

# Introduction to the Federal Tax Return

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# The Federal Tax Return

- Can have many forms
- Form 1040 is the main form
  - Two pages
  - May include three additional two-page Schedules (1, 2, 3)
    - 1 - Additional Income and Adjustments
    - 2 - Additional Taxes
    - 3 - Additional Credits and Payments
  - May include multiple schedules and forms (A, B, C, D, ...)

10 Adjustments to income from Schedule 1, line 26

Schedule A – Itemized Deductions  
 Schedule B – Interest and Ordinary Dividends  
 Schedule C – Profit or Loss from Business  
 Schedule D – Capital Gains and Losses

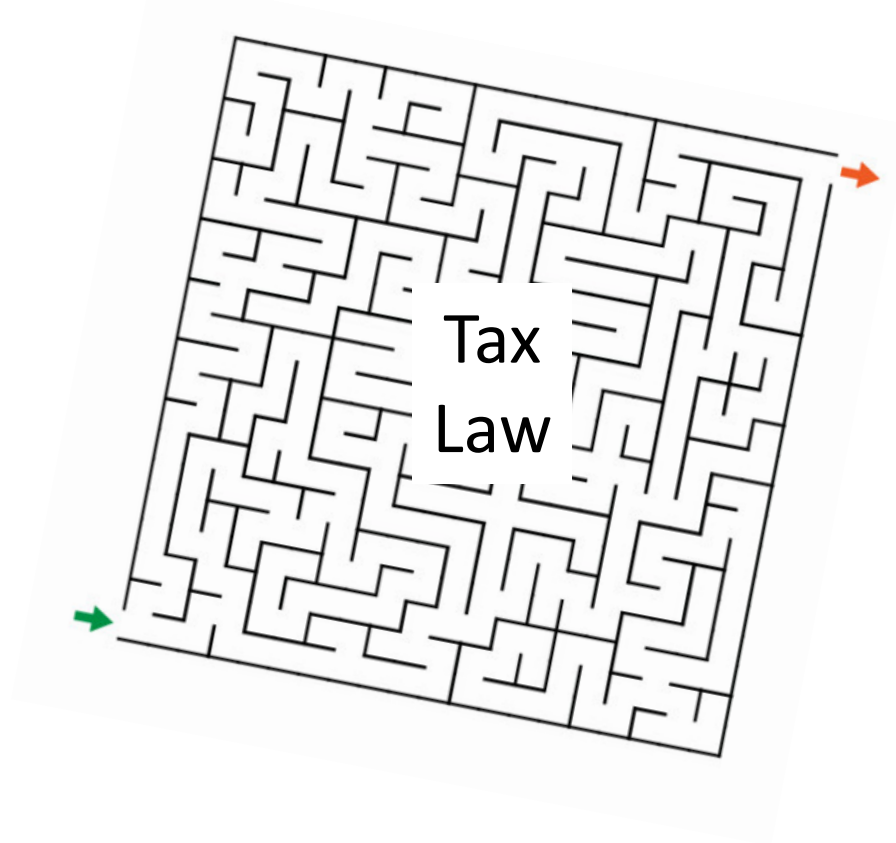
## Good news...

- We use data entry screens.
- TaxSlayer software (T/S) handles the flow of numbers between the various forms and schedules.



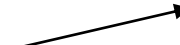
# Building a return... four 'buckets'

- Total Income
- Adjustments
- Deductions
- Credits




Tax Liability  
-  
Tax Due  
or  
Tax Refund

# Total Income

- Earned Income  money derived from paid work
  - Wages & Salaries
    - Form W-2
  - Tips
    - Form W-2
    - Taxpayer (TP) reported
  - Self-Employment
    - Uber, Lyft, GrubHub, etc.
    - Form 1099-NEC
    - Form 1099-K
    - Taxpayer reported

Earned Income is used in calculating some credits

- Unearned Income  income from investments other than from work
  - Social Security & Railroad Retirement
    - Form SSA-1099 & Form RRB-1099
  - Retirement Income & Railroad Annuity
    - Form 1099-R & Form RRB-1099-R
  - Taxable Interest
    - Form 1099-INT
  - Dividends (qualified)
    - Form 1099-DIV
  - State Tax Refunds
    - Form 1099-G
  - Unemployment Compensation
    - Form 1099-G
  - Capital Gain (ST & LT)
    - Form 1099-B & Brokerage Statement(s)
  - ...

## **Adjustments** (a.k.a. 'Above the Line' Deductions)

- Unreimbursed expenses incurred by educators
- Contributions to Health Savings Accounts (HSAs)
- “Employer’s” half of payroll taxes for self-employed TP
- Interest paid on student loans (1098-T)
- Qualifying educational expenses
- ...

# Adjusted Gross Income

- Subtract Adjustments from Total Income gives ...
- Adjusted Gross Income (AGI)
  - Used in other calculations
  - Determines eligibility for and amount of credits.

<b>Total Income</b>	7 1040 line #
<u>      - Adjustments</u>	10
<b>Adjusted Gross Income</b>	11

# Deductions (a.k.a., 'Below the Line' Deductions)

- Itemized Deductions

- Out-of-Pocket (O-O-P) Medical & Dental expenses > 7.5% AGI
- State & Local Taxes
- Real Estate Taxes
- Mortgage Interest
- Charitable Donations

SALT Deduction limited to \$10K

The Tax Cuts and Jobs Act of 2017 (TCJA) made two major changes

- Standard Deduction

**CARES Act**

Corona Aid, Relief, and Economic Security Act of 2020

Additional \$300/TP for charitable cash contribution

Added to Std Deduction

TYs 2020 and 2021

- Amount depends on TP's *Filing Status*



# Filing Status & Standard Deductions – TY2023

Filing Status	Standard Deduction Tax Year 2023	Additions for over 65 or blind
Single	\$13,850	+ \$1,850
Head of Household (HOH)	\$20,800	+ \$1,850
Married Filing Jointly (MFJ)	\$27,700	+ 1,500 per spouse
Married Filing Separately (MFS)	\$12,950	+ \$1,500
Surviving Spouse	\$27,700	+ \$1,500

- DC also has Married Filing Separately on the Same Return (MFSSR)



# Credits


- Non-Refundable
  - Can reduce tax liability to zero, but not below
  - Cannot result in a refund
- Refundable
  - Can reduce tax liability to below zero
  - Can result in a refund
- Credits are very important to Tax-Aide Taxpayers
  - Earned Income Tax Credit (EITC) or Earned Income Credit (EIC)
  - Child Tax Credit (CTC)
  - Child and Dependent Care Credit
  - Education Credits
  - Sick and Family Leave Credit

# Apply credits to Tax Liability

- Subtract Non-refundable Credits
- Subtract
  - Refundable Credits
  - Tax Withholdings
  - Estimated Payments
  - Refund carried from prior year

<b>Total Income</b>	1040 line #
- Adjustments	10
<b>Adjusted Gross Income</b>	11
<u>- Deductions</u>	14
<b>Taxable Income</b>	15
<b>Tax</b>	16

# Basic Structure...

<b>Total Income</b>	1040 line #
<u>- Adjustments</u>	10
<b>Adjusted Gross Income</b>	11
<u>- Deductions</u>	14
<b>Taxable Income</b>	15
	
<b>Tax</b>	16
<u>- Non-refundable Credits</u>	22
<b>Total Tax</b>	24
- Refundable Credits	33
<u>- Withholding, Etc.</u>	
<b>Refund / Amount Due</b>	34 / 37



**Questions...**

**Comments...**



# *It Takes a Village*



# The Tax-Aide DC Tax Preparation Process

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# Abbreviations / Jargon

- TP – Taxpayer
- CF – Client Facilitator
- TC – Tax Counselor
- LC – Local Coordinator
- QR – Quality Review(er)
- I&I – Form 13614-C Intake/Interview and Quality Review Sheet
- TS or T/S – TaxSlayer tax preparation software
- SDM – Service Delivery Model

# One Service Delivery Model (SDM)

- SDMs will vary from site to site – one example:
- Intake
  - TP brings completed I & I and all tax documents
  - Quick review by CF
  - Documents reviewed by TC with TP
    - TC uses I&I Supplement
    - Completeness
    - Consistency with Prior Year
    - Follow-up Questions and Clarification
  - TC Starts Return

TP

TC & TP

TC

# The Tax Preparation Process

- Data Entry into TaxSlayer TC
  - Filing Status / Basic Information / Dependents 1040 p1
  - Income from all sources Sched 1 >> 1040 p1
  - Adjustment to income Sched 1 >> 1040 p1
  - Deductions – Standard or Itemized Sched A >> 1040 p1
  - Credits
    - Non-refundable Sched 3 >> 1040 p2
    - Refundable Sched 3 >> 1040 p2

# The Tax Preparation Process – cont'd

- Data Entry – cont'd TC
  - Misc
    - Estimated payments 1040 p2
    - Affordable Care Act (ACA)
    - IRS Identity Protection PIN 1040 p2
  - State / District Return
    - DC Property Tax Credit
  
- TC Reviews TC
  - Review TP paperwork to confirm nothing was missed
  - Review various forms & schedules

# The Tax Preparation Process – cont'd

- **Wrap Up** TC
  - Confirm Filing Details
    - Banking information for direct deposit/check
  - Demographic Questions
  
- **Quality Review** QR
  - Accuracy
  - Completeness
  - No 'wrinkles'

# The Tax Preparation Process – cont'd

- Complete

TC & TP

- TP Review
  - TC/QR discusses returns with TP
  - Return is TP's responsibility
- TP Signs Form 8879 Authorization to File
  - Leaves with return and all materials
- Mark return ready for filing in T/S

- eFile

- Return sent to IRS for review
  - IRS accepts or rejects
- IRS forwards to District or state(s)

# Other Service Delivery Models

- Minimal Contact
  - TP waits nearby during return preparation
- Two Appointments - Scanned
  - TP documents are scanned
  - TP leaves with documents
  - TC prepares return (phone contact with TP), possibly remote
  - TP returns  $n$  days later for review