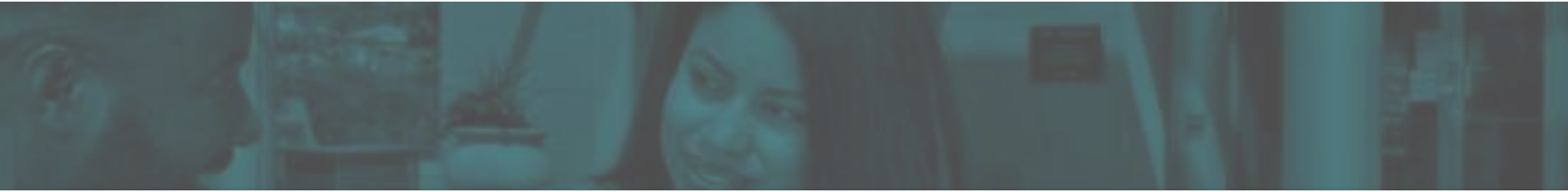
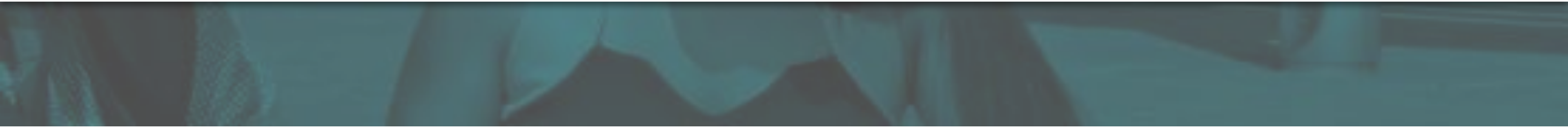


Life Events



Life Events

- Credit Disallowance in a Prior Year
- First Time Homebuyer Credit
- Capital Loss Carryover
- Marketplace Health Insurance
- Identity Protection PIN (IP PIN) Program
- Injured Spouse, Form 8379
- Federal Tax Withholding
- Estimated Payments
- Extensions
- Refunds

Credit Disallowance in a Prior Year

Credit Disallowance in a Prior Year

If a client has had their Earned Income Credit (EIC), Child Tax Credit (CTC) (or Additional Child Tax Credit (ACTC)), Credit for Other Dependents (ODC), or American Opportunity Tax Credit (AOTC) reduced or disallowed in a prior year and they meet the requirements to claim the credit again, Form 8862 Information to Claim Certain Credit After Disallowance must be filed.

First Time Homebuyer Credit

First Time Homebuyer Credit

- If the taxpayer received the first-time homebuyer credit for a home purchased in 2008, generally they must repay the credit over a 15-year period in 15 equal installments.
- The repayment period began in 2010.
- However, if the home ceases to be the taxpayer’s main home before the 15-year period is up, the taxpayer must repay all remaining annual installments.
    - The home ceases to be the main home if the taxpayer sells the home; converts the entire home to business or rental property; the home is destroyed, condemned, or disposed of under threat of condemnation; or the lender forecloses on the mortgage.
- The credit is repaid by including it as additional tax on the return for the year the home ceases to be the taxpayer’s main home.
- If the taxpayer is required to repay the credit, it is calculated on Form 5405 and reported on Form 1040, Schedule 2.

Capital Loss Carryover

Capital Loss Carryover

- The net allowable capital loss per year is referred to as the “deduction limit.”
  - A taxpayer’s deduction limit cannot be more than $3,000 ($1,500 for married taxpayers filing separately) in figuring taxable income for any single tax year.
- Any prior year carryover losses are combined with the capital gains and losses in future years.
- Unused capital losses can be carried over to later years until they are completely used up. Carryovers must be reported every year, or they are lost.
- To figure any capital loss carryover from the year prior to the current tax year, use the Capital Loss Carryover Worksheet from the Schedule D instructions.
- To complete the worksheet, you will need information from the prior year return.
  - Ask taxpayers for their Schedule D Worksheet (Capital Loss Carryovers from This Year to Next Year) from the previous year to determine the carryover amounts from the prior year to the current year.

Marketplace Health Insurance

Marketplace Health Insurance (Form 1095-A)

Form **1095-A** **Health Insurance Marketplace Statement** ☐ VOID ☐ CORRECTED OMB No. 1545-2232

Department of the Treasury Internal Revenue Service

▶ Do not attach to your tax return. Keep for your records.
▶ Go to *www.irs.gov/Form1095A* for instructions and the latest information.

Part I Recipient Information

1 Marketplace identifier: 12-3456789	2 Marketplace-assigned policy number: 987654	3 Policy issuer's name	
4 Recipient's name: THOMAS POLK		5 Recipient's SSN: 328-00-XXXX	6 Recipient's date of birth: 3/11/1982
7 Recipient's spouse's name		8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth
10 Policy start date: 01/01/2022	11 Policy termination date: 12/31/2022	12 Street address (including apartment no.): 100 BROOKS DRIVE	
13 City or town: YOUR CITY	14 State or province: YOUR STATE	15 Country and ZIP or foreign postal code: ZIP	

Part II Covered Individuals

	A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16	THOMAS POLK	328-00-XXXX	03/11/1982	01/01/2022	12/31/2022
17	CHRISTINA POLK	125-00-XXXX	08/25/2016	01/01/2022	12/31/2022
18					
19					
20					

Part III Coverage Information

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January	$446	$602	$388
22 February	$446	$602	$388
23 March	$446	$602	$388
24 April	$446	$602	$388
25 May	$446	$602	$388
26 June	$446	$602	$388
27 July	$446	$602	$388
28 August	$446	$602	$388
29 September	$446	$602	$388
30 October	$446	$602	$388
31 November	$446	$602	$388
32 December	$446	$602	$388
33 Annual Totals	$5,352	$7,224	$4,656

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 60703Q Form **1095-A** (2022)

- Under the Affordable Care Act (ACA), the federal government, state governments, insurers, employers, and individuals share responsibility for improving the quality and availability of health insurance coverage in the United States.
- The ACA reforms the existing health insurance market by prohibiting insurers from denying coverage or charging higher premiums because of an individual's preexisting conditions.
- The ACA also creates the Health Insurance Marketplace.
  - If a taxpayer has Marketplace Insurance, they will have received a 1095-A.
  - Form 1095-A must be included on the tax return if the client had Marketplace insurance.

Premium Tax Credit (PTC)

- The PTC helps eligible taxpayers pay for health insurance purchased through the Marketplace.
- When enrolling in qualified health coverage through the Marketplace, the Marketplace estimates the amount of the PTC that eligible taxpayers may claim on their federal tax return.
- Based on that estimate, eligible taxpayers choose to have advance payments of the premium tax credit (APTC) made on their behalf to their insurance company, or to forego APTC and get all of the benefit of the PTC when they claim the credit on their federal tax return.
- Those who choose to get the benefit of APTC must file a federal tax return for the year the payments are made even if they have gross income for the year that is below the income tax filing threshold.

Premium Tax Credit (PTC)

- In general, taxpayers are allowed a PTC if they meet all of the following (but individuals who can be claimed as a dependent by another taxpayer for a taxable year cannot claim a PTC for the year):
  - The taxpayer, spouse (if filing a joint return), or dependents were enrolled in a qualified health plan offered through the Marketplace for one or more months in which the enrolled individual was not eligible for Minimum Essential Coverage (MEC) other than coverage in the individual market.
  - The premiums for the plan or plans in which the taxpayer and his or her family members enroll are paid by the due date of the taxpayer's return (not including extensions).
  - If married, the taxpayer files a joint return with his or her spouse (unless the taxpayer is considered unmarried for Head of Household filing status, or meets the criteria which allow certain victims of domestic abuse or spousal abandonment to claim the PTC using the Married Filing Separately filing status).
  - The taxpayer is an applicable taxpayer. A taxpayer is an applicable taxpayer if:
    - His or her household income is at least 100 percent of the federal poverty line for the taxpayer's family size

Premium Tax Credit (PTC)

- The following exceptions allow a taxpayer with household income below 100 percent of the federal poverty line to be an applicable taxpayer, provided the taxpayer meets the other applicable taxpayer requirements:
  - The taxpayer, the taxpayer's spouse, or a dependent who enrolled in a qualified health plan is not a U.S. citizen, but is lawfully present in the U.S. and not eligible for Medicaid because of immigration status.
  - The taxpayer was determined eligible for APTC by the Marketplace and received the benefit of APTC for one or more months of coverage of a family member.
- The federal poverty line (FPL) is an income amount adjusted for family size that is considered poverty level for the year. The U.S. Department of Health and Human Services (HHS) provides three sets of federal poverty guidelines:
  - one for residents of the 48 contiguous states and D.C.,
  - one for Alaska residents, and
  - one for Hawaii residents.

Premium Tax Credit (PTC)

- A taxpayer’s household income is the total of the modified adjusted gross income (MAGI) of the taxpayer (and spouse, if married and filing jointly) and the MAGI of all dependents required to file a federal income tax return because his or her income meets the filing threshold.
- MAGI, for the purpose of the PTC, is the adjusted gross income on the federal income tax return plus any excluded foreign income, nontaxable Social Security benefits (including tier 1 railroad retirement benefits), and tax-exempt interest.
- It does not include Supplemental Security Income (SSI) or other types of exempt or excluded income.
- The taxpayer’s MAGI does not include the MAGI of a person who is not claimed as a dependent.
- Similarly, the spouse’s MAGI is not included when the taxpayer is filing Married Filing Separately or qualifies to file as Head of Household.
- A taxpayer’s PTC for the year will differ from the APTC payment amount estimated by the Marketplace if the taxpayer’s family size or household income as estimated at the time of enrollment is different from the family size or household income reported on the return.

Identity Protection PIN (IP PIN) Program

Identity Protection PIN (IP PIN) Program

- Nationwide, identity theft continues to grow at an alarming rate.
    - The IRS developed a strategy to address the problem of identity theft-related tax administration issues.
- Every December, the IRS mails Notice CP01A to taxpayers previously identified as identity theft victims.
    - The notice includes a 6-digit Identity Protection Personal Identification Number (IP PIN) to be entered on the tax return.
- Taxpayers are mailed Notice CP01A every year as long as the identity theft indicator remains on their account (usually 3 years).
- Use the most recent IP PIN regardless of the tax year.

Identity Protection PIN (IP PIN) Program

- The IP PIN acts as an identity validation tool only.
- The IP PIN indicates that taxpayers previously provided IRS with information that validates their identity and that IRS is satisfied that the taxpayers are the valid owners of the SSNs.
- Returns that are filed on accounts with an IP PIN indicator present are processed as valid returns using standard processing procedures.
- Returns that are filed on accounts with an IP PIN indicator present that do not have an IP PIN, or the IP PIN was not input correctly, will experience delays while IRS validates the identity of the taxpayer against IRS records.
    - The return will be rejected in TaxSlayer if e-filed.

Injured Spouse, Form 8379

Injured Spouse, Form 8379

- When a joint return is filed and only one spouse owes a past-due amount, the other spouse can be considered an injured spouse.
  - Past due amounts include: Unpaid federal tax liability, unpaid federal non-tax debt, past-due child support, past-due legally enforceable state income tax obligations, unemployment compensation debts
- Injured spouses may file Form 8379 to receive their share of the refund shown on the joint return. Form 8379 can be e-filed with the joint return.
- The injured spouse:
  1. Must not be legally obligated to pay the past-due amount, and
  2. Must have made and reported tax payments (such as federal income tax withheld from wages or estimated tax payments), or claimed a refundable tax credit.

Injured Spouse, Form 8379

- If a taxpayer already filed a joint return and the refund was offset, Form 8379 can be filed by itself.
  - Attach copy of all W-2s and 1099s showing federal withholding
  - Do NOT attach copy of joint return
  - Both spouses' TINs in the same order as on joint return
  - Injured spouse signs the form
- A separate Form 8379 must be filed for each tax year to be considered.

Injured Spouse, Form 8379

- File by later of 3 years from return due date (w/ext.) or 2 years from date tax paid that was later offset
  - IRS service center where original return filed or if electronic return, to IRS service center for where TP lives
  - Cannot be filed at a Taxpayer Assistance Center

Form 8379 Allocations

- Joint overpayment allocated to each based on contribution to overpayment
- Share of joint liability based on each spouse's MFS liability
- Must allocate all joint return items between spouses – Form 8379, Part III
- Use joint return amounts even if item limited or not allowable on MFS
- If taxpayer does not allocate, IRS will allocate 50/50

Injured Spouse, Form 8379

Allocate each item as follows:

Income	Deductions and Adjustments
• Wages - Allocate as would for MFS returns • Joint income - TP chooses allocation • Other income – Allocate as would for MFS returns • Must identify the type and amount of income	• Allocate as would for MFS returns (includes itemized deductions) • Joint deductions - TP chooses allocation • Standard deduction allocated 50/50 • QBI allocated to spouse with the business income

Injured Spouse, Form 8379

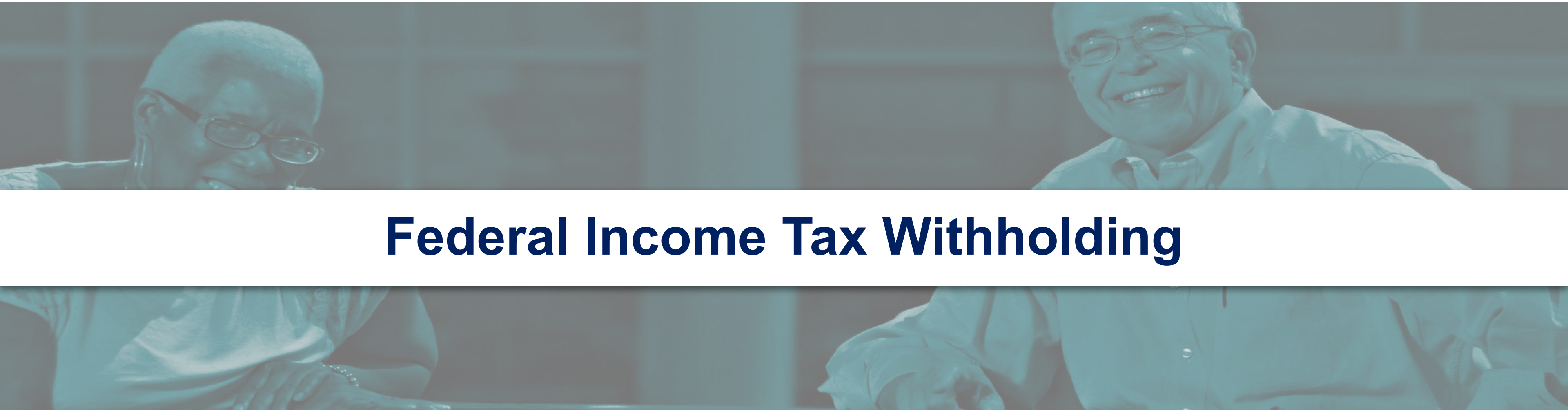
Allocate each item as follows:

Credits	Taxes
• All credits allocated except EIC (IRS will allocate) • Credits follow claim for dependent • Business credits based on interest in business • All other credits TP’s choice	• SE tax to spouse with SE income • Excess APTC repayment allocated as TP chooses • NII tax allocated as net investment income allocated

Injured Spouse, Form 8379

Allocate each item as follows:

Tax Payments
● Withholding to spouse who paid the withholding (income, excess soc. sec., tier 1 RR retirement, additional Medicare tax) ● Separate estimates allocated to paying spouse ● Joint estimates allocated however spouses agree



Federal Income Tax Withholding

Federal Income Tax Withholding

- The federal income tax system is a “pay as you go” system.
- That means tax is paid as income is earned or received during the year and is referred to as withholding credit.
- Income tax is generally withheld from the following types of income:
  - Salaries and wages
  - Pensions and annuities
  - 401(k) and IRA distributions
  - Gambling winnings
  - Unemployment compensation
  - Certain federal payments such as Social Security benefits

Federal Income Tax Withholding

- There are several ways to pay taxes during the year to avoid having a balance due when the return is filed.
  - Taxpayers whose income is mostly from wages, pensions, unemployment, or some investment income (such as interest on U.S. bonds) can adjust their withholding
    - Taxpayers who are wage earners should use the IRS Tax Withholding Estimator to determine whether they need to update their withholding
    - Form W-4, Employee's Withholding Certificate can be used to increase or decrease withholding Taxpayers whose income is mostly from self-employment or investments can make or increase their estimated tax payments
  - A combination of increased withholding and estimated tax payments may work best for some taxpayers

Estimated Payments

Estimated Payments

- Many taxpayers have income from self-employment, dividends, interest, capital gains, rent, and royalties.
- The “pay as you go” system also applies to this income.
- If the tax due on this income exceeds certain limits, estimated tax must be paid quarterly by the taxpayer.
- If estimated tax payments are not paid when they are required, a penalty could be imposed.
- This also applies if taxpayers do not have enough income tax withheld from their salary or wages.
- Estimated tax is used to pay both income tax and self-employment tax, as well as other taxes and amounts reported on your tax return.

Extensions

Extensions

- Taxpayers can get an automatic six-month extension of time to file by submitting Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.
- This form extends the time to file until October 15.
- This is only an extension to file, not an extension to pay.
- If taxpayers do not pay their taxes by April 15, they will owe interest and may be charged penalties

Refund and Amount of Tax Owed

Refund and Amount of Tax Owed

- Taxpayers may be entitled to a refund or owe tax.
- In either case, they have several choices on how to get their refund or pay the amount they owe.
- The taxpayer’s total tax and total tax payments already made, which includes refundable credits, appear on the applicable lines of Form 1040.
- If the payments made exceed the amount of tax liability, the amount of the overpayment is shown on the applicable line in the Refund section of the Form 1040.
- This is the amount the taxpayer has overpaid. If the amount of the tax liability exceeds the payments made, the amount owed appear in the Amount You Owe section of the Form 1040.
    - This is the amount the taxpayer must pay to the IRS.

Refunds

- Taxpayers can choose to:
  - Apply any portion of their overpayment to the following tax year
  - Receive all or part of their refund using direct deposit to any financial account that has a Routing Transit Number, such as a checking account, a savings account (including an IRA), or a prepaid debit card
    - Encourage taxpayers to use direct deposit; direct deposit refunds are received faster than checks (usually within 10 to 21 days) and eliminate the possibility of a check being lost or stolen.
    - Direct deposit is more convenient for the taxpayer and saves tax dollars because it costs less to process.
    - Taxpayers may choose to have their refund deposited in up to three accounts by using Form 8888, Allocation of Refund
    - Direct deposit of a taxpayer’s refund is to be made to an account (or accounts) only in the taxpayer’s name.
  - Receive all or part of their refund as a check
  - Purchase Series I Savings Bonds

Amounts Owed

- Taxpayers who owe money on their returns are often afraid and do not know what to do next. This is a good opportunity to advise the taxpayers of the various options for payment.
- Explain to taxpayers that the tax return will be filed now and that they should submit their payment of taxes due no later than April 15.
- To avoid a failure-to-file penalty, taxpayers with an amount owed must file their return by the due date even if they cannot pay the full amount with the return.
- The payment options are:
    - Check or money order submitted with Form 1040-V, Payment Voucher, Electronic funds withdrawal, Credit card (fees may apply), Electronic Federal Tax Payment System (EFTPS) , IRS Direct Pay, Cash at a retail partner

Amounts Owed

- If taxpayers state that they cannot pay, first advise them to file the return and pay as much as they can with the return.
- This will reduce penalty and interest charges.
- Once they receive a notice, they can pay the remaining amount in full or choose another payment option if more time is needed.
- Taxpayers who cannot pay the full amount owed, shown on Form 1040 in the Amount You Owe section, may use one of the following options:
  - Request a short-term payment plan of up to 180 days using the Online Payment Agreement Application (OPA) or calling. No fee is charged, but interest and penalties are charged on payments after the April due date.
  - Monthly installment payments (established online using OPA or file Form 9465, Installment Agreement Request). A fee is charged for this option, in addition to interest and penalties. The fee is less with OPA. Taxpayers may qualify for waiver or reimbursement.
  - Referral to Low-Income Taxpayer Clinics (LITC).

Superseding Returns

Superseding Returns

- If a client comes back into the office after their return has been e-filed saying they need to add additional information or change their return, let your site coordinator know.
- Do NOT file an amended return if a client returns with additional income (or for any other reason a client would need an amendment) before April 18th.
  - Paper superseding returns are filed before the due date of the return and after they receive their refund.
- Enter the additional information into the system as normal, print the return as a paper return, and write “SUPERSEDING RETURN” at the top of the first page of the 1040.