



4491X

VITA/TCE Training Supplement

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

2013 RETURNS



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.





Publication 4491X – 2013 Supplement

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Introduction

This supplement contains pen and ink changes to the:

- Training Guide (Publication 4491)
- Problems and Exercises (Publication 4491W)
- Volunteer Resource Guide (Publication 4012)
- Privacy, Confidentiality and Standards of Conduct – A Public Trust (Publication 4299)
- Volunteer Assistor’s Test/Retest (Form 6744)
- Link & Learn Taxes (L<)
- VITA/TCE Online Specialty Courses – Cancellation of Debt (COD) and Health Savings Accounts (HSAs) (Publication 4942)

These changes impact all of the VITA/TCE courses. VITA/TCE tax preparers must review this supplement before assisting taxpayers with tax law questions or preparing their returns. Quality reviewers must also review this document before performing quality reviews.

TIP

The answers to the comprehensive problems and exercises in Publication 4491W can be accessed under Other Technical Resources and Training Products on the Volunteer Training Resources page on www.irs.gov.

TIP

Blank forms are no longer printed in the training publications. Blank forms can be accessed at www.irs.gov/Forms-&-Pubs.

Pen and Ink Changes to the Printed Publications

Product	Page	Pen and Ink Changes
Technical Changes		
P4012	L-3	In first sentence of #2, change pages 1-4 and 1-5 to C-16 and C-17
P4012	C-3	Replace the second bullet at the top of the page with: <ul style="list-style-type: none"> • You cannot claim a married person who files a joint return as a dependent unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid. Under Qualifying Child step 5, replace the information in parentheses with: unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid.
P4012	D-17	Code column (column F), change the L to H.
P4012	D-18	On the OUT OF SCOPE (CONT) chart, add the following statement after codes J and T: if taxable or partially taxable
P4012	H-2	In chart at top of page, Exception Code 05, change (2) to: 10% (7.5% if taxpayer or spouse is over 65) of your adjusted gross income for the year.
P4491	296	New user fee rates for Installment Agreements will take effect January 1, 2014. The origination fee will increase from \$105 to \$120. The restructuring or reinstatement fee will increase from \$45 to \$50.

Product	Page	Pen and Ink Changes
P4299	2	<p>Under “Requesting Information,” replace the two bullets with the following information:</p> <ul style="list-style-type: none"> • A photo identification such as valid driver’s license (U.S.), employer ID, school ID, state ID (U.S.), Military ID, national ID, voter ID, visa, or passport. However, judgment should be used to accept any other valid form of identification. For example, the Site Coordinator can allow proof of identity in a situation of an elderly person with a disability who has an expired driver’s license and passport but also provides a valid birth certificate. Certified volunteers preparing tax returns are required to confirm the identity of the taxpayer to avoid identity theft, tax fraud, and to validate the correct social security number. If a taxpayer cannot substantiate their identity, or if the volunteer is uncomfortable accepting the items presented as proof of identity, the taxpayer should be advised to return with an acceptable form of identification. Exceptions for requiring Photo ID should only be made under extreme circumstances and should not be the norm. For example, there may be limited situations where an exception may apply to a person with a disability, the elderly, or other unique circumstances. This exception to the rule does not include taxpayers known to the site. • Original or copies of social security cards are required to be reviewed as part of the tax return preparation process. Other social security verification documents include: A letter from the Social Security Administration, Form SSA-1099, ITIN card or letter, (new) Medicaid cards that include the letter “A” after the social security number, and/or any other verification issued from the Social Security Administration Office. Volunteers should confirm the SSN or ITIN and the correct spelling of names for all individuals listed on the tax return. In the event a taxpayer provides verification of the ITIN and the Form W-2 contains a SSN that cannot be verified, the ITIN will be the number used to prepare the tax return. The mismatch of names and SSN information is one of the top ten reasons for delays in processing electronic tax returns.
P4491-W	107	State taxable refund of \$487 omitted changing bottom line answers – AGI is \$53,303; itemized deduction \$14,018; taxable income – \$31,685; tax – \$3,881; refund amount \$1,342
P4491-W	122	Tax exempt interest of \$418 omitted on line 8b
P4491-W	161	The rental income loss for Brooks should be \$2,068, changing the AGI to \$40,897, TXI to \$9,905

Product	Page	Pen and Ink Changes
Non-Technical Changes		
L<	Lesson 9, Slide 29	The correct answer is 2559. Roger's driving expenses are equal to $\$0.565 \times 1,564$, rounded off equals \$884. The total amount of Roger's business expenses is \$1,675 plus \$884, or \$2,559.
L<	COD, Slide 27	Cancellation of Debt, Example 3: Form 8949, Part II, Line 3(g) – (\$250,000), Line 4(g) – (\$250,000); Schedule D (Form 1040), Part II, Line 10(g) – (\$250,000)
P4012	14	<p>The following items were included in the L&LT What's New lesson, but were left off the list of Important Tax Law Changes for 2013:</p> <p>Same-Sex Marriage</p> <p>The Internal Revenue Service issued ruling IR-2013-72, which ruled that same-sex couples, legally married in jurisdictions that recognize their marriages, will be treated as married for federal tax purposes. The ruling applies regardless of whether the couple lives in a jurisdiction that recognizes same-sex marriage or a jurisdiction that does not recognize same-sex marriage.</p> <p>Same-sex couples will be treated as married for all federal tax purposes, including income and gift and estate taxes. The ruling applies to all federal tax provisions where marriage is a factor, including filing status, claiming personal and dependency exemptions, taking the standard deduction, employee benefits, contributing to an IRA and claiming the earned income tax credit or child tax credit.</p> <p>Any same-sex marriage legally entered into in one of the 50 states, the District of Columbia, a U.S. territory or a foreign country will be covered by the ruling. However, the ruling does not apply to registered domestic partnerships, civil unions or similar formal relationships recognized under state law.</p> <p>Legally-married same-sex couples generally must file their 2013 federal income tax return using either the Married Filing Jointly or Married Filing Separately filing status.</p> <p>Individuals who were in same-sex marriages may, but are not required to, file original or amended returns choosing to be treated as married for federal tax purposes for one or more prior tax years still open under the statute of limitations.</p> <p>Net Investment Income Tax</p> <p>A net investment income tax applies to individuals, estates and trusts that have certain investment income above certain threshold amounts. This topic is out of scope for the VITA/TCE programs. Taxpayers affected by the net investment income tax should be referred to a professional tax preparer. Additional information can be found on www.irs.gov.</p>

Product	Page	Pen and Ink Changes
P4491	62	Under the heading "Other W-2 Income," insert TIP: A Form W-2 with code Q in box 12, indicating combat pay, requires Military certification to complete the return.
P4491-W	5	Line 40, cross out standard deduction; Austin X for line 10 – taxable state refund; Fleming: Add X for 15b, (IRA), 48 (CDC) and 58 (Add'l tax for IRA); Sterling: add X for 39a (tp/spouse blind) – delete X for 15b
P4491-W	all returns	Box 4 (SS tax withheld) on all W-2 forms, and all SE forms, have amounts using 2012 software. Please allow the current year software to calculate these amounts when preparing future year returns.
P4491-W	28	Box 4 of W-2 is incorrect, allow TaxWise to calculate this field.
P4491-W	30	Change SSN on 1099-INT to 112-XX-XXXX.
P4491-W	33	CDC, add: The camp was a day camp and involved no overnight stays.
P4491-W	37	Fifth bullet, add: Mark retired and began taking annuity payments from the Railroad
P4491-W	52	Change Collins Financial EIN to 24-6XXXXXX.
P4491-W	53	Change Emerson Pension Fund to 24-8XXXXXX.
P4491-W	56	In box 9 of intake sheet, change Mary's date of death to 12/12/CY.
P4491-W	59	SSN used for Petroleum Oil & Gas should be 211-XX-XXXX instead of 212-XX-XXXX
P4491-W	127	Form 2441 shows \$897 per child in the breakdown. The amount on Line 3 must match Line 1, Box D. One of the children should have been marked as \$896.
P4491-W	149	Change code from A to B on Form 8949.
P4491-W	150	Change code from B to A on Form 8949.
P4491-W	158	Change code from A to B on Form 8949.

Product	Page	Pen and Ink Changes
P4942	1-9	<p>Add the following information:</p> <p>The National Mortgage Settlement Borrower Payment Fund (Fund), will make NMS Payments to certain borrowers who lost their principal residences in foreclosure on or after January 1, 2008, and on or before December 31, 2011. The NMS Payment for each loan is the same amount (approximately \$1,400). The NMS Payment is not considered to be forgiven debt.</p> <p>A taxpayer who receives an NMS Payment pursuant to the National Mortgage Settlement due to the foreclosure of the taxpayer's principal residence includes the payment in the amount realized on the foreclosure.</p> <p>If a taxpayer includes an NMS Payment in the amount realized and, as a result, creates or increases a gain on the foreclosure of the principal residence, the taxpayer may exclude the resulting gain from gross income to the extent permitted under § 121.</p> <p>Examples:</p> <p>Example 1 – Loss on a single-unit home. In 2011, A's amount realized on the foreclosure of the principal residence was \$125,000, its fair market value. A's adjusted basis in the principal residence (\$230,000) exceeded A's amount realized (\$125,000). Thus, A realized a \$105,000 (\$230,000 – \$125,000) loss on the foreclosure. Under § 165(c), this loss is not deductible because A, an individual, did not incur the loss in a trade or business, a transaction entered into for profit, or as a result of a casualty. The NMS Payment of \$1,400 that A received in 2013 reduces A's nondeductible loss to \$103,600 and thus does not increase A's taxable income.</p> <p>Example 2 – Gain on a single-unit home. In 2009, C's amount realized on the foreclosure of the principal residence was \$160,000, its fair market value. C's amount realized (\$160,000) exceeded C's adjusted basis (\$155,000). Thus, C had a \$5,000 (\$160,000 – \$155,000) gain on the foreclosure of the principal residence. C excludes this gain from gross income under § 121 because C owned and used the property as a principal residence for at least two of the five years preceding the sale. The NMS Payment of \$1,400 that C received from the Fund in 2013 increases C's gain (and the amount excluded under § 121) on the foreclosure to \$6,400.</p> <p>Oklahoma did not join in the National Mortgage Settlement, and borrowers in Oklahoma are not eligible for its direct relief measures to borrowers.</p>
P4961	3	<p>Delete "PowerPoint" and replace with "training." There are two Intake/Interview & Quality Review Training modules. The first one is part of the Volunteer Standards of Conduct training module in the Test/Retest book and the second one is Publication 5101, Intake/Interview and Quality Review Training (PowerPoint). All volunteers are required to take the first one, but only preparers, Quality Reviewers, instructors and Site Coordinators are required to complete the PowerPoint.</p>

Product	Page	Pen and Ink Changes
P4961	4	The chart can be misleading as it relates to Site Coordinators. IRS does not require Site Coordinators to be certified in tax law if they do not prepare or review tax returns or advise clients on tax law; however, a partner may still require them to be certified in tax law.
P4961	20-21	The phrase “certified volunteer” should be corrected to say “tax law certified volunteer.” A greeter cannot perform the action items at the top of page 21 if they are not certified in tax law.
F6744	2-1	Change the first sentence in the directions to read: The first five scenarios....
F6744	S-3	Delete “PowerPoint” and replace with “training.” There are two Intake/ Interview & Quality Review Training modules. The first one is part of the Volunteer Standards of Conduct training module in the Test/Retest book and the second one is Publication 5101, Intake/Interview and Quality Review Training (PowerPoint). All volunteers are required to take the first one, but only preparers, Quality Reviewers, instructors and Site Coordinators are required to complete the PowerPoint.
F6744	S-4	The chart can be misleading as it relates to Site Coordinators. IRS does not require Site Coordinators to be certified in tax law if they do not prepare or review tax returns or advise clients on tax law; however, a partner may still require them to be certified in tax law.
F6744	S20-21	The phrase “certified volunteer” should be corrected to say “tax law certified volunteer.” A greeter cannot perform the action items at the top of page 21 if they are not certified in tax law.
F6744	iv	Second bullet add: Site Coordinators must also take this training.


Publication 4012, Volunteer Resource Guide


Insert the following chart on page 11 of Publication 4012.


Criteria Comparison of Traditional Schedule C and Schedule C Pilot	
Traditional Schedule C	Schedule C Pilot
Business expenses up to \$10,000	Business expenses up to \$25,000
No businesses losses	Businesses losses confined to a single tax year and with no carry back or carry forward – No Net Operating Losses (NOLs)
No business use of home	Business use of the home – Day-Care Providers only (may rent or own home)
No Section 179 expensing in lieu of depreciation	Section 179 expensing in lieu of depreciation
No businesses with inventory	No businesses with inventory
No businesses with employees	No businesses with employees
Electronic preparation is preferred, but not required	Returns prepared electronically at sites
Cash only taxpayers	Cash only taxpayers
Depreciation would not be allowed	Depreciation would be allowed
Vehicle expense – only standard mileage (actual not allowed)	Vehicle expense – only standard mileage (actual not allowed)


Publication 4491-W, VITA/TCE Problems and Exercises


Insert the following charts on page 96 of Publication 4491-W.


2013 Line #	 Basic	Beringer	Washington	Webster	Graham
7	Wages	35229	19981	52241	35816
8 a/b	Interest		83	778	227
9 a/b	Dividend		72 / 72		190 / 190
10	State tax refund computation			487	
11	Alimony received				
12	Schedule C				
	Sch C expenses				
13	Capital gains				
15	1099-Rs – IRA				
16	1099-Rs – Pension				12500
19	Unemployment	2400			
20a/b	Social Security				12900 / 10965
21	Other income			125	
22	Total income	37629	20136	53631	60698
23	Educator expense			250	
27	Deductible part of self employment tax				
30	Penalty early withdrawal of savings		22	78	55
31	Alimony paid				3000
32	IRA contribution				
33	Student loan interest	396			500
34	Tuition & fees				
35	Jury duty pay to employer				
37	AGI	37233	20114	53303	57143
40	Standard/itemized deductions	8950	6100	14018	19646
	Medical			0	0
	Taxes you paid			5748	5440
	Interest			3595	5656
	Gifts to charity			4550	7550
	Job expenses etc			0	
	Other misc.			125	1000
42	Exemptions	15600	3900	7800	19500
43	Taxable income	12683	10114	31485	17997

2013 Line #	 Basic	Beringer	Washington	Webster	Graham
44	Tax	1268	1058	3829	1783
47	Foreign tax credit				
48	Child and dependent care				125
49	Education credit – Form 8863		1058		1658
50	Retirement savings credit	120			
51	Child tax credit	1148			
52	Energy credit				
54	Total credits	1268	1058	0	1783
56	Self employment tax				
57	SS/MC – Form 4137				
58	Additional tax on IRA				
59	Household employment tax				
59	Repayment FTHBC				
61	Total tax	0	0	3829	0
62	Federal tax withheld	1266	2997	5223	8596
63	Estimated tax payments				
64	EIC	1224			
65	Additional CTC	852			1000
66	Refundable education credit – Form 8863		1000		1000
67	First-time homebuyer credit				
71	Misc. credits				
72	Total payments	3342	3997	5223	10596
73	Overpaid	3342	3997	1394	10596
74	Refund	3342	3997	1394	10596
75	Apply to 2014				
76	Owe				
77	Penalty				

2013 Line #	 Advanced	Austin	Fleming	Sterling	Kent
7	Wages	12475	19259		23239
8 a/b	Interest		417 / 418	490	2682 / 269
9 a/b	Dividend	149 / 149		163 / 106	108 / 108
10	State tax refund computation	73			200
11	Alimony received		2400		
12	Schedule C		7896		557
	Sch. C expenses		4980		1099
13	Capital gains	75		11858	-3000
15	1099-Rs – IRA	268	5000		9277 / 628
16	1099-Rs – Pension	9397 / 8686		20069 / 19842	14038 / 13608
17	Rent, royalty				
19	Unemployment		1345		1380
20a/b	Social Security	7368 / 205		50517 / 13709	13682 / 3274
21	Other income				1700
22	Total income	21931	36317	46062	44376
23	Educator expense				
27	Deductible part of self employment tax		558		40
30	Penalty early withdrawal of savings				24
31	Alimony paid				3600
32	IRA contribution				6000
33	Student loan interest				268
34	Tuition & fees				318
35	Jury duty pay you gave employer				
37	AGI	21931	35759	46062	34126
38	AGI	21931	35759	46062	34126
40	Standard/itemized deductions	9410	8950	14600	14490
	Medical	0			2765
	Taxes you paid	3033			4473
	Interest	4677			2997
	Gifts to charity	1700			2555
	Job expenses etc				
	Other misc.				1700
42	Exemptions	3900	7800	11700	19500
43	Taxable income	8621	19009	19762	136
46	Tax	838	2216	778	4
47	Foreign tax credit			13	4
48	Child and dependent care		430		

2013 Line #	 Advanced	Austin	Fleming	Sterling	Kent
49	Education credit – Form 8863				
50	Retirement savings credit				
51	Child tax credit		1000		
52	Residential energy credit				
54	Total credits		1430	13	4
56	Self employment tax		1115		79
57	SS/MC – 4137				
58	Additional tax on IRAs		500		
59	Repayment of FTHBC	500			
60	Other taxes				
61	Total tax	1338	2401	765	79
62	Federal tax withheld	3559	3337	5539	4462
63	Estimated tax payments				400
64	EIC		1530		3673
65	Additional child tax credit				1000
66	Refundable education credit – Form 8863				925
67	First-time homebuyer credit				
72	Total payments	3559	4867	5539	10660
73	Overpaid	2221	2466	4774	10581
74	Refund	2221	2466	4774	5291
75	Apply to 2014				5290
76	Owe				
77	Penalty				

2013 Line #	 Military/International	Woods	Brooks	Lincoln	Surry
7	Wages	29,135	44,900	29443	79027
8 a/b	Interest	372/191		1349	
9 a/b	Dividend	77/77	187/150		
10	State tax refund computation				
11	Alimony received				
12	Sch C-EZ				
	Scratchpad EXP				
13	Capital gains	-954	16		
15	1099-Rs – IRA				
16	1099-Rs – Pension				
17	Rent, royalty		-2068		
19	Unemployment				
20a/b	Social Security				
21	Other income				-29457
22	Total income	28,630	43,305	30792	49570
24	Business expenses of reservists		1747		
26	Moving expenses		416		
27	Deductible part of self employment tax				
30	Penalty early withdrawal of savings				
31a	Alimony paid				
32	IRA contribution				
33	Student loan interest				
35	Jury duty pay you gave employer				
37	AGI	28,630	40,872	30792	49570
38	AGI	28,630	40,872	30792	49570
40	Standard/itemized deductions	12,200	12,200	12200	12200
	Medical		0		
	Taxes you paid		0		
	Interest		0		
	Gifts to charity		0		
	Job expenses etc				
	Other misc.				
42	Exemptions	11,700	19,500	7800	11700
43	Taxable income	4,730	9,172	10792	25670
44	Tax	468	903	1078	3847
47	Foreign tax credit	12		696	
48	Child and dependent care		330		600

2013 Line #	 Military/International	Woods	Brooks	Lincoln	Surry
49	Education credit – Form 8863		573	247	
50	Retirement savings credit	456		135	
51	CTC	0			1000
52	Energy				
54	Total credits	468	903	1078	1600
56	Self employment tax				
59	Additional tax on IRA				
60	Other tax				
61	Total tax	0	0	0	2247
62	Federal tax withheld	2,886	5,170	1059	3977
63	Estimated tax payments				
64	EIC		1,399		
65	Additional CTC	1,000	3,000		
66	Refundable education credit – Form 8863				
67	First-time homebuyer credit				
71	Misc. credits				
72	Total payments	3,886	9,569	1059	3977
73	Overpaid	3,886	9,569	1059	1730
74	Refund	3,886	9,569	1059	1730
75	Apply to 2014				
76	Owe				
77	Penalty				