

# VIRGINIA RETURNS

- What's New
- TaxWise Overview
- Filing Status/Locality Code
- Additions/Subtractions/ Deductions
- Standard/Itemized Deductions

OVERVIEW

# 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

## OVERVIEW

- **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
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# 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
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- 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
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- **Additions**
- Subtractions
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- 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  $(100 - \text{Virginia percentage})\%$  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
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- Additions
- Subtractions
- **Deductions**
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- 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.

INCOME – Deductions

- 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.

INCOME – Deductions

- 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

- Code 109 – Sales Tax on Energy Star Appliances.
  - 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  $\geq$  \$20000
  - Federal AGI  $\leq$  \$30000.
  - TP age 66 or older.
  - Funeral Insurance for TP only.
  - Medical and Dental for TP and all dependents.

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- **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

- Taxes Paid
- **Tax**
  - **Spousal Adjustment**
- Credits
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- Taxes Paid
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# 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
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- Credits
- **Finishing the Return**
- Part Year Return
- Amended Return

# FININSHING 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**

# FININSHING THE RETURN

- Payments
  - Check or money order
  - ACH
    - Requires the **dual account entries** on the Virginia 760



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# 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.