



MODULE 6: NONREFUNDABLE CREDITS

By the end of this module you will...

- Understand the Credit for Child and Dependent Care Expenses
- Understand the five qualifying tests for eligibility to claim the Credit for Child and Dependent Care Expenses
- Understand the form used to claim the credit, and where the credit appears on Form 1040

In this module...

Credit for the Elderly or the Disabled

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Retirement Savers Credit

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Module 6A: CREDIT FOR THE ELDERLY OR THE DISABLED

By the end of this module you will...

- Identify the purpose and limitations of the credit
- Understand who is able to claim the Credit for the Elderly or the Disabled
- Be able to recognize a Schedule R and a Physician's Statement
- Learn how to calculate the credit for the taxpayer
- Know how to record the credit on Form 1040 or Form 1040-SR



The Credit

What is the Credit for the Elderly or the Disabled?

- [The Credit for the Elderly or the Disabled](#) is a nonrefundable tax credit designed to reduce the tax burden for taxpayers who are:
 - 65 years of age or older
 - Unable to work due to a disability
- The amount of the credit is determined by the taxpayer's filing status, adjusted gross income (AGI), and the amount of their non-taxable income





Who Qualifies?

Who qualifies for the Credit for the Elderly or the Disabled?

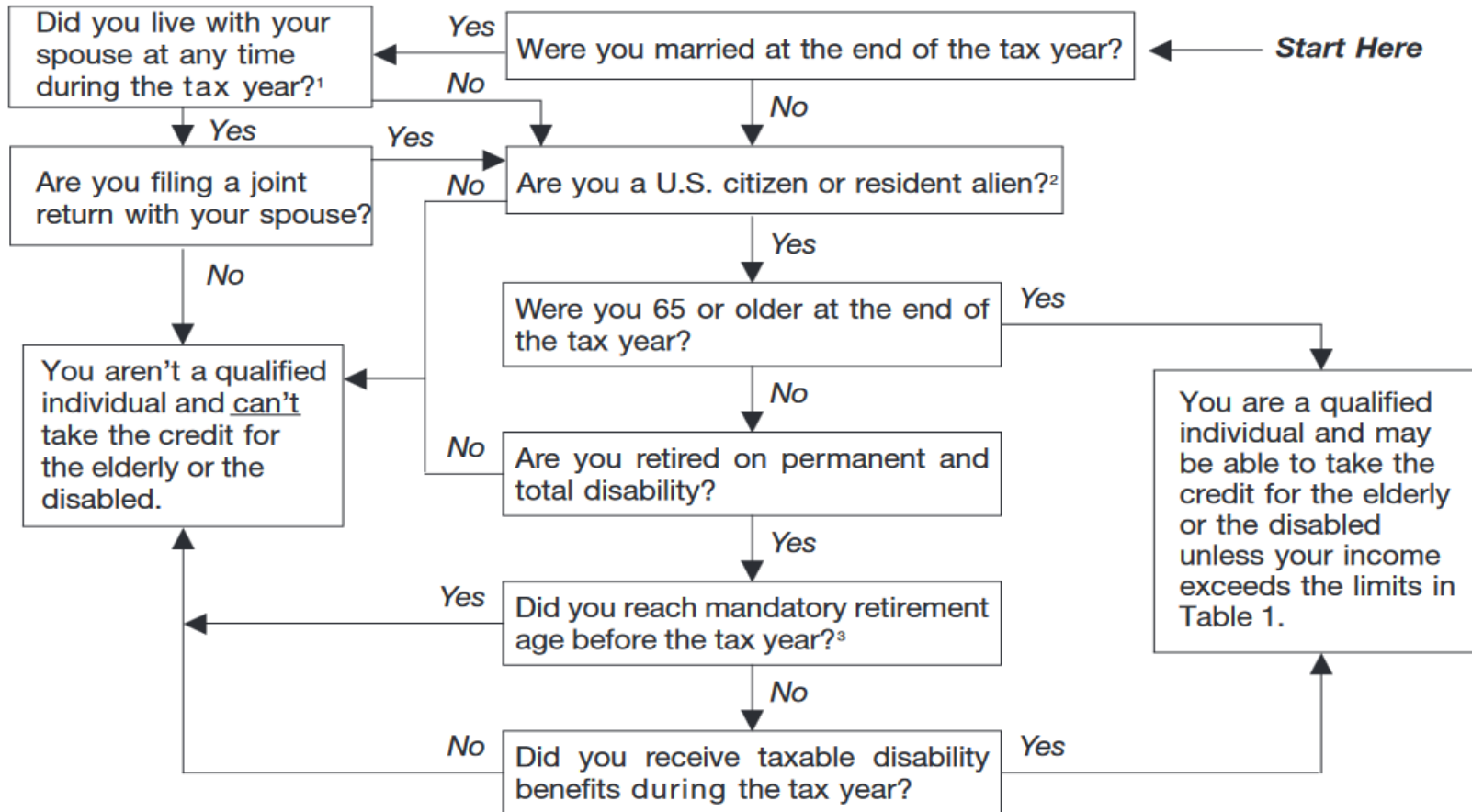
■ In order to qualify for this credit, a person must:

1. Be a U.S. citizen or resident alien, **and** either of the following:

- Age 65 or older at the end of the tax year; or
- Under age 65 at the end of the tax year, **and** all three of the following statements are true:
 1. Retired on permanent and total disability (explained later);
 2. Received taxable disability income for the tax year;
 3. On January 1st, had not reached mandatory retirement age (defined later under [Disability income](#)).

Who qualifies for the Credit for the Elderly or the Disabled?

- Publication 4012 provides a decision tree to help determine a taxpayer's eligibility to claim the credit:



Who qualifies for the Credit for the Elderly or the Disabled?

- Even if the taxpayer meets other requirements for this credit, **their income must be below certain levels** in order to qualify
- If the taxpayer's AGI and nontaxable benefits (including social security) are greater than the amount given for their filing status, they cannot take the credit.


IF your filing status is...	THEN, even if you qualify (see Figure A), you CAN'T take the credit if...	
	Your adjusted gross income (AGI)* is equal to or more than...	OR the total of your nontaxable social security and other nontaxable pension(s), annuities, or disability income is equal to or more than...
single, head of household, or qualifying widow(er)	\$17,500	\$5,000
married filing jointly and only one spouse qualifies in Figure A	\$20,000	\$5,000
married filing jointly and both spouses qualify in Figure A	\$25,000	\$7,500
married filing separately and you lived apart from your spouse for all of 2021	\$12,500	\$3,750

* AGI is the amount on Form 1040 or 1040-SR, line 11.

Examples

Example:

Ashley is a single taxpayer and a U.S. citizen. Ashley turned 65 on January 1st, and is retired. Ashley has an AGI of \$17,000 from interest and dividends and received \$12,000 in nontaxable social security throughout the year. Can she take the credit?

 No. Ashley received over \$5,000 in nontaxable social security benefits during the tax year, so she cannot take the credit.

Example:

Nick is head of household and is a U.S. citizen. Nick is retired on permanent and total disability, and turned 61. Nick received \$15,600 in nontaxable disability benefits and has an AGI of \$2,000 through interest and dividends. Can he take the credit?

 No. Nick did not receive any taxable disability benefits, so he cannot take the credit.

What to Look Out for on Intake Form 13614-C

- There are a few clues on IRS Form 13614-C: Intake, Interview & Quality Review that relate to this credit

- Part I, Box 4

4. Your Date of Birth

- Part I, Box 6

6. Last year, were you:

b. Totally and permanently disabled Yes No

- Part III, Boxes 10, 11 and 13

- | | | | |
|--------------------------|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11. (A) Retirement income or payments from Pensions, Annuities, and or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 12. (B) Unemployment Compensation? (Form 1099G) |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |



Physician's Statement

Providing a Physician's Statement

- If the taxpayer is on disability, they must provide a Physician's Statement
- If the physician determines that the taxpayer is A: disabled or will be disabled for a year, or B: is permanently disabled, then the taxpayer can take this credit for the tax year if they are otherwise qualified

Physician's Statement	
<p>I certify that _____ <u>Helen A. White</u> _____ <small style="margin-left: 200px;">Name of disabled person</small></p> <p>was permanently and totally disabled on January 1, 1976, or January 1, 1977, or was permanently and totally disabled on the date he or she retired. If retired after 1976, enter the date retired ▶ <u>November 1, 2021</u></p> <p>Physician: Sign your name on either A or B below.</p> <p>A. The disability has lasted or can be expected to last continuously for at least a year _____</p> <p style="text-align: right; margin-right: 50px;"><small>Physician's signature</small> <small>Date</small></p> <p>B. There is no reasonable probability that the disabled condition will ever improve _____</p> <p style="text-align: right; margin-right: 50px;"><u>Ayden D. Doctor</u> <u>2/8/22</u></p> <p style="text-align: right; margin-right: 50px;"><small>Physician's signature</small> <small>Date</small></p>	
<small>Physician's name</small> <u>Ayden D. Doctor</u>	<small>Physician's address</small> <u>1900 Green St., Hometown, MD 20000</u>

Source: [2021 IRS Publication 524](#)

Providing a Physician's Statement

- The [Department of Veteran's Affairs](#) can also make a disability determination with VA Form 21-0172
- The IRS does not need a copy of this statement, but it should be kept in the records of the taxpayer as it will be required by the IRS in the event of an audit
- This statement is only necessary if the taxpayer was not born before January 1st, 1954





Schedule R

Understanding Schedule R

Schedule R (Form 1040)
Credit for the Elderly or the Disabled
 OMB No. 1545-0074
 2021
 Attachment Sequence No. 16
 Department of the Treasury Internal Revenue Service (99)
 Go to www.irs.gov/ScheduleR for instructions and the latest information.
 Name(s) shown on return
 Your social security number

You may be able to take this credit and reduce your tax if by the end of 2021:
 • You were age 65 or older or • You were under age 65, you retired on permanent and total disability, and you received taxable disability income.
 But you must also meet other tests. See instructions.

TIP In most cases, the IRS can figure the credit for you. See instructions.

Part I Check the Box for Your Filing Status and Age
 If your filing status is: And by the end of 2021: Check only one box:

Single, Head of household, or Qualifying widow(er)	1 You were 65 or older	1	<input type="checkbox"/>
	2 You were under 65 and you retired on permanent and total disability	2	<input type="checkbox"/>
	3 Both spouses were 65 or older	3	<input type="checkbox"/>
	4 Both spouses were under 65, but only one spouse retired on permanent and total disability	4	<input type="checkbox"/>
Married filing jointly	5 Both spouses were under 65, and both retired on permanent and total disability	5	<input type="checkbox"/>
	6 One spouse was 65 or older, and the other spouse was under 65 and retired on permanent and total disability	6	<input type="checkbox"/>
	7 One spouse was 65 or older, and the other spouse was under 65 and not retired on permanent and total disability	7	<input type="checkbox"/>
Married filing separately	8 You were 65 or older and you lived apart from your spouse for all of 2021	8	<input type="checkbox"/>
	9 You were under 65, you retired on permanent and total disability, and you lived apart from your spouse for all of 2021	9	<input type="checkbox"/>

Did you check box 1, 3, 7, or 8? Yes → Skip Part II and complete Part III on the back. No → Complete Parts II and III.

Part II Statement of Permanent and Total Disability (Complete only if you checked box 2, 4, 5, 6, or 9 above.)

If: 1 You filed a physician's statement for this disability for 1983 or an earlier year, or you filed or got a statement for tax years after 1983 and your physician signed line B on the statement, and

2 Due to your continued disabled condition, you were unable to engage in any substantial gainful activity in 2021, check this box

- If you checked this box, you don't have to get another statement for 2021.
- If you didn't check this box, have your physician complete the statement in the instructions. You must keep the statement for your records.

Part III Figure Your Credit

10 If you checked (in Part I): Enter:
 Box 1, 2, 4, or 7 \$5,000
 Box 3, 5, or 6 \$7,500
 Box 8 or 9 \$3,750

11 If you checked (in Part I):
 • Box 6, add \$5,000 to the taxable disability income of the spouse who was under age 65. Enter the total.
 • Box 2, 4, or 9, enter your taxable disability income.
 • Box 5, add your taxable disability income to your spouse's taxable disability income. Enter the total.

12 If you completed line 11, enter the smaller of line 10 or line 11. All others, enter the amount from line 10

13 Enter the following pensions, annuities, or disability income that you (and your spouse if filing jointly) received in 2021:
 a Nontaxable part of social security benefits and nontaxable part of railroad retirement benefits treated as social security (see instructions) 13a
 b Nontaxable veterans' pensions and any other pension, annuity, or disability benefit that is excluded from income under any other provision of law (see instructions) 13b
 c Add lines 13a and 13b. (Even though these income items aren't taxable, they must be included here to figure your credit.) If you didn't receive any of the types of nontaxable income listed on line 13a or 13b, enter -0- on line 13c 13c

14 Enter the amount from Form 1040 or 1040-SR, line 11. 14

15 If you checked (in Part I): Enter:
 Box 1 or 2 \$7,500
 Box 3, 4, 5, 6, or 7 \$10,000
 Box 8 or 9 \$5,000

16 Subtract line 15 from line 14. If zero or less, enter -0- 16

17 Enter one-half of line 16 17

18 Add lines 13c and 17 18

19 Subtract line 18 from line 12. If zero or less, stop; you can't take the credit. Otherwise, go to line 20. 19

20 Multiply line 19 by 15% (0.15) 20

21 Tax liability limit. Enter the amount from the Credit Limit Worksheet in the instructions 21

22 Credit for the elderly or the disabled. Enter the smaller of line 20 or line 21. Also enter this amount on Schedule 3 (Form 1040), line 6d 22



Source: [Schedule R](#)

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Understanding Schedule R

- [Schedule R](#)

- Part 1

- Boxes 1 and 2 apply to Single or Head of household taxpayers
- Boxes 3-7 apply to taxpayers that are Married filing jointly
- Boxes 8 and 9 apply to taxpayers that are Married filing separately
- Only check the box that applies to the taxpayer in this part

- Part 2

- If Boxes 1, 3, 7, or 8 did not apply, meaning that the taxpayer is not 65 years or older, then the taxpayer must affirm that they are disabled
- If the taxpayer has not already done so, they must get a Physician's Statement

- Part 3

- In this part, the taxpayer must calculate the amount of their credit





Calculating the Credit

How do you calculate the Credit for the Elderly or the Disabled?

- The calculation for the credit begins by determining the initial amount of the credit for the taxpayer

IF your filing status is...	THEN enter on line 10 of Schedule R...
single, head of household, or qualifying widow(er) and, by the end of 2021, you were:	
• 65 or older	\$5,000
• under 65 and retired on permanent and total disability ¹	\$5,000
married filing a joint return and by the end of 2021:	
• both of you were 65 or older	\$7,500
• both of you were under 65 and one of you retired on permanent and total disability ¹	\$5,000
• both of you were under 65 and both of you retired on permanent and total disability ²	\$7,500
• one of you was 65 or older, and the other was under 65 and retired on permanent and total disability ³	\$7,500
• one of you was 65 or older, and the other was under 65 and not retired on permanent and total disability	\$5,000
married filing a separate return and you didn't live with your spouse at any time during the year and, by the end of 2021, you were:	
• 65 or older	\$3,750
• under 65 and retired on permanent and total disability ¹	\$3,750

¹ Amount can't be more than the taxable disability income.

² Amount can't be more than your combined taxable disability income.

³ Amount is \$5,000 plus the taxable disability income of the spouse under age 65, but not more than \$7,500.

Source: [2021 IRS Publication 524](#)

How do you calculate the Credit for the Elderly or the Disabled?

- The example provided shows the calculation for tax year 2021 for James, who is single, under age 65, and on complete disability. His AGI is \$13,100

1.	Initial amount based on filing status	\$5,000
2.	Taxable disability pension	\$13,000
3.	Initial amount (smaller of line 1 or line 2)	\$5,000
4.	Nontaxable social security benefits	\$700
5.	Excess adjusted gross income (\$13,100 – \$7,500) ÷ 2	\$2,800
6.	Add lines 4 and 5	\$3,500
7.	Subtract line 6 from line 3 (Don't enter less than -0-.)	\$1,500
8.	Multiply line 7 by 15% (0.15)	\$225
9.	Enter the amount from the Credit Limit Worksheet—Line 21 in the Instructions for Schedule R	\$56
10.	Credit (Enter the smaller of line 8 or line 9.)	\$56



Reporting on Form 1040 or Form 1040-SR

How does this credit apply to Form 1040?

- The [Schedule R](#) form must be attached to [Form 1040](#).
- If the credit was calculated using Part III of Schedule R:
 - You can report the Credit on Schedule 3, line 6d

5	Residential energy credits. Attach Form 5695		5
6	Other nonrefundable credits:		
a	General business credit. Attach Form 3800	6a	
b	Credit for prior year minimum tax. Attach Form 8801	6b	
c	Adoption credit. Attach Form 8839	6c	
d	Credit for the elderly or disabled. Attach Schedule R	6d	
e	Alternative motor vehicle credit. Attach Form 8910	6e	

- This credit is nonrefundable. It can only be used to reduce the amount of income tax paid



Re-Cap

Re-Cap

- The Credit for the Elderly and the Disabled is a nonrefundable tax credit that reduces the tax burden on individuals who are over age 65 or on total and permanent disability.
- Taxpayers over age 65 or who are on permanent and total disability can qualify for this credit as long as they are not married and filing separate returns with their spouse who lived with them, and their income does not go above certain limits.
- If the taxpayer is not over age 65, but is on permanent and total disability, they will need to procure a Physician's Statement.
- In order to claim this credit, the taxpayer must fill out Schedule R. This form will determine the taxpayer's eligibility in Part I, certify that they filled out the Physician's Statement if necessary in Part II, and allow the taxpayer to calculate their credit amount in Part III.
- Once the taxpayer has completed Schedule R, this form must be attached to Form 1040 in order to claim the credit.

Knowledge Check

Additional Resources:

- [IRS Publication 524](#)
- [IRS Instructions for Schedule R](#)
- [IRS Publication 4012 \(G14-16\)](#)
- [IRS Publication 17 \(Ch. 33\)](#)
- [IRS Publication 554 \(Ch. 5\)](#)

Up Next...

Module 6C: Retirement Savers Credit



Module 6B: RETIREMENT SAVERS CREDIT

By the end of this module you will...

- Know what the Retirement Savings Contribution Credit is
- Know what the benefits of the Retirement Savings Contributions are
- Understand who is eligible
- Know what kind of Retirement savings available for credit
- Know the amount of credit you could receive
- Know how to claim the credit



What is the Retirement Savings Contribution Credit?

Retirement Savings Contribution Credit

- A credit to help low- and moderate-income workers save for retirement.
- Also known as the “Savers Credit”
- Non-refundable tax credit
 - Example:
 - Potential Savers Credit = \$100
 - Income Tax Liability = \$40
 - Net Tax Overpayment/Liability = \$0
 - Final Saver’s Credit = \$40





What are the Benefits?

Benefits

- The saver's credit can increase the refund or reduce the taxes owed
- Helps offset part of the amount workers voluntarily contribute to their retirement accounts
- Taxpayers have up until the due date of their tax return to contribute to the plan and still have it qualify for that tax return year.



When filing a 2021 tax return, taxpayers have until April 18, 2022 to make a 2021 contribution



Who is Eligible?

Eligible Taxpayers

- People older than 18
- Not a full-time student
- Not claimed as a dependent on another person's tax return
- Adjusted gross income (AGI) less than \$33,000 (\$49,500 if head of household; \$66,000 if married filing jointly)





Are your Retirement Savings Eligible for Credit?



How Much is the Credit Worth?

Amount of Credit

- The amount of the credit is 50%, 20% or 10% of retirement plan or IRA contributions up to \$2,000 (\$4,000 if married filing jointly), depending on adjusted gross income, making the maximum credit \$1,000 (\$2,000 if married filing jointly).
- Distributions from your retirement account during the past three years reduce the amount of qualified contributions used to compute the credit.

Credit Rate	Married Filing Jointly	Head of household	All other Filers (Single, married filing separately, or qualifying widow(er))
50% of your Contribution	AGI not more than \$39,500	AGI not more than \$29,625	AGI not more than \$19,750
20% of your Contribution	\$39,501 - \$43,000	\$29,626 - \$32,250	\$19,751 - \$21,500
10% of your Contribution	\$43,001 - \$66,000	\$32,251 - \$49,500	\$21,501 - \$33,000
0% of your Contribution	More than \$66,000	More than \$49,500	More than \$33,000



How is the Credit Claimed?

Claiming the Credit

- Complete [Form 8880](#) and attach it to their tax return

- Did the taxpayer take a distribution from their retirement account? If so, the income may be taxable for which Form 1099-R would be given to the taxpayer.

- Example:
 1. Receive W-2
 2. Look at box 12d for their contribution amount
 3. Fill out Form 8880
 4. Attach Form 8880 to their tax return





Re-Cap

Re-Cap

- Retirement Savings Contribution Credit, or Saver's Credit, can be very helpful to those who are eligible
- It is a nonrefundable tax credit
- It applies to many different Retirement accounts
- Taxpayers can get up to \$1,000 of Saver's Credit (Single Filers)
- The credit is claimed using Form 8880



Knowledge Check

Credit Amount Scenarios:

- Example 1:
 - Single Filer
 - \$20,000 AGI
 - \$1,000 contribution
 - $\$1,000 \times 20\% = \200 Credit
- Example 2:
 - Single Filer
 - \$20,000 AGI
 - \$2,500 contribution
 - $\$2,500 \times 20\% = \500 BUT \$400 Credit because of the \$2,000 maximum contribution
- Example 3:
 - MFJ
 - \$35,000 AGI
 - \$2,000 contribution
 - $\$2,000 \times 50\% = \$1,000$ Credit

Knowledge Check

Additional Resources:

- [IRS Publication 590 - Page 47-48](#)
- [IRS Form 8880](#)
- [What the IRS has to offer and say about the Saver's Credit](#)

Up Next...
Module 7: Refundable Credits