appropriate skill level. I go over the client information with the volunteer and then introduce the volunteer to the client. If there is a large increase of clients, I will call the on-call volunteers after consulting with the VP of VITA.

**Social Greeter**

The Social Greeter is the first person to meet the client and introduces the client to the next part of the process. I can answer any simple questions the client may have about our service. I will give the client the appropriate intake sheet and start their client folder.

**Greeter**

The Greeter makes sure that the client has all of the necessary documentation (social security cards, W2s, etc). When the client has finished filling out the intake sheet, I explain the rest of the process to the client. Then, I enter the social security numbers into the computer at the front of the room and take the folder to the volunteer coordinator.

**Reviewer**

The Reviewer is the tax expert in VH 1432. If the volunteer has any questions while completing the return, they will ask me and I will know the answer or use my resources to find the answer. After the volunteer completes the return, I go through the return and double check the work of the volunteer. After I am satisfied, I print the return for the client and send the volunteer and client to the assembly room.

**Assembler**

The assembler puts together the client’s return. I also take all of the printed information and organize it for the client’s record. I tell the client what they need to mail in if they were not able to file electronically and where to mail the check if they have any tax due.

**Assembly Assistant**

The Assembly Assistant works in the assembly room. When the clients are brought in, I greet the clients and have them take a seat. I also keep track of the order in which the clients enter, being sure to keep an orderly line for the assemblers. I will make any copies that the assembler needs for the tax return. When I am not greeting new clients or making copies, I will make small talk with the clients. I also hand out the VITA survey to the clients.

**On-Call Volunteer**

On-call volunteers will be used if the site has a large influx of clients. If called in, I am expected to report to VH within 10 minutes, dressed in business casual. I am required to be on call for two hours. However, if I am called in, I will stay until the volunteer coordinator releases me.

***Go home and have a (root) beer (or an age appropriate drink) and be happy that you have done a good day’s work!***

**PART VIII: FAQ SHEET**

|  |  |
| --- | --- |
| 1099-C (Cancellation of debt) | * **Call reviewer.**
 |
| 1099-G  | * This is unemployment compensation.
* Type “1099-G”
* Select “Go to Form 1099-G, Box 1 now”
 |
| 1099-Misc Form  | * This is self-employment income.
* **Call reviewer.**
 |
| 1099-Q (529 Plans) | * A 529 plan is a qualified tuition program.
* **Call reviewer.**
 |
| SSA-1099 | * This is social security benefits
* Type “1099ssa”
* Click “Go to Form 1099SSA now”
 |
| Affordable Care Act | * **Call reviewer.**
 |
| Alimony, paid | * Type “alimony”
* Select “Go to Form Alimony Paid now”
* Enter spouse's SSN and amount paid.
 |
| Alimony, received | * Type “alimony”
* Select “Go to Form Alimony Received now”
* Enter amount of alimony received.
 |
| Capital gains | * **Call reviewer.**
 |
| Charitable contributions | * **Call reviewer.**
 |
| Child care expenses (dependent care credit) | * Type “2441”
* Select “Go to Form 2441 now”
* The client should have proper documentation from the care provider.
* Click “add a child care provider” in Step 1 to enter the provider’s information and total amount paid for child care expenses
* Allocate the total expense to dependents and/or qualifying persons (steps 2 and 3)
 |
| Dividend income (1099 Div) | * Type “1099div”
* Select “Go to Form 1099-DIV now”
* Click “Begin” next to Interest or Dividend Income
* Select “Dividend Income, Form 1099-DIV”
 |
| Early withdrawal of savings | * Type “early”
* Select “Go to Form Early Withdrawal Penalty now”
* Follow the 1099-INT or 1099-OID and enter the amount of the penalty.
 |
| Education credits | * Type “8863”
* Select “Go to Form 8863 now”
* **Call reviewer to determine which credit the client qualifies for.**
 |
| Educator expenses (K-12) | * Type “educator”
* Select “Go to Form Educator Expenses now”
* Enter the amount of qualified educator expenses.
 |
| Energy credit | * **Call reviewer.**
 |
| Foreign taxes (Form 1099-Div, Box 7) | * Type “1099div”
* 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 7 on the 1099.
 |
| Health savings account | * **Call reviewer.**
 |
| Health insurance premiums | * **Call reviewer.**
 |
| Insurance mandate | * **Call reviewer.**
 |
| Interest income (1099-INT) | * Type “1099i”
* Select “Go to Form 1099-INT now”
* Click “Begin” next to Interest or Dividend Income
* Select “Interest Income, Form 1099-INT”
 |
| IRA contributions | * If the client made contributions to IRA, may be able to claim a deduction.
* Type “IRAd”
* Select “Go to Form IRA Deduction now”
 |
| IRA distributions | * Type “1099r”
* Select “Go to Form 1099-R now”
* Make sure that the schedule exactly matches the 1099R.
 |
| Missouri property tax credit/rent rebate/property tax refund | * See detailed instructions on page 3 of the TaxSlayer instructions packet.
 |
| Mortgage Interest Expense | * Itemized Deduction
* **Call reviewer.**
 |
| Non-Missouri state taxes paid | * Within the Missouri state section, click “Begin” next to Credits
* Click “Begin” next to Credit for Income Taxes Paid to Other States
 |
| Obamacare | * **Call reviewer.**
 |
| Out of state income | * If the client lived in that state for any part of the year, **Call reviewer.**
* If the client did not live in that state for any part of the year, add that state’s return by clicking “Add Another State Return” and designate as non-resident
 |
| Pension | * Type “1099r”
* Select “Go to Form 1099R now”
* Make sure the schedule exactly matches the 1099R.
 |
| Sale of Stock | * **Call reviewer.**
 |
| Scholarships | * See “Tuition and Scholarship”
 |
| Self-employment income | * **Call reviewer.**
 |
| Social security benefits (SSA-1099) | * Type “1099ssa”
* Click “Go to Form 1099SSA now”
 |
| Student loan interest | * Only deductible if **not** claimed as a dependent by parents.
* Type “Student”
* Click “Go to Form Student Loan Interest now”
 |
| Tuition and scholarship – American students | * Scholarship > Tuition, books, etc. – The excess scholarship is taxable.
* Within the Federal Section, click “Income”, “Other Income”, “Other Compensation”, “Scholarships and Grants”
* Scholarship < Tuition, books, etc. – The taxpayer is eligible for a credit. **Call reviewer** for assistance.
 |
| Tuition and scholarship – International students | * Note that for international students, some scholarships are exempt. Please refer to page 6 of this packet for the list of scholarship exclusions by country.
* Scholarship > Tuition, books, etc. – The excess scholarship is taxable.
* Within the Federal Section, click “Income”, “Other Income”, “Other Compensation”, “Scholarships and Grants”
* If the scholarship is excluded –
* Do not include the scholarship as taxable income
 |
| Unemployment compensation | * Type “1099-G”
* Click “Go to Form 1099-G, Box 1 now”
 |
| W-2 | * Type “w2”
* Click “Go to Form W-2 now”
 |

**Thursday VITA Training Answers**

**EXAMPLE 7:** Sheldon and Leonard are both full-time students at Truman State University and have qualified education expenses of $6,500 and scholarships of $5,500. Sheldon is claimed as a dependent by his parents while Leonard is not claimed as a dependent on anyone else’s tax return. Who is entitled to claim an education credit in both cases?

*Sheldon – Sheldon’s parents*

*Leonard – Leonard (he is not claimed as a dependent by his parents)*

**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? Is the client eligible for an education credit?



10,000

8,500

***$1,500 included in income*** *($10,000 scholarships - $8,500 tuition & expenses)*

***Not eligible for an education credit*** *since scholarships > tuition and related expenses*

**EXAMPLE 9:** 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? Is he/she eligible for an education credit?



6,000

8,500

***$0 included in income*** *since scholarships ($6,000) < tuition and related expenses ($8,500)*

***Eligible for an education credit*** *since the client is not claimed as a dependent on someone else’s return*

**EXAMPLE 10:** For the following Truman students, determine the student’s taxable income. (Remember that the standard deduction is only available to taxpayers from India and that the standard deduction for a single person is $12,000). In the following examples, assume that the student is an unmarried undergraduate student. For simplicity, also assume that the taxpayer has no book expenses or withholdings unless otherwise indicated.

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$2,000*  |
| *Scholarship Exclusion* | *($0)* |
| *Salary* | *$10,950*  |
| *Salary Exclusion* | *($0)* |
| *(Standard Deduction)* | *($12,000)* |
| ***Taxable Income*** | ***$950*** |

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$0*  |
| *Scholarship Exclusion* | *($0)* |
| *Salary* | *$10,950*  |
| *Salary Exclusion* | *($0)* |
| *(Standard Deduction)* | *($12,000)* |
| ***Taxable Income*** | ***$0*** |

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$0*  |
| *Scholarship Exclusion* | *($0)* |
| *Salary* | *$10,950*  |
| *Salary Exclusion* | *($5,000)* |
| *(Standard Deduction)* | *($0)* |
| ***Taxable Income*** | ***$5,950***  |

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$4,000*  |
| *Scholarship Exclusion* | *($4,000)* |
| *Salary* | *$10,950*  |
| *Salary Exclusion* | *($5,000)* |
| *(Standard Deduction)* | *($0)* |
| ***Taxable Income*** | ***$5,950***  |

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$0*  |
| *Scholarship Exclusion* | *($0)* |
| *Salary* | *$6,950*  |
| *Salary Exclusion* | *($0)* |
| *(Standard Deduction)* | *($0)* |
| ***Taxable Income*** | ***$6,950***  |

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

|  |  |
| --- | --- |
| *Taxable Scholarship* | *$2,000*  |
| *Scholarship Exclusion* | *($0)* |
| *Salary* | *$7,950*  |
| *Salary Exclusion* | *($0)* |
| *(Standard Deduction)* | *($0)* |
| ***Taxable Income*** | ***$9,950***  |

**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 TaxSlayer will calculate the credit if the taxpayer does qualify.

1. Penny is 25 years old and pays real estate taxes on her home that she owns.

*No, because she isn’t at least 65 or disabled.*

1. Penny is 25 years old, disabled, and pays real estate taxes on her home that she owns.

*Yes, because she is permanently disabled and pays real estate taxes on her home she owns and occupies.*

*She will need to provide a copy of a receipt for the property taxes paid.*

1. Raj is 68 years old and pays rent on his apartment.

*Yes, because he is at least 65 years old and he pays rent for his home.*

*He will need to provide a copy of his rent receipts and a signed letter from his landlord. TaxSlayer also requires the landlord’s name, phone number, and address.*

1. Raj is 68 years old and pays property taxes on his car.

*No, because the car is personal property.*

1. Raj is 68 years old and pays property taxes on his car and real estate taxes on his home that he owns.

*Yes, but only for the taxes he pays on the home that he owns, not the car.*

*He will need to provide a copy of a receipt for the property taxes paid on his house*.

**VITA THURSDAY FAQ QUESTIONS**

\*Please note that all of these answers can be found on the FAQ Sheets in the Thursday Training materials.

1. What if the client says to you that she gave $500 to her church?
2. What if the client has a form 1099-C?
3. What if the client has a statement from a mutual fund informing her that she paid foreign taxes of $30?
4. What if the client thinks she qualifies for an energy credit?
5. What if the client has a form 1099-MISC?
6. What if the client has child care expenses?
7. What if the client brings in form 1099-G?
8. What if the client has Social Security Benefits?
9. What if the client has Pension Income?
10. What if the client provides proof of real estate taxes paid?
11. What if the client has mortgage interest expense?
12. What if the client has information for student loan interest paid?
13. What if a client has information about the insurance mandate?
14. What if a client asks about Obamacare?
15. What if a client asks about the Affordable Care Act?
16. What if the client asks you for your phone number?