• What’s New
• TaxWise Overview
• Filing Status/Locality Code
• Additions/Subtractions/ Deductions
• Standard/Itemized Deductions
OVERVIEW

• Estimated Income Tax Payments
• College Savings Plan
• Taxes Owed – Refunds
• Charity Mileage
• Gambling Winnings
• Tax
• Spousal Adjustment
• Credits
• Part Year Return
• Finishing the Return
• Amended Return
• Political Contributions
• What’s New
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WHAT’S NEW

• Identity theft protection
  • Last five characters of each Taxpayer’s Driver License Number (optional).
  • Will be adding an IP Pin similar to the Federal Return soon.
WHAT’S NEW

• First Time Homeowners Account
  • Cash or marketable securities only.
  • Used for Down Payment or allowable closing costs.
  • For buying a single family unit in Virginia effective January 1, 2014.
  • Initial principal limited to $50,000 per account, and max is $150,000.
  • Will require paper statement.
WHAT’S NEW

• Long Term Care CREDIT.
  • Not available for policies initiated after December 31, 2013. Prior year policy credit can continue until completed.

• Form VAC
  • Original refund deposited in Virginia College Savings Plan(s)
WHAT’S NEW

• Political Contribution Credit is now a line on the 760, not the 760-CR.

• Worksheet will show changes on amended return.
WHAT’S NEW

• Filing status will be code rather than a check box.

• Estimate payments and refunds applied to this year will be separate lines.
• What’s New

• **TaxWise Overview**
  • Filing Status/Locality Code
  • Additions/Subtractions/ Deductions
  • Standard/Itemized Deductions
TaxWise

- Quick overview
  - Front matter
    - Check Boxes
    - Locality Code
  - Federal AGI is starting point
  - Additions and Subtractions
  - Deductions and Exemptions
  - Tax
  - Payments and Refunds
• What’s New
• TaxWise Overview
• **Filing Status/Locality Code**
• Additions/Subtractions/ Deductions
• Standard/Itemized Deductions
• Filing Status for TP(s) Full Year resident(s) similar as Federal Return:
  • Single, MFJ and MFS Federal is Single, MFJ and MFS Virginia

• Note that on the VA760 it is now a code rather than a check box.

FILING STATUS
LOCALITY CODE

• Locality Code for political jurisdictions within the state can be found near the back of the VA760 Instructions.
  • Residence on December 31, 2014
  • Be careful – Postal address may not be the same as Virginia definition
• Domicile versus Residence
• What’s New
• TaxWise Overview
• Filing Status/Locality Code
  • Additions
• Subtractions
• Deductions
• Standard/Itemized Deductions
• Only Code 10 on Additions (line 2) is in scope.
• Only Muni income from other states.
  • Entered via interest or dividend worksheet.
  • It is exempt on Federal.
• So have to add (100-Virginia percentage)% in state column.
• To encourage buying Virginia Bonds

INCOME – Additions
• What’s New
• TaxWise Overview
• Filing Status/Locality Code
• Additions
  • Subtractions
• Deductions
• Standard/Itemized Deductions
• These are applicable only to the extent that they are included in the Federal AGI.

• Age subtractions (line 4) and Social Security and Railroad equivalent (line 5) are line items on the VA 760.

INCOME – Subtractions
INCOME – Subtractions

• Code 20 – Income from VA Obligations –
  • Gain from Sale of VA Bonds as well as Interest and Dividends from VA bonds.
  • Generally limited to mutual funds.
  • Does not necessarily flow from the Federal Return.
• Code 22 – Tier 2 RR Retirement
  • Remember to check the box on the Railroad 1099-R form in TaxWise. Flows from Federal Return. (Austin)

• Code 24 – Virginia Lottery
  • Each Virginia lottery winning less than $600. (Webster)

INCOME – Subtractions
• Code 28 – Virginia National Guard
  • Pay up to $3000 per guard member (taxpayer and/or spouse).

• Code 34 – Virginia College Savings Plan
  • Federal income attributable to distributions from the Virginia College Savings Plan.

INCOME – Subtractions
INCOME – Subtractions

• Code 37 – Unemployment Compensation
  • Flows from Federal Return.

• Code 39 – Federal and State Employees.
  • VAGI must be less than $15,000.
  • Value of State and Federal incomes.
INCOME – Subtractions

• Code 54 – First Time Homeowners Account Interest
  • This has been identified as a subtraction, but details are sparse.
• Other codes are Out Of Scope
• What’s New
• TaxWise Overview
• Filing Status/Locality Code
• Additions
• Subtractions
• Deductions
• Standard/Itemized Deductions
• These are applicable only to the extent that they are included in the Federal AGI
  • No double dipping.

INCOME – Deductions
INCOME – Deductions

• Code 101 – Child and Dependent Care Expenses.
  • Should carry forward from the Federal Return.
  • Amount that the Federal Credit was based.
  • Max of 2 dependents at $3000 each.
  • TaxWise handles.
• Code 102 – Foster Care Deduction.
  • $1000 for each foster child listed as a dependent for full year.

• Code 104 – Virginia College Savings Plan Contributions.
  • Up to $4000 per student w/carry forward if under 70.
  • No limit if 70 or older.
• Code 105 – Continuing Teacher Education.
  • Deduct 20% of unreimbursed tuition costs not included in Federal AGI (Adjustments).
  • Required as a condition of employment.
  • Can be included if claimed as a credit on Federal Return.
• Code 106 – Long-Term Care Premiums.
  • Enter amount of Premiums into A Detail Form, medical expenses.
  • Federal may be capped at an amount less than Virginia allows.
  • Must NOT be included in itemized deductions. Can be included within the 7.5/10% medical limit and hence deducted.
  • Can complete credit if contract established in calendar year 2013.

INCOME – Deductions
INCOME – Deductions

  • Must be energy efficient.
  • 20% of SALES TAX paid.
  • $500 per taxpayer.
  • Would require purchase ~$41,600 per taxpayer to maximize
INCOME – Deductions

• Code 111 – Charitable Mileage.
  • Difference between Federal charitable mileage allowance on Schedule A ($0.14) and $0.18.
  • Only if using Itemized Deductions
INCOME – Deductions

• Code 114 – Funeral, Medical, and Dental Premiums.
  • Earned Income >= $20000
  • Federal AGI <= $30000.
  • TP age 66 or older.
  • Funeral Insurance for TP only.
  • Medical and Dental for TP and all dependents.
• What’s New
• TaxWise Overview
• Filing Status/Locality Code
• Additions
• Subtractions
• Deductions

• Standard/Itemized Deductions
On occasion it may be financially advantageous for taxpayer to itemize on the federal return to get a greater net tax refund when the state return is considered.

Itemized Deduction
Itemized Deduction

• For Single Taxpayer:
  • 10% bracket ~$800 difference
  • 15% bracket ~$500 difference
  • 25% bracket ~$400 difference

• For MFJ Taxpayers
  • 10% bracket ~$1800 difference
  • 15% bracket ~$1200 difference
• Miscellaneous Items
  • College Savings Plan
  • Charity Mileage
  • Virginia Gambling Winnings
• Taxes Paid
  • Tax
    • Spousal Adjustment
  • Credits
  • Part Year Return
  • Finishing the Return
  • Amended Return
• TaxWise handles withholding
• In TaxWise F/S TAX PD is used to enter:
  • Estimated payments
  • State 2013 estimated taxes paid in January 2014.
  • State taxes paid with return in 2014
• Taxes Paid
• Tax
  • Spousal Adjustment
• Credits
• Finishing the Return
• Part Year Return
• Amended Return
• Taxes Paid
• Tax
  • Spousal Adjustment
• Credits
• Finishing the Return
• Part Year Return
• Amended Return
• Political Contributions
CREDITS

• Virginia has a credit for Low Income taxpayers
• Based in part on the Federal EIC
  • See 760p3
CREDITS

• Political Contributions
  • Must be to a candidate
  • Must be for Virginia office – Governor, State Senator and Delegate are highest level
  • 50% of contribution not to exceed $25 per taxpayer
CREDITS

• First twelve months of Long Term Care Insurance Payments
• Link from Line 23 of 760p1
• Taxes Paid
• Tax
  • Spousal Adjustment
• Credits
• **Finishing the Return**
• Part Year Return
• Amended Return
FINISHING THE RETURN

• Refunds
  • Cash Card
  • Virginia College Savings Account
    • Use Form VAC
  • Direct deposit
• This discussion relates to bank account (checking or savings) information only.

• If Federal refund is to one account only (checking or savings) and Virginia refund is to go to the same account, check the same account bullet and done.

• **All other cases** require the **dual account entries** on the Virginia 760.

FINISHING THE RETURN
FINISHING THE RETURN

• Payments
  • Check or money order
  • ACH
  • Requires the dual account entries on the Virginia 760
• Taxes Paid
• Tax
  • Spousal Adjustment
• Credits
• Finishing the Return
• **Part Year Return**
• Amended Return
PART YEAR RETURN

• May be for single Taxpayer, for MFJ or MFS.

• If MFJ, one Taxpayer may be full year resident and one Taxpayer part year resident, or both Taxpayers may be part year residents.
PART YEAR RETURN

• Create 760PY in forms tree
• Select filing status
• Dates entered on the return Must be between January 1, 2014 and December 31, 2014 inclusive.
• Note that state withholding can not be changed and so there is no need for a state identification number.
• If W-2 was done correctly, it may be three similar copies, one for Federal, and one for each state.

PART YEAR RETURN
• Taxes Paid
• Tax
  • Spousal Adjustment
• Credits
• Finishing the Return
• Part Year Return
• Amended Return
AMENDED RETURNS

• Amended returns require a Quality Review.
• Both Preparer and Quality Reviewer must be qualified in TaxWise for the year under consideration.
• All amended returns must be paper.
AMENDED RETURN

• If Federal return is being amended, Virginia most likely be also need to be amended and vice versa.
• Create the amendment for both and determine at the end if both must be filed.
AMENDED RETURN

• Enter change information as would be for any return.
  • Can delete a form
  • Can change a data entry
  • Can add a form
  • Can add data
AMENDED RETURN

• Federal change information on form 1040X
• Information on the Virginia return at the bottom of 760p1
• Remind taxpayer that amended returns are calculated such that refunds have been paid or that owed taxes have been paid, that is the net changes to the original.