

Advanced Tax Law Study Guide

Advanced Scenario 1: Karen White

1. Remember entering the filing status wrong can have a huge impact on the outcome. Please USE YOUR DECISION TREE on PUB 4012 page B-8 and tables B-9 through 10 as appropriate. Follow from the top-don't skip a step.
 2. Think about YOUR client and THEIR situation—what are we concerned with? And what is this question asking you specifically?
 - a. You can easily go to PUB 4012 table on page D-1 OR Pub 4491 page 15-1 to find the answer and learn more
 - b. **But I bet you have more questions on this client's situation.** Information on the 3rd Stimulus payments is not really provided in PUB 4012 or PUB 4491 except how to enter and who is eligible. For all the other types of questions that might come up, visit this link where the IRS has been addressing all kinds of questions that have come up [irs.gov/newsroom/questions-and-answers-about-the-third-economic-impact-payment-topic-a-general-information](https://www.irs.gov/newsroom/questions-and-answers-about-the-third-economic-impact-payment-topic-a-general-information) **You might want to look at FAQ, Topic H page just for fun and better understanding.**
 3. See the note in PUB 4012 page E-1
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Advanced Scenario 2: Paul and Maggie Thomas

4. The best place to find this information is [irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-c-calculation-of-the-2021-child-tax-credit](https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-c-calculation-of-the-2021-child-tax-credit) See Question QC1 There are tons of FAQs on this topic on this page for those that want to learn more—we will see quite a few questions on these topics this year.
5. Whether you are a NEW or RETURNING volunteer **PLEASE read the NEW Dependent Care rules & benefits—WOW!** See PUB 4012 pages G-10 through G-12. For this question—what is the question asking you specifically?

****On both these topics: Child Tax Credits for 2021 & Dependent Care Credit 2021 I have also put together some information on my site if you are interested: vitaresources.net/childdependentcredit**

Advanced Scenario 3: Carol Wheeler

- o HSA certification information was combined in the Advanced Certification about 2 years ago. I think that information is still helpful so I still keep my slide show from that practice class updated. Learn about HSA's vitaresources.net/hsa.html here (I took information from IRS Link&Learn and modified it so I hope is easier to understand.)
 - o I also recommend you look at an actual form to see what it looks like. [irs.gov/pub/irs-dft/f8889--dft.pdf](https://www.irs.gov/pub/irs-dft/f8889--dft.pdf)
 6. See also PUB 4491 page 17-13
 7. See the link above
 8. See the link above
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Advanced Scenario 4: Barbara Jacobs

9. PUB 4012 page C-1 through C-5 is the dependent section; read the overview pages then start on the first table and work through the tables (never go out of order)
10. PUB 4012 page I-2 through I-3, and PUB 4491 page 8

Advanced Scenario 5: Michael Block

If you want to learn about itemized deductions and what qualify go to PUB 4491 20-1 through 14—but don't even attempt to memorize—just know where to find 😊 ****With standard deductions being so high now, hardly any of our clients will itemize (but know where to find the information in case you have a possible one. PUB 4012 Tab F for how to enter in Taxslayer

11. See PUB 4012 page F-9; PUB 4491 page 2-6
12. See PUB 4012 page F-11 PUB 4491 page 20-11

Advanced Scenario 6: Sean Dennison

13. See PUB 4012 page A-1 (I refer to this page a lot for people)
14. See PUB 4012 pages I- 2 through 3 ****There have been some significant changes to EITC—Please review these changes—especially if you are a returning volunteer (See vitaresources.net changes tab)

Tip: Before you begin these next scenarios, read them carefully, they will cover a lot of different little situations to put as much stuff in one return as possible. So, don't rush. And don't just assume that you just type everything in. Like in real life, you must determine if they can claim the credits/adjustments etc. and if there is some more information you need to complete the return—so know your books and ask your teammates—once you do a few it will be easy peasy, I promise!

Advanced Scenario 7: Gilbert and Tara Washington

In this scenario:

- We have an elementary school teacher that had spent money on classroom supplies. Look in PUB 4012 page E-4 and see what are the requirements & do they meet it—you have to do this in real life—know where to find this in your book—flag it!
- You have a 1099-R with BLANK box 2a. This is a special type of situation See PUB 4012 pages D34-37* vitaresources.net/retirement.html
- Cancellation of Debt PUB 4012 pages D60-62
- Various Gambling Winnings & Losses Learn about them here PUB 4012 page D-53 and F-3 and F-11
- Higher Education expenses for son. See PUB 4012 Section J refers to the Education section—types of credits, qualifications, allowable expenses and how to enter.
 - Received the third Economic Impact Payment (EIP3)

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119	Distrib
1 Gross distribution \$ 18,485.00	2021	Form 1099-R	Pension R Profit-Sh IRA C
2a Taxable amount \$	2b Taxable amount not determined <input checked="" type="checkbox"/>	Total distribution <input type="checkbox"/>	
3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 1,849.00		inc n fed tax b
5 Employee contributions/ Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		This ben
7 Distribution code(s) 7	8 Other \$	9a Your percentage of total distribution %	
9b Total employee contributions \$ 13,500.00			
14 State tax withheld \$	15 State/Payer's state no. %	16 St	

Take your time, refer to the interview notes AND the intake form—have fun entering the return! My favorite part! Now print your return as a PDF and review it, and these questions:

Continued.....

Advanced Scenario 7: Gilbert and Tara Washington Continued...

15. See your 1040 Line 5b
16. See your 1040 Line 6b
17. See your Schedule 1 (Line 10) which also carries over to the 1040 Line 8
18. Review the section on Educator Expenses PUB 4012 page E-4
19. See PUB 4012 page F1-2 (see page 2-2 Standard Deduction for People Born Before 1/2/1957.
20. What did you enter as education expenses? See Form 8863 Line 27
21. Look at the return you did. Do you see these credits on the 1040 OR Schedule 3? Make sure to review line by line and look to see if there are any checkboxes marked next to any dependents. **TIP: If you want to learn more about the differences of each of these credit, go to PUB 4012 (G10-14 for Dependent Care, For Advanced Child Tax Credit See PUB 4012 pages G2-G5, and for Credit for other dependents page G-6 of the PUB 4012)**
22. You can either calculate the total withholdings—amount of income tax the client paid to the IRS **during the tax year** like from a W2, or taken from Social Security or Retirement payments before the check was put into the clients bank account. OR there is a line on the 1040 where this is automatically calculated by what you have entered in the system. See Form 1040 Line 25d

Advanced Scenario 8: Cynthia Simon

In this scenario we have:

- Consolidated broker's statement. See PUB page D23-D26—**Tip: Don't get overwhelmed, get a highlighter and breakout all the forms you see, and all the data needs to be entered **a consolidated statement is just multiple forms as part of one report—do each form one by one in order, check them off as you do them so you don't miss one. Go in order and keep papers organized and in order**
- Self-employment: reported income from cash & 1099-NEC, expenses & mileage **See PUB 4012 D15-D22** or Read PUB 4491 section 9-1 through 9-16; **Tip: when looking at expenses—are they reasonable, ordinary, and necessary to run the business.**
- Early withdraw from retirement See PUB 4012 pages H4-H5
- Education Expenses See PUB 4012 Section J*5 like to share page J-f with volunteers and clients
- Payment of Student Loan Interest PUB 4012 page E-11

Continued.....

The image shows three screenshots of tax forms. The first is Form 1099-DIV (2021 Dividends and Distributions) with a total of 180.00. The second is Form 1099-B (2021 Proceeds from Broker and Barter Exchange) for Iowa Co. Common Stock, with a total of 2,000.00. The third is Form 1099-INT (2021 Interest Income) with a total of 1,400.00. Each form has a 'TOTALS' row at the bottom.

1a Total Ordinary Dividends	180.00
1b Qualified Dividends	0.00
1c Total Capital Gain Distributions (Includes 2b-2c)	0.00
2b Capital Gains that represent Unrecaptured Section 1223	0.00
2c Capital Gains that represent Collectibles	0.00
2 Nondividend Distributions	0.00
4 Federal Income Tax Withheld	0.00
5 Investment Expenses	0.00
6 Foreign Country or U.S. Possession	0.00
7 Cash Liquidation Distributions	0.00
8 Non-Cash Liquidation Distributions	0.00
9 Exempt Interest Dividends	0.00
10 Specified Private Activity Bond Interest	0.00
11 State	0.00
12 State Identification No.	
13 State Tax Withheld	0.00

Box	1a Date Acquired	1b Date Disposed	1c Proceeds	1d Cost or Other Basis	1e Gain or Loss
Iowa Co. Common Stock	01/01/2021	12/31/2021	2,000.00	0.00	2,000.00
TOTALS			2,000.00	0.00	2,000.00

1 Interest Income	1,400.00
2 Early Withdrawal Penalty	0.00
3 Interest on U.S. Savings Bonds and Treas.	0.00
TOTALS	1,400.00

- Marketplace Health Insurance PUB 4012 pages H12-H14**** **Watch these questions carefully!!!**

Advanced Premium Tax Credit (1095-A)

Are you required to repay all of the APTC received? In most cases, the answer is NO. ONLY answer YES if you were not considered lawfully present in the U.S. or you meet the Health Coverage Tax Credit criteria. Note: We will automatically calculate a full repayment of APTC when MAGI is greater than 400 percent of Federal Poverty Line.

Yes

No

Is your household income below 100% of the Federal poverty line, and do you meet all of the requirements under either "Estimated household income at least 100% of the Federal poverty line" or "Allen lawfully present in the United States"?

Yes

No

Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?

Yes

No

This question appears for all taxpayers with APTC:

This question is really asking: Is the taxpayer liable for unlimited APTC repayment?

Answer NO in most cases.

Only answer YES if all individuals on the tax return for whom APTC was paid:

- Are undocumented immigrants; or
- Were eligible for the Trade Adjustment Assistance Health Care Tax Credit (HCTC) (Out of Scope)

Answer YES in most cases in which household income is below 100% of the FPL.

Answer YES if:

Marketplace AND being Self-employed..

***If someone is self-employed and purchasing their own health insurance (since they don't have an employer or don't qualify for Medicare or other source) they can generally use part of what they spent on the premiums as an expense on the Schedule C See PUB 4012 PAGE E-5. The adjustment carries over to the Schedule 1 Line 17, which carried over to the Form 1040 Line 10—to reduce income before tax is calculated. Which is great!

With Marketplace, because their insurance is subsidized, and the client may not have been entitled to all of the subsidy they received or may have received less subsidy than entitled too, the IRS has said for VITA and TCE programs, that this out of scope (OOS) for VITA/TCE.

Note from the IRS VTA 2022-01: "For the purpose of answering the questions in this scenario, ignore the self-employed health insurance deduction and any scope issues it creates."

When you finish the return, print it as a PDF and review the return and all accompanying schedules. Then start the questions.

23. Look at your Schedule D-Capital Gains
24. Remember note from above: when looking at expenses—are they reasonable, ordinary, and necessary to run the business
25. PUB 4012 page E-11 (good news-you don't have to memorize this #, if you enter more on the actual tax return, the system will only use the allowed amount) Look on your printed Schedule 1 under adjustments (Line 21)
26. This number could easily be found on the Form 1095A or you can find it on your printed 8962
27. The question itself gives a hint to the correct education credit you should have selected when doing your data entry (make sure you know why that credit instead of the others for your own knowledge)—to find the dollar answer, look at Form 8863 that printed. So you know, the value goes from the 8863 to Schedule 3 Line 3, to the Form 1040 Line 20. That's a lot of movement!
28. See PUB 4012 pages H4-H5
29. PUB 4012 page K-12

Advanced Scenario 9: Richard Cook

In this scenario we have: W2 wages, interest, and daycare. And there is mention of Richard's Earned income for 2019. See **PUB 4012 page B-15** and I-1 to learn about why this information might be needed for some clients.

30. PUB 4012 pages B8 through B10
31. Look at the 1040, Line 11
32. If you are not sure which of these credits he is entitled to , you can read about them, or look at the tax return and see which credits are on the actual return. [Go to PUB 4012 \(G10-14 for Dependent Care, For Advanced Child Tax Credit See PUB 4012 pages G2-G5\)](#)
33. Look at your return, review Schedule 3
34. **See PUB 4012 page I-1 NOTE—Does he qualify?**
35. #35-my study guide gave guidance as to what to review for Dependent Care Credit for this scenario. Do not rely on the Form 2441 or tax schedules to provide your answer--there has been A LOT of changes to this credit this year. And Practice Lab hasn't updated their system for this YET

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