

2012 IMPORTANT LEARNING POINTS FOR MOORE PROBLEM

DOCUMENT	LEARNING POINTS TO CHECK & EMPHASIZE
Main Info screen	No need to put anything in % address line. Husband died in 2009
	Hilda can file as Qualifying Widow with Dependent Child. Must enter year spouse died (2009) next to QW filing status
	Presidential Election Campaign question should not be checked
	List dependents in order of age, youngest first
	Last names of dependents may be omitted since they are the same as primary taxpayer
	Check EIC box for all 3 children. Ronald is under 24 & a full-time student. Both girls are under 19
Prep Use Form	Answer NONE to language question on Line 11. Answer NO to disabled question on Line 12.
	Insert preparer's initials on Line 13 & QR initials on Line 14
W-2 Hawthorn General Hospital	Best practice is to make sure name & address information is exactly the same on the TW screen as on printed W-2. Therefore, check "Check and make changes" box at top of screen & type in address with Avenue, instead of Ave from Main Info screen
	Enter Employer ID #. TW will populate name & address if in database. Still check to make sure it matches printed W-2
	When wages are first entered in Box 1, Social Security/Medicare Wages & Taxes Withheld shown on W-2 will not match what TW populates in Boxes 3 - 6. However, once you enter pre-tax retirement contribution (401K) of \$1,657, shown as code D in box 12a, boxes 3 - 5 will then match
	TW amount for Box 6 for Medicare tax withheld still does not match W-2. Check box on top of W-2 screen to take calculations off lines 3, 4, 5, 6 & enter \$543 from W-2
	Ensure box 13 for Retirement Plan is checked
	NJ wages in Box 16 match Federal wages in Box 1 because 401K money is pre-tax for both
A. Bean Bank & Trust	Enter interest on Interest Statement. TW will transfer appropriate amounts back to Schedule B & 1040 Lines 8a & 8b
	Interest is taxable for both Federal & NJ so no state adjustment is necessary
W-2G Hesser Casino Note 5	Add W-2G to Forms Tree using Forms List icon or linking from 1040 Line 21
	When payer ID is entered, name & address are populated if in the database. Check to be sure they match W-2G
	Ensure that gambling losses are entered on bottom of W-2G screen. You can enter entire amount of losses (\$2,000), & TW will cap the amount of losses at the amount of winnings (\$1,500) when it transfers the losses to Schedule A Other Miscellaneous Deductions Line 28
	Type "GAMBLING WINNINGS" on 1040 Line 21 Other Income. Must use those exact words, or TW will generate a diagnostic error

1098-T University of Columbus	Postpone entry of education expenses until diagnostics have been run at end of return. This will allow comparison of education options once all other figures are finalized
Employment Security Commission	Link to 1099-G from 1040 Line 19. Enter unemployment & Federal tax withheld
1099-R Office of Personnel Management	See Pub 4012, Page 2-19 for info on CSA-Form 1099-R
	Taxable amount of pension is given in box 2a, so Simplified Method Worksheet does not have to be completed
	Don't miss Code 4 – Death Benefits in Box 7
	Taxable Amount in Box 2a is less than Gross Distribution in Box 1 due to Employee Contributions (Box 9b). Contributions are allocated over the life of the pension, and a portion of the contributions is excluded from taxable income each year
Student Loan Interest (Note 3)	Link from 1040 Line 33 to 1040 Worksheet 2 & enter student loan interest on Line 1
York Municipal Bonds (Note 4)	Enter tax-exempt interest on Interest Statement under NAEOB column with an E code. No state adjustment necessary since interest is also tax-exempt for NJ
1040 Page 1 still red in Forms Tree	Answer NO to question above Line 10
Sch B still red	Answer NO to financial involvement questions at bottom of Schedule B
Sch EIC still red in Forms Tree	Answer questions from top down & only questions in red on Sch EIC & Sch EIC Wkt. Be sure to follow directions above Line 4a & follow GO TO directions carefully. Therefore, on Sch EIC, only question 4a is answered Yes for Ronald. All other 4a & 4b questions are blank. On Sch EIC Wkt, questions 4b, 9b, 9c, & 9d are not answered
	Even though all 3 children qualify on Line 10 of Sch EIC Wkt, TW calculates that Hilda does not qualify for EIC because her AGI is too high (Lines 11 & 12 on Sch EIC worksheet)
Run Diagnostics	Error says "The question 'Do you want to electronically file this return?' on the New Jersey return requires a Yes or No response." Must answer No because we are past the 10/20/2012 final date for e-filing a 2011 return. If we were not using 2011 software, you would answer Yes
Education expenses	Must subtract amount of scholarship/grant (\$10,000) from tuition payments (\$16,900) to determine qualified expenses. Use a scratch pad to document this calculation once you have determined the best option for claiming education expenses
	"Qualified education expenses paid by a dependent for which an exemption is claimed, or by a third party for that dependent, are considered paid by the taxpayer." (Pub 4012 Page G-3) Therefore, Hilda can claim education credit even though Ronald's grandmother made the payments for his tuition & fees directly to the university
Test as Tuition & Fees Deduction	Link from 1040 Line 34 to 1040 Worksheet 2. Enter qualified expenses of \$6,900 next to Ronald's name. TW reduces amount to maximum of

	\$4,000. TW transfers to 1040 Line 34
	Note AGI (\$51,692) & refund monitor (\$4,389). Delete this info before doing another comparison
Test as Lifetime Learning Credit	Link from 1040 Line 49 to Form 8863 Part II. Enter Ronald's info & qualified expenses on Line 3. TW will calculate Lifetime Learning Credit & transfers to 1040 Line 49
	Note AGI (\$55,692) & refund monitor (\$4,522). Delete this info before doing another comparison
Test as American Opportunity Credit	Link from 1040 Line 49 to Form 8863 Part I. Enter Ronald's info & qualified expenses on Line 1. Directions say to enter maximum of \$4,000. TW will calculate the refundable part of AOC in Part III (transfers to 1040 Line 49) & the nonrefundable part in Part IV (transfers to 1040 Line 66)
	Note AGI (\$55,692) & refund monitor (\$6,289). This is the most beneficial option to claim the education expenses
	Link to scratch pad from Form 8863 Box 1c to document amount of Qualified Expenses (Payments \$16,900, minus Scholarship \$-10,000, minus adjustment for \$4,000 maximum \$-2,900) = \$4,000
Run Diagnostics	Correct any errors shown
Note 11 Municipality Code	Enter Municipality Code for Livingston (0710). Can obtain from NJ 1040 instruction booklet or from link on Preparer page on taxprep4free.org website
Note 7 Full-Time College Student	Since Ronald is 23, no additional Exemption can be claimed for Dependents Attending College on NJ 1040 Line 11 (must be under 22)
Note 8 Gubernatorial Elections Fund	Check NO to Gubernatorial Elections Fund question "Do you wish to designate \$1 of your taxes for this fund?"
Note 10 NJ Dependents Worksheet	Link to NJ Dependents Worksheet from any field in NJ Dependents section of NJ 1040 Line 13. Check box that says "Check if dep does not have health insurance" next to Ronald's name. TW will check corresponding box on NJ 1040 Line 13
Note 12 Use Tax	Since Hilda does not owe any Use Tax, "get the red out" of NJ 1040 Line 44
Note 11 Rent	Enter \$9,600 of rent (\$800 per month X 12) on NJ 1040 Page 4 Worksheet F Line. TW will calculate the 18% of rent that can be claimed as property tax (\$1,728). TW will also calculate that taxpayer receives a greater benefit by claiming property tax credit of \$50 on Line 48 than by claiming property tax deduction on Line 36c
	Since Hilda rents, do not check box on NJ 1040 Line 36b that says "Check here if on October 1, 2011 you were a New Jersey homeowner"
Note 13 Refund Check	On NJ DD Worksheet, check line that says "Check here to have a refund check mailed to you"
Run Diagnostics	Correct any errors shown