

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
<b>0</b>	<b>Intake/Interview Sheet</b> Note 10	Page 1, Mailing Address line	Anna had a number of incorrect or unsure answers on her Intake/Interview sheet. Make the following corrections on the sheet: - Change address from 365 Wilkes Drive to 356 Wilkes Drive
	- W-2 Butler & Note 3 - Note 8h  - 1099-R from Tri-state - 1099-R from Northern	Page 2, Part III - Line 2 Tips - Line 5 NJ Income tax refund - Disability Income - IRA Distribution	- Change answer for tip income to YES - Change answer for state income tax refund to YES  - Change answer for disability income to YES - Change answer for IRA distribution to YES
	- Note 15	Page 2, Part IV - Line 7 Real Estate Taxes	- Change answer for real estate taxes to NO
		Page 4, Section B	On Intake/Interview Sheet, fill in answers to questions in Section B: - Question 1 - YES James (ex-husband) - Question 2 - NO - Question 3 - NO - Question 4 - YES James & Grete - Question 5 - YES James & Grete Based on these answers & Pub 4012 (Page C-4), only Grete will be claimed as a dependent
<b>1</b>	<b>Main Info Screen</b> Note 10	Home Address line	Be sure to enter correct address: 356 Wilkes Drive
	Note 12	Total & Permanent Disability line	Check box in taxpayer column for "If totally & permanently disabled"
	<b>Intake/Interview Sheet,</b> Page 2 bottom	Presidential Election question	Check box since Anna wishes to donate \$3 to Presidential Election Campaign
	Note 4	Filing Status, Line 4 Head of Household	Filing status = Head of Household. Although the qualifying person fields turn red, it is not necessary to enter anything in these fields at this point. The fields will no longer be red after filling in the Dependents section.

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
	Note 4	Dependents/ Nondependents section	List James first (no need for last name, since same as Anna's). He must be listed even though ex-husband is claiming him so that he can be considered for Child & Dependent Care (DC) credit & Earned Income credit (EIC). James' name will not show in the Dependents section of the 1040 itself Relationship: Son Months in Home: 12 Code: 0 Nondependent Check boxes for DC & EIC (TW populates Form 2441 in forms tree for DC) TW will not check box for CTC because must be a dependent to qualify for CTC
	Note 4	Dependents/ Nondependents section	List Grete second (no need for last name, since same as Anna's) Relationship: Daughter Months in Home: 12 Code: 1 Your child who lives with you Check boxes for DC & EIC TW will automatically check box for CTC
			Note: Head of Household boxes should no longer be red...
	<b>Prep Use Form Screen</b>	Line 11	Answer NONE to language question
		Line 12	Answer YES to disabled question
		Line 13	Preparer's initials
		Line 14	QR initials (but only after Quality Review done)
<b>2</b>	<b>W-2 Screen</b> Oakwood World-Herald	" Check if this is the taxpayer's address shown on the W-2" line	Check this box since address is correct
		Employer's name & address fields	Enter Employer ID #. TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change
		Box 14, NJSUI line	Because only 4 lines on W-2 form, put NJSUI in 4 <sup>th</sup> row and enter WF/SWF and Unemployment amounts in 2 <sup>nd</sup> and 4 <sup>th</sup> rows If had more than 4 lines on W-2 form, could just add WF/SWF amount to Unemployment amount & enter total on NJSUI line
<b>3</b>	<b>W-2 Screen</b> Butler, Inc	W-2 in forms tree	Use + sign next to W-2 in forms tree to add a second W-2 form

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
		" Check if this is the taxpayer's address shown on the W-2" line	Check this box since address is correct
		"Check if employer was contacted to verify W-2" line	Employer verification line is in red. Double check W-2 paper amounts and confirm with TP that amounts entered on W-2 screen are correct & then "get the red out"
		Employer's name & address fields	Enter Employer ID #. TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change
	Note 3	Boxes 1, 3, 4, 7, 8	When you enter Box 1 Wages, Tips, etc., TW automatically populates Boxes 3, 4, 5, & 6. Box 3 for Social Security Wages does not match to printed W-2. This is because Box 1 amount also includes Social Security Tips from Box 7 (tips that employee reported to employer). Once you enter Box 7 amount, TW will change Box 3 amount to match printed W-2, so no need to use "Check to take calculations off lines 3, 4, 5, 6" box. Employer deducts SS & Medicare taxes from SS tips & includes in Box 4 SS Tax Withheld & Box 5 Medicare Tax Withheld NOTE: Box 3 (\$1,944) + Box 7 (\$588) = Box 1 (\$2,532)
			Tips < \$20 in a month do not have to be reported to the employer & no SS or Medicare tax is due
			Employer collects amounts of all tips reported by employees. If total does not equal a certain % of sales required by law, employer will allocate difference across all employees & report taxpayer's share in Box 8 Allocated Tips. Employer does not withhold SS or Medicare taxes on allocated tips
	<b>Form 4137 Screen</b>	Line 5	TW populates Form 4137 in forms tree when amount is entered in Allocated Tips Box 8. This form is used to calculate SS & Medicare tax due on allocated tips. TW completes most of form from W-2 info. Can enter total of all tips < \$20/month on Line 5 to exclude them from the SS/Medicare tax calculation
	<b>1040 Page 1 Screen</b>	Line 7	TW will transfer both Box 1 Wages, Tips (includes SS Tips from Box 7) + Box 8 Allocated Tips to 1040 Wages line
	<b>1040 Page 2 Screen</b>	Line 57	TW will transfer SS/Medicare taxes due from Form 4137 Line 13 to 1040 Line 57, & will check box for Form 4137

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
	<b>W-2 Screen</b>	Box 14, Disability line	Notice that there is a Private Plan (PP) # for disability (DI) at bottom of W-2. Recommend entering into TW with type = NJSDIPP, instead of NJSDI (state disability plan only). TW will then stop the amount from flowing through to Schedule A Line 5a State Income Taxes (should now be \$906)
	<b>NJ 2450 Screen</b>	Line 1b	Anna had 2 employers & contributed more than the maximum amount for disability. Entering disability under NJSDIPP also stops the amount from flowing through to NJ Form 2450 for Excess Unemployment and Disability. Must manually add the amount to Form 2450 by linking to a scratch pad from the Butler Inc disability box (Line 1b Column B). Also add Private Plan #9786654 on Line 1b
	<b>NJ 1040 Page 3 Screen</b>	Line 53	TW transfers the excess disability from 2450 Line 5 to 1040 Line 53 so that taxpayer can recoup the excess amount paid (\$24)
<b>4</b>	<b>Interest Statement</b> Parks National Bank	Box 1 or 3 Amount column	Enter interest. TW will transfer back to Schedule B & 1040 Line 8a
		Federal Withheld column	Enter Federal tax withheld. TW will transfer to 1040 Line 62
<b>5</b>	<b>1099-R Screen</b> Northern Financial Services Note 6	" Check if this is the taxpayer's address shown on the W-2" line	Check this box since address is correct
		Payer's name & address fields	Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 7	Ensure that Code 1 is entered in Box 7. This indicates that it is an early distribution from an IRA (prior to age 59 1/2, no known exception). Money was used to pay off credit card debt, which is not an exception that can be claimed on Form 5329 to avoid 10% penalty. Cannot claim exception for permanent & total disability (exception code 03) because when distribution was taken in January, she was not yet disabled (accident happened in June). If Anna had been disabled when she took the distribution, she could have qualified for exception. NOTE: Back of 1099-R lists all Box 7 codes. 2013 Pub 4012 Page D-18 lists 1099-R codes & whether in or out of scope
	<b>1040 Page 2 Screen</b>	Line 58	TW automatically populates 10% penalty on Line 58 of 1040
	<b>1099-R Screen</b>	Box 7	Ensure that IRA box is checked so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
6	<b>1099-R Screen</b> Tri-State Publishers	1099-R in forms tree	Use + sign next to 1099-R in Forms Tree to get a second 1099-R form
		" Check if this is the taxpayer's address shown on the W-2" line	Check this box since address is correct
		Payer's name & address fields	Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change
		Box 7 "Check if disability & taxpayer is disabled" line	Distribution code in Box 7 is 3 for permanent & total disability. Ensure that box is checked under box 7 on TW screen ("Check if disability & taxpayer is disabled.") if and only if TP is under his employer's minimum retirement age This box is on TW screen—no corresponding box on 1099-R form). This will put the \$5,400 under Wages on 1040 Line 7, rather than under Pensions on 1040 Line 16
			Having pre-retirement disability on 1040 Wages Line 7, instead of Line 16, could be important for EIC (which requires earned income) & for other reasons
	<b>NJ 1040 Page 2 Screen</b>	Lines 14 & 19	Once the disability box is checked, TW will exclude the disability amount from NJ pension income on NJ 1040 Line 19 if taxpayer is under 65
7	<b>Sch C Page 1 Screen</b> Wright Publishing, etc. Note 1 Note 2 Note 14	Line A Line B Line F Line G Line H Line I	Enter: "Editing" Enter: "541990" Check Cash box Check Yes box Do not check box since business started in 2009 Check No box
		Part I, Line 1	Must link to 1099-MISC screen from Line 1 to enter Nonemployee Compensation; do not enter directly on 1099-MISC without linking because TWO will not be able to transfer the income back to Schedule C. 1099-MISC can be associated with other forms (such as 1040 Line 21, Schedule E, etc.)

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
	<b>Sch C Page 2 Screen</b>	Part IV Line 43 Line 44a Line 44c Under Line 44  Line 45 Line 46 Line 47a Line 47b	Enter the following for mileage expenses Enter: 7/1/2009 Enter: 234 business miles Enter: 10,000 other miles Check box for TW to automatically calculate business miles at standard mileage rates (\$.555/mile). TW will automatically transfer total to Schedule C Page 1 Line 9 Check Yes box Check No box Check Yes box Check Yes box
		Part V Other Expenses	List paper, printer cartridges, postage & phone service expenses. Also list word processing course as business expense for now. (Will try other education expense options later). TW will transfer total (\$4,798) from Line 48 to Line 27a on Page 1
	<b>Sch C Page 1 Screen</b> <b>1040 Page 1 Screen</b>	Line 31 Line 12	TW will calculate net profit (\$7,248) & transfer to 1040 Line 12
	<b>1040 Page 2 Screen</b>	Line 56	After completion of Schedule C, TW will automatically calculate Self-Employment Tax. Self-employment tax for 2012 was 13.3%, with 10.4% for Social Security and 2.9% for Medicare. The SS part was reduced 2% due to a temporary payroll tax cut. It will rise back to 15.3% for 2013
	<b>1040 Page 1 Screen</b>	Line 27	TW will also automatically calculate the employer-equivalent portion of the self-employment tax. You can deduct that portion as an adjustment to income
<b>8</b>	<b>1099-G Screen</b> New Jersey Department of Labor	Line 2 Line 5 Line 6	Enter unemployment compensation from 1099-G Box 1 Enter federal income tax withheld from 1099-G Box 4 "Get the red out" of Line 6 (if red) since no NJ taxes were withheld
	<b>1040 Page 3 Screen</b>	Line 38	NJ Taxable Income does not change since unemployment is not taxable in NJ Even though NJ Taxable Income does not change, NJ Refund goes down because NJ EIC amount went down. NJ EIC amount went down because it always 20% of federal EIC amount and federal EIC amount went down. Federal EIC amount went down because federal AGI went up due to addition of unemployment.
<b>9</b>	<b>1040 Page 1 Screen</b> Note 4	Line 11	Alimony of \$300/month was only received for 8 months. Enter this calculation on a scratch pad off Line 11 NOTE: Refer students to Pub 4012 Page E-3 for alimony requirements

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
10	Interest Statement Note 5	Line 2	Enter tax-exempt interest amount under NAEOB column with code E. Since also tax-exempt in NJ, no need for state adjustment
	1040 Page 1 Screen	Line 8b	TW will transfer to tax-exempt interest line on 1040
11	Form 2441 Screen Note 11 Note 13		<p>Grete and James are qualifying persons for Child &amp; Dependent Care credit (DC). Rules state, "Only custodial parent may claim Child &amp; Dependent Care credit even if child's exemption is being claimed by non-custodial parent under the rules for divorced &amp; separated parents." (Pub 4012 Page G-1). Therefore, expenses for both children are eligible.</p> <p>Expenses paid to Salem Day Care Center can be claimed, as well as payments to Anna's sister. In both cases, Anna was working or looking for work. Expenses are only disallowed if paid to spouse/parent of child or your child who was under age 19, not other relatives (See p G-4 in 2013 Pub 4012)</p>
			TW automatically adds Form 2441 to forms tree when DC box is checked in dependents section of Main Info screen. Can use the same form for multiple care providers & multiple qualifying persons
		Part I Lines 1a & 1b Line 1c  Line 1d	<p>Enter name &amp; address for Salem Day Care Center &amp; for Edna Loy</p> <p>Enter EIN for Salem (no dashes) &amp; check EIN box. TW will put E in Type box.</p> <p>Enter SS # for sister (no dashes) with no check in EIN box. TW will put S in Type box</p> <p>Enter total expenses paid to each provider for both children (\$1,793 &amp; \$400)</p>
		Part II Line 2a  Line 11	<p>Separate the expenses for each child. For James, expenses were \$903 for Salem + \$200 for Loy = \$1,103. For Grete, expenses were \$890 + \$200 = \$1,090</p> <p>TW calculates the allowable credit as \$504</p>
	1040 Page 2 Screen	Line 48	TW transfers credit to 1040
12	1040 Page 1 Screen Note 8	Box above Line 10	1040 Page 1 is still red in forms tree. Checking Page 1, it is box above Line 10 that is red. Since Fleming received a NJ refund last year, & she itemized & claimed the State Income Tax deduction on Sch A Line 5a, answer YES to the question. TW now puts Line 10 in red



## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
13	Sch EIC Wkt Screen	Lines 2 Line 4a Line 6 Line 7 Line 8 Line 9a Line 10  Disallowed EIC line	Answer questions in sequence & only if underlined in red. Be sure to follow "GO TO" instructions Answer YES Answer NO Answer NO Answer YES for both children Answer YES for both children Answer NO for both children Answer YES for both children TW determines that both children are qualifying persons for EIC Answer NO
14	Run diagnostics	Run Diagnostics icon at top of screen	Run diagnostics on Federal return before starting NJ specific items. Click on any errors found. TW will take you to incomplete/incorrect items. Correct & re-run diagnostics
15	NJ 1040 Page 1 Screen Note 15	Municipality Code line	Enter Municipality Code for Jersey City (0906). Can obtain from NJ 1040 instruction booklet or from link on Preparer page on TaxPrep4Free
16	NJ 1040 Page 2 Screen NJ Dependents Wkt Screen Note 17	Line 13a	Both children are covered by health insurance, so no need to use NJ Dependents Wkt. Would only need to link from Dependents section Line 13a on NJ 1040 if you want to indicate that a dependent does not have insurance (See section below on how to add James to list on NJ-1040)
17	NJ Dep Wkt Screen Note 4  NJ 1040 Page 1 Screen	Line under Grete          Lines 9 & 13	The rules to qualify as a dependent are different than the rules to qualify for EIC. Therefore, even though James is a non-dependent on Main Info screen (code 0), he can still be used to qualify for EIC. However, TW does not carry non-dependent info through from the Federal return to the NJ Dependents 1040 Line 13. Therefore, you have to manually add James' info to the NJ Dependents Worksheet so he shows for EITC purposes. In TW, the fields on that worksheet are considered calculated fields, so you have to override each field (F8) before TW will allow you to enter James' name, SS # and birth year. Once added to Wkt, James will show In Dependents section of 1040, but Exemptions will still show just 2 (Anna & Grete). If this step is not done, NJ may question the EITC amount that is based on 2 qualifying children (NJ EITC = 20% of Federal EIC)
18	NJ 1040 Page 2 Screen Note 7	Gubernatorial Elections Fund question	Check YES to Gubernatorial Elections Fund question "Do you wish to designate \$1 of your taxes for this fund?" for taxpayer

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
19	NJ 1040 Page 3 Screen Note 16	Line 45	Since Fleming did not make any out-of-state purchases, must "get the red out" to positively input 0 on Line 45
20	NJ 1040 Page 3 Screen Note 15	Worksheet F Line 1	Enter rent Fleming paid on a scratch pad off Line 1 to document the calculation. TW calculates the 18% that can be claimed as property taxes ( $\$12,000 \times .18 = \$2,160$ ). TW then determines that it is better for Fleming to claim the \$50 Property Tax credit, rather than the Property Tax Deduction
	NJ 1040 Page 3 Screen	Line 49	TW transfers the \$50 credit to NJ 1040
21	NJ DD Wkt Screen Still red in forms tree Note 9	Direct Deposit section - 3rd option	Interview/Intake indicates that Fleming does not want direct deposit. Nothing needs to be done on Federal return, since refund check is the default option. However, for NJ, must check line that says, "Check here to have a refund check mailed to you"
22	NJ IRA Wkt Screen Still red in forms tree Note 6	Part I, Lines 1 & 4a Part II, Line 1	Once you enter info for a 1099-R IRA distribution into TW, TW automatically populates an NJ IRA Worksheet in Forms Tree. However, it does not carry the income through to NJ 1040 until NJ IRA Worksheet is completed. Enter 1 as "copy number of the IRA you want to use this worksheet for" at top of IRA Worksheet. Since Anna has no records of her contributions or IRA balance, you cannot fill out the rest of worksheet. Just "get the red out."
			There is no early distribution penalty for NJ
23	Run diagnostics	Run Diagnostics icon at top of screen	Run diagnostics & correct all errors so all figures are finalized before trying other options for education expenses
24	Education alternatives		This is a good example of why we need to try entering alternative ways of handling education expenses – a seemingly simple change can ripple through many parts of the federal return with effects that are difficult to anticipate. This scenario is interesting because the NJ refund changes (due to EIC changes). This scenario is also interesting in that the Tuition & Fees deduction produces a more beneficial result than the Lifetime Learning credit. (mostly due to EIC changes)
24a	Test Word Processing course as Tuition & Fees deduction Notes 2 & 14	AGI/Refund section in top left corner of screen NJ 1040 Line 66	Note Federal refund (\$276) & NJ refund (\$635) with word processing course listed as business expense. Then delete the course from business expenses on Sch C Part V
	1040 Wkt 2 Screen	Tuition & Fees as an AGI Deduction section	Link from 1040 Line 34 to 1040 Worksheet 2. Enter \$575 qualified expenses next to Anna's name. TW calculates deduction on Line 3 & transfers to 1040 Line 34

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
		AGI/Refund section in top left corner of screen NJ Line 66	Compare Federal refund (\$223) & NJ refund (\$627) by using Tuition & Fees deduction with results obtained by claiming as business expense. Federal refund decreased \$53 & NJ refund decreased \$8
	<b>1040</b>	AGI & Refund	Federal AGI went down by \$41 because <ul style="list-style-type: none"> <li>• Line 12 [Business income] went up by \$575</li> <li>• Line 28 [Deductible part of SE tax] went up by \$41               <ul style="list-style-type: none"> <li>○ Because Line 56 [SE tax] went up by \$71</li> </ul> </li> <li>• Line 34 [Tuition and fees] went up by \$575</li> </ul> Federal Refund went down by \$53 because <ul style="list-style-type: none"> <li>• Line 44 [Tax] went down by \$7</li> <li>• Line 56 [SE tax] went up by \$71</li> <li>• Line 64a [EIC] went up by \$11</li> </ul>
	<b>NJ 1040</b>	Taxable Income & Refund	Even though education expenses cannot be claimed on NJ return, the NJ return also changes NJ Taxable Income went up by \$575 because <ul style="list-style-type: none"> <li>• NJ Line 17 [Net profits from business] went up by \$575</li> </ul> NJ Refund went down by \$8 because <ul style="list-style-type: none"> <li>• NJ Line 39 [Tax] went up by \$10</li> <li>• NJ Line 51 [EIC] went up by \$2               <ul style="list-style-type: none"> <li>○ Because Fed Line 64a [EIC] went up by \$11</li> </ul> </li> </ul>
			Delete expenses from 1040 Wkt 2
<b>24b</b>	Test course as Lifetime Learning Credit (LLC) <b>Form 8863 Page 2 Screen</b> Notes 2 & 14	Lifetime Learning section Line 31	Link from 1040 Line 49 to Form 8863 Page 2. For testing purposes only, you do not have to complete Part III with Student & Educational Institution info. If this option turns out to be the best, complete all of Part III  Enter qualified expenses of \$575
	<b>Form 8863 Page 1 Screen</b>	Part II Lines 10 & 19	TW transfers LLC expenses to Nonrefundable Credit section on Page 1 Line 10. It then calculates a credit of \$115 on Line 19
	<b>1040 Page 2 Screen</b>	Line 49	TW transfers credit to 1040
		AGI/Refund section in top left corner of screen NJ Line 66	Compare Federal refund (\$118) & NJ refund (\$604) by using LLC with results obtained by claiming as business expense. Federal refund decreased \$158 & NJ refund decreased \$31.  Delete Form 8863 since not used for anything else

## PRO-P3 Fleming Learning Guide

Step	Document/TW Screen	Box/Line	Learning Points to Check & Emphasize
	<b>1040</b>	AGI & Refund	Federal AGI went up by \$534 because <ul style="list-style-type: none"> <li>• Line 12 [Business income] went up by \$575</li> <li>• Line 28 [Deductible part of SE tax] went up by \$41                             <ul style="list-style-type: none"> <li>○ Because Line 56 [SE tax] went up by \$71</li> </ul> </li> </ul> Federal Refund went down by \$158 because <ul style="list-style-type: none"> <li>• Line 44 [Tax] went up by \$75</li> <li>• Line 48 [Child and dependent care credit] went down by \$22</li> <li>• Line 49 [Education Credits] went up by \$115</li> <li>• Line 56 [SE tax] went up by \$71</li> <li>• Line 64a [EIC] went down by \$105</li> </ul>
	<b>NJ 1040</b>	Taxable Income & Refund	Even though Lifetime Learning credit cannot be claimed on NJ return, the NJ return also changes NJ Taxable Income went up by \$575 because <ul style="list-style-type: none"> <li>• NJ Line 17 [Net profits from business] went up by \$575</li> </ul> NJ Refund went down by \$31 because <ul style="list-style-type: none"> <li>• NJ Line 39 [Tax] went up by \$10</li> <li>• NJ Line 51 [EIC] went down by \$21                             <ul style="list-style-type: none"> <li>○ Because Fed Line 64a [EIC] went down by \$105</li> </ul> </li> </ul>
			Business Expense result is most beneficial for taxpayer, so re-enter data as business expense on Sch C
			Anna is not eligible to claim the word processing course as an AOC because she is not pursuing a degree program
<b>25</b>	<b>Run diagnostics</b>		Correct any incomplete/incorrect entries & re-run diagnostics until you get no errors NOTE: The Create e-file button will not appear until there are no errors (warnings are OK)
<b>26</b>	<b>Create e-File(s)</b>	Create E-File button under Diagnostics results	Should receive message "E-Files created successfully" Even if there are no diagnostics discovered by the Run diagnostics process, there may be additional problems discovered as part of the Create e-file process; these will need to be resolved before the return can be e-filed