

# VITA Volunteer Tax Training



# Tax Law Class Guidelines

- Questions:
  - – Will be answered immediately following the Break and at the end of the presentation
- IRS has not yet sent the 4012's and 6744's (certification test booklets)
  - – We will advise when they are available and make arrangement for picking them up
- Recording of the Tax Law sessions will be posted on the UW website.

# 2022 Tax Law Changes

- Tax Deadline is Tuesday April 18, 2023 due to Emancipation Day
- Form 1040 Changes
  - Added several new lines 1a to 1z to report more income items – Line 6c has a check box for lump-sum election for Social Security benefits

Form 1040, Schedule 1 expanded line 8 for more excluded income

- No Recovery Rebates!!
  - Child Tax Credit
    - – No advanced payments in 2022
    - – Credit amounts return to \$2,000 per eligible child
  - Many other 2021 temporary provisions have expired (enhanced age groups for EITC)
- Charitable contributions only apply if taxpayer itemizes

# Who Must File<sup>A-1</sup>

Single	Under 65	\$12,950
	65 or Older	\$14,700
Married Filing Jointly	Both under 65	\$25,900
	One under 65 and one over	\$27,300
	Both over 65	\$28,700
Married Filing Separately	Age does not matter	\$5
Head of Household	Under 65	\$19,400
	65 or Older	\$21,150
<u>Qualifying Surviving Spouse (QSS)</u>	Under 65	\$25,900
	65 or Older	\$27,300

# Who Must File

# Chart C A-3

- **Taxpayer Owes Special Taxes** – even if **gross income falls below the filing thresholds**, a return **must** be filed if any of the following apply:
  - – Net earnings from self-employment  $\geq$  \$400
  - – Taxpayer received non-qualified distributions from a retirement plan and owes tax on the distribution.
  - – Taxpayer owes money related to the recapture of certain credits including education credits and repayment of the first-time homebuyer credit.
  - – **Taxpayer receives an advanced premium tax credit to pay for health insurance.**

# Who Should File

# Chart D A-4

- Taxpayers who do not meet the gross income threshold should file in the following circumstances:
  - – File for a refund of federal income tax withheld or paid during the year
- – Taxpayer received Form 1099-B or Form 1099-S
  - – If a taxpayer's income or filing status makes him/her eligible for the certain refundable credits or payments, including but not limited to:
    - Earned income credit (EIC)
    - Additional child tax credit
    - Refundable American Opportunity Credit
    - Eligible for the Recovery Rebate Credit (2020 and 2021)
    - Senior citizens who are eligible to receive the NJ Property Tax Rebate (\$50)

# Mailing Address on Returns

- Be sure that the income tax return reflects the ***current*** mailing address for the client.
- This address may be different from the prior year or the address shown on government documents.
- Additional information may be needed for NJ State Return.

# Dependents • Claiming a Dependent C1

- A taxpayer cannot claim any dependents if he, or his spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- The person claimed as a dependent must be:
  - Unmarried (or if married, does not file a joint return).
  - A U.S. citizen, U.S. resident alien or U.S. national or a resident of Canada or Mexico.
- Special exceptions apply for adoption cases
- **Either a qualifying child or a qualifying relative.**



# Qualifying Child

- Be the taxpayer's child, stepchild, brother, sister, half brother, half sister, stepbrother, stepsister or descendant of any of them (i.e., niece, nephew, grandchild). • Adopted child
- Eligible foster child
- Be younger than taxpayer (or spouse) and either under age 19 or a full-time student under age 24 or
- Any age if totally and permanently disabled.
- Live with the taxpayer more than half the year. – Not provide more than half of his or her own support. – Not file a joint return (unless filed only to claim a refund). – Not be a qualifying child of another taxpayer with higher priority under the tie-breaker rules.

# Qualifying Child Tie Breaker Rules

<b>IF a child is the QC of more than one individual and:</b>	<b>THEN, the child is the QC of:</b>
Only one of the individuals is the <u>child's parent</u> ,	The parent.
Both parents (who do not file MFJ) claim the child as a QC,	The parent with whom the child lived the greater portion of the year.
Both parents (who do not file MFJ) claim the child as their QC and the child lived with each parent for the same amount of time,	The parent who had the higher AGI.
No parent can claim the child as a QC,	The individual who had the highest AGI.
A parent can claim the child as a <u>QC</u> but no parent does so,	The individual with the highest AGI, but only if that person's AGI is higher than the highest AGI of either of the child's parents. *For this test, if the parents file <u>MFJ</u> , <u>each</u> is treated as having half of the joint AGI.

# Special Rule for Non-Custodial Parents

- Person claiming qualifying dependent

Credit for other dependents	Child Tax Credit
Head of Household status	Earned Income Credit
Credit for Child and Dependent <u>Care Expenses</u>	Exclusion from income for <u>Dependent Care Benefits</u> (Box 10 on W-2)

- Noncustodial parent may be granted dependency of child on return – Signed Form 8332 or  
– Divorce decree before 2008 which states child can be claimed
- Noncustodial parent can claim Child Tax Credit and education benefits
- Custodial parent is still eligible for the EIC, Child and Dependent Care Credit and Exclusion from income for care benefits and HOH

# Qualifying Relative

- The person must:
- Not be the taxpayer's or anyone else's qualifying child.
- Either live with the taxpayer all year as a member of the household or be related to the taxpayer
- Child, stepchild, eligible foster child, grandchild or great grandchild, brother, sister, half-brother, half-sister,
- stepbrother or stepsister, father, mother, grandparent or other direct ancestor (but not foster parent), stepfather or stepmother, niece or nephew, aunt or uncle or brother-in-law, sister-in-law, father-in-law, mother-in-law, son-in-law or daughter-in-law.
- Have gross income less than \$4,400.
- The taxpayer must provide more than 50% of the person's total support for the year



**BREAK  
TIME !!**

# Filing Status

**B10-11**

- 5 Filing Status
  - – Single
  - – Married Filing Jointly
  - – Married Filing Separately
  - – Head of Household
  - – Qualifying Surviving Spouse

# Single

- Your filing status is single if, on the last day of the year, you are unmarried or legally separated from your spouse under a divorce or separate maintenance decree, and you do not qualify for another filing status.
- Widow(er) whose spouse died before 2022 is single unless he/she meets the tests for qualifying surviving spouse

# Married Filing Jointly

- Taxpayers may file jointly if on the last day of the year they are:
  - Married and living together
  - Married and living apart, but not legally separated or divorced
  - Separated under an interlocutory (not final) divorce decree
  - Living in a recognized common-law marriage
- \_ If Spouse died in 2022 then the survivor can file jointly with the decedent if one of the 4 tests above is met



# Married Filing Jointly

- Same Sex Couples can file jointly if they were legally married in a jurisdiction that recognizes their marriage.
- They do not need to live in a state that recognizes same-sex marriage to qualify for married filing jointly status.
- This status applies only for recognized marriages and not registered domestic partnerships, civil unions or other relationships under state law.

# Married Filing Separately

- Taxpayers married at the end of the year **may** file separately
- **Reasons to file separately**
  - No joint liability
  - In *limited* circumstances, couples may pay less tax

# Married Filing Separately (continued)

- • Negative Effects
- – Lost or Limited Credits including EIC, Credit for the Elderly, Child Care Credit, Adoption Credit and Education Credits
- – Lost Education Benefits including student loan interest, tuition and fees deduction and savings bond interest exclusion
- – Lost Standard Deduction – if one spouse itemizes then other spouse must also itemize
- – Social Security - greater % taxed
- – Other Limits - IRA deductions/contributions, Capital Loss deductions, Sale of Home gain exclusion, Passive Loss allowances and the AMT exemption

# Head of Household

- To qualify, the taxpayer must meet all of these tests:
- Taxpayer is a US citizen or resident for the entire year – Not married at year end or is considered unmarried – Paid more than 50% of the cost of keeping a home – Home was principal residence for more than  $\frac{1}{2}$  of the year for either:
  - Qualifying Child (see exceptions)
  - Qualifying Relative (see exceptions)

# Head of Household (continued)

- **Considered Unmarried if:**

- Taxpayer files separate return

- Taxpayer paid more than 50% of the cost of keeping up his/her home for the tax year

- The spouse did not live in the home during the last 6 months of the tax year

- Taxpayer's home was the main home for more than  $\frac{1}{2}$  of the year for his/her child, stepchild, adopted or foster child. (**Grandchildren do not qualify for this test**)

- Child must be a dependent or could be claimed as a dependent except the parent released the exemption to the noncustodial parent

# Cost of Keeping a Home

- Cost includes:
  - – Property taxes
  - – Mortgage interest expense
  - – Rent
  - – Utilities
  - – Repairs and Maintenance
  - – Property insurance
  - – Food consumed in the home
  - – Other household expenses

# Cost of Keeping a Home

- Cost does not include:
  - Clothing
  - Education
  - Medical expenses
  - Vacations
  - Life insurance
  - Transportation

# Qualifying Surviving Spouse

- **All** of the following must be met:
  - – Taxpayer's spouse died in 2020 or 2021 – Taxpayer was entitled to file a joint return in the year the spouse died
  - – Taxpayer did not remarry before 1/1/2023 – Taxpayer paid more than 50% of the cost of keeping his or her home
  - – Taxpayer's home was the ***main home for the entire year of the taxpayer's dependent child or stepchild***
    - • Does **not** include grandchildren or foster children



# Unique Filing Situations

- • Resident vs. non-resident alien –
  - Determination of filing status
  - – Apply dependency rules
- • Taxpayers in the U.S. on an F, J, M or Q visa
  - – Out of scope for VITA

# Resident vs. Nonresident Aliens

- Resident aliens are treated similar to U.S. citizens
  - Filing status and dependency rules
- – Taxation on worldwide income
- Nonresident aliens
  - File Form 1040 NR
  - Typically refugees, students, teachers, trainers or undocumented immigrants
  - Out of scope for VITA

# Tax Identification Numbers

- Each person listed on an individual income tax return must have:
  - SSN (Social Security Number)
  - ITIN (Individual Tax Identification Number)
  - ATIN (Adoption Taxpayer Identification Number)
- Taxpayers with ITINs (ITIN's all start with a 9) may have a Form W-2 with a different SSN
  - Use ITIN for primary number and enter Form W-2 information exactly as prepared
  - Taxpayer is not eligible for Earned Income Credit
  - If Social Security card says VALID FOR WORK ONLY WITH INS OR DHS AUTHORIZATION, then may claim EIC if otherwise qualify
- Dependents with ITIN not eligible for Child Tax Credit