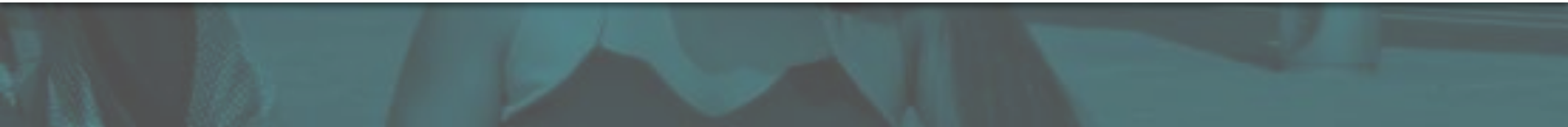


## Basic Income



# Gross Income

- Gross income is all income received in the form of money, goods, property, and services that is not exempt from tax.
- It includes income from sources outside the U.S. or from the sale of a primary residence, even if part or all of that income can be excluded.
- Gross income may include part of Social Security benefits received and certain scholarship and fellowship grants.
- Income that is taxable must be reported on a taxpayer's return and is subject to tax.
- Income that is nontaxable may have to be shown on a taxpayer's return but is exempt from tax.

# Types of Income

## Earned income

Any income received for work, such as wages or business/self-employment income

## Unearned income

Any income not earned from work, such as unemployment income or income produced by investments, such as interest on savings, dividends on stocks, or rental income


# Basic Income

- Wages or Salary
- Scholarships
- Interest/Dividends from:  
checking/savings accounts,  
bonds, CDs, brokerage
- Refund of state/local income  
taxes
- Alimony income or separate  
maintenance payments
- Disability income
- Unemployment  
Compensation
- Social Security or Railroad  
Retirement Benefits
- Other Income:
  - Gambling
  - Royalties
  - Election Worker
  - UAW Legal Plan



## Wages or Salary

# Wages or Salary (Form W-2)

<b>a</b> Employee's social security number 128-00-XXXX		Safe, accurate, <b>FAST! Use</b>		 Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
<b>b</b> Employer identification number (EIN) 25-7XXXXXX		<b>1</b> Wages, tips, other compensation \$45,000.00		<b>2</b> Federal income tax withheld \$3,000.00	
<b>c</b> Employer's name, address, and ZIP code  CAVE STREET MARKET 200 ROCK ROAD YOUR CITY, YOUR STATE, ZIP		<b>3</b> Social security wages \$45,000.00		<b>4</b> Social security tax withheld \$2,790.00	
		<b>5</b> Medicare wages and tips \$45,000.00		<b>6</b> Medicare tax withheld \$652.50	
		<b>7</b> Social security tips		<b>8</b> Allocated tips	
<b>d</b> Control number		<b>9</b>		<b>10</b> Dependent care benefits	
<b>e</b> Employee's first name and initial      Last name      Suff.  CLAIRE PICKENS 5 PEBBLE LANE YOUR CITY, YOUR STATE, ZIP		<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12 DD      \$2,300.00	
		<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		<b>12b</b>	
		<b>14</b> Other		<b>12c</b>	
				<b>12d</b>	
<b>f</b> Employee's address and ZIP code					
<b>15</b> State      Employer's state ID number YS      25-7XXXXXX	<b>16</b> State wages, tips, etc. \$45,000.00	<b>17</b> State income tax	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax	<b>20</b> Locality name

Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

# Wages or Salary (Form W-2)

- Employers must report wages and other employee compensation on Form W-2.
- Taxpayers must bring a W-2 for every job they worked in. All W-2s are reported to the IRS, so we must match their records.
  - The amount on Form 1040, line 1a should be the total of Box 1 of all W-2 forms.
  - Always enter all amounts shown on the W-2, including federal and state tax withholding and any entries in Box 12.
- Employers are not required to mail Forms W-2, but they must make them available to employees by January 31.

# Form W-2: Box 12 Codes

There are numerous code letters that the employer can use to designate certain items, such as:

## Form W-2 Reference Guide for Common Box 12 Codes

- A** Uncollected Social Security or RRTA tax on tips
- B** Uncollected Medicare tax on tips
- C** Taxable cost of group term life insurance over \$50,000 included in boxes 1, 3 (up to Social Security wage base) & 5.
- D** Elective deferrals to a section 401(k) cash or deferred arrangement
- E** Elective deferrals under a section 403(b) salary reduction agreement
- F** Elective deferrals under a section 408(k)(6) salary reduction SEP
- G** Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan
- H** Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan. Included in Box 1 as wages, but see Pub 525 Taxable and Nontaxable Income instructions on how to deduct on Form 1040.
- J** Nontaxable sick pay (If Box 1 is blank, do not include on return unless there is withholding. If there is withholding, enter under Payments & Estimates, Other [Federal or State] Withholding)
- P** Excludable moving expense reimbursements paid directly to employee



# Form W-2: Box 12 Codes Continued

More code letters that the employer can use to designate certain items, such as:

- Q** Nontaxable combat pay (Military certification)
- R** Employee Contributions to MSA, Out of Scope
- T** Adoption benefits (Out of Scope)
- W** Employer contributions (including amounts the employee contributes through a cafeteria plan) to employee's health savings account
- Z** Income under a nonqualified deferred compensation plan that fails to satisfy section 409 (Out of Scope)
- AA** Designated Roth contributions under a section 401(k) plan
- BB** Designated Roth contributions under a section 403(b) plan
- DD** Cost of employer-sponsored health coverage (not taxable)
- EE** Designated Roth contributions under a governmental section 457(b) plan

Codes D through H, S, AA, BB, and EE also indicate elective (voluntary) contributions which qualify for retirement savings credit. See Tab G, Nonrefundable Credits. For less common Box 12 codes, see Form W-2.



## Scholarship Income

# Scholarship Income (Form 1098-T / Form W-2)

**Note:** Form 1098-T is **not** an income document, but scholarship amounts are reported on this form.

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number  <b>YUMA COLLEGE</b> <b>1000 COLLEGE AVENUE</b> <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>1</b> Payments received for qualified tuition and related expenses <b>\$ 20,000.00</b>	OMB No. 1545-1574  Form <b>1098-T</b>	<b>Tuition Statement</b>  <b>Copy B For Student</b>  This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S employer identification no. <b>37-700XXXX</b>	STUDENT'S TIN <b>654-00-XXXX</b>	<b>2</b>	<b>3</b>	
STUDENT'S name <b>DAVID NEWBERRY</b>		<b>4</b> Adjustments made for a prior year <b>\$</b>	<b>5</b> Scholarships or grants <b>\$ 25,000.00</b>	
Street address (including apt. no.) <b>1234 ROCKMOUNT STREET</b>		<b>6</b> Adjustments to scholarships or grants for a prior year <b>\$</b>	<b>7</b> Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2022 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>8</b> Checked if at least half-time student <input checked="" type="checkbox"/>	<b>9</b> Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)			<b>10</b> Ins. contract reimb./refund <b>\$</b>	

Form **1098-T**

(keep for your records)

[www.irs.gov/Form1098T](http://www.irs.gov/Form1098T)

Department of the Treasury - Internal Revenue Service

# Scholarship Income (Form 1098-T)

- Scholarships and fellowships may be fully or partially taxable, or nontaxable.
- Taxable amounts include:
  - Payment for services
  - Money used for personal living expenses, such as room and board. If the taxpayer received Form W-2 for the scholarship or fellowship it is considered earned income.
- Nontaxable amounts include:
  - Money used to pay for tuition, fees and course-related expenses
- Form 1098-T lists qualified tuition and related expenses paid to the school.
  - If scholarships or grants exceed the qualified educational costs, some of the grant or scholarship may be taxable to the student (not the taxpayer claiming the student as a dependent).



## Interest Income

# Interest Income (Form 1099-INT)

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>ADELPHI BANK AND TRUST</b> <b>8020 YONKERS BLVD</b> <b>YOUR CITY, YOUR STATE, ZIP</b>		Payer's RTN (optional)	OMB No. 1545-0112	<b>Interest Income</b>
PAYER'S TIN  <b>22-700XXXX</b>		1 Interest income \$ <b>130.00</b>	Form <b>1099-INT</b>	
RECIPIENT'S TIN  <b>328-00-XXXX</b>		2 Early withdrawal penalty \$ <b>26.00</b>		<b>Copy 2</b>
RECIPIENT'S name  <b>THOMAS POLK</b>  Street address (including apt. no.)  <b>100 BROOKS DRIVE</b>  City or town, state or province, country, and ZIP or foreign postal code  <b>YOUR CITY, YOUR STATE, ZIP</b>		3 Interest on U.S. Savings Bonds and Treas. obligations \$	4 Federal income tax withheld \$	
FATCA filing requirement <input type="checkbox"/>		5 Investment expenses \$	6 Foreign tax paid \$	<b>To be filed with recipient's state income tax return, when required.</b>
Account number (see instructions)		7 Foreign country or U.S. possession \$	8 Tax-exempt interest \$	
		9 Specified private activity bond interest \$	10 Market discount \$	
		11 Bond premium \$	12 Bond premium on Treasury obligations \$	
		13 Bond premium on tax-exempt bond \$	14 Tax-exempt and tax credit bond CUSIP no.	15 State
		16 State identification no.	17 State tax withheld \$	\$

Form **1099-INT**

[www.irs.gov/Form1099INT](http://www.irs.gov/Form1099INT)

Department of the Treasury - Internal Revenue Service

# Interest Income (Form 1099-INT)

- Common sources of **taxable interest** income are checking and savings accounts, certificates of deposit (CDs), savings certificates, U.S. government bonds, interest on insurance proceeds, and loans that the taxpayer makes to others.
- Total taxable interest income is reported on Form 1040, Line 2b
- If total taxable interest is over \$1,500, the tax software will add a Schedule B to taxpayer's tax return.
- If a taxpayer received less than \$10 in interest, the financial institution might not issue Form 1099-INT.
  - Even if the taxpayer did not receive Form 1099-INT, they must still report all of their taxable interest income, including any interest paid by the IRS.

# Interest Income (Form 1099-INT)

- Examples of **tax-exempt interest** income include interest from bonds that are exempt from federal tax such as, state political subdivisions, District of Columbia and port authorities.
- Reported to taxpayer on Form 1099-INT, Box 8
- Reported to taxpayer on Form 1099-INT, Box 8
- Note: Boxes 10-13 are now in scope for the program, with exceptions.
  - As always, check Publication 4012 before entering to determine if the return is in scope.
- Read the taxpayer's Form(s) 1099-INT carefully; both taxable and tax-exempt interest may be listed.





## Dividend Income

# Dividend Income (Form 1099-DIV)

<input type="checkbox"/> CORRECTED (if checked)						
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>BALDWIN BANK</b> 123 BALDWIN AVENUE YOUR CITY, YOUR STATE, ZIP		<b>1a</b> Total ordinary dividends \$ <b>2,200.00</b>	OMB No. 1545-0110 Form <b>1099-DIV</b> (Rev. January 2022)		<b>Dividends and Distributions</b>	
		<b>1b</b> Qualified dividends \$ <b>2,200.00</b>	For calendar year			
		<b>2a</b> Total capital gain distr. \$	<b>2b</b> Unrecap. Sec. 1250 gain \$			
PAYER'S TIN  38-4XXXXXX	RECIPIENT'S TIN  127-00-XXXX	<b>2c</b> Section 1202 gain \$	<b>2d</b> Collectibles (28%) gain \$		<b>Copy B For Recipient</b>  This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name  <b>JEFF PICKENS</b>		<b>2e</b> Section 897 ordinary dividends \$	<b>2f</b> Section 897 capital gain \$			
		<b>3</b> Nondividend distributions \$	<b>4</b> Federal income tax withheld \$ <b>330.00</b>			
Street address (including apt. no.)  <b>5 PEBBLE LANE</b>		<b>5</b> Section 199A dividends \$	<b>6</b> Investment expenses \$			
		City or town, state or province, country, and ZIP or foreign postal code  <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>7</b> Foreign tax paid \$		<b>8</b> Foreign country or U.S. possession
		<b>9</b> Cash liquidation distributions \$	<b>10</b> Noncash liquidation distributions \$			
		<b>11</b> FATCA filing requirement <input type="checkbox"/>	<b>12</b> Exempt-interest dividends \$	<b>13</b> Specified private activity bond interest dividends \$		
Account number (see instructions)		<b>14</b> State	<b>15</b> State identification no.	<b>16</b> State tax withheld \$		
				\$		

Form **1099-DIV** (Rev. 1-2022)

(keep for your records)

[www.irs.gov/Form1099DIV](http://www.irs.gov/Form1099DIV)

Department of the Treasury - Internal Revenue Service

# Dividend Income (Form 1099-DIV)

## Ordinary Dividends:

- Ordinary dividends are corporate distributions paid out of the earnings and profits of a corporation.
  - The most common type of distribution from a corporation or a mutual fund.
  - They are not capital gains.
  - Assume that any dividend on common or preferred stock is an ordinary dividend unless the payer tells you otherwise.
- Reported to taxpayer on Form 1099-DIV, Box 1a and are reported on Form 1040, Line 3b

# Dividend Income (Form 1099-DIV)

## **Qualified Dividends:**

- Qualified dividends are ordinary dividends that qualify for lower, long-term capital gains tax rates.
- Reported to taxpayer on Form 1099-DIV, Box 1b and are reported on Form 1040, Line 3a

# Dividend Income (Form 1099-DIV)

## Capital Gain Distributions:

- The owner's portion of the capital gains that were realized when a mutual fund or real estate investment trusts (REIT) sold assets.
- They are taxed at the lower long-term capital gains rate, regardless of how long the taxpayer holds the shares.
- Reported to taxpayer on Form 1099-DIV, Box 2a
- Be sure to enter this amount onto a Schedule D – our software should do it for you automatically!



## **Refund of State / Local Income Taxes**

# Refund of State/Local Income Taxes (Form 1099-G)

VOID     CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation \$	OMB No. 1545-0120 Form <b>1099-G</b> (Rev. January 2022) For calendar year	<b>Certain Government Payments</b>  <b>Copy 1 For State Tax Department</b>
PAYER'S TIN	RECIPIENT'S TIN	2 State or local income tax refunds, credits, or offsets \$	3 Box 2 amount is for tax year	
RECIPIENT'S name		5 RTAA payments \$	4 Federal income tax withheld \$	
Street address (including apt. no.)		7 Agriculture payments \$	6 Taxable grants \$	
City or town, state or province, country, and ZIP or foreign postal code		9 Market gain \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
Account number (see instructions)		10a State	10b State identification no.	11 State income tax withheld \$
				\$

Form **1099-G** (Rev. 1-2022)

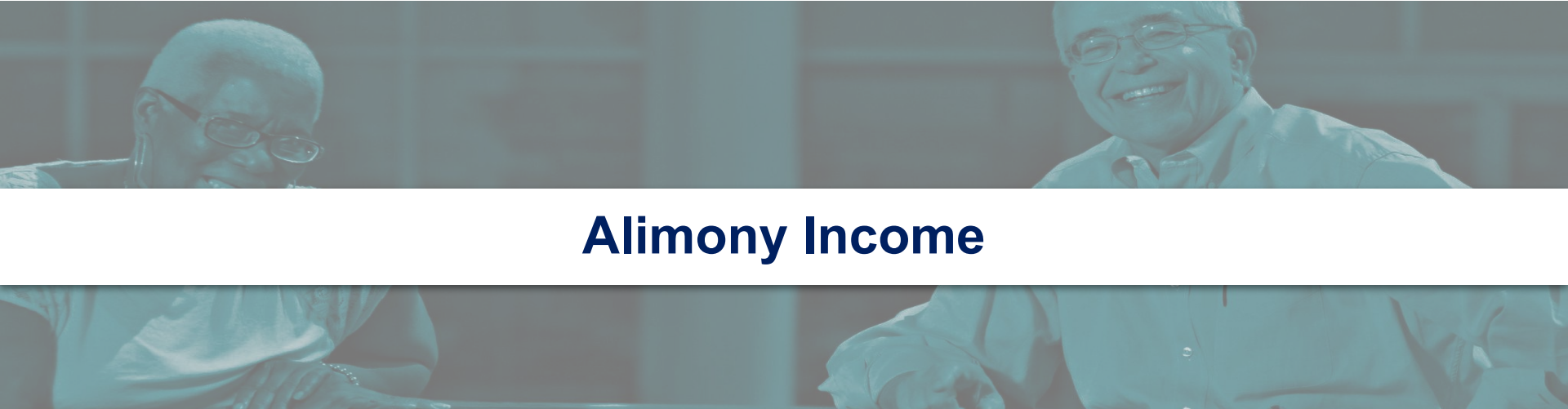
[www.irs.gov/Form1099G](http://www.irs.gov/Form1099G)

Department of the Treasury - Internal Revenue Service

# Refund of State/Local Income Taxes (Form 1099-G)

- Taxpayers who receive a refund of state or local income taxes may receive Form 1099-G reporting their refund amount(s).
- Only taxpayers who itemize and received a federal income tax benefit for deducting their state or local income taxes have to include their state/local tax refunds in income.
  - This also applies to taxpayers who received a Michigan homestead property tax credit and who itemized and received a federal income tax benefit for deducting their property taxes.
- If the taxpayer did not itemize deductions on the prior year return, or did not receive a state income tax refund, there is no need to report any of the state income tax refund as income on the federal return.





## Alimony Income

# Alimony Income or Separate Maintenance Payments

- Alimony is a payment to or for a spouse or former spouse under a separation or divorce instrument.
  - It may include payments on behalf of the spouse or former spouse, such as medical bills, housing costs, and other expenses.
  - It does not include child support or voluntary payments outside the instrument.
- Alimony income is not reported on a government tax form.
  - Ask if the taxpayer received alimony under a divorce or separation instrument. If so, explain that you need the exact amount, since it may also be reported as a deduction by the payor, and the two amounts must agree.
- If the taxpayer is unsure whether a payment is alimony or child support, ask if the payments will stop once the child is grown.

# Alimony Income or Separate Maintenance Payments

- If the agreement was executed before 1985, refer the taxpayer to a professional tax preparer. Alimony income from divorces before 1985 is **out of scope**.
- Post-1984 and Pre-2019 Divorces:
  - The person receiving alimony must include it as income.
  - The person paying alimony can subtract it as an adjustment to income.
  - Both items are reported on Form 1040, Schedule 1.
  - The date of divorce or separation agreement must also be provided.
- Alimony (court-ordered provision for a spouse after separation or divorce) is no longer reportable/deductible for divorce decrees that are executed or revised after December 31, 2018.



## Disability Income

# Disability Income (Form W-2 or Form 1099-R)

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>WINSTON CORPORATION</b> 1800 SPRING STREET YOUR CITY, YOUR STATE, ZIP		<b>1</b> Gross distribution \$ <b>\$42,000.00</b>	OMB No. 1545-0119  Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>	
		<b>2a</b> Taxable amount \$ <b>\$42,000.00</b>	<b>2b</b> Taxable amount not determined <input type="checkbox"/> Total distribution <input type="checkbox"/>		<b>Copy B</b>  <b>Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.</b>  This information is being furnished to the IRS.
PAYER'S TIN  <b>56-7XXXXXX</b>	RECIPIENT'S TIN  <b>131-00-XXXX</b>	<b>3</b> Capital gain (included in box 2a) \$	<b>4</b> Federal income tax withheld \$ <b>\$1,000.00</b>		
RECIPIENT'S name  <b>MORGAN CALHOUN</b>  Street address (including apt. no.)  <b>320 MAIN STREET</b>  City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>5</b> Employee contributions/ Designated Roth contributions or insurance premiums \$	<b>6</b> Net unrealized appreciation in employer's securities \$		
		<b>7</b> Distribution code(s) <b>3</b>	IRA/ SEP/ SIMPLE <input type="checkbox"/>	<b>8</b> Other \$ %	
<b>10</b> Amount allocable to IRR within 5 years \$	<b>11</b> 1st year of desig. Roth contrib.	<b>12</b> FATCA filing requirement <input type="checkbox"/>	<b>14</b> State tax withheld \$	<b>15</b> State/Payer's state no.	<b>16</b> State distribution \$
Account number (see instructions)		<b>13</b> Date of payment	<b>17</b> Local tax withheld \$	<b>18</b> Name of locality	<b>19</b> Local distribution \$

Form **1099-R**

www.irs.gov/Form1099R

Department of the Treasury - Internal Revenue Service

# Disability Income (Form W-2 or Form 1099-R)

- Employers may report disability income on one of the following forms:
  - Form W-2, if the taxpayer has not reached the minimum retirement age set by the employer
  - Form 1099-R, if the taxpayer has reached the minimum retirement age
    - Some employers report qualified disability income on Form 1099-R with Distribution Code 3 in Box 7 regardless of the taxpayer's age.

# Disability Income (Form W-2 or Form 1099-R)

- Generally, taxpayers who retire on disability must include all of their disability payments in income.
- Disability payments are taxed as wages until the taxpayer reaches the minimum retirement age – this age is set by the employer.
  - After the taxpayer reaches the minimum retirement age, disability payments are treated as pension income to determine taxability.
  - Minimum retirement age is generally the earliest age at which taxpayers may receive a pension, whether or not they are disabled.



# Unemployment Compensation



# Unemployment Compensation (Form 1099-G)

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>STATE UNEMPLOYMENT COMMISSION</b> <b>1000 GOVERNMENT PLAZA</b> <b>YOUR CITY, YOUR STATE ZIP</b>		1 Unemployment compensation <b>\$ 6,000.00</b>	OMB No. 1545-0120  Form <b>1099-G</b>	<b>Certain Government Payments</b>  <b>Copy B For Recipient</b>  This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		2 State or local income tax refunds, credits, or offsets \$		
PAYER'S TIN <b>35-700XXXX</b>	RECIPIENT'S TIN <b>620-00-XXXX</b>	3 Box 2 amount is for tax year	4 Federal income tax withheld <b>\$ 600.00</b>	
RECIPIENT'S name <b>AIOKI ELLIS</b>  Street address (including apt. no.) <b>842 SUSSEX STREET</b> City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YOUR STATE ZIP</b>  Account number (see instructions)		5 RTAA payments \$	6 Taxable grants \$	
		7 Agriculture payments \$	8 If checked, box 2 is trade or business income <input type="checkbox"/>	
		9 Market gain \$		
		10a State	10b State identification no.	11 State income tax withheld \$
				\$

Form **1099-G**

(keep for your records)

[www.irs.gov/Form1099G](http://www.irs.gov/Form1099G)

Department of the Treasury - Internal Revenue Service

# Unemployment Compensation (Form 1099-G)

- Unemployment compensation generally includes any amount received under an unemployment compensation law of the United States or of a state in the U.S.
  - Money paid to unemployed workers who lost their jobs due to layoffs or retrenchment (the reduction of costs or spending in response to economic difficulty).
- Unemployment compensation is taxable.
  - The total for all unemployment compensation received in Form(s) 1099-G, Box 1 or Box 5 RTAA, should be entered on Form 1040, Schedule 1.
  - The amount of withholding from Form 1099-G, Box 4 should be entered on the Federal income tax withheld from Forms W-2 and 1099 line of Form 1040.



## **Social Security / Railroad Retirement Benefits**

# Social Security (Form SSA-1099)

- Taxpayers receive Form SSA-1099 reporting Social Security benefits.
- Box 5 shows the amount of net benefits.
  - Box 5 is pink.
- Be sure to also enter any income tax withheld shown in Box 6 of Form SSA-1099 and any Medicare withheld premiums shown in the Description box.
- Social Security benefits are reported on Form 1040, line 6a.

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT		
<b>2022</b> • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name	Box 2. Beneficiary's Social Security Number	
Box 3. Benefits Paid in 2022	Box 4. Benefits Repaid to SSA in 2022	Box 5. Net Benefits for 2022 (Box 3 minus Box 4)
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
(This area is mostly blank in the sample form, with a large "SAMPLE" watermark overlaid.)		Box 6. Voluntary Federal Income Tax Withheld
		Box 7. Address
		Box 8. Claim Number (Use this number if you need to contact SSA.)
Form SSA-1099-SM (1-2023)		DO NOT RETURN THIS FORM TO SSA OR IRS

# Social Security Benefits (Form SSA-1099)

- Social Security benefits are payments made under Title II of the Social Security Act.
  - They include Old-Age, Survivor, and Disability Insurance (OASDI) benefits.
- Social Security benefits include monthly retirement, survivor, and disability benefits.
  - They do not include Supplemental Security Income (SSI).
- Some portion of the Social Security benefits received may be taxable.
  - Generally, if Social Security benefits are the only source of income, then the benefits are not taxable.
  - However, if the taxpayers are Married Filing Separately and lived with their spouse at any time during the tax year, 85% of the benefits will be taxable.

# Social Security (Form SSA-1099)

- The taxable amount, if any, of a taxpayer's Social Security benefits depends upon filing status and other reportable income.
  - Generally, if Social Security (or Social Security equivalent) benefits were the taxpayer's only source of income, the benefits are not taxable.
- A portion of the benefits is taxable if total income (including tax-exempt interest), plus one-half of the benefits received, is more than certain base income amounts, which vary based upon the taxpayer's filing status.
- The taxable portion of Social Security benefits is never more than 85% of the net benefits the taxpayer received. In many cases, the taxable portion is less than 50%.
- Enter the amounts from each Form SSA-1099 and the software will compute the portion that is taxable, if any

# Social Security - Taxable Portion

## **Fifty percent of a taxpayer's benefits may be taxable if they are:**

- Filing single, head of household or qualifying widow with \$25,000 to \$34,000 income.
- Married filing separately and lived apart from their spouse for all of 2023 with \$25,000 to \$34,000 income.
- Married filing jointly with \$32,000 to \$44,000 income.

## **Up to 85% of a taxpayer's benefits may be taxable if they are:**

- Filing single, head of household or qualifying widow or widower with more than \$34,000 income.
- Married filing jointly with more than \$44,000 income.
- Married filing separately and lived apart from their spouse for all of the tax year with more than \$34,000 income.
- Married filing separately and lived with their spouse at any time during the tax year

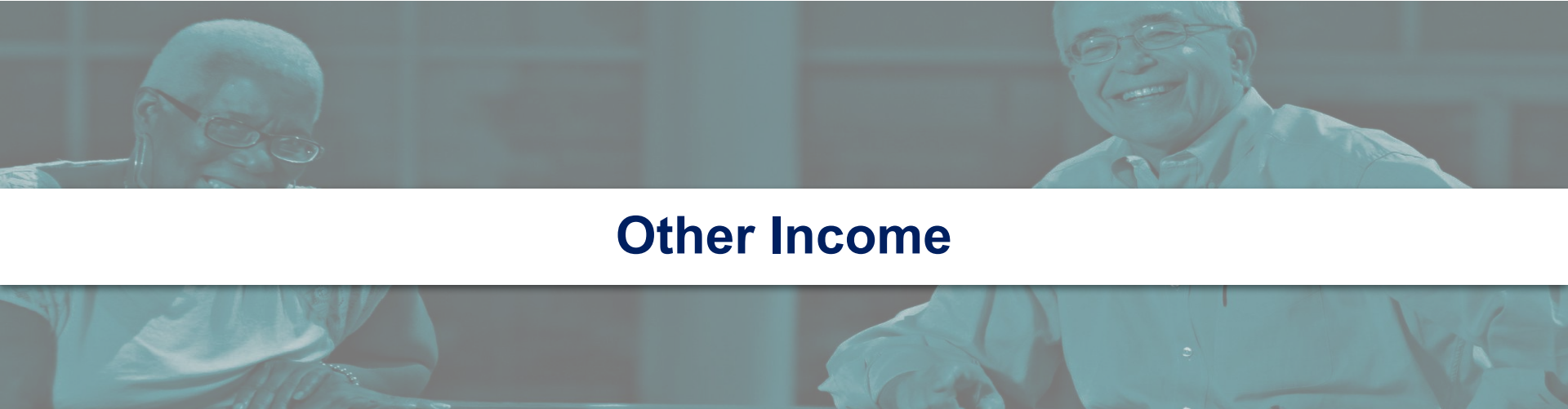
# Social Security - Lump-Sum Payments

- Lump-Sum Payments means the taxpayer was paid in the current year as back pay for previous years.
- If Box 3 on the SSA-1099 shows broken down amounts for prior years, the taxpayer received a Lump Sum Payment.
- Two ways to figure out taxable portion of the Social Security Benefits when Lump-Sum payments are involved:
  - First option: report the whole payment in the year it was received. Complete the Social Security Benefits Worksheet as usual by including the entire lump-sum payment as normal.
  - Second option: treat the payment as received in the earlier year(s) by figuring whether any part of these benefits is taxable based on the earlier year's income. Will need the tax return for the year(s) the lump sum payment is received for.
    - Use the method that results in the lower taxable benefits.



# Railroad Retirement Benefits (Form RRB 1099-R)

- Railroad Retirement Benefits (RRBs) are benefits paid to railroad employees working in jobs that are covered by the Railroad Retirement Act (RRA).
- The RRA benefits have two components:
  - Tier 1 (Social Security equivalent benefits) and
    - Reported on Form RRB-1099 and are treated the same as Social Security benefits on the tax return
    - Portion may be taxable.
  - Tier 2 (treated as a qualified employee plan).
    - The tier 2 benefits are reported on Form RRB 1099-R.
    - Partially or Fully taxable
- We do not see these types of benefits very often.



## Other Income

# Other Income

- Income that does not have its own line on Form 1040 is generally reported on the Form 1040, *Schedule 1, Additional Income and Adjustments to Income*.
- Even if the taxpayer does not receive an income document from the payer, the taxpayer is required to report the income if it is taxable.
- Examples of other income are:
  - Gambling income
  - Royalty Income
  - Election Worker Income
  - UAW Legal Services
  - Strike Pay

# Strike Pay

- Strike Pay is a payment made by a trade union to workers who are on strike to help in meeting their basic needs while on strike, often out of a special reserve known as a strike fund.
- There are three major strikes at the present time in Michigan:
  - Auto Workers (represented by the United Automobiles Workers union (UAW))
  - Blue Cross Blue Shield of Michigan workers (represented by the UAW)
  - Detroit Casino Workers (represented by five unions, including the UAW)

# Gambling Income (Form W2-G)

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code  <b>MOUNTAINTOP CASINO</b> <b>777 CREST ROAD</b> <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>1</b> Reportable winnings  \$ <b>10,000.00</b>	<b>2</b> Date won  3/16/2022
		<b>3</b> Type of wager  Slots	<b>4</b> Federal income tax withheld  \$ <b>2,400.00</b>
		<b>5</b> Transaction	<b>6</b> Race
		<b>7</b> Winnings from identical wagers  \$	<b>8</b> Cashier  TM
PAYER'S federal identification number  38-6XXXXXX	PAYER'S telephone number	<b>9</b> Winner's taxpayer identification no.  141-00-XXXX	<b>10</b> Window
WINNER'S name  <b>MONICA MONTGOMERY</b>		<b>11</b> First identification  YS987654	<b>12</b> Second identification  YS 31600XXX
Street address (including apt. no.)  <b>178 PACKER DRIVE</b>		<b>13</b> State/Payer's state identification no.	<b>14</b> State winnings  \$
City or town, province or state, country, and ZIP or foreign postal code  <b>YOUR CITY, YOUR STATE, ZIP</b>		<b>15</b> State income tax withheld  \$	<b>16</b> Local winnings  \$
		<b>17</b> Local income tax withheld  \$	<b>18</b> Name of locality

OMB No. 1545-0238

## Form W-2G Certain Gambling Winnings

(Rev. January 2021)  
For calendar year  
20 22

This information  
is being furnished  
to the Internal  
Revenue Service.

**Copy B**  
**Report this income**  
**on your federal tax**  
**return. If this form**  
**shows federal**  
**income tax**  
**withheld in box 4,**  
**attach this copy**  
**to your return.**

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

Signature ►

Date ►

# Gambling Income (Form W2-G)

- The taxpayer may receive one or more *Forms W-2G, Certain Gambling Winnings*, reporting gambling winnings.
- Total gambling winnings must be reported as other income, fully taxable.
  - Gambling winnings not reported on Form W-2G also need to be reported on Form 1040 as income.
- If the taxpayer also had gambling losses or expenses, the losses or expenses can only be deducted on Schedule A if the taxpayer itemizes.
  - For tax years through 2025, expenses to gamble may be added to losses if itemizing (limited to overall winnings)
- Gambling winnings include lotteries and raffles.

# Royalty Income

- Royalty income is in scope for VITA only when the source document of the royalty income is reported on:
  - Schedule K-1 or Form 1099-MISC, Box 2, Royalties, with no associated expenses.
- Form 1099-MISC, Box 2 royalties from the taxpayer's own personal services are generally reported on Form 1040, Schedule C.
  - Examples include authors and composers.

# Election Worker Income

- Individuals who receive payment for services performed as an election worker should report those payments as wages on the federal tax return.
- According to the IRS, government entities must file a Form W-2 for election workers who receive payments of any amount, even if no FICA and income tax were withheld.
  - However, we are seeing that City of Detroit and some other government entities are reporting these payments on Form 1099-NEC, Nonemployee Compensation.
- Income received as an election worker is not self-employment income and should not be subject to self-employment tax.
- A workaround is required in TaxSlayer to achieve the proper reporting on the tax return for payments received for services performed as an election worker.
  - Instructions on how to handle this income are available on our resources page.



# UAW Legal Services (Form 1099-MISC)

- If a client comes in with a Form 1099-MISC that is received from the *UAW-FCA-FORD-GENERAL MOTORS LEGAL SERVICES PLAN TRUST*, this income would be reported as OTHER INCOME and not reported as miscellaneous income.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <del>UAW-FCA-FORD-GENERAL MOTORS</del> <del>LEGAL SERVICES PLAN TRUST</del> 1400 WOODBRIDGE ST., 4TH FLOOR DETROIT, MI 48207 (800) 482-7700		1 Rents \$	2 Royalties \$	OMB No. 1545-0115 <b>2020</b> Form <b>1099-MISC</b>
PAYER'S TIN 81-4920943		3 Other income \$ 23.58	4 Federal income tax withheld \$	
RECIPIENT'S name		5 Fishing boat proceeds \$	6 Medical and health care payments \$	<b>Miscellaneous Income</b>  <b>Copy 2</b> To be filed with recipient's state income tax return, when required.
RECIPIENT'S TIN		7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest \$	
RECIPIENT'S name		9 Crop insurance proceeds \$	10 Gross proceeds paid to an attorney \$	
RECIPIENT'S TIN		11 \$	12 Section 409A deferrals \$	
Account number (see instructions)		13 Excess golden parachute payments \$	14 Nonqualified deferred compensation \$	17 State income \$
FATCA filing requirement <input type="checkbox"/>		15 State tax withheld \$	16 State/Payer's state no	

Form 1099-MISC

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service



## Other Income

Form belongs to  
Taxpayer

Description of other income \*

UAW LEGAL SERVICES

Amount of other income \*

\$ 23

Earned Income