



TAX PREPARATION (VERY) SIMPLIFIED

Tom Loftus - TY 2014

- **Today:**
 - Federal taxes
 - ACA Part I
- **Next Week:**
 - Virginia Taxes
 -

Label (See instructions on page 14.) Use the IRS label. Otherwise, please print or type.

For the year Jan. 1-Dec. 31, 2008, or other tax year beginning _____, 2008, ending _____, 20

Your first name and initial _____ Last name _____

If a joint return, spouse's first name and initial _____ Last name _____

Home address (number and street). If you have a P.O. box, see page 14. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 14. _____

OMB No. 1545-0074

Your social security number _____

Spouse's social security number _____

You must enter your SSN(s) above.

Checking a box below will not change your tax or refund.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You Spouse

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶

4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 Qualifying widow(er) with dependent child (see page 16)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) V If qualifying child for child tax credit (see page 17)
(1) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see page 17.

Boxes checked on 6a and 6b. No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see page 18)

Dependents on 6c not entered above

d Total number of exemptions claimed Add numbers on lines above ▶

Income

7 Wage, salaries, tips, etc. Attach Form(s) W-2

8a Taxable interest. Attach Schedule B if required

b Tax-exempt interest. Do not include on line 8a

9a Ordinary dividends. Attach Schedule B if required

b Qualified dividends (see page 21)

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)

11 Alimony received

12 Business income or (loss). Attach Schedule C or C-EZ

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶

14 Other gains or (losses). Attach Form 4797

15a IRA distributions

16a Pensions and annuities

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E

18 Farm income or (loss). Attach Schedule F

19 Unemployment compensation

20a Social security benefits

21 Other income. List type and amount (see page 28)

22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶

Adjusted Gross Income

23 Educator expenses (see page 28)

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ

25 Health savings account deduction. Attach Form 8889

26 Moving expenses. Attach Form 3903

27 One-half of self-employment tax. Attach Schedule SE

28 Self-employed SEP, SIMPLE, and qualified plans

29 Self-employed health insurance deduction (see page 29)

30 Penalty on early withdrawal of savings

31a Alimony paid b Recipient's SSN ▶

32 IRA deduction (see page 30)

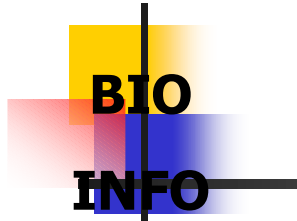
33 Student loan interest deduction (see page 33)

34 Tuition and fees deduction. Attach Form 8917

35 Domestic production activities deduction. Attach Form 8903

36 Add lines 23 through 31a and 32 through 35

37 Subtract line 36 from line 22. This is your adjusted gross income ▶



INCOME

**ADJUST-
MENTS**

2/3/2015

DEDUCTIONS

CREDITS

Tax and Credits

38 Amount from line 37 (adjusted gross income) **38**

39a Check You were born before January 2, 1944, Blind. Total boxes if: Spouse was born before January 2, 1944, Blind. checked **▶ 39a**

b If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here **▶ 39b**

c Check if standard deduction includes real estate taxes or disaster loss (see page 34) **▶ 39c**

40 **Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin) **40**

41 Subtract line 40 from line 38 **41**

42 If line 38 is over \$119,975, or you provided housing to a Midwestern displaced individual, see page 36. Otherwise, multiply \$3,500 by the total number of exemptions claimed on line 6d **42**

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- **43**

44 **Tax** (see page 36). Check if any tax is from: a Form(s) 8814 b Form 4972 **44**

45 **Alternative minimum tax** (see page 39). Attach Form 6251 **45**

46 Add lines 44 and 45 **46**

47 Foreign tax credit. Attach Form 1116 if required **47**

48 Credit for child and dependent care expenses. Attach Form 2441 **48**

49 Credit for the elderly or the disabled. Attach Schedule R **49**

50 Education credits. Attach Form 8863 **50**

51 Retirement savings contributions credit. Attach Form 8880 **51**

52 Child tax credit (see page 42). Attach Form 8901 if required **52**

53 Credits from Form: a 8396 b 8839 c 5695 **53**

54 Other credits from Form: a 3800 b 8801 c **54**

55 Add lines 47 through 54. These are your **total credits** **55**

56 Subtract line 55 from line 46. If line 55 is more than line 46, enter -0- **▶ 56**

Other Taxes

57 Self-employment tax. Attach Schedule SE **57**

58 Unreported social security and Medicare tax from Form: a 4137 b 8919 **58**

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required **59**

60 Additional taxes: a AEIC payments b Household employment taxes. Attach Schedule H **60**

61 Add lines 58 through 60. This is your **total tax** **61**

Payments

62 Federal income tax withheld from Forms W-2 and 1099 **62**

63 2008 estimated tax payments and amount applied from 2007 return **63**

64a **Earned income credit (EIC)** **64a**

b Nontaxable combat pay election **64b**

65 Excess social security and tier 1 RRTA tax withheld (see page 61) **65**

66 Additional child tax credit. Attach Form 8812 **66**

67 Amount paid with request for extension to file (see page 61) **67**

68 Credits from Form: a 2439 b 4136 c 8801 d 8865 **68**

69 First-time homebuyer credit. Attach Form 5405 **69**

70 Recovery rebate credit (see worksheet on pages 62 and 63) **70**

71 Add lines 62 through 70. These are your **total payments** **71**

Refund

72 If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid **72**

73a Amount of line 72 you want **refunded to you**. If Form 8888 is attached, check here **73a**

b Routing number **▶ c** Type: Checking Savings

d Account number

74 Amount of line 72 you want applied to your 2009 estimated tax **▶ 74**

Amount You Owe

75 **Amount you owe.** Subtract line 71 from line 61. For details on how to pay, see page 65 **▶ 75**

76 Estimated tax penalty (see page 65) **76**

Third Party Designee

Do you want to allow another person to discuss this return with the IRB (see page 66)? Yes. Complete the following. No

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number

Spouse's signature, if a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP code EIN

Phone no.

PAYMENTS

2/3/2015



New for 2014

What is new in scope for 2014

- ACA
- Simple royalty income received on Form 1099-Misc or K-1s No depreciation or expenses
 - Only interest, dividends, capital gains and royalties on K-1s
- Wash Sales (Advanced)
- Medicaid Waiver payments (Non-Employee Compensation)
- Clarification on Roth IRA distribution
- Cancellation of credit card debt will be removed from the Cancellation of Debt (COD) curriculum and inserted in the Advanced curriculum.
- Marital Status in Virginia follows Federal rules
- Can ONLY do amended returns for prior 3 years
- Installment Payment Plan



New for 2014

What is extended for 2014

- Qualified principal residence cancellation of debt
- Qualified Charitable Distribution-QCD
- Adjustments for up to \$250 for teacher classroom expenses
- Deduction for qualified tuition and related expenses
- Deduction for state and local general sales taxes
- Deduction for mortgage insurance premiums
- Nonbusiness energy property credit / Residential energy credit



SOME SENIOR-RELATED TAX ISSUES

- Filing Status
- Interest & Dividends
- Capital Gains including Sale of Home
- IRA Distributions
- Pensions
- Social Security
- Itemized Deductions
- Estimated Taxes & Penalties



NEED I FILE?

- Who *must* file?
- Who *should* file?
- *How* should I file?
 - Do it myself or ???

FILING STATUS



- Why is Filing Status important?
- Affects:
 - Tax
 - Standard Deduction
 - Eligibility for Credits
- More than one may apply
- One of most common errors



FILING STATUS OPTIONS

1. Single
2. Married Filing Jointly
 - Best
 - Valid if spouse died during TY
3. Married Filing Separately - bad!
4. Head of Household
 - Better
 - Single **with a qualifying dependent**
5. Qualifying Widow(er)
 - Spouse died during prior two years
 - **With a qualifying dependent child**



INTEREST & DIVIDENDS

- 1099-INT, 1099-DIV or 1099-OID
- Watch for:
 - Muni Bond interest - tax exempt
 - Treasury Bond interest - taxable
 - Savings Bond interest taxable unless used for education
 - **Qualified** dividends - CG tax rate



CAPITAL GAINS

- Broker's Statements (1099-B) changed again
- Report transactions on form 8949
- Totals go to Schedule D
- Inherited Stock (basis stepped up - except 2010?)
- Don't forget Loss Carryover
- Capital Gain Distributions



SALE OF HOME

- 1099-S received from broker if reportable
- Can exclude \$250/500K of gain if:
 - Main home
 - Ownership and use tests met
 - If spouse dies and house sold within 2 years, \$500K exclusion applies
- Basis = Cost + Improvements
- Report net gain (if any) on Schedule D
- Loss not allowed



IRA DISTRIBUTIONS

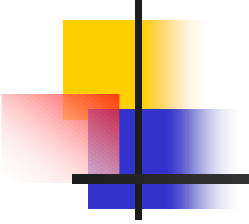
- Form 1099-R received
- **Roth** IRA distributions not taxable (usually)
- Traditional IRA distributions usually taxable (Code 7 in Box 7)
- Note codes and read instructions
 - May not be taxable, but:
 - May be a penalty e.g early distributions (code 1)
- Remember RMD's



PENSIONS

- Forms: 1099-R, RRB-1099R or CSA-1099R
- Usually “Taxable Amount” shown in Box 2
- If not, and if contributions made:
 - Use “Simplified Method” worksheet if pension started after July 1, 1986
 - If not use “General Rule” (Pub 939)

SOCIAL SECURITY OR EQUIVALENT

- 
- Social Security
 - Railroad Retirement Tier 1
 - Reported on RRB-1099
 - Equivalent to Social Security
 - Up to 85% may be taxable - use worksheet
 - Note insurance premiums & tax withholdings
 - Lump Sum Social Security
 - SSA Letter – Beginning of Tax Year



ITEMIZED DEDUCTIONS

Schedule A

- Medical Expenses (if $> 7.5\%$ or 10.0%)
- **Some** taxes paid
- Interest **paid**
- Gifts to Charity
- Miscellaneous Expenses



Medical Expenses

- Expenses must be:
 - Qualified - see instructions
 - Un-reimbursed
 - Paid by and for TP, spouse or dependents
- Expenses include:
 - Medical and dental insurance premiums
 - LTC premiums up to age related limit
- But only to extent they exceed 7.5%/10.0 of AGI



DEDUCTIBLE TAXES

- State and Local Income or Sales taxes
- Real Estate taxes (generally reported by mortgage company on Form 1098)
- Personal Property taxes (if based on value of property/car)
- Compare Taxable Refunds



DEDUCTIBLE INTEREST

- Home Mortgage Interest:
 - Interest reported on form 1098
 - Points on initial loan
 - Ratable points after refinancing
 - Qualified Mortgage Insurance premiums
- Investment Interest paid

CHARITABLE CONTRIBUTIONS



- Cash:
 - Receipts or bank records required
- Non-cash contributions require:
 - Receipt
 - Form 8283 if total over \$500
 - Appraisal if over \$5000
 - Form 1098-C if a car (some exceptions)
 - Clothing, etc. - Must be in “good or better” condition
- Out-of-pocket expense:
 - Travel @ 14¢/mile
 - Tolls, parking, can be included



CREDITS

- Foreign Tax Credit - form 1116 if > \$300/600
- Credit for the Elderly - no-one qualifies!
- Education Credits
 - American Opportunity Credit (1st 4 years of College)
 - Life Time Learning Credit (Job related)
- Residential Energy Credit (\$500 max)
- *Repayment* of 2008 Home Buyers Credit



UNDERPAYMENT PENALTY Safe Harbor Rule

- Due if tax owed exceeds \$1000, unless:
- Withholdings exceed:
 - 90% of current year tax liability, or
 - 100% of prior year tax liability, or
 - 110% of prior year tax liability if AGI is over \$150,000
- Consider quarterly estimated tax payments



FINALLY BEWARE THE AMT!

- Depends on:
 - Income level
 - Type of income
 - Deductions
- Requires a complicated form - 6251



THE LAST WORD

The hardest thing in the world to understand is income tax!□

Albert Einstein



Now to Affordable Care Act

- New for TY 2014
- Combination of IRS and HHS
- Tax Return Process method for collecting penalty for less than full participation in ACA



Affordable Care Act

Patient Protection and Affordable Care Act (PPACA) *Better known as ACA*

What ACA means to the taxpayer
and to the counselor – Part 1