

2012 IMPORTANT LEARNING POINTS FOR BAYLOR PROBLEM

DOCUMENT	LEARNING POINTS TO CHECK & EMPHASIZE
Main Info screen	<p>Since Pat Harper died in 2011, the return should be filed under the surviving spouse's SS #. On Name Line 2, enter % Ben Baylor (% followed by space, followed by surviving spouse's name). Combined names of both spouses cannot exceed 30 characters, or TW will generate an e-file error code. Enter date of death under Taxpayer Information section and check that the return is being filed by the surviving spouse. TW will populate "DECEASED PAT HARPER 06/21/2011" on top of printed 1040 form (will not appear on TW 1040 screen)</p> <p>NOTE: Refer students to TW context sensitive help on this topic</p>
	Since Pat died in the current tax year, Ben can still file as MFJ
	According to chart in Pub 4012 on Page C-4, Madison Chambers meets all criteria for qualifying child for dependency. Ensure she is listed as dependent. Code can be 1-Your Child Who Lives with You (Code 3 used for qualifying relatives)
	Presidential election campaign boxes should not be checked
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
1099-DIV Lone Star Fund	Enter Ordinary & Qualified Dividends on Dividend Statement. TW transfers to Sch B & 1040 Lines 9a & 9b
	Enter Capital Gains Distributions on Dividend Statement so they flow through to Schedule D
1099-R Defense Finance & Accounting SVC	Taxable amount is given in Box 2a, so Simplified Method Worksheet is not needed
	This is a military pension. It is taxable for Federal, but not for NJ. Must check Box 2 to left of Box 15 so that TW will not include the pension in NJ income
1099-R Harris Trust	Taxable amount is given in Box 2a, so Simplified Method Worksheet is not needed
SSA-1099 Ben	Enter info on 1040 Worksheet 1 under Taxpayer column
	Use scratch pad to enter Medicare Parts B (\$1,335) & D (\$426). TW will transfer total (\$1,761) to Schedule A Detail
SSA-1099 Pat	Enter SS info for Pat on 1040 Worksheet 1 under Spouse column
	Since there is only one Medicare entry, you can enter Part B premiums directly on Medicare line, without a scratch pad
W2-G Gambling Winnings Note 6	Link from 1040 Line 21 to Form W2-G or use Add Forms icon
	Enter Gambling Losses of \$2,550 at bottom of screen. TW will transfer losses up to the amount of winnings (\$1,200) to Sch A Line 28. Gambling

	deductions are not subject to 2% of AGI limitation
	Since this is not lottery winnings, no need to use "F-1 Help" on W-2G screen
	TW will net the losses against the winnings for the NJ 1040. Therefore, NJ 1040 Line 23 Net Gambling Winnings will be 0
Note 6 Itemized Deductions - Medical	On Sch A Detail, enter doctor bills, hospital bills, prescription drugs, & prescription eyeglasses under Other Medical Expenses. Enter 558 medical miles for 01/01/2011 – 06/30/2011 at 19 cents a mile & 558 miles for 07/01/2011 – 12/31/2011 at 23.5 cents a mile
Note 6 Itemized Deductions - Contributions to Charity	On Sch A Detail, enter church donations & PBS contribution under Cash Contributions 50% Limit Organizations. Church raffle ticket cannot be deducted as a Contribution to Charity. It can be used as losses against the gambling winnings Ben had. Assume that the raffle ticket cost is already in Ben's \$2,550 gambling losses.
	On Sch A Detail, enter Salvation Army clothes donation under Other Than Cash Contributions 50% Limit Organizations
Note 6 Itemized Deductions - Funeral Expenses	Funeral expenses are not deductible on Sch A
	See Page 4-3 of Pub 4012 for a list of common non-deductible items
Note 6 Itemized Deductions - Home Mortgage Interest	On Sch A, enter home mortgage interest on Line 10 Home Mortgage Interest & Points from Form 1098, not listed above
Note 6 Itemized Deductions - Real Estate Tax	On Sch A, enter real estate tax on main home on Line 6 Real Estate Taxes on your Principal Residence, not listed above
	Enter real estate tax on empty lot on a scratch pad off Line 6 Other Real Estate Taxes You Paid, not listed elsewhere in this tax return
Note 7 Sales Tax on New Car	TW calculates the normal Sales Tax deduction on the Sales Tax Worksheet based on taxpayer's income and state sales tax %. If you purchase specialized items such as a car, boat, aircraft, home, etc., you can add the sales tax paid on that item to the normal deduction. Enter sales tax for that specified item on Line 8 of Sales Tax Worksheet. TW will populate the total sales tax on Sch A Line 5b
	Another commonly-overlooked item you can add to the normal deduction is for sales tax on construction materials on a home improvement
Note 8 PTR	On the scratch pad created previously off Sch A Line 6, enter PTR rebate as a negative amount. This will net the PTR received this year (for last year) against the other real estate taxes you paid this year. Just ensure that taxpayer would still be itemizing and that Line 6 total is still > 0. (Follow steps in NJ Special Handling document on taxpre4free.org website)
Notes 4 & 5 NJ Income Tax Refund	Ben & Pat received a NJ Income Tax refund in 2011 for 2010 taxes. They itemized in 2010, but they took the Sales Tax deduction (Sch A Line 5b), rather than the State and Local Taxes deduction (Line 5a). Since they did

	not receive any benefit from claiming NJ income taxes on Sch A last year, they do not have to claim the refund this year
1040 Pg 1 still red	1040 Pg 1 is still red in Forms Tree. Answer NO to question above Box 10.
	1040 Pg 1 Line 21 Other Income is still red. Type in exact words "GAMBLING WINNINGS" as Type. If you use any other wording, TW will generate a Diagnostics error
Sch B still red – Note 9	Answer NO to the financial involvement questions at the bottom of Sch B
Note 10 Municipality Code	Enter Municipality Code for Absecon (0101). Can obtain from NJ 1040 instruction booklet or from link on Preparer page on taxprep4free.org website
Note 2 Gubernatorial Elections Fund	Check NO to Gubernatorial Elections Fund question "Do you wish to designate \$1 of your taxes for this fund?"
Note 11 Dependents Health Insurance	Madison is covered by health insurance, so no need to use NJ Dependents Worksheet
Note 12 Use Tax	Since Ben does not owe any Use Tax, "get the red out" of NJ 1040 Line 44
Note 8 NJ 1040 Line 25 Other Income	Since the PTR received this year for last year's real estate taxes was netted against the current year property tax (not entered on 1040 Line 21 Other Income), there is no need to use a scratch pad to exclude the PTR from NJ income on NJ 1040 Line 25
Note 13 Refund Check	On NJ DD Worksheet, check line that says "Check here to have a refund check mailed to you"
NJ 1040 Line 36b	Check box on NJ 1040 Line 36b that says "Check here if on October 1, 2011 you were a New Jersey homeowner."
NJ Line 37 Taxable Income	Ben & Pat have \$0 NJ Taxable Income because all their income was offset by the Pension Exclusion (Line 27a), Other Retirement Income Exclusion (Line 27b), Exemptions, & Medical Expenses deductions
Note 8 NJ Property Taxes	Ben & Pat are under the NJ filing limits (<\$20,000 on NJ 1040 Line 28). They are both over 65. They qualify for the \$50 Property Tax Credit. However, since they were homeowners on 10/1/2011, they should receive the credit through the Homestead Benefit program. Do not complete Worksheet F
	Since Worksheet F was not completed, use a scratch pad off Line 36a to document the property taxes Ben paid on his principal residence (\$3,498)
NJ Ret Wkt still red	Answer YES to NJ Retirement Income Exclusion Worksheet Line 10b "Are you &/or your spouse, if filing jointly, now receiving, or ever be eligible to receive SS or RR benefits?"
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. Would also answer NO because Ben & Pat are under filing limits. Print return for client & write "DID NOT FILE" on top