uTax
software

"We don't have customers, we have partners"

1040 SOFTWARE
Tutorial

Table of Contents

Introduction

Welcome to *the uTax 2020 1040 Software Tutorial.*

The 2020 1040 Software Tutorial provides for you an understanding of the basic steps necessary to complete and electronically file a tax return. This tutorial covers the most frequently used features of *the 1040 Software* which are categorized into seven chapters along with additional appendices.

These chapters may be used as a tutorial by an individual at a computer or by an instructor for hands-on training in a classroom setting.

It is not necessary to complete the chapters at once all consecutively; rather, you may pause and resume at a later point. This may be arranged since each chapter is designed distinctively from one another to adjust the training to meet your needs, or the needs of your tax operation.

<u>Content of Chapters</u>

1. About This Tutorial
2. Preparing a Basic 1040 Return
3. The Asset Manager
4. Electronic Filing
5. Refund-Based Bank Products
6. Transmitting to Central Site
7. Terminology

Appendix I - Answers to End-of-the-Chapter Review Quizzes

Office and Preparer Setup

This guide assumes that you have completed the office and preparer setup in the 1040 *Software* and are using a fully updated version of the 2020 (TY2019) program.

Chapter Scope and Sequence

Chapter	Content Description	Computer Required?
1	Introduces the tutorial and how it may be used.	No

2	Walks one through preparing a federal and state tax return using *the 1040 Software*. *Trainees who prepare tax returns are advised to complete this chapter.*	Yes
3	Illustrates how to use the Asset Manager and track depreciation issues within a tax return. *Trainees who enter assets and compute depreciation are advised to complete this chapter.*	Yes
4	Walks one through preparing a tax return for electronic filing. *Trainees who prepare tax returns for electronic filing are advised to complete this chapter.*	Yes
5	Walks one through requesting Refund Advance or Refund Anticipation Check (RAC) and printing bank product checks. *Trainees who prepare bank product tax returns or print bank product checks are advised to complete this chapter.*	Yes
6	Walks one through transmitting tax returns to Central Site. *Trainees who transmit tax returns to Central Site are advised to complete this chapter.*	Yes
7	Defines the terms used in this tutorial. *Trainees who are not familiar with electronic filing or bank products are advised to complete this chapter.*	No
Appendix I	Lists Answers to End-of-the-Chapter Review Quizzes	No

Suggested Handouts for Training

Handout	Content Description
Keyboard Guide	A keyboard guide showing the keystroke shortcuts of *the 1040 Software*. Download a copy here.
IRS Publication 1345	An IRS handbook that provides information on electronic filing requirements and restrictions. Download a free copy of this publication from the IRS web site here.
Form 8879	A form that allows the taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature. The ERO keeps the signed *Form 8879* on file for three years from the date the IRS accepted the return. Download a free copy of this form from www.irs.gov/formspubs or print a blank *Form 8879* from within the 1040 *Software.*
RAC Bank Procedure Handbook	If offering bank products, we recommend you obtain a copy of your RAC bank's procedure handbook. Contact your RAC bank for more information on obtaining the procedure handbook.

Introduction

The 1040 *Software* utilizes the forms-based method for the preparation of tax returns. In the forms-based method, returns are prepared by adding the required electronic forms and worksheets. However, based on information you have provided about your taxpayer, the 1040 *Software* may also automatically append forms and worksheets to the return.

In this chapter, you will learn to:

- Use the 1040 *Software* to prepare a basic 1040 return with Earned Income Credit (EIC) as well as Child Tax Credit (CTC) for a Head of Household taxpayer with one dependent child. To prepare a more complex return using the 1040 *Software*, see Chapter 3.
- Prepare a state tax return by using the information entered on the federal return to automatically complete the state return.
- Use Bookmarks and Preparer Notes to add comments or reminders to a return.
- Navigate in the 1040 *Software* using screen buttons, keystroke shortcuts, menus, and right-click mouse menus.

Verify a return and fix errors using Point-and-Shoot Error Correction.

Navigation Basics

The 1040 Software Main Screen Functions

The 1040 Software opens to a Main screen, as shown below, consisting of the Navigational Tabs, Menu Bar, Toolbar, Information Bar and the Work In Progress Summary.
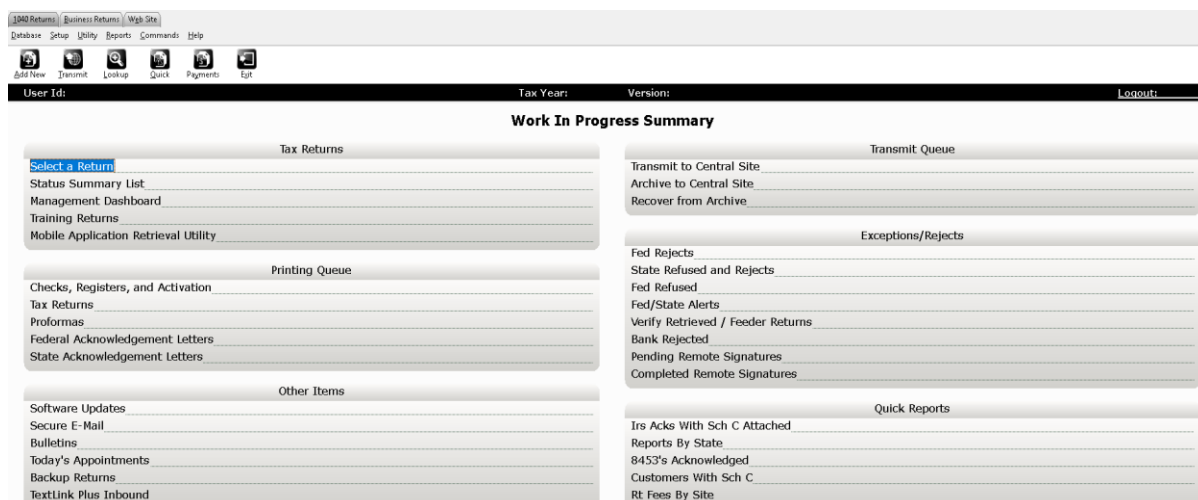
Navigational Tabs

The **Navigational Tabs** are located at the top of the screen. These tabs allow you to move between 1040 Returns, Business Returns, and the Web Site tab. For this tutorial, we will be focusing on the 1040 Returns tab.

Menu Bar

The **Menu Bar** is located across the top of the screen, just below the Navigational Tabs. The Menu Bar will change as you access different areas of the 1040 *Software*. To access, either click on a menu item or press **[Alt]** and the first underlined letter of the menu item.

Toolbar

The **Toolbar** is located directly below the Menu Bar. It provides quick access to frequently used software features and changes as you access different areas of the 1040 *Software*. To open a Toolbar function, click on the appropriate button or press **[Alt]** and the underlined letter on the button.

Information Bar

The **Information Bar** provides a view of information such as User ID, software version, taxpayer name, social security number and the return creation date.
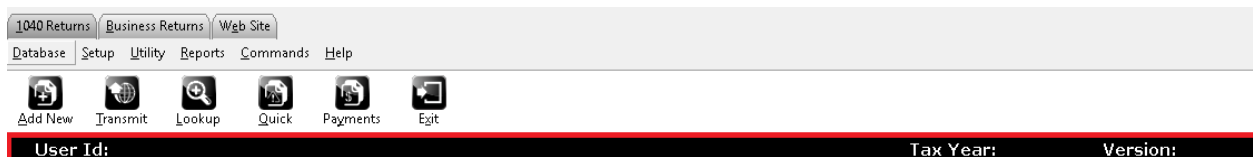
Work In Progress Summary

The **Work In Progress Summary** provides you an at-a-glance, administrative summary of what has occurred in the 1040 *Software*. The information on the Work In Progress Summary is continuously updated as data is saved, or when transmissions to Central Site take place.

The Work In Progress Summary

The Work In Progress Summary (WIP), the 1040 *Software's* landing page, is the first screen when you log into the 1040 *Software*. It provides the needed information at a glance to run your business better.

The WIP is divided into six sections:

1. Tax Returns
2. Printing Queue
3. Other Items
4. Transmit Queue
5. Exceptions/Rejects
6. Quick Reports
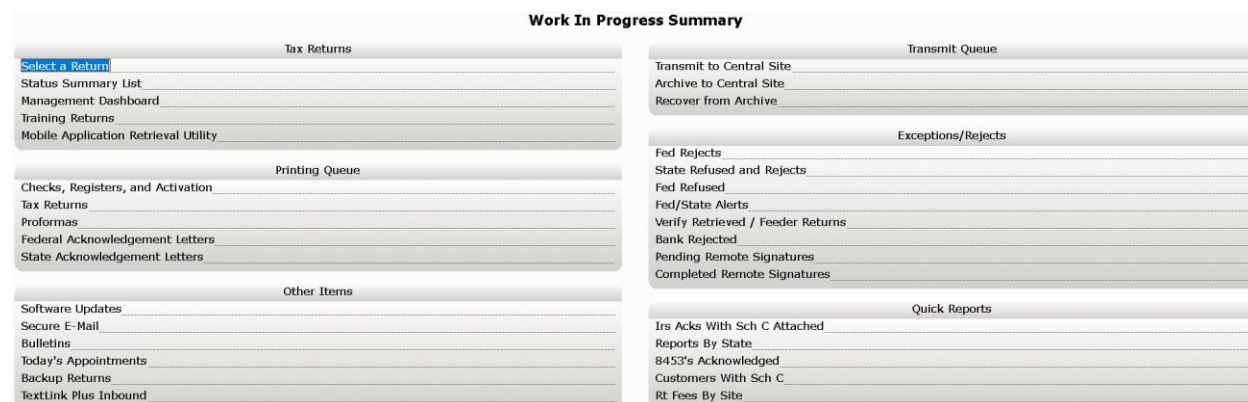
1. Tax Returns

The **Tax Returns** section contains data pertaining to tax returns created within the 1040 *Software*.

| Tax Returns |
| Select a Return |
| Status Summary List |
| Management Dashboard |
| Training Returns |
| Mobile Application Retrieval Utility |

a. Select a Return
- Displays the number of tax returns your office has created
- Click to view Client Look-up
b. Status Summary List
- Click to display a list of your tax returns sorted according to their status
c. Management Dashboard
- Click to view the Management Dashboard reporting tool
d. Training Returns
- Displays the number of training returns your office has created
- Click to switch to Training Mode
e. Mobile Application Retrieval Utility
- Click to launch the Mobile Application Retrieval Utility

2. Printing Queue

The **Printing Queue** contains data pertaining to different printing requests done using the 1040 *Software*.

| Printing Queue |
| Checks, Registers, and Activation |
| Tax Returns |
| Proformas |
| Federal Acknowledgement Letters |
| State Acknowledgement Letters |

a. Checks, Registers, and Activation
- Click to print/reprint/void financial product checks and to activate check stock
b. Tax Returns
- Click to batch print tax returns, if configured appropriately
c. Proformas
- Click to print proforma forms
- This option is available only after the 1040 *Software* archive is released
d. Federal Acknowledgement Letters
- Click to view/print Federal Acknowledgement Letters
e. State Acknowledgement Letters

- Click to view/print State Acknowledgement Letters

3. Other Items

The **Other Items** section contains administrative tools for the 1040 Software.

Other Items

Software Updates
Secure E-Mail
Bulletins
Today's Appointments
Backup Returns
TextLink Plus Inbound

a. Software Updates
- Click to apply updates to the 1040 *Software*
b. Secure E-Mail
- Click to view/send email messages to the Central Site
c. Bulletins
- Click to view bulletins delivered by Technical Support
d. Today's Appointments
- Click to access the 1040 *Software's* appointment scheduler
e. Backup Returns (Only available with the live version of the software)
- Click to begin the backup process
f. TextLink *Plus* Inbound (Only available with the live version of the software)
- Click to review text messages *via* TextLink *Plus*

4. Transmit Queue

The **Transmit Queue** contains data pertaining to electronic transmissions to the 1040 *Software's* Central Site.

Transmit Queue

Transmit to Central Site
Archive to Central Site
Recover from Archive

a. Transmit to Central Site
- Click to submit tax returns or download software updates
b. Archive to Central Site
- Click to archive returns to Central Site – available with purchase

c. Recover from Archive
- Click to retrieve archived returns – available with purchase

5. Exceptions/Rejects

The **Exceptions/Rejects** section contains data pertaining to tax returns that have been refused by Central Site, rejected by the IRS and/or the State, returns with other exceptions that otherwise prevent acceptance, and returns that are using the Remote Signature feature.

Exceptions/Rejects
Fed Rejects
State Refused and Rejects
Fed Refused
Fed/State Alerts
Verify Retrieved / Feeder Returns
Bank Rejected
Pending Remote Signatures
Completed Remote Signatures

a. Fed Rejects
- Click to view federal tax returns rejected by the IRS
b. State Refused and Rejects
- Click to view state tax returns rejected by the State or refused by Central Site
c. Fed Refused
- Click to view federal tax returns refused by Central Site
d. Fed/State Alerts
- Click to view messages from the IRS Alerts service
e. Verify Retrieved/Feeder Returns
- Click to view tax returns retrieved from outside sources
f. Bank Rejected
- Click to view tax returns rejected by your RAC bank
g. Pending Remote Signatures
- Click to view tax returns that are waiting to receive Remote Signature replies from the Taxpayer
h. Completed Remote Signatures
- Click to view tax returns that have received Remote Signature replies from the taxpayer

6. Quick Reports

The **Quick Reports** section allows a program administrator to pin up to eleven reports on the WIP for ease of access.

Quick Reports
Irs Acks With Sch C Attached
Reports By State
8453's Acknowledged
Customers With Sch C
Rt Fees By Site

To customize the reports displayed in the Quick Reports section, click on **Utility,** and select **Quick Report List**.

1040 Returns | Business Returns | Web Site

Database   Setup   Utility   Reports   Commands   Help

Add New   Trans

Retrieve Returns
Transfer Returns
Master Event Log

Export Records

Updates
Activate Check Range
Print Blank Forms

Quick Report List

System Utilities

User Id: Tax Year:

Work In

Tax Returns
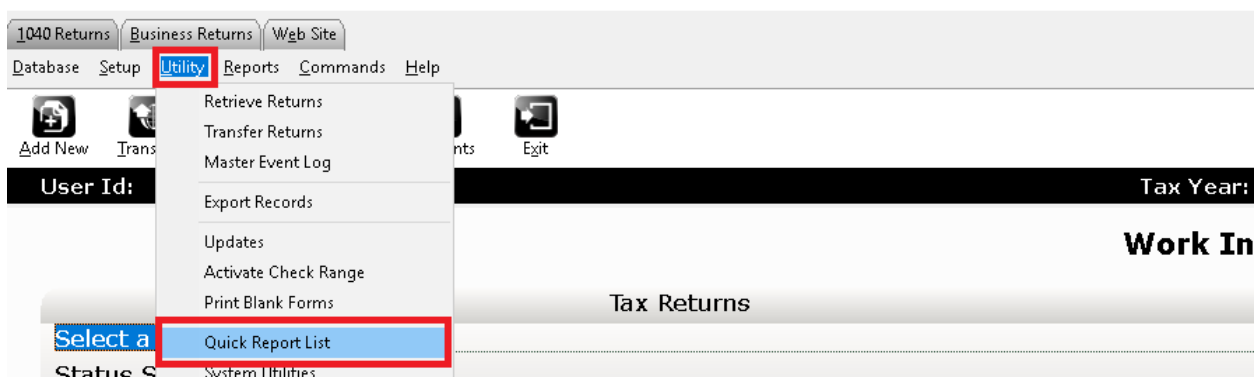
Select a
Status S

The Client Lookup Screen

The **Client Lookup** screen shows at-a-glance information about your taxpayers. It is the easiest way to sort through your client data and filed returns. Click the **Select a Return** link on the Work In Progress screen or the **Lookup** button on the Toolbar to view the Lookup screen.

The Lookup screen is comprised of the **Search Criteria** and **Client Grid**.

Search Criteria

The **Search Criteria** allows you to filter the Client Grid using one of many search criteria combined with a date range (if desired).

Search Criteria				Date Range Filter (MM/DD/YYYY)		
Last Name or SSN ▼		Go	Add	Date Created ▼ Start	End	

Primary SSN	Filing Status	Taxpayer Name	Home Phone	Created	Status	Refund	Type	EFIN	eFile

The default search criteria are Last Name or SSN. To change the search criteria, use the " ▼ " button and select from the list.

Client Grid

The **Client Grid** displays returns in an *easy to read* format and allows you to open returns by double clicking on them.

The contents of the Client Grid changes depending on the search criteria entered in the Search Criteria.

Customizing the Client Grid

You can customize the information displayed on the grid by clicking the **Configure** button located on the Toolbar while you have the Client Lookup screen open.
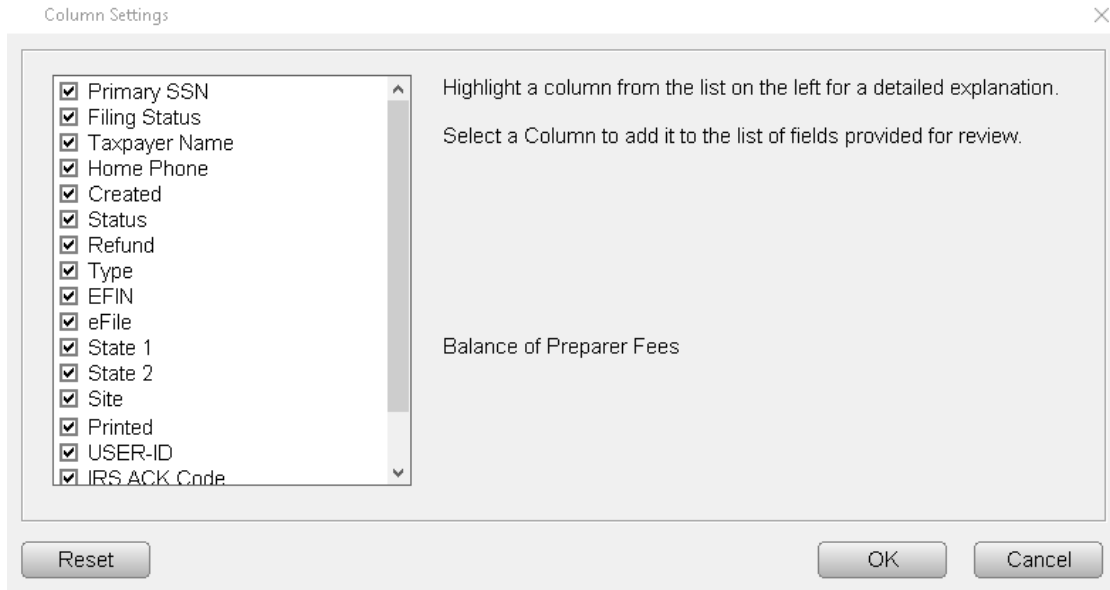
Right-Click Mouse Button Menus

The 1040 *Software* supports right-click mouse button menus. When preparing a tax return, except for certain unavailable menu items depending on the field, the same menu items appear regardless of the field you are on. Click your right mouse on an entry field to use these menus.

Keystroke Shortcuts
The following is a list of keystroke shortcuts to navigate in the 1040 *Software*.

Action	Shortcut	Action	Shortcut
Work in Progress Summary			
1040 Returns Tab	Alt+1	Business Return Tab	Alt + B
Web Site Tab	Alt + E	Database Menu	Alt + D
Setup Menu	Alt + S	Utility Menu	Alt + U
Reports Menu	Alt + R	Commands Menu	Alt + C
Help Menu	Alt + H	Add a New Return	Alt + A

Action	Shortcut	Action	Shortcut
Transmit to Central Site	Alt + T	Lookup Screen	Alt + L
Quick Return Lookup	Alt + Q	Payments Search	Alt + Y
Close the 1040 *Software*	Alt + X or F10		
Client Lookup Screen			
All the same shortcuts as Work in Progress summary with the following additions/exceptions.			
Extended Reports	Alt + X	Client Grid Column Settings	Alt + O
Work in Progress Summary	Alt + W or F2		

Action	Shortcut	Action	Shortcut
Within a Return			
Return Menu	Alt + R	Form Menu	Alt + F
Print Menu	Alt + P	Current Topic Help	F1
Work In Progress	F2	Choice List	F3
Print Select	F4	Clear Override	F5
Bookmark Field	F6	Calculator	F7
Print Window	F8	Sort Statement	F9
Exit	F10	Add Forms	Ctrl + A
Save Return	Ctrl + B	Proforma	Ctrl + C
Delete Form	Ctrl + D	Estimator	Ctrl + E
Attached Forms	Ctrl + F	Go to Line #	Ctrl + G
Input Index	Ctrl + K	Link Forms	Ctrl + L

Asset Center	Ctrl + N	Overflow Statement	Ctrl + O
Print Return	Ctrl + P	Rejects	Ctrl + R
State Forms	Ctrl + S	Transmit	Ctrl + T
Reload Billing	Ctrl + U	Verify Return	Ctrl + V
Worksheet	Ctrl + W	Save and Exit	Ctrl + X
Info and Status Screen	Ctrl + Y	Manual Return Status/Suspend Return	Ctrl + Z
Next Form	Page Up	Previous Form	Page Down
Add Occurrence of Form	Ctrl + Shift + A	Copy	Ctrl + Shift + C
Paste	Ctrl + Shift + V	Lock/Unlock Return	Ctrl + Shift + U

Return Interview Mode

The Return Interview Mode allows the user to experience a seamless taxpayer interview process integrated to the desktop tax preparation software.

Start Return with Return Interview

The tax preparation software can be configured with the default setting to begin returns in the Return Interview mode. The Return Interview default is login specific and can be activated setting the following Setup configurations.

Return Interview Default Setup

1. From the **Work In Progress Summary** screen select the **Setup** menu option

2. Next locate and click the **Login Accounts** option
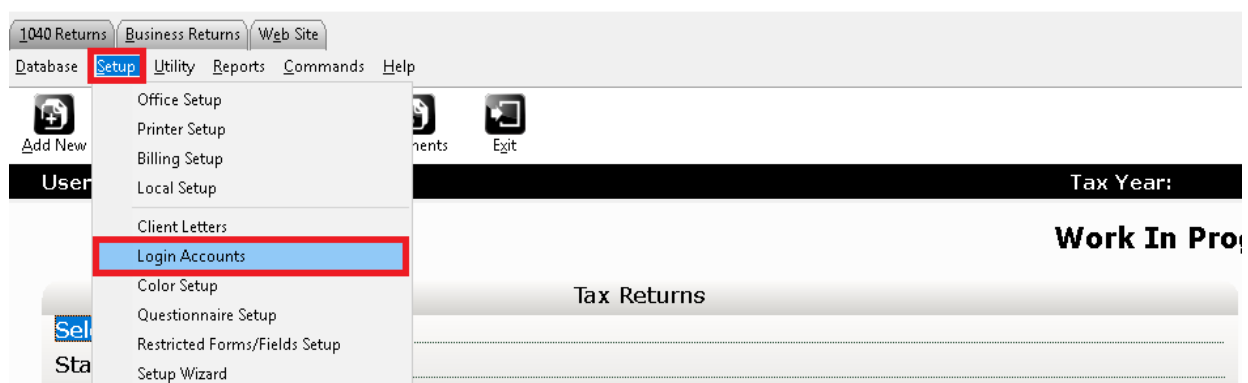
3. From the Login Accounts window
   a. Highlight the login to set the Start Return with Return Interview default and click **Edit** to access Login Preferences
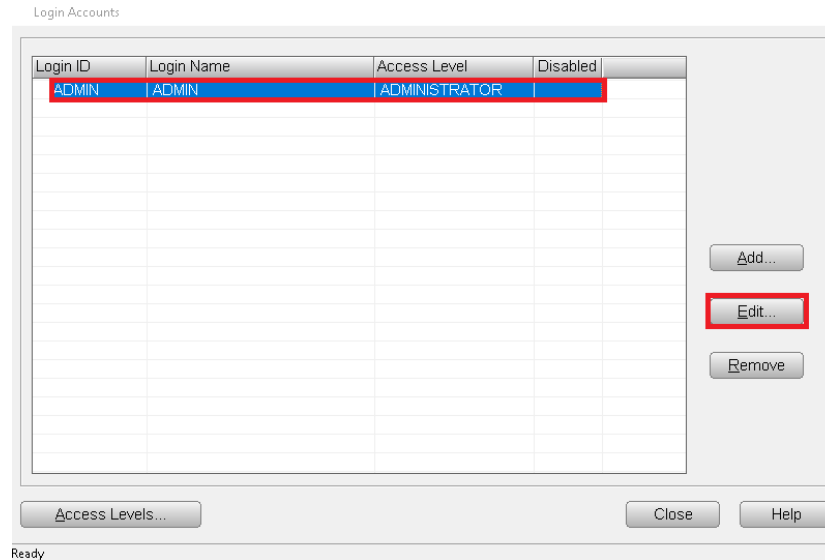
4. From the Login Preferences window
   a. Select the **Start Return with Return Interview** checkbox located in the Login Preferences section, then click **OK** to apply default setting
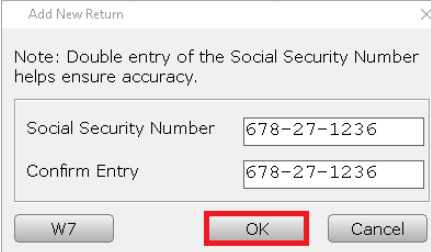
The selected Login has now been set to start new returns using the tax preparation software's Return Interview mode.

Return Interview Walk-Through

Begin New Return Interview
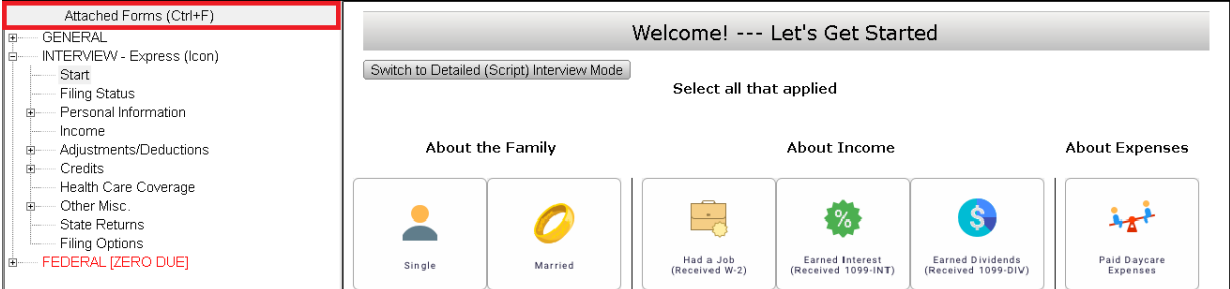
1. Click the **Add New** button to start a new return interview Add New

2. In the **Social Security Number** box, enter 678-27-1236, re-enter 678-27-1236 into the **Confirm Entry**

3. Click **OK** to continue

Attached Forms List

Notice that within the Attached Forms list you have the Return Interview section. As you move through the tax return interview, these sections as well as form entries in the General section of the tax return Attached Forms will be completed.

*For this tutorial click Switch to Detailed (Script) Interview Mode

Filing Status

To make check box selections simply select the field and use the letter 'X' and then press the Enter key to confirm the selection

You will find informational descriptions to entry selections throughout the interview process, in addition you can also use the assistance of helpful links like the [Help me decide] button that allows you to view helpful information about the current section of the return interview.

Once the Filing Status selection has been made, use the [Next] button to continue to the Personal Information section listed in the Return Interview attached forms list.

Personal Information

In the Personal Information section of the Return Interview you can complete taxpayer personal information.

Using the information below complete the Personal Information section:

Personal Information	Enter
Filing status	Single
First name	Return
Last name	Interview
Date of Birth (DOB)	01/01/1988
Occupation	Transportation
Cell phone	(951) 238-1234
Check to receive text message	X
Cell phone carrier	Select your carrier from Choices button
Email	taxpayer@email.com
ID Number	D1234567
ID State	CA
ID issue date	12/12/2014
ID expiration date	12/12/2022
Identification type	X – Driver's license

As input fields are completed calculated fields in grey will populate based on existing information completed during the Return Interview.

Activate a pre-configured database list selection from fields that have the [Choices...] button active (ex. Occupation field and Cell Phone Carrier field). The selection list can assist during the Return Interview preparation.

Personal Information

Enter Taxpayer's Information

First name:　RETURN
Last name:　INTEVIEW

SSN:　678-27-1236
DOB:　01/01/1988　Age:　32
Occupation:　TRANSPORTATION
Male/Female:

Contact Information
Home Phone:　　–　　–
Cell Phone:　951-238-1234
　　　X　Check to receive text messages.
　　　　Carrier:　T-MOBILE
Work Phone:　　–　　–
E-mail addr.:

Preferred contact method:
　　　Cell phone　　　Text message
　　　E-mail　　　　　Home phone

Taxpayer's ID Information
ID Number:　D1234567　　ID State:　CA
Date Issued:　12/12/2014
Expiration Dates:　12/12/2022
ID Type:　X　Driver's License　　Do Not Have
　　　　　　State Issued　　　　Did Not Provide

Back　　　　　　　　　　　　　　　　　Next

Once you have completed the applicable taxpayer information fields, click **Next** to the Address Information.

Personal Information (continued)

Continue the Return Interview by completing your client's address information. In the client address information, you can also specify the residency status of the taxpayer (or spouse) and if the client was in the military.

Use the information below to complete the Personal Information (continued):

Personal Information (continued)	Enter
Address	X – Domestic
U.S. Address	1040 Return Way
City	Santa Fe Springs
State	CA
Zip	90670
Residency	X – Citizen

Address Information

Enter in your client's address information.

This address is: [X] Domestic   [ ] Foreign

Care of: _____

U.S. Address: 1040 RETURN WAY   Apt. No: _____

City: SANTA FE SPRINGS   State: CA Zip: 90670-0000-000

Check all that apply

[X] Check if taxpayer (or spouse) is a US citizen or lived in the US for the entire year
[ ] Check if the client was in the military in 20XX

[Back]   [Next]

Click [Next] to continue to the Additional Personal Information form

Special taxpayer return processing can be identified in the Personal Information section, if the taxpayer was assigned a 6-digit PIN for identify theft from IRS notice 'CP01A', Place a X in "Assigned a 6 digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related to being a victim of ID theft."

For this walk-through, mark "X" for Assigned a 6-digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related to being a victim of ID theft. For the Taxpayer pin enter: 123456.

Additional Personal Information

Check all that apply

Taxpayer

[ ] Can be claimed as a dependent on another return
[ ] Is legally blind as of December 31, 20XX
[ ] Is legally disabled as of December 31, 20XX
[ ] Was a full time student for at least 6 months in
[ ] Wants to contribute $3 to the Presidential Election Campaign Fund (will not increase tax liability)
[ ] Is deceased.
[X] Assigned a 6 digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related to being a victim of ID theft.
        Enter IP PIN: Taxpayer 123456

Foreign Account Information

Check all that apply

[ ] At any time during 20XX the taxpayer (or any individual on this return) had an interest in or signature authority over a financial account (such as bank/brokerage accounts or securities) in a foreign country

[ ] Is required to file FinCen Form 114. (See instructions for filing requirements and exceptions)

[ ] During 20XX the taxpayer (or any individual on this return) received a distribution from, or was the grantor of, or transferor to, a foreign trust

[Back]   [Next]

Use the [Next] button to move to the Dependents and Others Cared For section.

Dependents and Others Cared For

In the Dependents and Others Cared For section you will complete dependent related information. The tax preparation software includes information links like the one shown in the image below that will provide additional return processing information.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.

Yes	No	Did taxpayer...
☐	☐	**Have dependents to claim?** [Learn more]
☐	☐	**Provide a home and/or support someone not claimed as a dependent?** Learn more

[Back]   [Next]

By clicking the information link, you will be shown topic related information to further assist with the Return Interview processing.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.

Yes	No	Did taxpayer...
☐	☐	**Have dependents to claim?**

Collapse(-)

Generally, "dependents" are the taxpayer's children who live at home for more than half the year (newborns are considered in home for entire year). They can also be other children such as stepchildren, grandchildren, nephews/nieces, and siblings, as long as no ther taxpayer could claim them as a dependent. The child must be either under age 19; under age 24 and a full time student for at least 5 months; or any age if permanently and totally disabled. Child must be younger than the taxpayer (or spouse if filing jointly) unless child is disabled.

Other less common "dependents" may be the taxpayer's relative, or a nonrelative who lived with taxpayer all year. The person must not be a qualifying child of any other taxpayer and has less than $4,050 in gross income. Taxpayer must provide more than half of the support.

Still not sure? Click here "Who Can I Claim as a Dependent?" to determine who you can claim as a dependent.

*Note – The Learn More information displayed can be collapsed back to the original state by clicking the Collapse Collapse(-) Link.

After the prepare has determined the applicable selection check the appropriate box(es). By identifying during the interview that the taxpayer will have dependents to claim, the [Add Dependent] button will become active, allowing the preparer to add dependent information.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.

Yes	No	Did taxpayer...
☒	☐	**Have dependents to claim?** Learn more
		Add Dependent
☐	☐	**Provide a home and/or support someone not claimed as a dependent?** Learn more

Back   Next

Click the Add Dependent [Add Dependent] button to open the Dependent Information Section.

Dependent Information

The Dependent Information section of the Return Interview will consist of dependent specific information to be used to process the taxpayers tax return.

Along with dependent specific information, here you can also identify special return processing needs. Such as, including dependent Identity Protection PIN in the IP Pin field and state specific residency credits.

Use the information below to complete the Dependent Information:

Dependent Information	Enter
First Name	Dependent
Last Name	Return
SSN	678-27-1234
Birthdate	01/01/2014
Relationship	Son
Months lived with taxpayer	12
Type of dependent	X – Lives with you
Earned Income Credit Qualification	X – Eligible child

Dependent Information

First Name: DEPENDENT   Last Name: RETURN
SSN: 678-22-1234
Birthdate: 01/01/2014   Age: 6

IP Pin (if any):

Dependent's relationship to Taxpayer: SON
Months lived with Taxpayer (or enter "CN" for Canada or "MX" for Mexico resident): 12

☐ Check if child is disabled

Which best describes your dependent:
☒ 1. Lives with you
☐ 2. Doesn't live with you due to divorce/separation
☐ 3. Dependent is Taxpayer's parent
☐ 4. Other dependent

Which best describes the child to qualify for EITC?
X Eligible child   ☐ Student under age 24   ☐ Disabled   ☐ Kidnapped   ☐ Not eligible

Enter qualified dependent care (such as day care) expenses incurred and paid:

Other state credits (click all that apply):
☐ ID - Grocery Credit (answer if filing an ID return). Enter qualified number of months: ☐
☐ IL - ICR Education Cr
☐ AZ - Qualifies for AZ Exemption

[Add More]   [Next]

After completing Dependent Information addressing type of dependent, Earned Income Tax Credit eligibility, and qualified Dependent Care Expenses, you can Click the [Add More] button to attach additional dependents to the tax return or Click the [Next] button to return to the Dependents and Others Cared For section.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.

Did taxpayer...

Yes
☒ Have dependents to claim? Learn more

First Name	Last Name	Birthdate	Age	SSN	Relationship	Months		
DEPENDENT	RETURN	01/01/2014	5	678-22-1234	SON	12	Edit	Delete

[Add Dependent]

Yes
☐ Provide a home and/or support someone not claimed as a dependent? Learn more

[Back]   [Next]

Dependents that have been included to the Return Interview will auto calculate to the Dependents and Others Cared For section. From the Dependents and Others Cared For section you can add dependents, edit and existing dependent, and delete a dependent. If Dependents and Others Cared For is complete select the [Next] button to proceed to the Income Interview.

Income Interview

The Income Interview section will provide a list of questions related to the sources of income that will be applied to the tax return.

*Note: If the Income source is does not have a 'Yes' selection then the tax preparation software will not include the income source and will treat the income source question as if 'No' were selected.

For this walk-through select W-2 wages and W-2G gambling winnings as the type of income sources related to the tax return and then click [Next] to proceed to Type of Income.

Type of Income

The Type of Income section will show income selections from the Income Interview. Use the Add Form buttons available to navigate to the income entry source.

Type of Income

Complete each income section below. Click "Next" when done.

[] > W-2 (Wages and Salaries)

[Add Taxpayer Form]

> W-2G (Gambling Winnings)

[Add Taxpayer Form]

[Back]   [Next]

W-2 Wage and Tax Statement

Clicking the [Add Taxpayer Form] button under the W-2 (Wages and Salaries) will navigate you to the Wage and Tax Statement.

Use the information below to complete form W-2 Wage and Tax Statement:

W-2 Information	Enter
Employer Identification Number	95-1234567
Employers Name, Address, Zip Code	Money Trees Inc
Box 1 – Wages	26,723
Box 2 – Federal Tax Withheld	1,214

*Amounts for box 3, 4, 5, and 6 can be manually modified by using the direct entry field under the calculated value or selecting the 'not subject to tax' check box for the specified wages.

Form W-2	Wage and Tax Statement	
a. Employee's Social Security Number 678-27-1236 Corrected W-2 []	1 Wages 26,723	2 Fed Tax Withheld 1,214
b. Employer's Identification Number 95-1234567	3 SS Wages ( ) 26,723	4 SS Tax Withheld 1,657
c. Employer's Name, Address, ZIP Code MONE Domestic X Foreign MONEY TREES INC	5 Medicare Wages ( ) 26,723	6 Medicare Tax Wh. 387
7147 ALPINE RD COLORADO SPRINGS CO 80930-0000	7 Soc Sec Tips	8 Allocated Tips
d. Control Number	9 Verification Code	10 Dep Care Benefits
e. Employee's Name, address & ZIP code Domestic X Foreign RETURN INTEVIEW 1040 RETURN WAY SANTA FE SPRINGS CA 90670-0000	11 Non-Qual Plans	12 Employer Use
	13 a( ) b( ) c( ) Stat Emp Select Sch C link	
	14 Other	
	RRTA Comp [] RRTA T1 Tax RRTA T2 Tax	RRTA Medicare Tax Add Med Tax

15 State Employer ID	16 State Wages/Tips	17 State Tax W/hld	State Use	18 Local Wages/Tips	19 Local Tax W/hld	20 Locality Name

Standard/Non-Standard W-2   S
Enter X if a minister or member of religious order []
Enter X if church employee income []
Substitute W-2 Indicator []

If you have additional wage and tax statements Click the [Add More] button, otherwise Click the [Next] button to return to the Type of Income section. The W-2 Wage and Tax Statement will auto calculate to the Type of Income section where we now have options to Edit, Delete, or Add an additional W-2 Wage and Tax Statement.

W-2G Gambling Income Statement

We can continue with additional types on income by Clicking the [Add Taxpayer Form] button under the W-2G (Gambling Winnings) to navigate to the W-2G Gambling Income Statement.

Type of Income

Complete each income section below. Click "Next" when done.

> W-2 (Wages and Salaries)

T/S	Employer Name	EIN	Fed Income (Box 1)	Fed Withheld (box 2)	State Abbr.	State Income	State Withheld		
T	MONEY TREES INC	95-1234567	26,723	1,214				Edit	Delete

[Add Taxpayer Form]

> W-2G (Gambling Winnings)

[Add Taxpayer Form]

[Back]   [Next]

Use the following information to complete form W-2G Gambling Income Statement:

W-2G Information	Enter
Federal ID	45-1234567
Payer's Name	Lotto Much
Payer's Address, City, and Zip Code	2727 Lucky St Santa Fe Spring CA 90670
Box 1 – Gross Winnings	875
Box 2 – Date Won	12/23/2018
Box 3 – Type of Wager	Lottery
Box 4 – Federal Tax	82
Box 5 – Transaction	A1234567
Box 8 – Cashier	CA474457

Form W-2G   Gambling Income Statement

Payer's Name LOTT Standard/Non S	1 Gross Winnings	2 Date Won
LOTTO MUCH	875	12/23/2018
Street Address Domestic X Foreign		
2727 LUCKY ST	3 Type of Wager	4 Federal Tax
	LOTTERY	82
City, State, ZIP Code	5 Transaction	6 Race
SANTA FE SPRINGS CA 90670-0000	A1234567	
Federal ID Payer's SSN Phone Number	7 Identical Wagers	8 Cashier
45-1234567 – – – –		CA474457
Winner's Name	9 Winner's SSN	10 Window
RETURN INTERVIEW	678-27-1236	
	Winner's EIN	12 Second ID
	–	
Street Address Domestic X Foreign	11 First ID	14 State Winnings
	A1234567	
1040 RETURN WAY	13 State State Use	15 State Tax
City, State, ZIP Code		
SANTA FE SPRINGS CA 30165-0000	State ID	17 Local Tax
Corrected W-2G ▯	16 Local Winnings	
	18 Locality	

[Add More]   [Next]

If you have additional gambling income statements Click the [Add More] button, otherwise Click the [Next] button to return to the Type of Income section.

Type of Income

Complete each income section below. Click "Next" when done.

> **W-2 (Wages and Salaries)**

T/S	Employer Name	EIN	Fed Income (Box 1)	Fed Withheld (box 2)	State Abbr.	State Income	State Withheld		
T	MONEY TREES INC	95-1234567	26,723	1,214				[Edit]	[Delete]

[Add Taxpayer Form]

> **W-2G (Gambling Winnings)**

T/S	Payer Name		Fed Winnings (Box 1)	Fed Withheld (box 2)	State Abbr.	State Withheld		
T	LOTTO MUCH		875	82			[Edit]	[Delete]

[Add Taxpayer Form]

[Back]   [Next]

The W-2G (Gambling Winnings) information will auto calculate to the Type of Income section, Click the [Next] button to continue to Adjustments/Deductions Interview section.

Adjustments/Deductions Interview

In the Adjustments/Deductions Interview section you will answer questions relating to the return. Based on the completed sections the Return Interview will adjust income or reduce income by qualifying deductions.
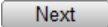

Adjustments/Deductions Interview

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes	Did taxpayer...
☐	Pay out-of-pocket expenses related to being a teacher/educator?
☐	Make contributions/deposits into an IRA(Individual Retirement Account)?
☐	Pay alimony to a prior spouse?
☐	Repay unemployment benefits for benefits received during 2018 and the repayment is not reported on Form 1099-G?
☐	Move resulting from a permanent change of station due to being a member of the armed forces? Learn more
☐	Pay for medical/dental expenses or have medical related travel?
☐	Pay state and local taxes such as income taxes, sales taxes, real estate taxes, car license fees, etc.?
☐	Pay mortgage interest/points?
☐	Give donations to charity?
☐	Have a casualty or theft loss due to a federally declared disaster? (such as fire, tornado, flood, etc.)
☐	Pay or accrue investment interest expenses?
☐	Live in a foreign country for at least 330 days or was a foreign resident and earned income?
☐	Have gambling losses and expenses?

Note: Questions left blank will be treated as not relating to the tax return.

If there are no adjustments or deductions needed to be reported to the tax return, Click the [Next] button to continue to the Credits Interview section.

Credits Interview

Use the Credits Interview section to answer tax return applicable credits. In this section you can identify certain credits that the software may not automatically calculate based on taxpayer specific information.

Credits Interview

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes   Did taxpayer...

☐   Pay child care (such as day care) or dependent care expenses to care for a person listed as a dependent, others cared for, or disabled spouse so taxpayer (or spouse) could work or look for work?

☐   Pay expenses related to a child adoption or have expenses to carryforward from a prior year?

☐   Install energy efficient property such as solar panels to the main home?

☐   Purchase an electric car?

☐   Receive a Mortgage Credit Certificate (MCC) issued by either a state/local governmental unit or agency, or have MMC credit to carryforward to 2018 from a prior year?   Learn more

☐   Pay tax to a foreign country?   Learn more

☐   Have a non-taxable use of taxed fuel such as gasoline, gasohol, or diesel fuel?   Learn more

[Back]   [Next]

Remember to use the 'Learn more' links for additional helpful information related to a particular credit. Also keep in mind that the Return Interview will only register credits that have been answered 'Yes', questions left blank will not be considered to the current tax return.

Click the [Next] button to continue to the Health Care Coverage Interview section.

Health Care Coverage Interview

In the Health Care Coverage Interview section, select the type of coverage applicable to members of the household that are being reported on the tax return.

Select all of the following which describes how you (and any other family members on this return) received health care coverage in 20XX . Click "Next" when done.

☒ **Employer** - Received health coverage through employer (including COBRA coverage)*

☐ **Government** - Received health care coverage from government such as Medicare, Veterans benefits, and any other governmental health care program*

☐ **Private insurance (not through Marketplace)** - Purchased private health insurance*

☐ **Private insurance (through the Marketplace)** - Purchased health insurance through the "Marketplace". Received Form 1095-A.

☐ **No health coverage** - At least one family member (including taxpayer) did not have health care coverage at any time during the year. This includes certain non-citizens and those undocumented and living in the U.S.

*Note: Individual may receive informational Forms 1095-B or 1095-C (which shows 20XX qualified health coverage). You may reference these forms to help validate any health coverage questions; however, they are not needed in order to file a 20XX return.

Back   Next

Select all that apply, for this example select 'Employer' and Click ⌷Next⌷ to continue to the Other Misc. Interview section.

Other Misc. Interview

Additional return processing requirements can be addressed within the Other Misc. Interview section. Answer 'Yes' to all questions that are applicable to the current tax return. Included scenarios include processing the First Time Home Buyer payment, Health Savings Account statement, ITIN applications, and more.

Other Misc. Interview

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes   **Did taxpayer...**

☐   Make estimated tax payment toward 20XX return (to be reported on this return)?

☐   Take a First-Time Homebuyer Credit in 20XX for which an installment repayment is needed, or sold/disposed home in 20XX for which the credit was taken?

☐   Receive Form 1099-C for debt that was cancelled, and qualifies for a reduction of tax attributes due to events such as insolvency or being foreclosed on their principal residence? (Form 982).

☐   Make contributions (including those made on taxpayer's behalf and employer contributions) to a Health Savings Account (HSA)? Also, answer "Yes" if taxpayer had distributions from from HSAs. (Form 8889)

☐   Make Archer MSA (medical savings account) contributions? Also check "Yes" if taxpayer received distributions from Archer MSAs or Medicare Advantage MSAs, taxable payments from a long-term care (LTC) insurance contract, or taxable death benefits from a life insurance policy. (Form 8853)

☐   Have health coverage as a trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, reemployment TTA (RTAA), or Pension Benefit Corporation (PBGC) payee? Also, check "Yes" if Form 1099-H was received. (Form 8885)

☐   File a joint return with a deceased spouse and is requesting reissuance of refund? Also check "Yes" if taxpayer claiming a refund is a court-appointed/certified personal representative that did not file the original return, or other person neither the surviving spouse nor representative. (Form 1310)   Learn more

☐   Have a need to apply for an ITIN (individual taxpayer identification number) for any person on this return that isn't eligible to get a SSN?

Note: Questions answered 'Yes' will be included to the current return processing requirement, questions left blank will not be considered in the tax return processing.

Click the ⬚ Next button to continue to the Due Diligence portion of the Return Interview process.

Due Diligence

At this point we have reached the Due Diligence section of the Return Interview. In order to satisfy Due Diligence requirements, the Return Interview will cover sections for Earned Income Tax Credit, Child Tax Credit/Additional Child Tax Credit, and American Opportunity Credit, based on credits that are currently active in the tax return.

EIC Checklist

The tax preparation software works with current information already identified in the return to automatically calculate return specific information to related forms. As you have completed specific tax scenario information the software communicates entered values to other relating forms in an auto calculated method.

Take note that in the current example the majority of the EIC Checklist has been automatically calculated. The preparer of the Return Interview need only answer 'Yes' to question 10 and 'No' to question 13.

EIC Checklist

Part I - All Taxpayers

| 20XX | | ☐ EIC Credit is allowed, based on the following information |

1. Taxpayer's name: RETURN INTEVIEW

2. Is the taxpayer's filing status married filing separately? ☐ Yes ☒ No
   > If checked "YES" on line 2, STOP. EIC cannot be taken

3. Does the taxpayer (and spouse, if MFJ) have a social security number (SSN)
   that allows him or her to work or is valid for EIC purposes? ☐ ☒ Yes ☐ No
   > If checked "NO" on line 3, STOP. EIC cannot be taken

4. Is the taxpayer filing Form 2555 or Form 2555-EZ? ☐ Yes ☒ No
   > If checked "YES" on line 4, STOP. EIC cannot be taken

5a. Was the taxpayer a nonresident alien for any part of 20XX? ☐ Yes ☒ No
   > If checked "YES" on line 5a, go to line 5b. Otherwise, skip line 5b and go to line 6.

   b. Is the taxpayer's filing status married filing jointly? ☐ Yes ☐ No
   > If checked "YES" on line 5a and "NO" on line 5b, STOP. EIC cannot be taken

6. Is the taxpayer's investment income more than $3,500? ☐ Yes ☒ No
   > If checked "YES" on line 6, STOP. EIC cannot be taken

7. Could the taxpayer be a qualifying child of another person for 20XX ? ☐ Yes ☒ No
   > If checked "YES" on line 7, STOP. EIC cannot be taken.
   >Otherwise, go to Part II or Part III, whichever applies

Part II - Taxpayers With a Qualifying Child

		Child 1	Child 2	Child 3
8.	Child's name	DEPENDENT		
9.	Is the child the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister or a descendant of them?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
10.	Is either of the following true? - The child is unmarried, or - The child is married, can be claimed as the taxpayer's dependent, and is not filing a joint return (or is only filing to claim a refund)	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
11.	Did the child live with the taxpayer in the United States for over half of the year?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
12.	Was the child (at the end of the year) - under age 19 and younger than the taxpayer, or - under age 24, a full-time student, and younger than the taxpayer, or - any age and permanently and totally disabled?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
13a.	Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	[ ] Yes [X] No	[ ] Yes [ ] No	[ ] Yes [ ] No
b.	Enter child's relationship to the other person			
c.	If the tie-breaker rules applied, is the child treated as the taxpayer's qualifying child?	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know
14.	Does the qualifying child have an SSN that allows him or her to work or is valid for EIC purposes?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No

If you checked "YES" on line 14, continue. Otherwise, STOP. No credit is allowed.

Click the [Next] button to continue to the Paid Preparers Due Diligence Checklist.

Paid Preparers Due Diligence Checklist

It is important to answer applicable questions in the Return Interview Paid Preparers Due Diligence Checklist to the best of your knowledge using information and documentation provided by the taxpayer.

To assist in satisfying the due diligence requirement the tax preparation software will automatically select active credits in the return. This allows the Return Interview preparer to focus on questions for active credits in the return.

Use the information below to complete the 8867 Paid Preparers Due Diligence Checklist:

Form 8867 — Paid Preparer's Due Diligence Checklist

Taxpayer's name: 20XX
RETURN<INTEVIEW

Enter preparer's name and PTIN

If the preparer who determines eligibility for or amount of credits and/or HOH filing status is
NOT the signing preparer, use these fields

Part I Due Diligence Requirements

	EIC	CTC/ ACTC/ODC	AOTC	HOH
Please check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply)	[X]	[X]	[ ]	[ ]

1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you? [X] Yes [ ] No

2. If credits are claimed, did you complete the applicable EIC and/ or CTC/ACTC worksheets found in the Form 1040 instructions, and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet and all related forms and schedules for each credit claimed? [X] Yes [ ] No [ ] N/A

3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following:
   - Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status
   - Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed [ ] Yes [X] No

4. Did any information provided by the taxpayer, a third party or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes" go to 4a and 4b. If "No", go to 5.) [ ] Yes [X] No
   a. Did you make reasonable inquiries to determine the correct, complete and consistent information? [ ] Yes [ ] No
   b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return.) [ ] Yes [ ] No

5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s) [X] Yes [ ] No

   List those documents, if any, that you relied on.
   See "Line 5 - List of Documents" section after line 15

6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of the credit(s) claimed on the return if his/her return is selected for audit? [X] Yes [ ] No

7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If credits were disallowed or reduced, go to 7a, if not go to 8) [X] Yes [ ] No [ ] N/A

   a. Did you complete the required recertification Form 8862? [ ] Yes [ ] No [X] N/A

8. If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C? [ ] Yes [ ] No [X] N/A

Part II Due Diligence Questions for Returns Claiming EIC
(if the return does not claim EIC, go to Part III.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
9a. Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming EIC and does not have a qualifying child.)	[X] Yes [ ] No [ ] N/A			
b. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	[X] Yes [ ] No			
c. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tie-breaker rules)?	[X] Yes [ ] No [ ] N/A			

Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC
(if the return does not claim CTC/ACTC/ODC, go to Part IV.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
10. Have you determined each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the US?		[X] Yes [ ] No		
11. Did you explain to the taxpayer that they may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		[ ] Yes [ ] No [ ] N/A		
12. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		[X] Yes [ ] No [ ] N/A		

For this walk-through, after question 10 on Part III of the due diligence questions scroll down to Line 5 – List of Documents for EIC and CTC/ACTC/ODC.

Line 5 - List of Documents for EIC and CTC/ACTC/ODC

A. Which documents below, if any, did you rely on to determine EIC/CTC/ACTC/ODC eligibilty for the qualifying child(ren) on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. See the instructions before answering. If there is no qualifying child, check box a. If there is no disabled child, check box o.

Residency of Qualifying Child(ren)

- a No qualifying child
- [X] b School records or statement
- c Landlord or property management statement
- [X] d Health care provider statement
- e Medical records
- f Child care provider records
- g Placement agency statement
- h Social service records or statement

- i Place of worship statement
- j Indian tribal official statement
- k Employer statement
- l Other

- m Did not rely on documents, but made notes in file
- n Did not rely on any documents

Disability of Qualifying Child(ren)

- [X] o No disabled child
- p Medical doctor statement
- q Other health care provider statement
- r Social services agency or program statement

- s Other

- t Did not rely on documents, but made notes in file
- u Did not rely on any documents

B. If a Schedule C is included with this return, which documents or other information, if any, did you rely on to confirm the existence of the business and to figure the amount of Schedule C income and expenses reported on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. See the instructions before answering. If there is no Schedule C, check box a.

Documents or Other Information

- [X] a No Schedule C
- b Business license
- c Forms 1099
- d Records of gross receipts provided by taxpayer
- e Taxpayer summary of income
- f Records of expenses provided by taxpayer
- g Taxpayer summary of expenses

- h Bank statements
- i Reconstruction of income and expenses
- j Other

- k Did not rely on documents, but made notes in file
- l Did not rely on any documents

Click the [Next] button to continue to the State Returns section.

State Returns

States can be included to the return in the State Returns section of the Return Interview process. Keep in mind that many states have certain processing requirements, please review state forms after completing the Return Interview.

State Returns

Note: Most of the information from the Return Interview will transfer to the state returns. However, many states have additional adjustments, deductions, and credits that may need specific elections on the state return. Please review the state forms after completing the Return Interview.

Please select a state for resident return, and non-resident return (if any):

Resident State

Non-Resident State

Back   Next

Click the ⬚Next⬚ button to continue to Filing Options section of the Return Interview.

Filing Options

The Filing Options section of the Return Interview will allow the preparer to view the current refund amount, allow the preparer to identify bank product selection to ensure no out of pocket expense to the taxpayer, and allow tax preparation fees to be deducted directly from the refund. The preparer of the Return Interview will also load onto the Filing Options section to show the active preparer on file.

Filing Options   2019

The return has a Refund: 3,805

[Y] Does the taxpayer want to apply for an RT financial product?

You have selected a Refund Transfer Financial Product. Please fill out the attached bank application before transmitting the return

[Y] Does the taxpayer want to Electronically File their return?

Enter preparer information:

		Check if self-employed [X]	
		SSN	637-45-1244
Preparer's	555	PTIN	P53893303
Name	DOE JOHN		
Firm's name	TAX OFFICE	EIN	12-3456789
Address	14 TAX PREP WAY		Preparer phone
City, State, ZIP	ROME GA 30161-0000		706-266-1234

Click the ⬚Finish⬚ button, the Return Interview portion of the return is now complete.

You can now continue to the return and add any additional return processing information. After reviewing return information, proceed to the software Verification Diagnostics to ensure that all required information has been included in the return.

The Training Return

By completing **The Training Return**, you will see how easy it is to prepare a return using the 1040 *Software and* become familiar with some of the key features.
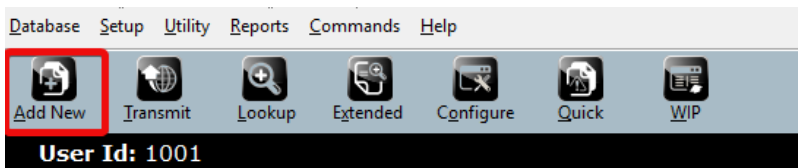
Step 1: Begin the New Return
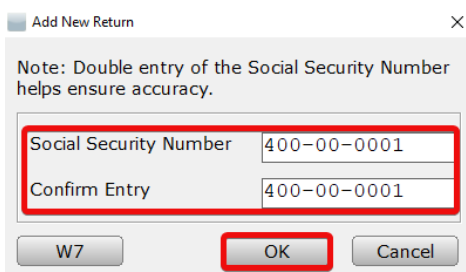
To begin the training return:

1. Select **Training Returns** located in the Work In Progress page.

2. Click the **Add New** button located on the Toolbar.

3. In the **Social Security Number** box, enter 400-00-0001, re-enter 400-00-0001 into the **Confirm Entry** box and then click **OK**. The Tax Return screen will appear.

Understanding the Tax Return Screen

When you begin a return, the 1040 *Software* takes you to the Tax Return screen.

The Tax Return screen is divided into three panes:

- Attached Forms List
- Open Form
- Active Window Options

The Menu Bar, Toolbar and Information Bar are available across the top of the Return Screen with additional functionality to aid in tax return preparation.

Attached Forms List

The **Attached Forms** list is located on the left-hand side of the Tax Return screen. All forms and worksheets attached to the tax return are displayed here.

The Attached Forms list is divided into <u>four</u> sections:

1. **General Information** concerning the preparation of tax returns
2. **Federal** schedules and forms related to the Federal tax return that are sent to the IRS and/or are retained for your files
3. **Proforma** information, if brought forward from prior year tax returns
4. **State** forms and worksheets related to the State tax return, if applicable
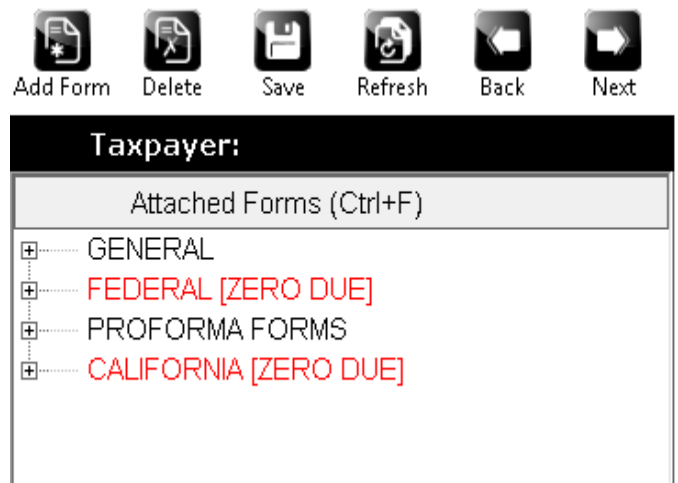
Open Form Pane

The **Open Form** pane is the forms display section located on the right-hand side of the Tax Return screen. This pane allows you to view or edit displayed forms. New returns default to the **Client Data** worksheet unless the start new return in interview mode is checked. Double click a form in the Attached Forms list to display it in the Open Form pane. When adding a form or schedule, the Open Form changes to that of the newly added form.

Active Window Options

The **Active Window Options** pane is located along the bottom of the Tax Returns screen. It provides instantaneous help and other options on the field selected in the Open Form pane.

Active Window Options provides quick field level access to:

- Line-by-line Help
- Choice Lists
- Worksheets
- Form Links

Line-by-line Help

If you are unsure of what information to put into a field, click inside the field and check the Active Window Options pane for guidance.

Choice Lists

Choice Lists help populate form boxes with frequently used data such as Taxpayer occupations.

1. Click inside a box and if a Choice List is available, the **Choices...** option becomes available.

2. Click **Choices...** to display the Choice List.

3. Double click to add the choice to the form box.
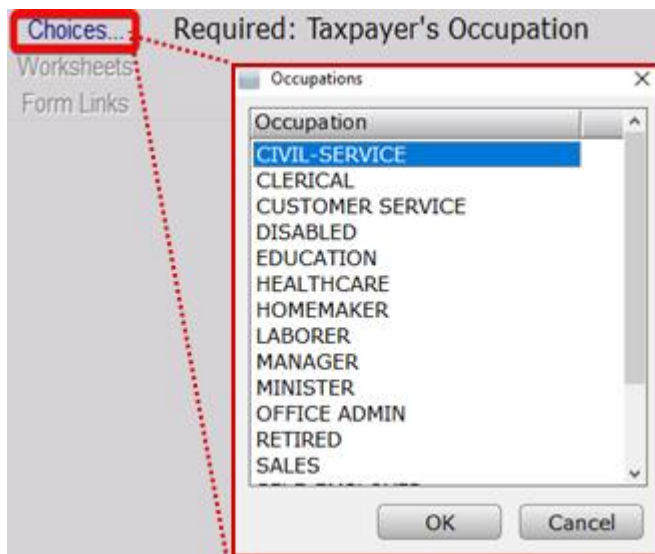
Worksheets

Worksheets provide access to associated worksheets such as Overflow Statements.

1. Click inside a box and if there are worksheets associated with it, **Worksheets** becomes available.

2. Click **Worksheets** to display the associated worksheet.
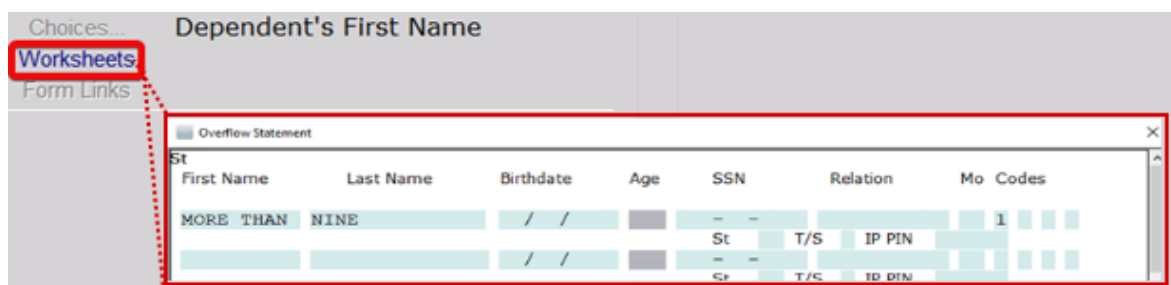
Form Links

Form Links gives you the ability to link specific forms together.

1. Click inside the box and if there are linkable forms associated with it, **Form Links** becomes available.

2. Click **Form Links** to display a list of choices.

Note: If there is only one choice, the 1040 *Software* will open a new instance of that form instead.

---

3. Double click the appropriate form to create the link.

Step 2: Enter Client Information

The **Client Data** worksheet is where you enter basic information about the taxpayer, spouse, dependents, and other basic information that is relevant to the tax return. The information entered on this worksheet carries to *Form 1040* and all necessary forms such as the *W-2*, saving you time when preparing the return.

1. Complete the **Client Data** worksheet using the information below. To easily navigate tax forms, it is best to press **Tab** after each entry to move to the next field. Complete only the fields for which we have provided information and leave all other fields blank.

Taxpayer Information	Enter
DOB (Date of Birth)	05/18/1985
First Name	Bob
Middle Initial	G
Last Name	Johnson

Occupation	Worker
Home Phone	(555) 206-9473
Work Phone	(555) 206-5519
Cell	Your cellular phone number
Text Message	X
Text Message Consent (popup)	Check the box and click OK
Cell Phone Carrier	Your cellular phone carrier
ID number	123456
ID state	OR
ID issue date	01/01/2017
ID expiration date	01/01/2024
ID type	D
Filing Status	4 (Head of Household) *Remember*: **If you do not know** which filing status corresponds to which code or are ever unsure what to enter in a field, **look below** to the Active Window Options for helpful tips.
Domestic Address	X
U.S. Address	1983 Fictitious Avenue
Zip, City, State	98258
Residency Status	Y
Enroll for Protection Plus to receive three years of audit assistance for this return?	N

Dependent Information	Enter
First Name	Bobby
Last Name	Johnson
Birthdate	08/19/2010
SSN	468-28-8779
Relationship	Son
Months	12

Note: Based on the age and number of months the dependent lived with Bob, the 1040 *Software* has automatically calculated some of the dependent codes to the right.

> *Tip:* To delete a dependent, right click the dependent's first name and then select **Clear Row**. Using this process ensures that dependent information, unless it is overridden, is deleted from all forms and worksheets.

2. For the purposes of this tutorial, the Client Data screen should appear as shown below.

Client Data   2019

User Status:			Transcript Mode:	
Client Letter: english	Prep ID:	Site ID:	Receipt #:	EFIN:
Owner: ADMIN				Locked:

"Simple" return ONLY for Economic Impact Payment (EIP): ☐

Taxpayer Information

SSN:	400-00-0001 JOHN DOB: 05/18/1985 34 DOD: / /
Name:	BOB G JOHNSON
Occupation:	WORKER Dependent: Blind: Disabled:
Home Phone:	555-206-9473 Work: 555-206-5519 Cell: 555-206-1278
E-Mail:	
Text Message:	X Cell Phone Carrier: T-MOBILE @tmomail.net
Preferred Contact	Taxpayer Male/Female:
Preferred Language	
IP Pin	

Driver's license or State Issued ID

ID number 123456   ID State OR ID issue date 01/01/2017 ID expiration date 01/01/2024

Filing Status: [4]

Answer if filing MFS
Did you live together at ANY time during the tax year?
If so, did you live together during the final 6 months?
Does the spouse have gross income or is a dependent of another?

Spouse Information

SSN:	- - DOB: / / DOD: / /
Name:	
Occupation:	Dependent: Blind: Disabled:
Home Phone:	- - Work: - - Cell: - -
E-Mail:	
Text Message:	Cell Phone Carrier:
Preferred Contact	Spouse Male/Female:
IP Pin	Spouse filing as NRA:

Driver's license or State Issued ID

ID number   ID State   ID issue date   /   /   ID expiration date   /   /

Address Information

Domestic X   Foreign

Care/of:	
U.S. Address:	1983 FICTITIOUS AVENUE Apt. No:
C/S/ZIP:	LAKE STEVENS WA 98258-0000-000

APO/DPO/FPO: Combat Zone:
US Citizen or Residency: Y   Date: /   /

Bank Account Information

Bank Name:	Routing Number:
Account No:	Account Type Checking: Savings: PrePaid Card:

Client Referral

Referral Type   Description

Enroll for Protection Plus to receive three years of audit assistance for this return?   N

"Marketplace" Health Insurance

Check box only if you or any other family member on this return purchased health insurance through the
"Marketplace" in 2019 (received Form 1095-A), then click the following "Questionnaire" button.   ☐

[Questionnaire]

* Individuals may receive informational Forms 1095-B or 1095-C (which shows 2019 qualified health
coverage). These forms are not needed when filing your 2019 return and are informational only.

Dependents - Children and other qualifying individuals

| First Name	Last Name	Birthdate	Age	SSN	Relationship	Mo	Codes	St
BOBBY	JOHNSON	08/19/2010	9	468-28-8779	SON	12	1 E C	
		/ /		- -				
		/ /		- -				
		/ /		- -				
		/ /		- -				
		/ /		- -				
		/ /		- -				
		/ /		- -				
		/ /		- -				

Step 3: Enter Income Information

After completing the Client Data worksheet, add **Income Information** to the return. Income source forms include forms such as the *W-2* and *1099-MISC* and primarily contain income information.

Forms are added to the return using the **All Forms & Schedules** window.

1. To add a copy of *Form W-2* to the tax return:

   Access the **All Forms & Schedules** window using one of these three methods:

   a. Click the **Add Form** button in the Toolbar.
   b. From the **Menu Bar** select **Form > Add Form**.
   c. Press **CTRL+A** on your keyboard.
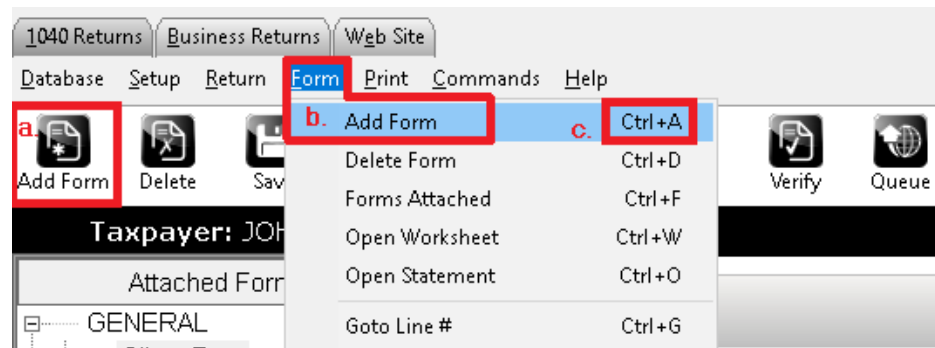
The All Forms & Schedules Window

The **All Forms & Schedules** window provides access to all forms and schedules that are available in the 1040 *Software.*

The **All Forms & Schedules** window is divided into five tabs:

   a. **Federal** displays all federal forms, schedules and worksheets ordered by form number.
   b. **Index** displays all federal forms, schedules and worksheets ordered by form description; helpful when locating elusive forms.
   c. **Proforma** displays all forms, schedules and worksheets used for storing prior year data.
   d. **State** displays a list of state modules as well as all forms, schedules and worksheets available for those installed states.
   e. **Depreciation** displays forms and worksheets for asset management.

All Forms & Schedules – Federal Tab

The **Federal Tab** is used when adding Federal forms to the tax return.

1. In opening the **All Forms & Schedules** window, the **Federal** tab will open by default; if it is not selected, click the **Federal** tab.

2. The form selection defaults to the most commonly added form, *the W-2*. **Double click** the ***FRM W-2*** form to add it to the tax return.

Note: If a different form is desired, type the form number or schedule into the **Enter Schedule/Form Number** section at the bottom of **All Forms & Schedules** box.
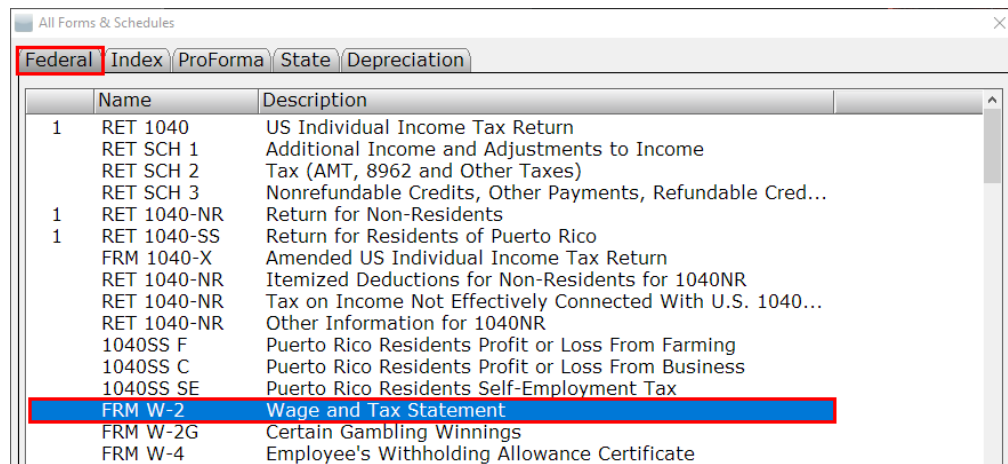
Tip: *Press **Ctrl + A** on your keyboard, and then press **Enter** on your keyboard to quickly add Form W-2.*

Note that the 1040 *Software* has automatically filled in Bob's SSN, name and address based on the information entered on the Client Data worksheet.

Complete the remainder of *Form W-2* using the information below. Complete only the fields for which we have provided information and leave all other fields blank.

Field	Enter
Employer's Identification Number (EIN)	91-9999998
Name of Employer	Very Good Building & Development Co.
Address	814 Illusionary Drive
Zip, City, State	98223
Box 1, Wages	17,843
Box 2, Fed Tax Withheld	1,380
Box 15, State	OR
Box 15, Employer ID	6012345
Box 16, State Wages/Tips	843
Box 17, State Tax W/held	52

Note: The amounts in **Boxes 3, 4, 5** and **6** are automatically calculated based on the entry in **line 1**

Once you have entered all *W-2* information, your screen should look like the screen below.

Form W-2 — Wage and Tax Statement

a. Employee's Social Security Number		1 Wages	2 Fed Tax Withheld
400-00-0001	Corrected W-2 ☐	17,843	1,380
b. Employer's Identification Number		3 SS Wages ( )	4 SS Tax Withheld ( )
91-9999998		17,843	1,106
c. Employer's Name, Address, ZIP Code		5 Medicare Wages ( )	6 Medicare Tax Wh. ( )
VERY Domestic X Foreign		17,843	259
VERY GOOD BUILDING & DEVELOPMENT CO		7 Soc Sec Tips	8 Allocated Tips
814 ILLUSIONARY DRIVE			
ARLINGTON WA 98223-0000			
d. Control Number			10 Dep Care Benefits
e. Employee's Name, address & ZIP code		11 Non-Qual Plans	12 Employer Use
Domestic X Foreign			
BOB G JOHNSON		13 a( ) b( ) c( )	
		Stat Emp Select Sch C link	
1983 FICTITIOUS AVENUE			
LAKE STEVENS WA 98258-0000		14 Other	
		RRTA Comp	RRTA
		RRTA T1 Tax	Medicare Tax
		RRTA T2 Tax	Add Med Tax

15	16 State	17 State	State 18 Local	19 Local	20 Locality
State Employer ID	Wages/Tips	Tax W/hld	Use Wages/Tips	Tax W/hld	Name
OR 6012345	843	52			

Tip: *Click the **Refresh** button in the toolbar to manually calculate the return. (The program auto-calculates when navigating to a different form.) Notice that on Form 1040 that an Adjusted Gross Income amount of $17,843 displays on Line 7. In addition, the standard deduction and total exemptions have been calculated automatically.*

Step 4: Enter Tax, Credit and Payment Information

In this section, you will enter information to generate the Earned Income Tax Credit (EIC). Using the information entered in the previous sections, the 1040 *Software* has automatically added the *Schedule 8812* (Child Tax Credit) and calculated the credit amount.

Double click on EIC CKLIST on the Attached Forms list

Attached Forms (Ctrl+F)
- ⊞ GENERAL
- ⊟ FEDERAL [RFND:$6,306, AGI:$17,843]
  - ⊟ ✔ RET 1040 - FEDERAL RETURN
    - Line 1 - Income Wks
    - Earned Income Credit Wks
  - ✔ FRM W-2 [T - VERY GOOD BUILDING & DEVE
  - ✔ SCH EIC - EARNED INC CREDT
  - ✔ SCH 8812 - CHILD TAX CREDIT
  - ✔ EIC CKLIST - EIC CHECKLIST
  - ✔ FRM 8867 - PREP DUE DILGNCE
  - ✔ FRM 8879

Complete the EIC Checklist with the answers provided here

Note: Some information on this form has been entered automatically based on information entered elsewhere in the return.

Questions to be completed on the "EIC checklist"	Answer
10. Is either of the following true? -The child is unmarried, or -The child is married, can be claimed as the taxpayer's dependent and is not filing a joint return (or is only filing to claim a refund)	Yes
13a. Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	No

When the EIC checklist is complete it should look like the image below.

Part II - Taxpayers With a Qualifying Child

		Child 1	Child 2	Child 3
8.	Child's name	BOBBY		
9.	Is the child the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister or a descendant of them?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
10.	Is either of the following true? - The child is unmarried, or - The child is married, can be claimed as the taxpayer's dependent, and is not filing a joint return (or is only filing to claim a refund)	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
11.	Did the child live with the taxpayer in the United States for over half of the year?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
12.	Was the child (at the end of the year) - under age 19 and younger than the taxpayer, or - under age 24, a full-time student, and younger than the taxpayer, or - any age and permanently and totally disabled?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
13a.	Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	[ ] Yes [X] No	[ ] Yes [ ] No	[ ] Yes [ ] No
b.	Enter child's relationship to the other person			
c.	If the tie-breaker rules applied, is the child treated as the taxpayer's qualifying child?	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know
14.	Does the qualifying child have an SSN that allows him or her to work or is valid for EIC purposes?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No

If you checked "YES" on line 14, continue. Otherwise, STOP. No credit is allowed.

You can now complete the 8867 with the answers provided here.

Part I Due Diligence Requirements	
1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you?	YES
2. If credits are claimed on the return, did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in the Form 1040, 1040SS, 1040PR, or 1040NR instructions, and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet(s) that provides the same information, and all related forms and schedules for each credit claimed?	YES
3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following. • Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status. • Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed.	YES
4. Did any information provided by the taxpayer or a third party for use in preparing the return, or information reasonably known to you, appear to be incorrect, incomplete, or inconsistent? (If "Yes," answer questions 4a and 4b. If "No," go to question 5.)	NO
a. Did you make reasonable inquiries to determine the correct, complete, and consistent information?	
b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, when you asked, the information that was provided, and the impact the information had on your preparation of the return.)	

5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of any applicable worksheet(s), a record of how, when, and from whom the information used to prepare Form 8867 and any applicable worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s) List those documents, if any, that you relied on	YES
6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of any credit(s) claimed on the return if his/her return is selected for audit?	YES
7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If credits were disallowed or reduced, go to question 7a; if not, go to question 8.) a. Did you complete the required recertification Form 8862?	YES
8. If the taxpayer is reporting self-employment income, did you ask questions to prepare a complete and correct Form 1040, Schedule C?	YES
Part II Due Diligence Questions for Returns Claiming EIC (If the return does not claim EIC, go to Part III.)	
9. a. Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim the EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming the EIC and does not have a qualifying child.)	YES
b. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	YES
c. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tiebreaker rules)?	YES
Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC (If the return does not claim CTC, ACTC, or ODC, go to Part IV.)	
10. Have you determined that each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the United States?	YES
11. Did you explain to the taxpayer that he/she may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?	YES
12. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?	YES
Part V Due Diligence Questions for Claiming HOH (If the return does not claim HOH filing status, go to Part VI.)	
14. Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?	YES
Part VI Eligibility Certification	
15. Do you certify that all of the answers on this Form 8867 are, to the best of your knowledge, true, correct, and complete?	YES
Line 5 – List of Documents for EIC and CTC/ACTC/ODC	
Residency of Qualifying Child(ren) or Qualifying Relative	b. School record or statement	X
Line 5 – List of Documents for Head of Household	
Documents or Other Information	i.Did not rely on documents, but made notes in file	X

When complete, the FRM 8867 should look like the screenshot below.

Part I Due Diligence Requirements

	EIC	CTC/ ACTC/ODC	AOTC	HOH
Please check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply)	☒	☒	☐	☒

1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you? ☒ Yes ☐ No

2. If credits are claimed, did you complete the applicable EIC and/ or CTC/ACTC worksheets found in the Form 1040 instructions, and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet and all related forms and schedules for each credit claimed? ☒ Yes ☐ No ☐ N/A

3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following:
   - Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status
   - Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed ☒ Yes ☐ No

4. Did any information provided by the taxpayer, a third party or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes" go to 4a and 4b. If "No", go to 5.) ☐ Yes ☒ No
   a. Did you make reasonable inquiries to determine the correct, complete and consistent information? ☐ Yes ☐ No
   b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return.) ☐ Yes ☐ No

5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s) ☒ Yes ☐ No

   List those documents, if any, that you relied on.
   See "Line 5 - List of Documents" section after line 15

6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of the credit(s) claimed on the return if his/her return is selected for audit? ☒ Yes ☐ No

7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If credits were disallowed or reduced, go to 7a, if not go to 8) ☒ Yes ☐ No ☐ N/A

   a. Did you complete the required recertification Form 8862? ☐ Yes ☐ No ☐ N/A

8. If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C? ☒ Yes ☐ No ☐ N/A

Part II Due Diligence Questions for Returns Claiming EIC
(if the return does not claim EIC, go to Part III.)

	EIC	CTC/ACTC/ODC	AOTC	HOH
9a. Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming EIC and does not have a qualifying child.)	[X] Yes [ ] No [ ] N/A			
b. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	[X] Yes [ ] No			
c. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tie-breaker rules)?	[X] Yes [ ] No [ ] N/A			

Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC
(if the return does not claim CTC/ACTC/ODC, go to Part IV.)

	EIC	CTC/ACTC/ODC	AOTC	HOH
10. Have you determined each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the US?		[X] Yes [ ] No		
11. Did you explain to the taxpayer that they may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		[X] Yes [ ] No [ ] N/A		
12. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		[X] Yes [ ] No [ ] N/A		

Part V Due Diligence Questions for Returns Claiming HOH
(if the return does not claim HOH filing status, go to Part VI.)

	EIC	CTC/ACTC/ODC	AOTC	HOH
14. Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?				[X] Yes [ ] No
15. Do you certify that all the answers on this Form 8867 are, to the best of your knowledge, true, correct and complete?		[X] Yes [ ] No		

Line 5 - List of Documents for EIC and CTC/ACTC/ODC

A. Which documents below, if any, did you rely on to determine EIC/CTC/ACTC/ODC eligibilty for the qualifying child(ren) on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON.
See the instructions before answering. If there is no qualifying child, check box a. If there is no disabled child, check box o.

Residency of Qualifying Child(ren) or Qualifying Relative

☐	a No qualifying child or qualifying relative	☐	i Place of worship statement
☒	b School records or statement	☐	j Indian tribal official statement
☐	c Landlord or property management statement	☐	k Employer statement
☐	d Health care provider statement	☐	l Other
☐	e Medical records		
☐	f Child care provider records		
☐	g Placement agency statement		
☐	h Social service records or statement	☐	m Did not rely on documents, but made notes in file
		☐	n Did not rely on any documents

Line 5 - List of Documents for Head of Household

A. Which documents below, if any, did you rely on to determine Head of Household eligibilty?
Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON.
If not filing Head of Household, check box a.

Documents or Other Information

☐	a Not Head of Household	☐	h Other
☐	b Divorce decree		
☐	c Separation agreement		
☐	d Bank statements		
☐	e Property tax bills	☒	i Did not rely on documents, but made notes in file
☐	f Rent statements	☐	j Did not rely on any documents
☐	g Utility bills		

Using the Attached Forms list, double click on **RET 1040 – FEDERAL RETURN** to view *Form 1040* in the Open Form Pane. Notice that the 1040 *Software* has calculated an Earned Income Credit (EIC) of $3,526 on **line 18a**.

1. Scroll down to **line 21a** to see that Bob is due a refund of $6,306.

18.	Other payments and refundable credits:			
a.	Earned income credit (EIC) ☐ Form 8862	18a	3,526
	☐ If main home was in a federally declared disaster area check to use 2018 earned income for EIC/ACTC		
	2018 earned income		
	2018 NT combat pay - taxpayer spouse		
b.	Additional child tax credit (Schedule 8812)	18b	1,400
c.	American opportunity credit from Form 8863, line 8	18c	
d.	Schedule 3, line 14	18d	
e.	**Total other payments and refundable credits.** Add lines 18a through 18d	18e	4,926
19.	**Total Payments.** Add lines 17 and 18e	19	6,306

Refund

20.	If 19 is more than 16, subtract line 16 from line 19. This is the amount **overpaid**	20	6,306
21a.	Amount of line 20 you want **refunded to you**	21a	6,306

Step 5: Add a State Return

For this practice return, you will add an Oregon state non-resident return to the federal return for Bob.

The State Tab is used when adding state modules and forms to a tax return.

1. Click the **Add Form** button or press **Ctrl + A** to bring up the **All Forms & Schedules** window, then click the **State** tab.


Note: To see a list of state modules installed on your computer, click **Help** and then click **About**. A listing of all state modules appears in the **State Packages Installed** section at the bottom of the window.

Note: For this practice return you will prepare a single State Return. However, you can prepare, print and electronically file more than one State Return with the 1040 *Software*.

2. In the **Available States** drop down list, select Oregon. A list of Oregon forms will display in the **State Forms** section. Double click **RET OR-40**.
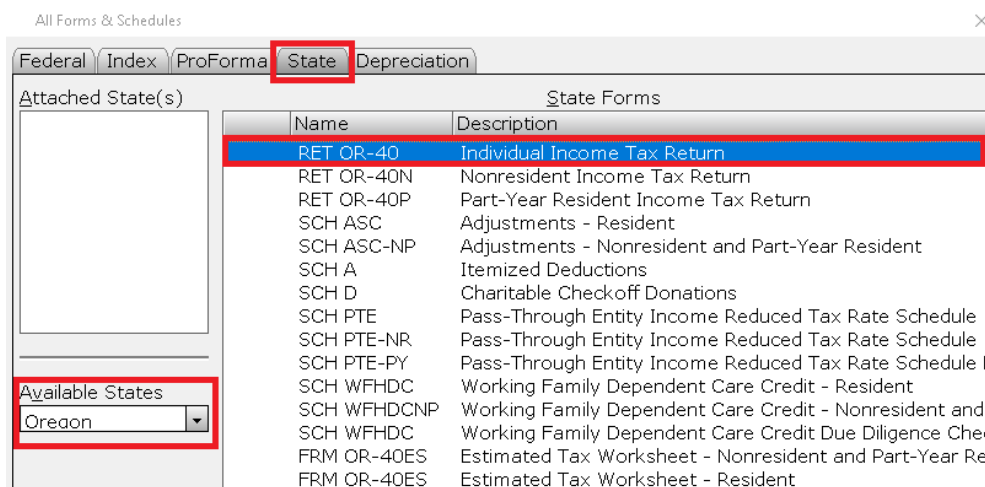
3. The Oregon State Tax Return will appear beneath the Federal Return on the Attached Forms list. the 1040 *Software* has automatically completed the State Return based on the Federal information.
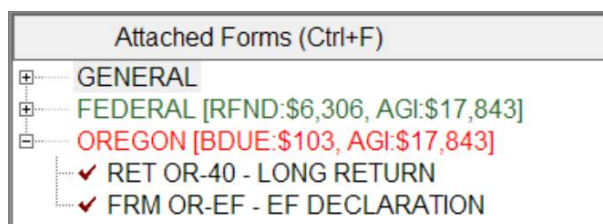
Step 6: Add Bookmarks and/or Preparer Notes

Bookmarks allow you to easily attach a comment to any data field on a tax form. A Bookmark is the electronic equivalent of a yellow sticky note and is a great way to identify fields that require reminders or to bookmark fields for further review later. Bookmarks are for your use only and appear during return verification, prompting you to pay extra attention to the bookmarked field. They do not transmit to the IRS when the return is electronically filed.

Follow the instructions provided below to add a Bookmark to a field:

1. Click the **(1) Client Data worksheet** in the Attached Forms list, right click the **(2) E-Mail field** and select **(3) Bookmarks** from the right click menu. The Bookmark Field window will appear.

2. In the text box, type "Call Bob and ask him for his email address" and click the **OK** button.

A Bookmarks heading will appear in the GENERAL section of the Attached Forms list after you save the return.

Use this to view and remove Bookmarks as needed.

Preparer Notes allow you to easily attach a comment to the return, rather than to a specific data field. They are a good way to put reminders on the return, of information needed or steps that need to be taken to complete the return. Each time the tax return is opened, the Preparer Notes window will display. They do not transmit to the IRS when you file the return electronically.

Follow the instructions provided below to add Preparer Notes to the return:

1. On the Toolbar click the **Notes** button. The Preparer Notes window will appear.
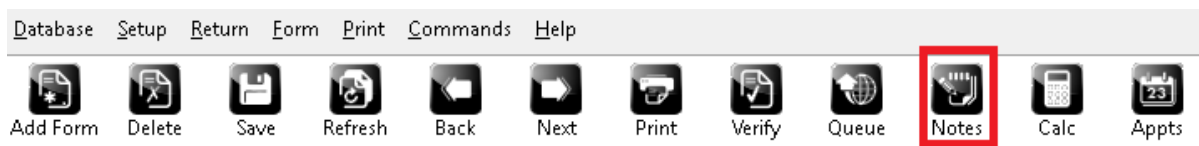
2. Click the **New** button. A new Preparer Note entry will appear and the text box will be enabled.

3. In the text box type, "Need a copy of medical records for 8867."

4. Click the **Save** button to save the note, then click **Close**.

Removing Bookmarks

After a Bookmark is no longer needed, it should be removed as it will appear during verification and in some cases, may prevent printing and transmission of the return. Removing a bookmark can be done immediately after the bookmark is completed or during return verification; the process is the same in either case.

Follow the steps provided below to remove a Bookmark from a field:

1. From the General Forms list, double click **Bookmarks**.

2. On the Return Bookmarks window, click on the Bookmark you wish to remove and press the **Delete** button.

3. The bookmark has been removed from the field.

Removing Preparer Notes

Preparer Notes are often simply left on a return as they do not affect return verification or transmission in any way. Preparer notes are frequently used to add notes to a return that can be useful later.

Follow the steps below, should you ever desire to remove a Preparer Note from a return:

1. On the Toolbar click the **Notes** button. The Preparer Notes window will appear.
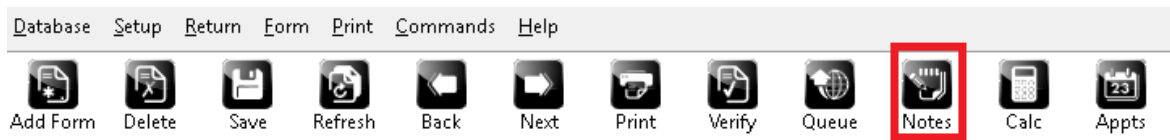
2. Click on the Preparer Note you wish to remove from the return and press the **Delete** button.

3. The Preparer Note has been removed from the return.

Step 7: Text Messaging

Should you ever find it necessary to communicate with the taxpayer about their return, whether it is to inform them of the return's status or to ask them to get in contact with you to provide more information, the TextLink feature allows you quick and easy communication *via* text messaging.

To send a text message using TextLink:

1. With the desired tax return open, press the **Send Text** button located on the Toolbar. The TextLink Service window will open.

2. Type the message to the taxpayer into the text entry box. **NOTE:** Only space for 160 characters.

3. When finished, press the **OK** button.
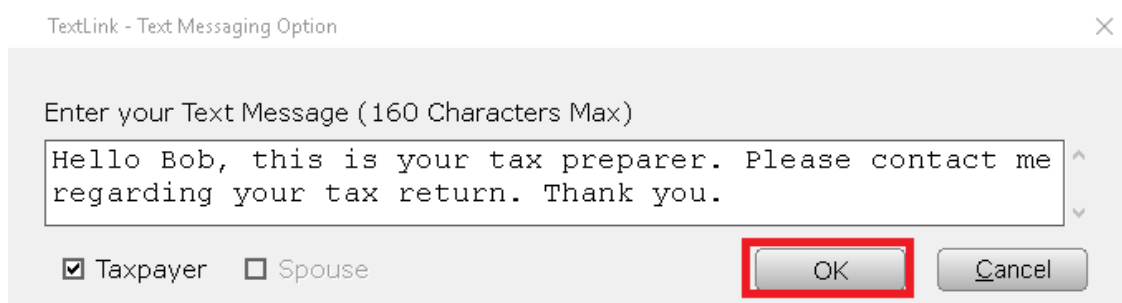
4. A confirmation prompt will be displayed. Click **Yes** to send the text message. The TextLink Service window will close, and you will be taken back to the tax return window. Your text message was sent.
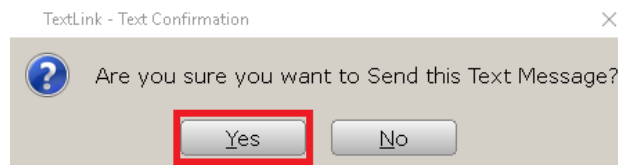
Note: The TextLink feature is disabled in the Demo version of the *Software 1040* program.

Bob called you and provided you with his e-mail address. Enter this information on the Client Data worksheet.

Taxpayer Information	Enter
E-mail	Your Email

Step 8: Verify the Return

Before you file a tax return, run Verify to check for completeness and correctness. You can review your overrides and bookmarks, as well as find and correct any errors in the return. In addition, "Verify" runs numerous Electronic Filing checks to find errors that could prevent the return from being filed electronically.

Any changes or updates you make to a tax return after you've use Verify may affect other items in the return. Make sure to go through Verify again before you file the return electronically to verify that changes or updates did not introduce any new errors.

To verify the return:

1. Click the **Verify** button on the Toolbar or press **Ctrl + V**. The 1040 *Software* reviews the return for errors, omissions, bookmarks, and overrides. When review is complete, the Return Errors and Rejects window appears.
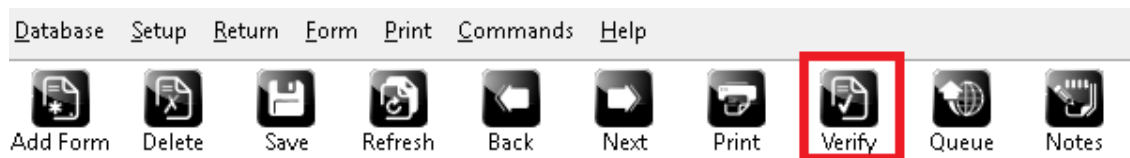
Return Errors and Rejects Window

The **Return Errors and Rejects** window provides error and reject information about the return, including but not limited to, return preparation errors and omissions.

The Return Errors and Rejects window is divided into five tabs:

a. Errors associated with importing returns are displayed on the **Import** tab.
b. A list of tax return preparation errors is displayed on the **Verify** tab.
c. Federal and State rejection information is displayed on the **Rejects** tab.
d. Bank rejection information displays on the **Bnk Rej** tab.
e. IRS Alert information displays on the **Alerts** tab.

2. When you double click on an error, the 1040 *Software* moves you to the form and the box associated with the error. Type "**1**" for the refund type on the 8879.

3. Read the reminder message displayed in the **Refund Type** window and press the **OK** to continue.

4. After adding the Refund Type, the **Return Errors and Reject** screen re-appears and the Verify feature automatically removes its focus to the next error in the list.
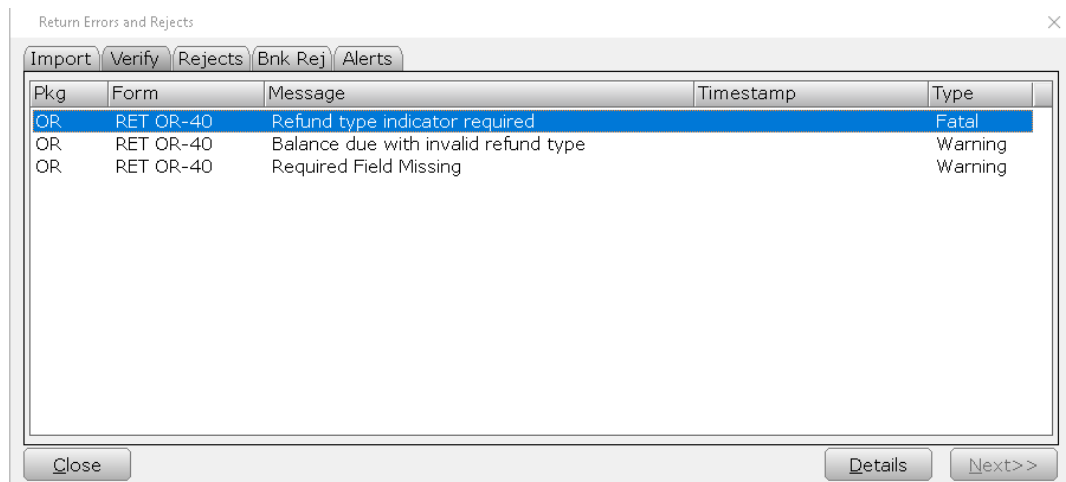
5. Press **Enter** on your keyboard to correct the next error.

6. Type "**4**" on your keyboard (Balance Due) and press **Enter**.

7. Click **Save**, then **Refresh** before selecting **Verify.**
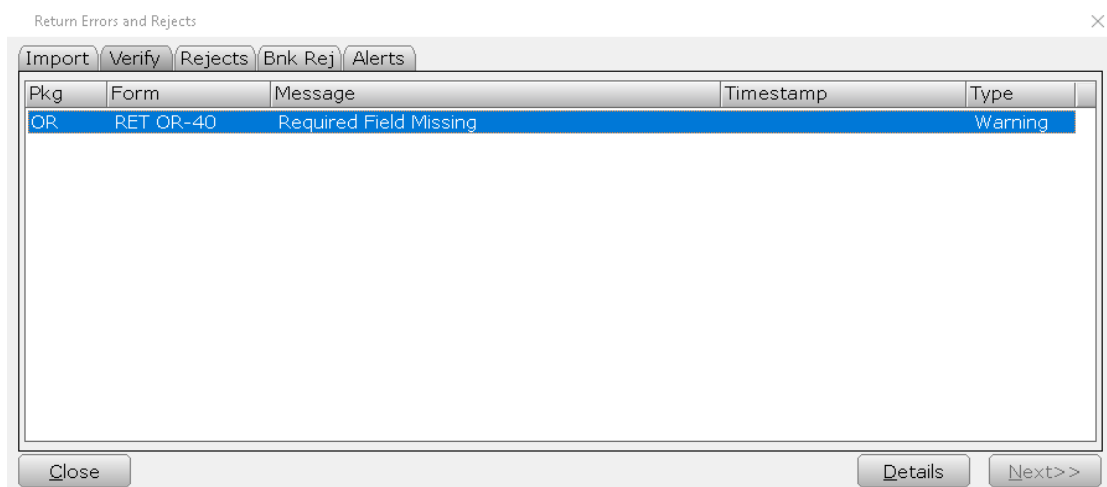
8. Some states will require a license to file e-files, for this walk-through please enter all Zero's or all 9's for the license number.

Preparer Information

NOTE: Oregon Department of Revenue requires all Oregon preparers to have a license number. However preparers not located in Oregon that prepare very few Oregon returns are not to have a license number. If you are an out of state preparer enter all Zero's or all 9's for the license number for the return to be accepted.

Preparer Shortcut: 01   Paid Preparer: X   Self-Employed: ☐   License: 99999999

Preparer Name: GENERIC NAME   Phone: 206-209-2653

Address: 123 STREET ST   SSN: - -

City/State/ZIP: LOS ANGELES   CA 90011-0000   PTIN: P01234567

Non-Paid Preparer: EIN: -

9. Click **Verify** again in the toolbar. When all tax return errors are resolved, a dialog displays proclaiming the tax return verified successfully. Click **OK**.

No Errors/Rejects   ✕

ⓘ   Return Verified Successfully - Ctrl-(T)ransmit / Ctrl-(P)rint

[OK]
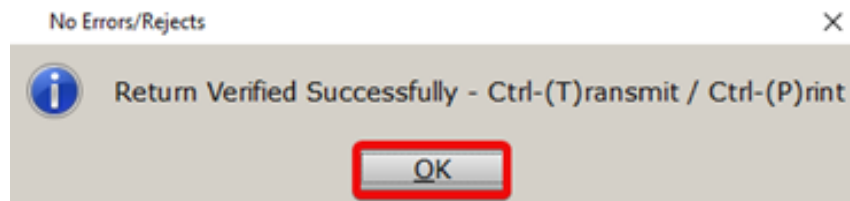
Step 9: Print the Return

Once the tax return is completed, and all errors are corrected, it is time to print. Taxpayers may also sign electronically during the printing stage using either an electronic signature pad or the remote signature feature.

To print the return:

1) From the Menu Bar select the **Print** option.

The Print Menu

The **Print** menu contains a selection of different items that may be printed for the tax return.

| Print | Commands | Help |

Current Form Only
Return Components
Final Tax Return
Bank Documents
Disclosure/Privacy
Organizer/Proforma
8879/8453 EF Documents

Acknowledge Letter
State ACK Letter
Client Letter   >   Federal Client Letter
Payment Voucher   State Client Letter
Extension Request   Engagement Letter
Extension ACK Letter
Referral Coupons

Verify   Queue   Notes

Print Final Tax Return

This feature is accessed either *via* the **Print** menu option or by pressing the **Print** button in the toolbar. This option prints the print packets which are configured elsewhere in the program.

Note: To access Print Packet setting, click the **Setup** menu option and then **Printer Setup**. Next, click the **1040 Return Printing** tab.
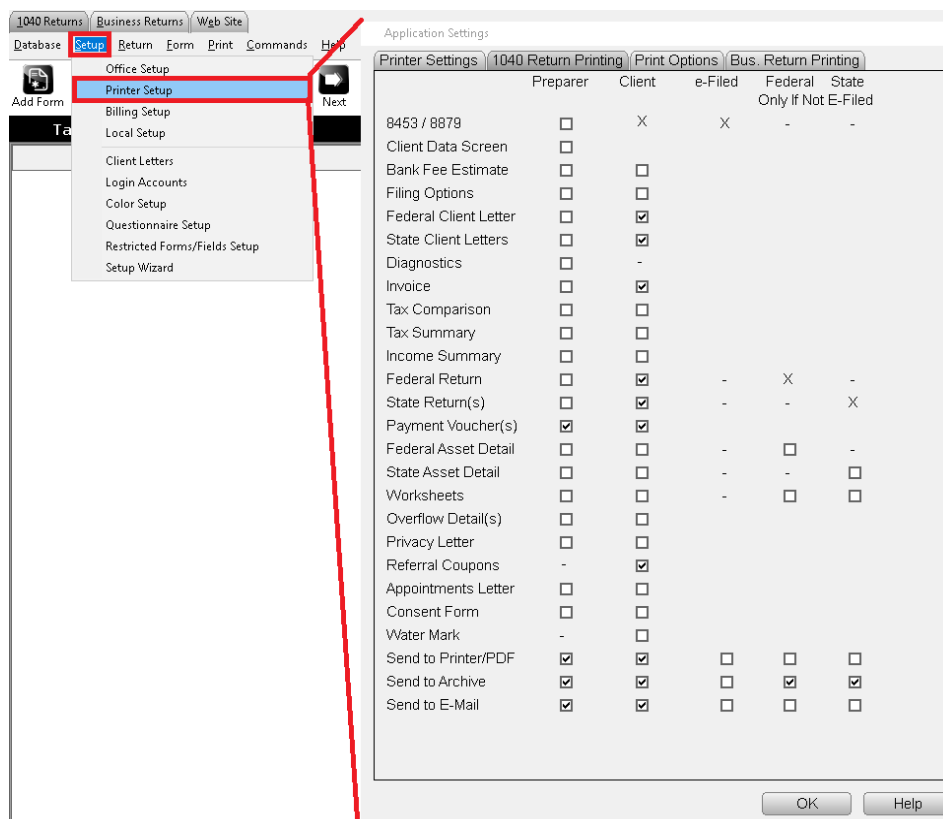
Print Bank Documents

If the taxpayer has elected to receive a refund-based bank product (covered in detail in Chapter 5) you are required to print the bank documents and present them to the taxpayer to review and/or sign before finalizing the return. The bank documents include EF declaration forms and the disclosure and consent forms required by the bank.
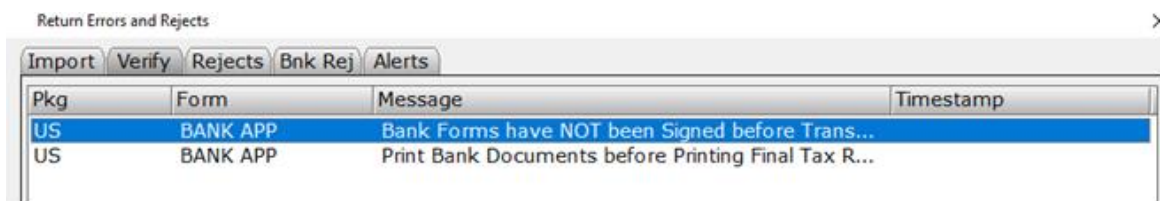
Current Form Only

This option prints only the form currently displayed in the Open Form pane in the tax return.

Note: Not all forms support Current Form Only printing. If a form does not support this feature, a message will be displayed, and the form will not print.
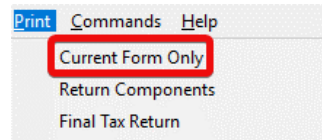
Return Components

This option opens the Print Selected Components window and allows you to print only the parts of the return selected. For example, if you wanted to only print the invoice and federal tax return, select only those two items on the Print Specified Components window.
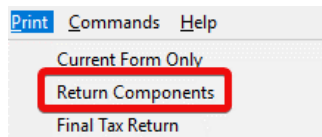
The Print Window

Once you have selected an option from the **Print** menu, the **Print Window** will display. This window contains options such as how, and to which printer the selected item will be printed. The Print Window also includes several additional features such as print preview, electronic return signatures and creation of PDF copies of the return.

Name

The Name drop down allows you to specify which printer the 1040 Software uses to print the selected item. By default, the printer that is configured in Printer Setup will be selected.

Copies

Enter the desired number of copies of the selected item- the default number of copies is "one."

Print

The Print button prints the desired number of copies of the selected item using the specified printer.
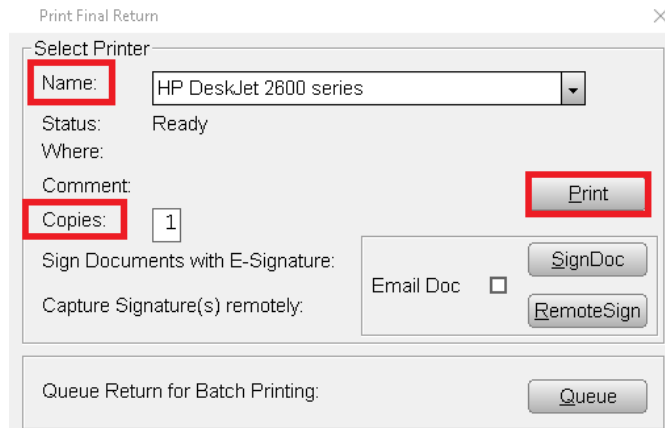
SignDoc

The **Sign Doc** button initiates the electronic signing process if signing with a supported electronic signature pad.
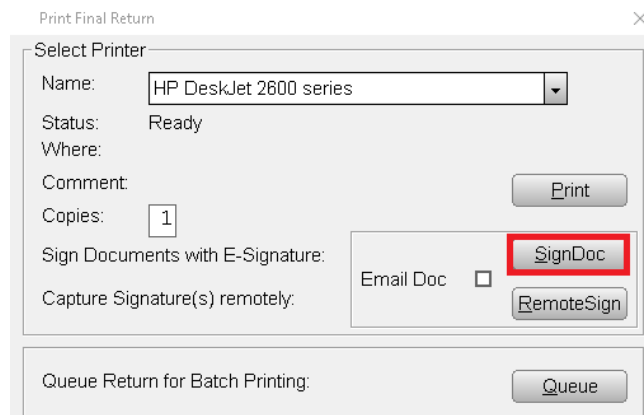
Note: An electronic signature pad is a device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.

The 1040 *Software* supports six electronic signature pad models:

      Topaz SigLite™ 1x5 T-S460
      Topaz SigLite™ 1x5 T-S461
      Topaz SigLite™ LCD 1x5 TL460
      Scriptel ST140
      Scriptel ST1475
      Scriptel LCD ST1500U

For more information on the setup or using electronic signature pads, please contact **Customer Support**.

Important Note: At the time of this writing, the Scriptel branded signature pads are not compatible with *Windows 10*. Please contact **Customer Support** for the latest information.

The **RemoteSign** button initiates the remote signature process, allowing you to request a signature of a client who is not in your office. When you send a remote signature request to your client, they will receive a text message on their smart phone containing a web link. The link will require them to authenticate themselves using their name, Social Security Number, and birthdate. Once authenticated, they will be presented with a PDF copy of their return which they can review and sign.

After the client(s) have signed, you will receive a notification on the WIP screen. To access the signed return, click **Remote Signature** in the **Attached Forms** pane in the tax return.
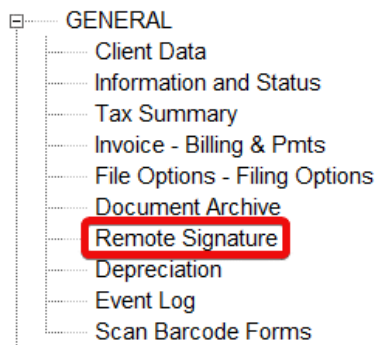
Tip: *Configure the TextLink feature before using the remote signing feature. For more information, please contact **Customer Support**.*
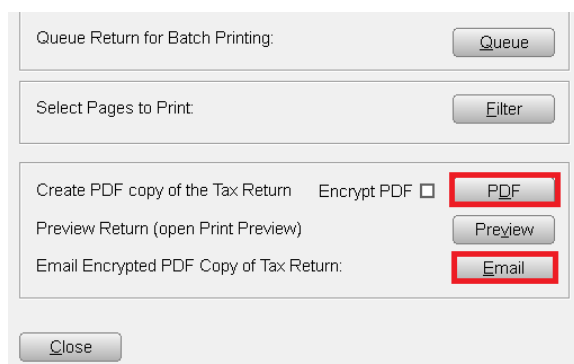
Creating a PDF Copy of a Return

In some cases, it is useful to augment or even replace a physical printed copy of the return with an electronic copy; with the 1040 *Software*, it is seamless.
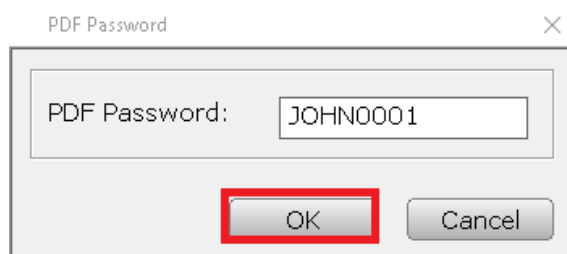
PDF

The **PDF** button creates a PDF copy of the return. Printing to PDF allows you to create a PDF copy of the tax return on your computer. The PDF file can then be emailed or copied to an external media such as a CD-ROM or flash drive.

Email

This feature allows you to easily email an encrypted (password protected) PDF copy of the tax return to the taxpayer and/or spouse using the addresses on the Client Data Sheet. When you click the **Email** button on the print window, you are presented with a PDF password prompt.

By default, the PDF password is the first four of the taxpayer's last name combined with the last four of the taxpayer's social. You can, however, change the PDF Password prompt. Once the password is entered, press the **OK** button. On the email window, enter the subject and body for the email that will contain the PDF attachment.

Note: Including the PDF password in the email that contains the tax return attachment is **not** recommended. Use an alternate means to convey the password to the taxpayer such as text message or phone call.

If you are certain that the taxpayer's email is correct on the Client Data Sheet and not compromised, click the **Send Attachment Password** checkbox to automatically send a second email to the taxpayer containing the PDF password.

Tip: *This feature utilizes the same configuration information as TextLink. Configure TextLink before using this feature. For more information, please contact **Customer Support***.

Print Preview

This option opens a preview copy of the return. Although it resembles a PDF copy, it cannot be printed or saved.

Congratulations!

You have successfully prepared a basic Federal and State tax return using the 1040 *Software*. You have also learned how to navigate the program as well as enter taxpayer information, *W-2* income and compute the Earned Income Credit.

If you followed the steps above precisely, the refund on this return would have calculated to $6,306.

There is not a quiz for this chapter. In the next chapter, you will learn to prepare a more complex return using the 1040 *Software*. If you do not wish to complete a more complex return, skip to Chapter 4, Electronic Filing.

Introduction

The Asset Manager is used for computing and tracking depreciation issues within a tax return. You can handle all depreciation issues from the Asset Manager for any business or asset type.

In this chapter you will learn:

- How to prepare a return that contains a *Schedule C* – Profit or Loss from Business
- How to add a vehicle to the Asset Manager
- How to add a non-vehicle asset to the Asset Manager

The Practice Return

1. Use what you learned in Chapter 2 – Preparing a Basic 1040 Return to open a new tax return and complete the Client Data worksheet using the information below.

Taxpayer Information	Enter
SSN	400-00-0002
DOB (Date of Birth)	08/19/1979
First Name	Jason
Middle Initial	B
Last Name	Taylor
Occupation	Security
Home Phone	(835) 511-8135
Work Phone	(206) 209-2653
Cell	Your cellular phone number
E-Mail	Your email address
Text Message	X (pop up will open to check to CONSENT to receive alerts via text)
Cell Phone Carrier	Your cellular phone carrier
Filing Status	2

Spouse Information	Enter
SSN	400-00-0003
Birthdate	12/11/1978
First Name	Abigail
Last Name	Jones-Taylor
Occupation	Housekeeping
Home Phone	(835) 511-8135
Domestic Address	X
U.S. Address	1834 Spurious Drive
Zip, City, State, Residency Status	98177
Residency Status	Y

2. For **Tax Year 2019 and later** Health Insurance coverage is NOT required for purposes of this tutorial, No 1095-A was received.

Continue by entering the dependent using the information below.

Dependent Information	Enter
First Name	Sophia
Last Name	Taylor

Birthdate	08/19/2006
SSN	549-24-1889
Relationship	DAUGHTER
Mo	12

3. Use the **All Forms and Schedules** window to add a copy of *Form W-2* to the tax return.

4. Select **New Spouse's Occurrence** to add a new *Form W-2* for Abigail.

Note: For this joint return, you are prompted to add **New Taxpayer's Occurrence** or a new **Spouse's Occurrence of Form W-2**

Complete Abigail's *W-2* using the information below. Complete only the fields for which we have provided information. Leave all other fields blank.

Field	Enter

Employer's Identification Number (EIN)	91-9999997
Name of Employer	Very Good Enterprises Holdings Inc.
Address	519 Illusionary Drive
Zip, City, State	98101
Box 1, Wages	25465
Box 2, Fed Tax Withheld	2589

Schedule C and Business Income

Before adding an asset, a form or schedule which supports depreciation expenses must be added to the return. These forms/schedules include:

- *Schedule C* – Profit or Loss from Business
- *Schedule E* – Supplemental Income and Loss
- *Schedule F* – Profit or Loss from Farming
- *Form 2106* – Employee Business Expense
- *Form 4835* – Farm Rental Income and Expenses

Jason, who works security as a contractor, needs to file *Schedule C* to account for his business income.

Schedule C

1. Click into **line 8a** on *Form 1040*, then click on the **Form Links** button in the Active Options pane. This will take you to Schedule 1 Form. Click into **line 3**, then click on the **Forms Link** button. Alternatively, click the **Forms** button on the toolbar to add *Schedule C* from the **All Forms & Schedules** window covered in Chapter 2.

Income, deductions, taxes, credits and payments

1.	Wages, salaries, tips	AB FB DCB SCH	1	25,465
2a.	Tax-exempt interest	2a	b. Taxable interest 2b	
3a.	Qualified dividends Adj	3a	b. Ordinary dividends 3b	
		Form 8814	Form 8814	
4a.	IRA distributions	4a	b. Taxable amt 4b	
c.	Pensions and annuities	4c	d. Taxable amt 4d	
	Taxable Foreign Pension			
5a.	Social security benefits	5a	b. Taxable amount 5b	
6.	Capital gain or (loss)		No SCH D Required 6	
7a.	Other income from Schedule 1, line 9		7a	
b.	**Total Income.** Add lines 1, 2b, 3b, 4b, 4d, 5b, 6 and 7a		7b	25,465
8a.	Adjustments to income from Schedule 1, line 22		8a	
b.	**Adjusted Gross Income.** Subtract line 8a from line 7b		8b	25,465
9.	**Standard deduction or itemized deductions**	9	24,400	
10.	Qualified business income deduction	10		
11a.	Add lines 9 and 10		11a	24,400

Choices...
Worksheets
Form Links   Calculated: Schedule 1, line 22

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?   ☐ Yes   ☐ No

Part I   Additional Income

1.	Taxable refunds, etc. of state and local income taxes	1	
2a.	Alimony or separate maintenance received	2a	
b.	Date of original divorce or separation agreement / /		
3.	Business income or (loss)	3	
4.	Other gains or (losses)	4	
5.	Rents, royalties, partnerships, S corporations, trusts, etc.	5	
6.	Farm income or (loss)	6	
7.	Unemployment compensation Unemployment Repaid	7	
8.	Other income	8	
9.	Combine lines 1 through 8. Include on Form 1040 or 1040-SR, line 7a	9	

Part II   Adjustments to Income

10.	Educator expenses	10	
11.	Certain business expenses of reservists, performing artists, and fee-based government officials.	11	
12.	Health savings account deduction	12	
13.	Moving expenses for the members of the Armed Forces	13	
14.	Deductible part of self-employment tax	14	
15.	Self-employed SEP, SIMPLE, and qualified plans	15	
16.	Self-employed health insurance deduction	16	
17.	Penalty on early withdrawal of savings	17	
18a.	Alimony paid b. SSN – – Amt.	18a	
c.	Date of original divorce or separation agreement / /		
19.	IRA deduction	19	
20.	Student loan interest deduction	20	
21.	Tuition and fees	21	
	Other adjustments Type Amt.		

Choices...
Worksheets
Form Links   Calculated: Amount from Schedule C, line 31

2. Select **SCH C #1 Taxpayer's Occurrence Profit or Loss From Business** and then click **OK** button.

A *Schedule C* has now been added to the return

3. *"Unnamed Activity"* is the default name for the **Principle Business or Profession**. Type "Security Guard" in this field.

4. Click into the **Business Code** field as illustrated below.

5. Click the **Choices** button in the Active Options pane near the bottom of the screen to open *Schedule C* Business Codes list.

6. Begin typing "Investigation & Security SVCS." Take notice how the focus on the selected form changes based on what you have typed. Once **Investigation & Security SVCS** has been automatically selected, press **Enter** on your keyboard, or press the **OK** button.

Complete the remainder of the *Schedule C* using the information below. Complete only the fields for which we have provided information. Leave all other fields blank.

Field	Enter
Line D	91-2323232
Business Address	1892 Sand Drive
City, State, Zip	98177
Accounting Method	Cash
Line G	Yes
Gross Receipts or sales	24950

C. Business Name: (if no business name, leave blank)   D. Employer ID:
                                                                   91-2323232

    Domestic   X   Foreign
E. Business Address: 1892 SAND DRIVE
    City, State, ZIP: SEATTLE   WA 98177
        ☐ Check box to transfer CDS address to Schedule C business address

        Resident: State Code: WA   City Name:
        Non-Resident: State Code: City Name:

F. Accounting method:
    1. ☒ Cash   2. ☐ Accrual   3. ☐ Other:
G. Did you materially participate in this business in 2018?   Yes ☒   No ☐
H. If you started or acquired this business during 2018, check here   Yes ☐
I. Did you make any payments in 2018 that would require you to file Form(s) 1099?   Yes ☐   No ☐
J. If "Yes", did you or will you file all required Forms 1099?   Yes ☐   No ☐

    Qualified Business Income Indicator - Select "Q", "S" or "N"   Agg #
    W-2 wages allocable to qualified business income
    Unadjusted basis immediately after acquisition (UBIA) of qualified property

    Check here if claiming an exemption from self-employment tax
    Check here to allocate expenses on minister worksheet
    Was this activity disposed during the year?   Yes
    Prior year unallowed loss from Form 8582
    Single person "Disregarded" LLC - State requirement only, check here

                        - Self Employed Retirement Calculator -
    To take a deduction for a contribution check the box next to the plan type. The maximum contribution will be
    calculated and shown below. The contribution must be made by the due date of the tax return.
    Simplified Employee Pension (SEP) Contributors   Qualified Contributors   SIMPLE Contributors
    Maximum contribution   Transfer amount shown to Schedule 1, line 28 of Form 1040
PART I - Income
    1. Gross receipts or sales   24,950
        Income from Forms 1099-Misc, 1099-C and 1099-K
        Income reported to you on Form W-2 as "Statutory Employee"   1   24,950

Business Income

Although there are many types of business income, for this example we will use one of the most common: 1099 miscellaneous income.

1. Click into **Line 1** on the *Schedule C* field, and then click the **Form links** button.

PART I - Income
    1. Gross receipts or sales   24,950
        Income from Forms 1099-Misc, 1099-C and 1099-K
        Income reported to you on Form W-2 as "Statutory Employee"   1   24,950
Choices...   Calculated: Income Linked from 1099-MISC, 1099-C and 1099-K
Worksheets
Form Links

2. Select **FRM 1099-MIS #1 Taxpayer Occurrence Miscellaneous Income,** and then click the **OK** button.

Complete the *1099* using the information provided. Complete only the fields for which we have provided information. Leave all other fields blank.

Field	Enter
Payer's EIN	91-9999998
Name of Payer	Very Good Building & Development CO
Address	814 Illusionary Drive
Zip, City, State	98223
Box 7 Nonemployee Comp	600

3. Click into **Box 7** link to **(1040,** *Sch C or F***)** as indicated below and then click the **Choices** button.

Form 1099-MISC   Miscellaneous Income

VERY	
VERY GOOD BUILDING & DEVELOPMENT C	
Domestic X Foreign	
814 ILLUSIONARY DRIVE	
ARLINGTON WA 98223-0000	

1 Rents		Link to (1040, Sch C, E or F)
2 Royalties		Link to (1040, Sch C, E or F)
3 Other income SE/EIC ☐		Link to (1040, Sch C, E or F)
		4 Federal tax withheld
5 Fishing boat proceeds		**6 Medical & health care pmts**
Link to (Sch C / C-EZ)		Link to (Sch C / C-EZ)
7 Nonemployee Comp 600 SE/EIC ☐ Link to (1040, Sch C or F)		**8 Substitute payments in lieu of dividends or interest linked to Form 1040.**
9 Direct sales of $5000 or more of consumer products for resale		**10 Crop insurance proceeds** Link to (Sch F)

Payer's EIN
91-9999998

Payer's SSN - -   Recipient's SSN 400-00-0002

Recipient's name
JASON B TAYLOR
Recipient's EIN: -
Domestic X   Foreign

1834 SPURIOUS DRIVE
SEATTLE   WA 98177-0000

Account Number (optional):	FATCA filing requirement	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney

15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State Code/Use: ID:	18 State income

Void ☐   Corrected ☐

Choices...   Select Form to Link from Choice list
Worksheets

---

4. Select the **SCH C# 01 Security Guard** and then click the **OK** button.

Link to Form   ✕

Form ID	Form Name
1040	1040 Line 1
1040	1040 OTHER INCOME
SCH C# 01	SECURITY GUARD
SCH C# 02	UNNAMED ACTIVITY
SCH CEZ# 01	UNNAMED ACTIVITY
SCH F# 01	UNNAMED ACTIVITY

OK   Cancel

When complete, your screen should look like the one below.

5. Double click the **SCH C (T-Security Guard)** from **the Attached Forms List** on the left. Note that the income from the *1099-MISC* is now linked to the *SCH C* as indicated on line 1.

Adding Assets

For most assets, the 1040 *Software* simplifies depreciation in to three easy steps:

1. Select the type of asset.
2. Enter the date placed in service.
3. Enter the cost basis of the asset.

There are two types of assets in the 1040 *Software*: vehicles and everything else.
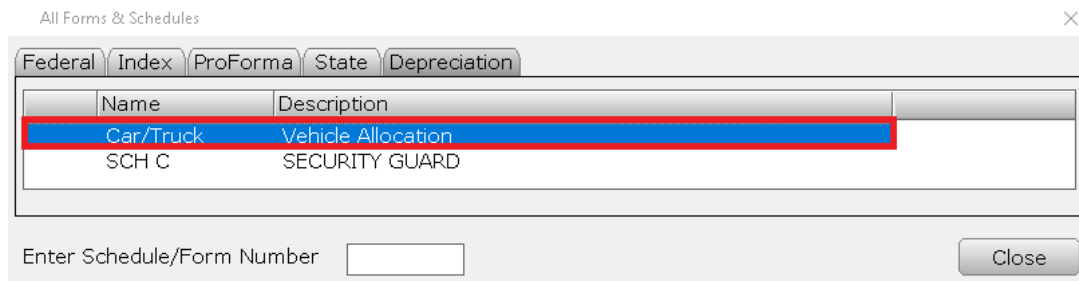
Adding a Vehicle Asset

To add a vehicle asset, follow these steps:

1. To open the Asset Manager in the 1040 *Software*, select **Form** on the menu bar and then click **Depreciation**. Alternatively, press **Ctrl + N** on your keyboard.
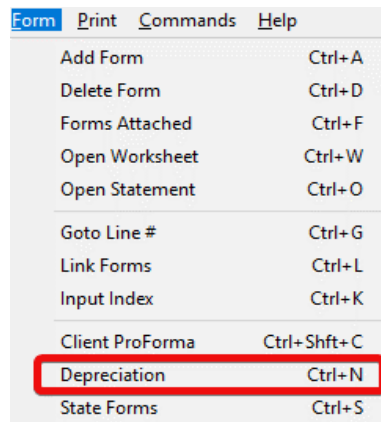
2. Double click on **Car/Truck Vehicle Allocation**.

3. The **Business Activity Asset** window displays a list of vehicle assets currently associated with the return. To add a new vehicle asset, click the **New Asset** button.
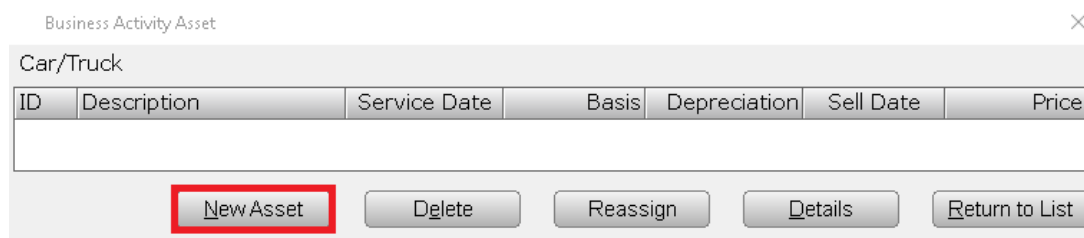
4. In the Asset Details Window **Type** "Toyota Tundra" into the **Description** field and "03/18/2019" into the **Date Placed in Service**. Select the **Business Asset Class Code** indicated below to determine the depreciation specifics for the vehicle, and then click the **OK** button.

5. In the **Choose Asset Class** window, type "34875" in the **Original Cost or Basis** field, in the **Federal** column. The 1040 *Software* will automatically carry this amount to the state cost basis.

6. Answer the vehicle related questions as illustrated below.

7. Click on the **Mileage/Expenses** tab and type "*24800*" in the **Total Vehicle Mileage** field and "*4800*" in the **Total Commute Mileage** field. Enter *"15000"* into the **Miles** column as indicated below. **Note:** The program will use this value to calculate the percent of business use.

Note: Business miles can be split amongst multiple forms or schedules if more than one exists. Business use and other percentages are calculated based on this information.

8. By entering both the mileage and actual expenses, the 1040 *Software* will apply the larger of the two deductions. Type "*3000*" into the **Gas, Oil, Repairs, etc.** field and "*2000*" in the **Parking Fees and Tolls** field.

    Select both boxes, as indicated below, to indicate that written evidence exists to support this deduction, and then click the **Close** button.

9. The first time an asset is entered, the Special Depreciation Allowance screen will open. For this example, opt out of the bonus depreciation by clicking the box indicated below. Click the **OK** button to continue.

Tip: *If you do not wish to save the changes you have made to an asset, close the **Choose Asset Class** window using the red X in the upper right corner instead of using the **Close** button.*

The vehicle asset is now complete. Click the **Close** button to exit the Asset Manager.

Adding Non-Vehicle Assets (Everything Else)

Unlike vehicle assets, deductions for non-vehicle assets are applied to a single form or schedule that supports the deduction.

Note: Make sure the form that the information needs to be carried to is in the return prior to adding the asset.

To add a non-vehicle asset:

1. Open the **Asset Manager** by pressing **Ctrl+N** on your keyboard.

2. Double click on *SCH C* **Security Guard**.

3. To add a new asset, click the **New Asset** button.

4. Type "Laptop" in the **description** field, "3/18/2019" in the **Date Placed in Service** field and select "Computers and Peripheral Equipment," and then click the **OK** button.

5. Type "2000" in the **Original Cost or Basis** box and then click the **Close** button.

Like the vehicle asset before, the first time an asset is entered, the Special Depreciation Allowance screen will open. For this example, opt out of the bonus depreciation by clicking the box indicated below. Click the **OK** button to continue.

Special Depreciation Allowance   ×

This Asset was placed in Service During the Special Depreciation Allowance Time Frame.
For MACRS Propery Placed in Service from 1/1/08 - 12/31/18, a percentage of the Basis
is allowable as an additional deduction you can take after any Section 179 deduction and
before regular depreciation is figured under MACRS.

The Special Depreciation allowance is as follows:
50% for property acquired before September 9, 2010
100% for property acquired after 9/8/10 and before 1/1/12
50% for property acquired after 12/31/11 and before 9/28/17
100% for property acquired after 9/27/17

If you wish to elect out of this Special Depreciation Allowance
    Please check the box to the right   ☑

If you wish to elect out of the 100% Special Depreciation Allowance and take the
50% Depreciation Allowance (only for property acquired from 9/28/17 to 12/31/17)
    Please check the box to the right   ☐

If your resident state allows the Special Depreciation Allowance
    Please check the box to the right   50%/100% ☐

Check box if Not Eligible for Special Depreciation   ☐   OK

Note: For information on advanced depreciation options, see the **Advanced Depreciation**

section of this tutorial.

6.   The new asset is displayed in the list. Click the **Return to List** button.

SECURITY GUARD

I. ▲	Description	Service Date	Basis	Depreciation	Sell Date	Price
001	LAPTOP	03/18/2019	2000	400		

New Asset   Delete   Reassign   Details   Return to List

7.   Click the **Close** button to close the Asset Manager.
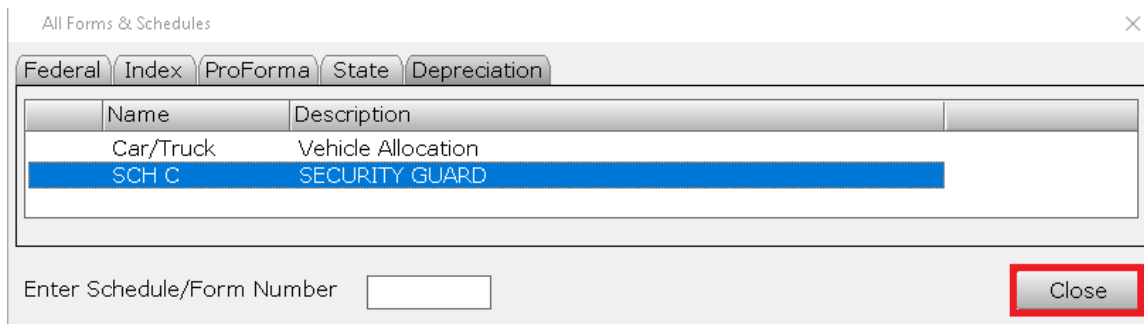
Prior Year Assets

If you used a conversion program to bring forward your tax return information into the 1040 *Software*, it is recommended that you review the information for each asset carried forward.

To review the asset information:

1. Open the Asset Manager by pressing **Ctrl+N** on your keyboard.

2. Double click the appropriate form, schedule, or allocation for the prior year asset.

3. In the **Business Activity Asset** window, select the asset you wish to review and click the **Details** button. The Choose Asset Class window will open.
4. Review the asset information in the **Asset Class** window and make changes if needed.

5. When finished, click the **Close** button to return to the Business Activity Asset window.

6. Repeat this process for each asset requiring review.

Deleting an Asset

To delete an asset, follow these steps:

1. Open the Asset Manager by pressing **Ctrl+N** on your keyboard.

2. Double click the appropriate form, schedule, or allocation for the asset you wish to delete.

3. Select the asset you wish to delete and click the **Delete** button.

Advanced Depreciation

In some cases, it may be necessary to override the calculated depreciation for an asset.

Depreciation Override

Additional information may be necessary for amortizable assets or asset types not included in the asset class list. Use the **Depreciation** tab found on the **Choose Asset Class** window to make any needed overrides to either vehicle or non-vehicle assets.

Overrides can be made to the **basis, recovery period, method/convention, prior year depreciation** and **current year depreciation** at either the Federal or State level (or both).

Congratulations!

You have completed Chapter 3, The Asset Manager. To become even more familiar with the Asset Manager, enter a variety of different assets.

There is no quiz with this chapter.

Introduction

Chapter 4 explains the steps to electronically file a tax return.

In this chapter, you will learn how to:

- Prepare a Federal and State tax return for electronic filing.
- Use the Practitioner PIN/*Form 8879*

What is Electronic Filing?

When you complete a tax return, in some cases you can mail the completed return to the IRS; however, it is much more likely that you will file it electronically using your Internet connection. The IRS strongly encourages electronic filing because electronically transmitted returns can be processed quickly and more accurately than paper returns. Before submitting a return to the IRS, the 1040 *Software* thoroughly checks to ensure that the return is both accurate and complete. In addition to convenience, benefits of electronic filing include the following:

- **Increased accuracy of the tax return.** Because electronically filed tax returns are imported directly into IRS computers, there is a decreased risk of errors that might occur from transferring data by hand from a paper return. In addition, before submitting returns to the IRS, the 1040 *Software* checks your return to ensure that it is both accurate and complete.
- **IRS acceptance of electronically filed returns.** The only official proof receipt of your tax returns by the IRS is the acceptance of your electronically filed returns.
- **Reduced processing time.** Electronic filing ensures both quick delivery of your returns to the IRS and fast processing of any refund your client may have coming. In addition, you can transmit returns to Central Site 24-hours a day, 7 days a week.
- **Secure transmission.** The 1040 *Software* uses encryption to ensure secure transmission of your returns.
- **Tax return status.** Filing electronically gives you the best available method for checking the status of your tax returns.
- **Direct deposit or direct withdrawal.** If filing electronically, the taxpayer can choose to have his or her refund deposited to his or her bank account, or to have any taxes owed automatically withdrawn from his or her bank account.
- **Bank products.** If partnered with a bank, you can also offer bank products, such as Refund Advances (Pre-Funds or Easy Advances) or Refund Anticipation Checks (RACs) to your customers. Bank products allow your fees to be deducted from the refund and deposited directly into your account. Taxpayers can have access to their refund faster than if they wait for the IRS to mail them a check.

The Electronic Filing Step-by-Step Process

1. The tax return is prepared in the 1040 *Software,* or the taxpayer brings you a completed (self-prepared) tax return.

2. The tax preparer selects the return for transmission and transmits it to Central Site. Central Site runs preliminary error checks to look for problems with the return.

3. Once the return is accepted by Central Site, Central Site instantaneously transmits the tax return to the IRS and/or State.

4. The IRS processes the tax return and sends you an acknowledgement file that lets you know if the return is accepted or rejected.

5. Central Site generates an IRS Acknowledgement Report and a State Electronic Filing Acknowledgement Report (if electronically filing a State tax return) that you will pick up when you transmit to Central Site.

6. If the IRS rejects the return, the IRS Acknowledgement Report lists the reason for the rejection. A rejection can be caused by something as simple as the taxpayer's Social Security number not matching his or her name. In this case, you can quickly correct the mistake and resubmit the tax return.

Practitioner PIN/Form 8879

Form 8879 allows taxpayers to enter a five-digit PIN or authorize the ERO to enter the taxpayer's PIN for them when completing *Form 8879*, IRS e-file Signature Authorization.

On *Form 8879*, the ERO enters the five-digit PIN they have chosen for their use on all e-filed returns for the entire filing season. The PIN can be any five numbers, except all zeros. The first six-digits contain the Electronic Filing Identification Number (EFIN) assigned by the IRS. The last five-digits consist of the PIN the ERO has elected to use for the filing season.

By using *Form 8879*, IRS e-file Signature Authorization, the IRS has provided Electronic Return Originators (EROs) with a method for a paperless electronically filed return. The ERO keeps the signed *Form 8879* on file for 3 years from the date the IRS received the return.

Both the taxpayer (and the spouse when applicable) must select a five-digit PIN to use. Once the PIN is entered, it becomes the taxpayer's (and spouse's where applicable) electronic signature for the tax return. They must also sign a copy of *Form 8879* for you to keep in your files and for the taxpayer to keep in his or her own files.

There are forms that <u>disqualify</u> the return from using *Form 8879*. Below are the three most common:

1. *Form W7*, Application for IRS Individual Taxpayer Identification Number
2. *1040-X*, Amended US Individual Income Tax Return
3. *1040NR*, U.S. Nonresident Alien Income Tax Return

Prepare a Return for Electronic Filing
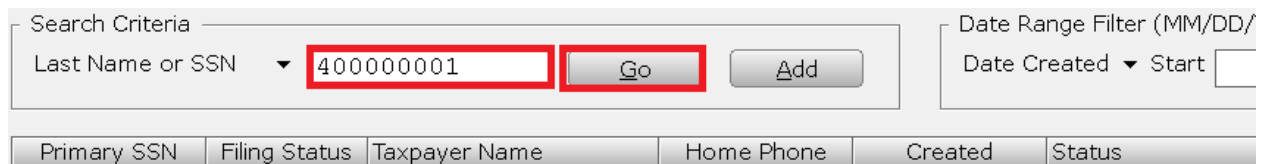
Now that you have completed a tax return, you can prepare the return for electronic filing and select the refund disbursement method. The 1040 *Software* makes it seamless to prepare a return for electronic filing.

To prepare the return for electronic filing:

1. From the **Work In Progress Summary,** press the **Lookup** button.
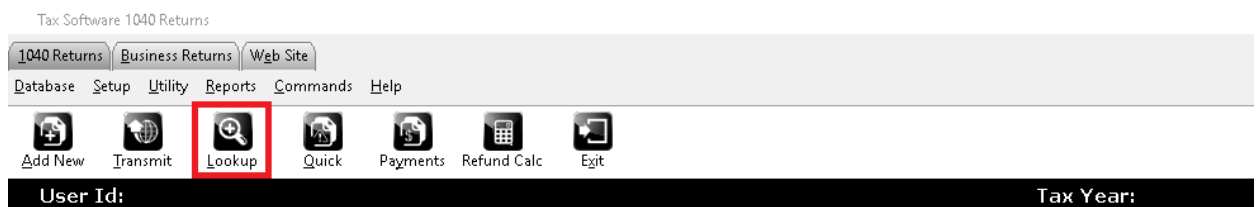
2. In the **Search Criteria, Last Name or SSN** box, type *400-00-0001*, and then click **Go**.

3. In the **Attached Forms** list, double click on **FRM 8879** (Form 8879 – e-File Signature Authorization).
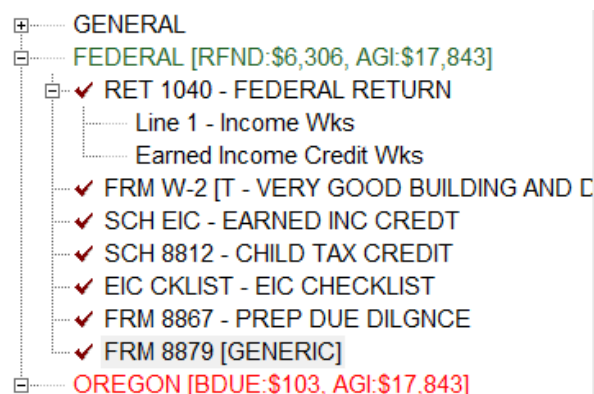
4. In the **Refund Type** box, verify that "1", and **Check From IRS**, is selected.

Form 8879   e-File Signature Authorization

Refund Type: [1] 1)Check from IRS, (2)DD from IRS, (3)Reserved, (4)BalDue, (5)RT - Bank
1. [X] Check From IRS   EFIN: 012345
2. [ ] Direct Deposit From IRS
3. [ ] Reserved
4. [ ] Balance Due
5. [ ] RAC/ERC/RT - Bank Product (Check, Direct Deposit or Debit Card)

Taxpayer: BOB   G JOHNSON   400-00-0001
Spouse :   - -
Address: 1983 FICTITIOUS AVENUE   Home Phone: 844-440-8829
C/S/ZIP: LAKE STEVENS   WA 98258-0000-000   Work Phone: 206-209-2653

5. If the program is configured to automatically add the ERO/Paid Preparer and taxpayer (also spouse if applicable) PINs, the Federal Return is now ready for electronic filing.

I AM SIGNING THIS TAX RETURN AND ELECTRONIC FUND WITHDRAWAL CONSENT, IF APPLICABLE,
BY ENTERING MY SELF SELECT PIN BELOW.

Taxpayer's PIN: 00001   Spouse's PIN:
Prior Year AGI: Prior Year AGI:
Prior Year PIN: Prior Year PIN:
Taxpayer's DOB: 05/18/1985   Spouse's DOB: /   /
Signature Date: 10/17/2019   PIN Codes :   P   D   2

PART III - Declaration of Electronic Return Originator
Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete. This declaration is based on all information of which I have any knowledge.
I AM SIGNING THIS TAX RETURN BY ENTERING MY PIN BELOW.
ERO/Paid Preparer PIN: 12345 01234512345

                    SSN   -   -
ERO/Preparer 01   PTIN   P01234567   Self-Employed: [ ]   Service Bureau
GENERIC   EIN :   -
123 STREET ST
LOS ANGELES   CA 90011-0000   Phone: 206-209-2653

6. Use the **Attached Forms** list to open **FRM OR-EF – EF DECLARATION.**

⊞ GENERAL
⊞ FEDERAL [RFND:$6,306, AGI:$17,843]
⊞ OREGON [BDUE:$103, AGI:$17,843]

7. In the **Refund Type** box, type "4" for **Balance Due**, if it is not typed already.

Form EF   **Oregon Declaration for Electronic Filing**

Refund Type: [4] (1 = Paper Check; 2 = Direct Deposit; 3 = State RAC; 4 = Balance Due)
              [ ] X to Opt out of Direct Deposit/Debit

It is recommended that you review the return for errors and print the bank signature documents before electronically filing the return. For this demonstration, however, you will not review or print the return.

Congratulations!

Congratulations! You have completed the chapter on Electronic Filing.

Now that you have prepared the return for electronic filing, you can proceed to Chapter 5 – Refund-Based Bank Products. If you do not provide bank products to your customers, you can skip Chapter 5 and continue to Chapter 6 – Transmitting to Central Site.

End-of-the-Chapter Quiz

Electronic Filing – What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill in the blank to the left of the question with the letter of the best answer.

Answers are available in the appendix.

__1.   What is electronic filing?
__2.   Why are electronically filed returns easier for the IRS to process?
__3.   Why do people file electronically?
__4.   Who transmits to the IRS?
__5.   How does an ERO get a Practitioner PIN?
__6.   How do you know a return has been accepted by Central Site?

A.   Central Site generates an Acknowledgement that is downloaded to your system on your next transmission.
B.   Central Site.
C.   The ERO creates a five-digit number that does not contain all zeros.
D.   *Form 8879* does not have to be mailed to the IRS.
E.   Electronic transmission of tax return data to the IRS and states.
F.   Within 72-hours after the return has been accepted.
G.   To get their refunds faster.
H.   They are more accurate.

Introduction

This chapter explains the steps necessary to request and process the various bank product options available to your taxpayers. Offering bank products can dramatically increase your revenue.

In this chapter, you will learn:

- What bank products are and how they are processed.
- How to print a refund-based bank product check.

What are Refund-Based Products?

Refund-based bank products allow your fees to be deducted from the refund and deposited directly into your bank account. Taxpayers can have access to their refund faster than if they wait for the IRS to mail them a check. Refund-based bank products can be a profitable addition to the tax products or services you offer.

The most common bank products offered by our banking partners include:

- **Refund Advance (Pre-Fund or Easy Advance)** – A fast way for your clients to receive a pre-determined amount of money in advance of IRS issuing their refund at no cost to them. This pre-determined amount is set by your banking partner. If the client meets your banking partner's approval criteria, after receiving an IRS acknowledgement, your banking partner will disburse funds to your client. Depending on your banking partner, you can choose one of the following disbursement methods: Cashier's check, direct deposit, or ATM card.
- **Refund Anticipation Check (RAC)** – A quick and cost-effective way for your clients to receive their tax refunds. Refund anticipation checks allow your taxpayers to receive a tax refund usually within 21 days. When the IRS authorizes your client's refund, your banking partner will deduct all applicable fees from the refund amount and disburse the balance of the refund to your client. Depending on your banking partner, you can choose from one of the following refund disbursement methods: cashier's check, direct deposit, or ATM card.
- **Tier II Check** – A second refund check that is authorized when the total refund amount is greater than the initial check limit set by the participating bank. You cannot request a Tier II check disbursement; the bank determines which taxpayers receive a Tier II check.
- **State RAC** – If you electronically file State tax returns and your banking partner offers State refund options, this option allows the taxpayer to receive a State refund check from your office.

The Bank Product Step-by-Step Process

1. A completed tax return, with a completed bank application, is selected for transmission and transmitted it to Central Site.

2. Tax returns accepted by Central Site are transmitted to the IRS or State instantaneously.

3. The IRS and State process the tax return and make an acknowledgement file available that lets you know if the return was accepted or rejected.

4. When a bank product has been requested, Central Site then transmits the IRS accepted return to your chosen bank for approval.

5. If the requested bank product is a Refund Advance, the participating bank reviews the tax return and makes available the Refund Advance check authorization or denial information. If the requested bank product is a RAC, the participating bank awaits the actual IRS funding of the refund before making the check authorization available.

6. You transmit to Central Site to pick up the check print authorization. **Note**: If you print checks through your banking partner's website, log into the banking partner instead and follow their instructions for printing a check also disregard steps 9-11 and proceed to step 12.

7. You print the check, which equals the refund amount less your tax preparation and bank product fees.

8. After printing the check, you will need to transmit to Central Site which will automatically send the check print record which shows the check was printed. **Note:** If Central Site does not have a check print record, the taxpayer will have a problem cashing the check and you may not be paid your fees until the check has cleared the bank.

9. Central Site instantaneously transmits the check print record to the participating bank.

10. You give the taxpayer the refund check.

11. The participating bank deposits the fees deducted from the refund into your bank account.

12. Central Site transmits to the participating bank to pick up any available fee deposit information. Central Site makes available the fee deposit information that you will pick up the next time you transmit to Central Site.
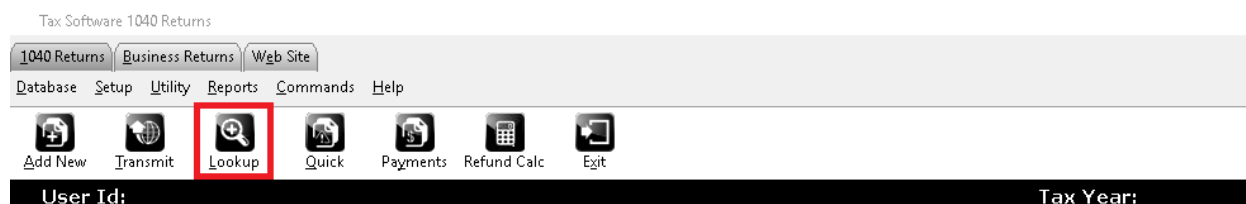
Prepare a Return for a Refund-Based Bank Product

Now that you have completed the return, it is time to determine how the taxpayer would like to receive the refund.

> *Bob Johnson has decided that he would like a Refund Anticipation Check.*

To prepare a return to receive a refund-based bank product:

1. From the **Work In Progress Summary** press the **Lookup** button.

2. In the **Search Criteria, Last Name or SSN** box, type *400-00-0001* and then click **Go**.

3. The 1040 *Software* will open the return, displaying the **Information and Status** sheet.

4. Use the **Attached Forms** list to open *FRM 8879* (*Form 8879* – e-File Signature Authorization).
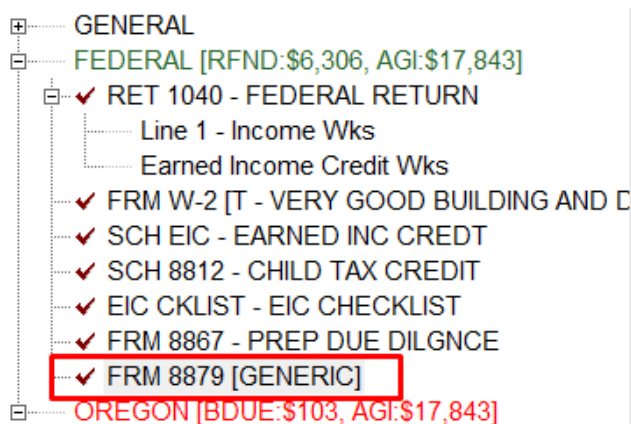
5. In the **Refund Type** box, enter **5** for **RAC/ERC/RT – Bank Product (Check, Direct Deposit or Debit Card).**

6. On the Toolbar, click the **Refresh** button. Note that the bank application now appears in the Attached Forms list.
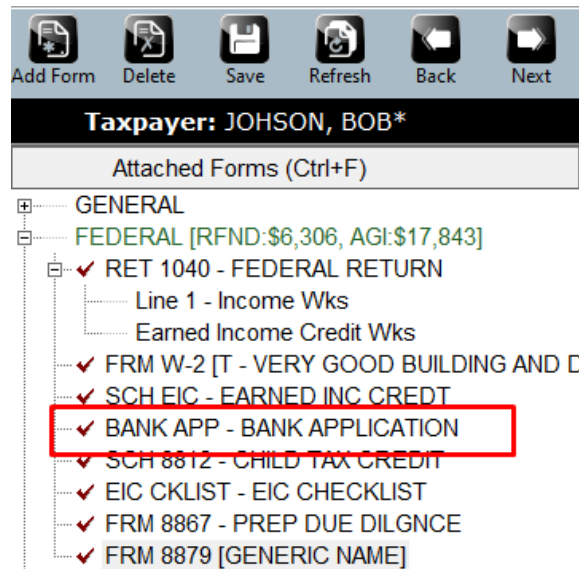
Use what you learned in preceding chapters to open and complete the TPG / Bank RT Application Data worksheet using the information below.

Information	Enter
Bank Signature Verification	X
Do you anticipate preparing	Y
Taxpayer's Citizenship Status	C
ID Type	Driver's License
ID Number	123456
Date Issued	01/01/2016
State/County	WA
Expiration Date	01/01/2024
Cashier's Check	X

Tip: *Post Office Boxes (P.O. Box) cannot be used as the taxpayer's street address if applying for a bank product.*

[X] Bank Signature Verification - The Taxpayer has reviewed and signed all of the Bank Documents?

[Y] Do you anticipate preparing more than one RT for this taxpayer this year? (e.g. a federal and state RT) (Add'l fee of $12)

[ ] Check to request Due Diligence review:
[ ] Check if a prior year client:
[ ] SMS Opt In for automated text message notifications: 844-446-3845
[ ] E-Mailing Opt In for promotional and marketing emails

[C] Taxpayer's Citizenship Status with the US? (C=Citizen, R=Resident Alien, N=Non-Resident Alien)
    If the Taxpayer is not a Citizen of the US, enter Country of Citizenship

[ ] If MFJ - Spouse's Citizenship Status with the US? (C=Citizen, R=Resident Alien, N=Non-Resident Alien)
    If the Taxpayer is not a Citizen of the US, enter Country of Citizenship

Important Note: After examining the unexpired, government issued photo ID for the taxpayer, place an **"X"** in the field indicated below.

Taxpayer Identification   [ ] Transfer ID Information from CDS

ID Type	Code	ID Number	Date Issued	State/Country	Expiration Dt
DRIVERS LICENSE US S	1	123456	01/01/2016	WA	01/01/2024

Spouse Identification			Date Issued	State/Country	Expiration Dt
			/ /		/ /

[X] I have personally examined the unexpired, government-issued photo identification provided to me by the applicant and confirm that the applicant matches the likeness and description of the person described on the ID.

Account Information

[X] Cashier's Check
[ ] Walmart Direct2Cash
[ ] Direct Deposit
[ ] Direct Deposit Opt Out: [ ]
[ ] Walmart MoneyCard

Check Printing in the 1040 Software

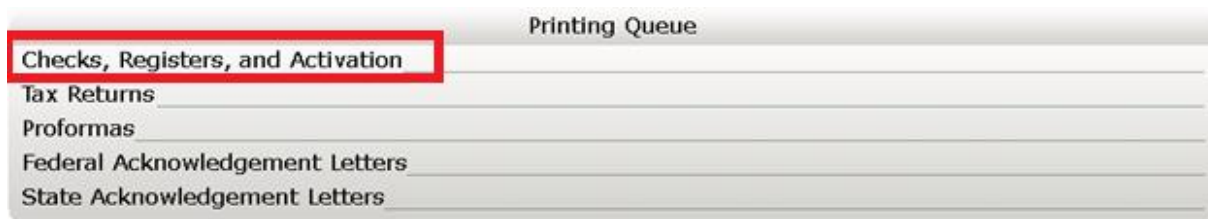The 1040 *Software* contains a powerful and user-friendly check printing program.

Note: If you are printing checks through your banking partner's website, please disregard this section and refer to their documentation.
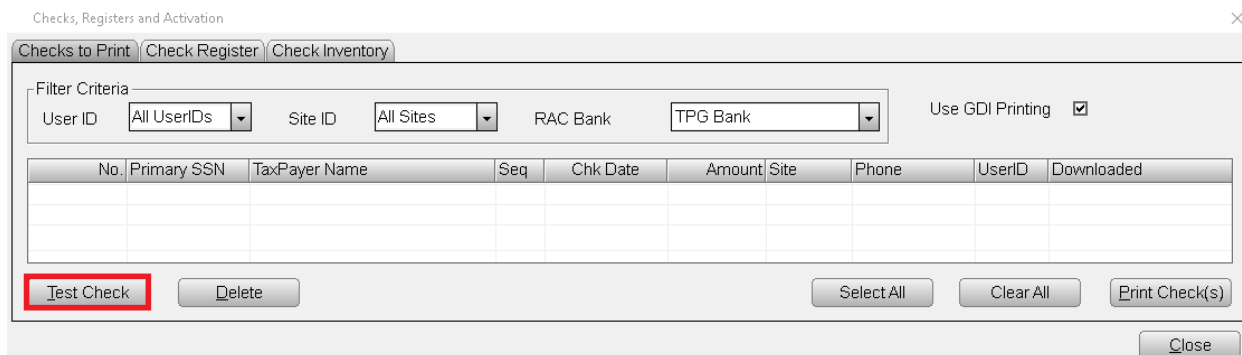
Print a Test Check

Before printing a taxpayer's check, it is a good idea to print a test check to assure that check printing has been configured correctly.

**To print a test check in the 1040 *Software:***

1. From the **Work In Progress Summary (WIP)** screen, in the **Printing Queue** section, click **Checks, Registers, and Activation**. The **Checks Registers and Activation** window will open to the **Checks to Print** tab.

Printing Queue

Checks, Registers, and Activation
Tax Returns
Proformas
Federal Acknowledgement Letters
State Acknowledgement Letters

2. On the Checks to Print tab, click the **Test Check** button.

Checks, Registers and Activation ✕

Checks to Print | Check Register | Check Inventory

Filter Criteria

User ID [All UserIDs ▾] Site ID [All Sites ▾] RAC Bank [TPG Bank ▾] Use GDI Printing ☑

No.	Primary SSN	TaxPayer Name	Seq	Chk Date	Amount	Site	Phone	UserID	Downloaded

Test Check   Delete   Select All   Clear All   Print Check(s)

Close

3. Select your printer, assure that there is plain paper in it (not check stock) and click the **Print** button. A test check will be sent to the printer.
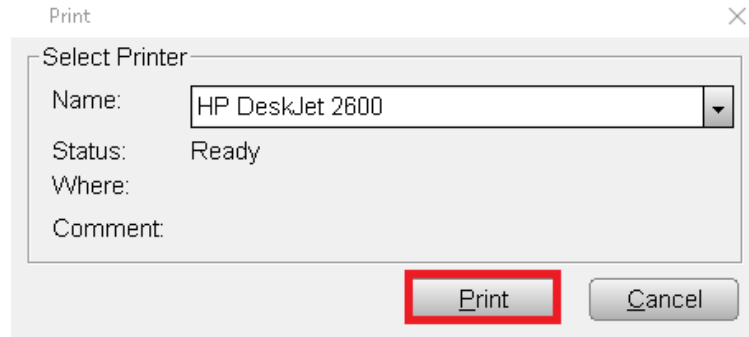
4. The test check should resemble the one below. The text should line up to the pattern on a piece of real check stock.


Activate a Check Range

Before printing taxpayer checks, it will be necessary to activate a range of numbered check stock in the 1040 *Software*.

To activate a check range in *the 1040 Software*:

1. From the menu bar select **Utility > Activate Check Range**. The **Checks, Registers and Activation** window will open to the **Check Inventory** tab.
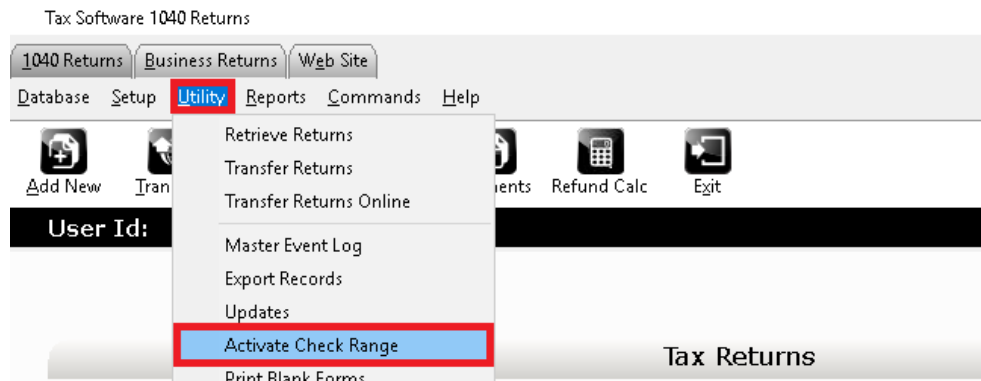
2. On the **Check Inventory** tab, click the **Activate** button. The **Activate Check Range** window will open.
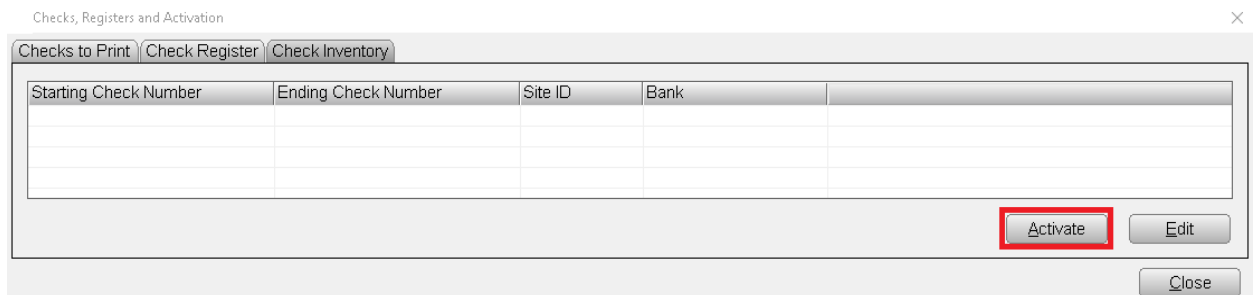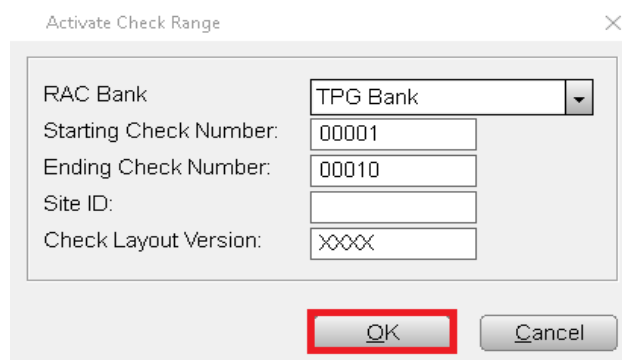

3. In the **RAC Bank** drop down menu, select your banking partner, and then enter the remaining information as indicated below.

Field	Information
Starting Check Number	The check number of the first piece of check stock in the pack. The "lowest" check number.
Ending Check Number	The check number of the last piece of check stock in the pack. The "highest" check number.
Site ID	An optional identifier that you might assign to your offices. If a Site ID has been assigned to your office, enter it here.

Check Layout Version (TPG only)	The check layout version is a code provided by Santa Barbara Tax Products Group. This code can be found on the outside of the package of check

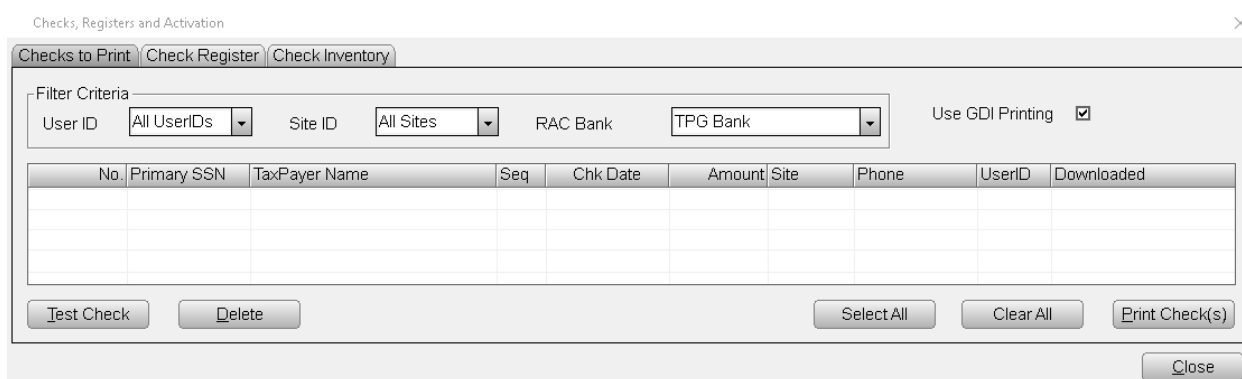4. When you are finished, click the **OK** button to finish activating the check range.

NOTE: In the demo version, you will be unable to activate a check range for TPG without the *"Check Layout Version"*

Print Checks in the 1040 Software

To print bank product checks in the 1040 *Software*:

1. From the **Work In Progress Summary (WIP)** screen, in the **Printing Queue** section, click **Checks, Registers, and Activation**. The **Checks Registers and Activation** window will open to the **Checks to Print** tab.

2. On the **Checks to Print** tab, select the checks you wish to print by placing a checkmark in the box(es) to the left, then click the **Print Check(s)** button. A check number prompt will open.

3. Enter the check number that is printed on the next piece of check stock in your package and click the **OK** button. A confirmation prompt will open.

Tip: *Checks will be printed in ascending order (counting upwards), the lowest available check number should be used. Load check stock in the printer accordingly.*
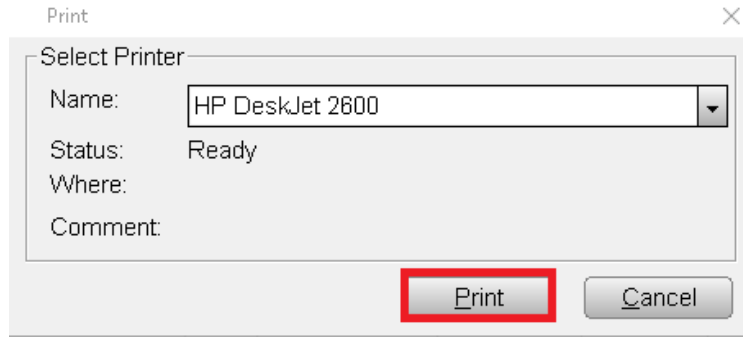
4. Confirm that the correct number of checks to be printed and the correct starting number are displayed in the prompt, then click the **OK** button. The print window will open.

5. In the **Name** drop down, select the desired printer. Next, load the appropriate check stock into that printer, and then click the **Print** button.

Print   ✕

┌─ Select Printer ──┐
│ Name: │ HP DeskJet 2600   │ ▼ │
│   │
│ Status: Ready   │
│ Where: │
│   │
│ Comment: │
└──┘

                                        [**Print**]   [Cancel]

6. As the checks print, they will be removed from the **Checks to Print** tab.
    The check printing process is complete.

Congratulations!

You have completed the chapter on Refund-Based Bank Products.

End-of-the-Chapter Quiz

Refund-Based Bank Products - What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill in the blank to the left of the question with the letter of the best answer.

Answers are available in the appendix.

__1.   Why are EF and bank products important to your business?

__2.   What is a Refund Advance?

__3.   What is the last step in the EF/Bank Product process?

__4.   How does the bank get Refund-Based Bank Product information?

__5.   When can you use a Post Office Box address on a bank product application?

__6.   What is a RAC?

__7.   How are your fees paid to you?

__8.   Why do taxpayers choose bank products?

A.   The IRS makes a direct deposit to the banking partner to fund the refund-based bank product.

B.   They allow taxpayers to pay the tax preparation fees out of their refunds.

C.   A pre-defined amount of money provided to the taxpayer in advance of the IRS paying the refund.

D.   Your fees are deposited into your account.

E.   To avoid having to pay tax preparation fees up front.

F.   May only be used for mailing address, not residential address.

G.   Central site transmits it to them.

H.   They bring in a lot of revenue in a short amount of time.

Introduction

This chapter covers selecting (queuing) and transmitting a tax return for transmission to Central Site, as well as selecting a return for state-only transmission to Central Site. After completing this chapter, you will be able to transmit returns to Central Site using your internet connection. During this process, all available returns selected for transmission are sent to our Central Site, and all files ready at Central Site are picked up automatically.

If you will be transmitting Federal and/or State tax returns to Central Site, you should complete this chapter.

> In this chapter, you will learn how to:

- Queue a tax return for transmission.
- Queue an independent State return for transmission.
- Queue a return for diagnostics.
- Transmit queued returns to Central Site.
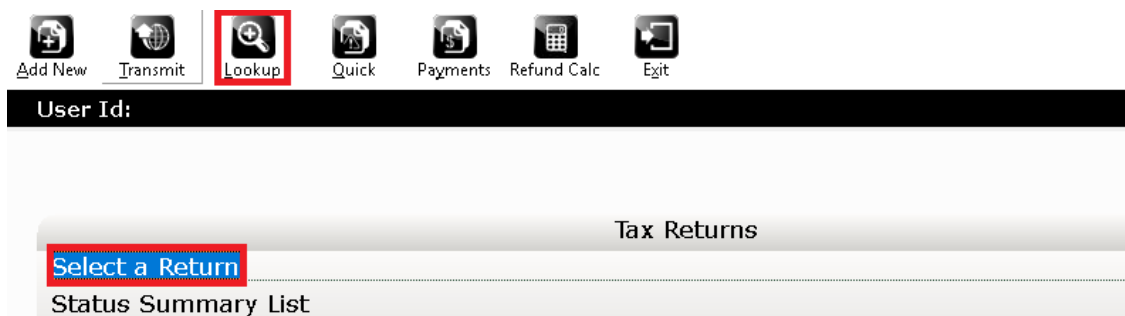- Transmit to Central Site without sending your queued returns.

Queuing Returns for Transmission to Central Site

Queue a Return for Transmission

Returns must be queued for transmission before they can be transmitted to Central Site. The following process will queue both a Federal and any associated State return(s) for transmission.

To queue a return for transmission:

1. On the **Work In Progress Summary** screen, click the **Lookup** button or use the **Select a Return** link to bring up the **Lookup** screen.

2. In the **Search Criteria, Last Name or SSN** box, type **400000001** and then click **Go.**

The 1040 *Software* will list the return in the client grid.

3. Double click the listing in the client grid to open the return, displaying the **Information and Status** sheet.

4. On the **Toolbar,** click the **Queue** button. The **Queue Return for Transmission** window will open.

5. On the **Queue Return for Transmission** window, assure that both the State and Federal returns are marked for transmission. Then click the **Queue** button.
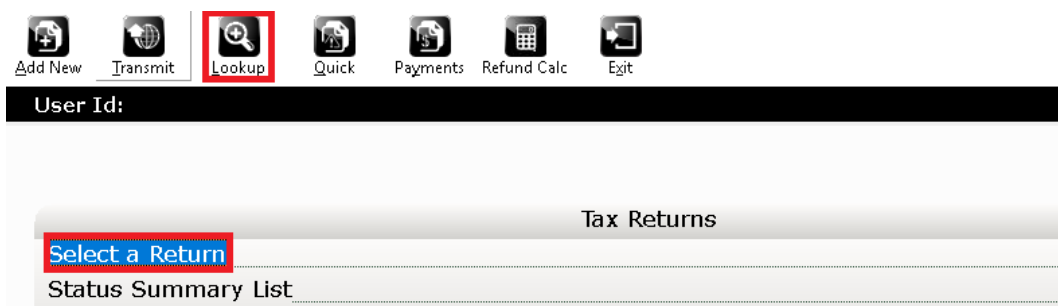

6. The return will be saved, closed, and queued for transmission. You will be returned to the **Lookup** screen, and the status of the return will now be **Return Queued**.

7. The Federal and State returns are now ready to be transmitted to Central Site.

Queue an Independent State Return

In some instances, you may want to queue only the State return for electronic filing.

**To send a State return independently, or after the Federal return has been acknowledged by the IRS:**

1. On the **Work In Progress Summary** screen click the **Lookup** button or use the **Select a Return** link to bring up the Lookup screen.

2. In the **Search Criteria, Last Name or SSN** box, type **"*400000001*"** and then click **Go.** The 1040 *Software* will list the return in the client grid.

3. Double click the listing in the client grid to open the return, displaying the **Information and Status** sheet.

4. On the **Toolbar,** click the **Queue** button. The **Queue Return for Transmission** window will open.
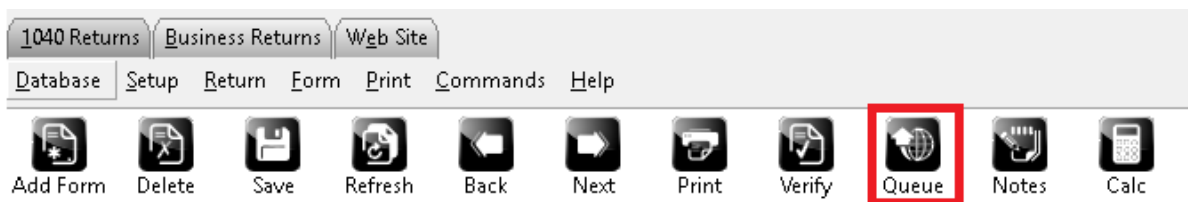
5. On the **Queue Return for Transmission** window, assure that only the State return is marked for transmission. Then click the **Queue** button.

Note: If you are queuing the State return independently before the federal return has been transmitted, a confirmation prompt will be displayed. Click the **Yes** button to queue the State return independently.

6. The return will be saved, closed, and queued for transmission. You will be returned to the **Lookup** screen.

7. The State return is now ready to be transmitted to Central Site.

Queue a Return for Diagnostics

In some instances, you may want to send a copy of a return to Central Site for technical support to inspect. Returns that are submitted for diagnostics are "suspended" and are not sent to the IRS.

The diagnostics process queues the entire return for diagnostics, regardless of what is selected to be queued.

To queue a return for diagnostics:

1. On the **Work In Progress Summary** screen, click the **Lookup** button or use the **Select a Return** link to bring up the Lookup screen.

2. In the **Search Criteria, Last Name or SSN** box, type **"400000001"** and then click **Go.** The 1040 *Software* will list the return in the client grid.
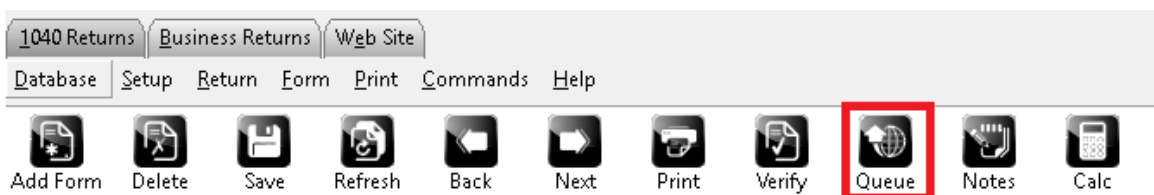
3. Double click the listing in the client grid to open the return, displaying the **Information and Status** sheet.

4. On the **Toolbar**, click the **Queue** button. The **Queue Return for Transmission** window will open.

5. On the **Queue Return for Transmission** window, check the **Submit for Diagnostic** option. An optional **Comments** section will appear. Enter a comment, if desired.

6. Click the Queue button.

   Note: The queue for diagnostics process queues the entire return for diagnostics, regardless of what is selected to be queued.

7. The return will be saved, closed, and queued to be submitted diagnostics. You will be returned to the **Lookup** screen, and the status of the return will now be **Suspended/Queued**.

8. The return is now ready to be transmitted to Central Site for diagnostics.

Transmit Queued Returns to Central Site

Once you have queued a return or returns for transmission, the last step is to transmit them to Central Site. This process will transmit all queued returns to Central Site, as well as pick up any status or program updates that are available.

NOTE: Transmit option is unavailable in the demo version.
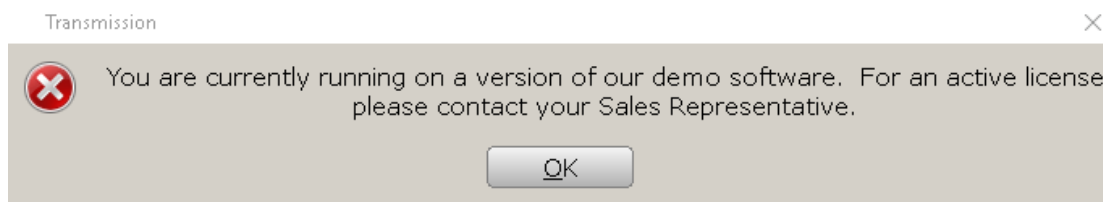
To transmit queued returns to Central Site:

1. From the **Work In Progress Summary**, click the **Transmit** button. The **Transmit to Central Site** window will open.
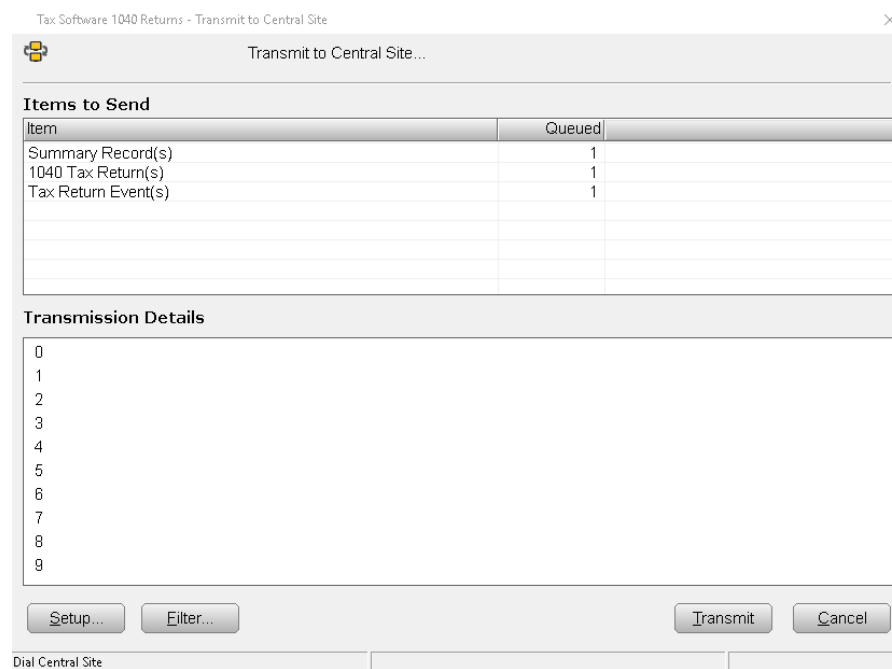
2. The **Items to Send** will be displayed in the **Transmit to Central Site** window, listing the items what will be sent during the transmission.
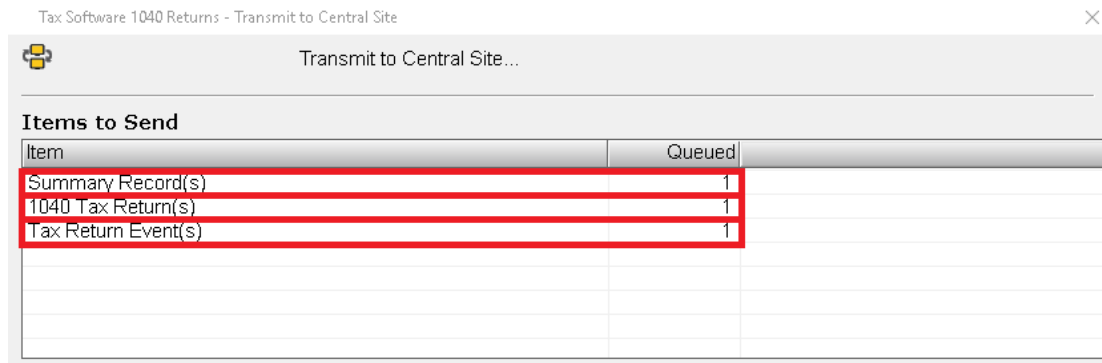
3. On the **Transmit to Central Site** window, click the **Transmit** button to begin transmission.

4. When transmission is completed, a transmission prompt will be displayed. Click **OK** on this prompt.

5. The **Communication Results** will be displayed in the **Transmit to Central Site** window, detailing what was sent and received from Central Site during the transmission.

6. The transmission process is completed.

Transmit to Central Site without Sending Queued Returns

In some instances, you may want to transmit to Central Site, but may not wish to transmit the returns that you have queued. This process is called a "blank", "empty" or "dry" transmission. It is useful when you want to pick up updates, acknowledgements or checks without transmitting any returns that may be queued for transmission but are not ready to be sent just yet.

NOTE: For the demo version, the Transmit option is unavailable.
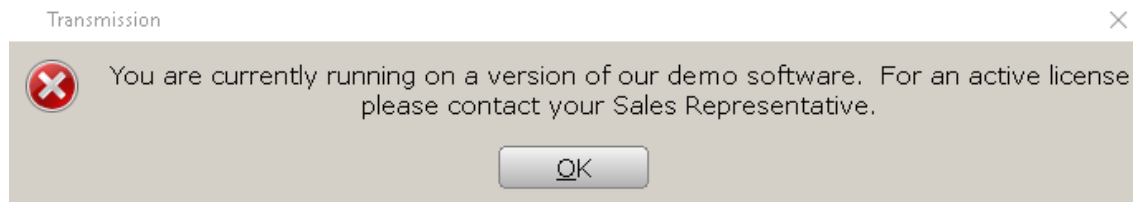
To transmit to Central Site without sending queued returns:

1. From the **Work In Progress Summary,** click the **Transmit** button. The **Transmit to Central Site** window will open. Note that there is a *1040 Tax Return* listed in the **Items to Send** section.
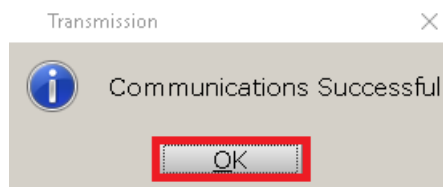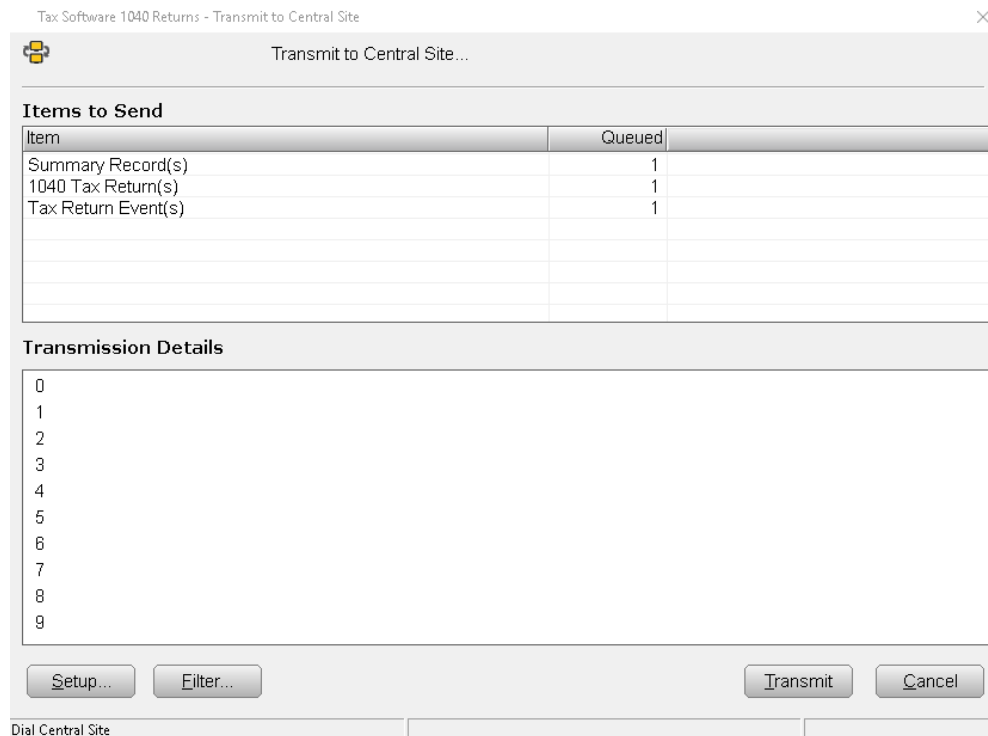

2. On the **Transmit to Central Site** window, click the **Filter…** button. The **Central Site Transmit Queue** window will open.
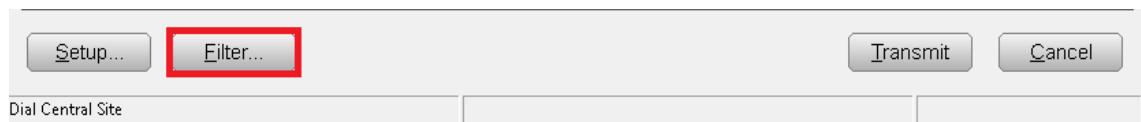
3. In this window, a list of the returns that you have queued for transmission will be displayed. To prevent the returns from being transmitted, **remove the check mark** next to the social security number of each queued return you do not wish to transmit, or use the **UnSelectAll** button to uncheck them all.
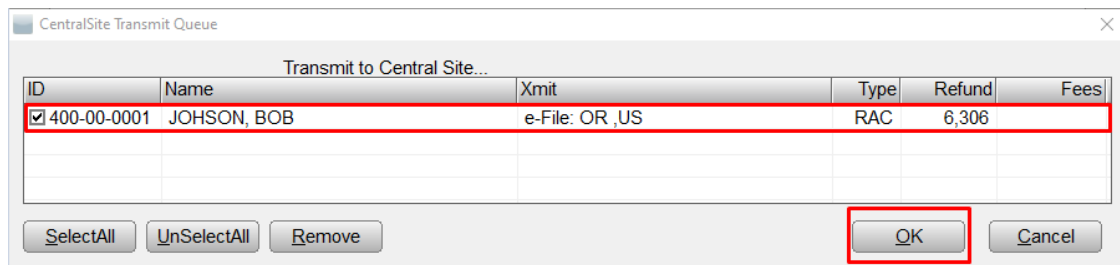
Note: The queued returns will only be excluded from the next transmission to Central Site, or until the transmission window is closed. If you wish to transmit again without sending the returns, you will need to repeat this process each time.

4. When finished, click the **OK** button. You will be returned to the **Transmit to Central Site** window. Note that the *1040 Tax Return* no longer appears in the **Items to Send** section.
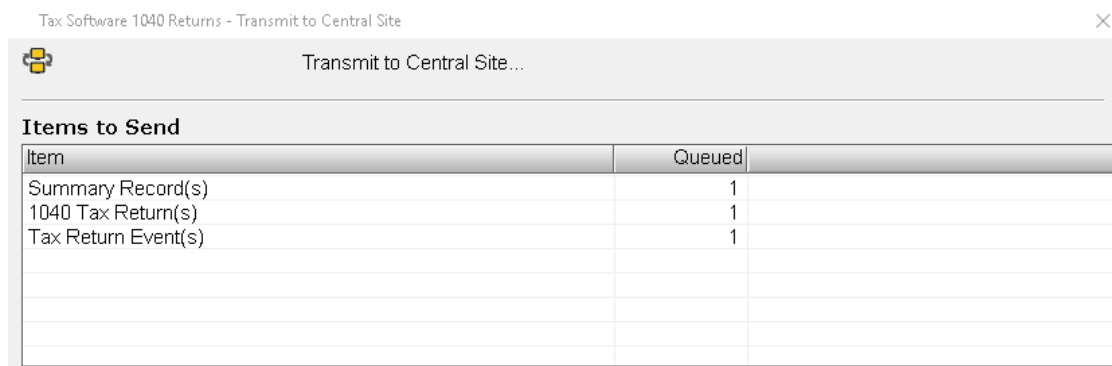
5. Click the **Transmit** button to transmit to Central Site. The return will be omitted from this transmission.

Congratulations!

You have completed the chapter on transmitting returns to Central Site.

Introduction

This chapter defines terminology commonly used in the electronic filing and bank product industry.

Exercise

Familiarize yourself with the following terms and definitions:

Term	Definition
Acknowledgement	An official electronic notice from the IRS or a state tax authority that lets you know if an electronically filed tax return was accepted and considered "filed" or rejected and considered "not filed." Acknowledgements are received by the filing center and are passed on electronically to the electronic return originator.
Additional Child Tax Credit	An additional, refundable credit for taxpayers with three or more qualifying children who cannot take the full Child Tax Credit because the taxpayer's income tax liability is less than the maximum credit of $1,000 per child (in 2016).
Bank Product	A Refund Advance (Pre-Fund or Easy Advance) or Refund Anticipation Check (RAC)
Banking Partner	A provider of bank products for the electronic filing industry. The 1040 *Software* partners with three banks offering bank products: Refund Advantage, Republic Bank and Trust, and Santa Barbara Tax Products Group (TPG).
Bookmarks	Bookmarks allow you to easily attach a comment to any data field on the tax return. Essentially, a Bookmark is the electronic equivalent of a yellow sticky note and is a great way to identify fields that require taxpayer reminders, or to mark fields for further review. Bookmarks are for your use only and they do not transmit to the IRS when you file a return electronically.

Central Site	Central Site transmits your electronically filed tax returns to the IRS, as well as bank applications to the appropriate bank, and sends acknowledgements and other reports back to the electronic return originator (ERO). All electronic transmissions using the 1040 Software are sent to Central site.
Check Stock	Bank certified sheets of paper that are issued to each customer for printing checks.
Child Tax Credit	A non-refundable credit for taxpayers with one or more children. The maximum credit is $1000 (in 2017) per child. The Child Tax Credit is limited by your client's tax liability. However, clients with three or more children that cannot take the full credit because of their tax liability may qualify for the Additional Child Tax Credit.
Direct Deposit Account Number (DAN)	The deposit account number for a checking or savings account.
Direct Deposit	You can arrange for the IRS to deposit your client's tax refund directly into his or her bank account rather than mailing a check. To request a direct deposit, you must provide the IRS with your client's routing transit number, account type (checking or savings) and account number.
Earned Income Credit (EIC)	A refundable credit for low-income taxpayers with earned income. Clients who qualify for the Earned Income Credit can receive a refund even if they had little or no income tax withheld.
Electronic Filing	A method for filing tax returns over the internet with the IRS using your computer and internet connection. Electronic filing is the fastest, most secure method of filing tax returns.
Electronic Filing Identification Number (EFIN)	A unique six-digit number assigned to a business by the IRS so that the business can file returns electronically. The IRS assigns an EFIN once *Form 8633* has been completed and approved.
Electronic Return Originator (ERO)	An office or person who electronically files tax returns (has an EFIN).

Fiduciary	An individual, company, or association responsible for managing another's assets. Fiduciaries include executors of wills and estates, trustees, receivers in bankruptcy and those responsible for managing the finances of a minor.
Form 8879	A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature. The ERO keeps a signed *Form 8879* on file for three years from the date the IRS accepted the return.
Forms Based Method	The method of completing a tax return in the 1040 *Software* by completing electronic versions of the IRS forms and worksheets.
Interest Income	Earnings on investments such as savings accounts, certificates of deposit (CD) and installment sales. Banks or other organizations or individuals who pay interest usually report it on *Form 1099-INT*.
Override	A method of manually changing data entry fields that are calculated by the 1040 *Software*. The 1040 *Software* allows you to override calculated values and fields, as well as Yes/No entry fields, check boxes and buttons.
Practitioner PIN Return	Allows the electronic return originator and taxpayer to sign a tax return using an electronic signature by entering a five-digit PIN.
Preparer Tax Identification Number (PTIN)	A unique identification number assigned by the IRS to each tax return preparer.
Publication 1345	An IRS handbook for electronic filers of individual tax returns that provides information on electronic filing requirements and restrictions.
Refund Advance (Pre-Fund or Easy Advance)	A fast way for your clients to receive a pre-determined amount of money in advance of IRS issuing their refund at no cost to them. This pre-determined amount is set by your banking partner. If the client meets your banking partner's approval criteria, after receiving an IRS acknowledgement, your banking partner will disburse funds to your client. Depending on your banking partner, you can choose one of the following disbursement methods: Cashier's check, direct deposit, or ATM card.

Refund Anticipation Check (RAC)	A quick and cost-effective way for your clients to receive their tax refunds. Refund anticipation checks allow your taxpayers to receive a tax refund usually within 21 days. When the IRS authorizes your client's refund, your banking partner will deduct all applicable fees from the refund amount and disburse the balance of the refund to your client. Depending on your banking partner, you can choose from one of the following refund disbursement methods: cashier's check, direct deposit, or ATM card.
Routing Transit Number (RTN)	A unique nine-digit identification number for a bank. This number is used by the banking system to route direct deposits to the correct bank.
Signature Pad (SigPad)	An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.
Site	The physical location and address of your business.
Test Return	A return prepared in the 1040 *Software* for test purposes and kept separate from your live returns, so it is not transmitted to the IRS.
Third Party Designee	Information electronically filed with a tax return that authorizes the IRS to discuss the tax return with a third party.
Transmission	Send and receiving tax returns, acknowledgements and other files using your computer and internet connection.
User ID	A unique number assigned to a transmitting site that identifies the location.

End-of-the-Chapter Quiz

Terminology – What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill the space to the left of the question with the letter of the best answer.

Answers are available in the appendix.

__1.   What is a PTIN?
__2.   What is an acknowledgement?
__3.   What is a DAN?
__4.   What is an EFIN?
__5.   What is an ERO?
__6.   What is a SigPad?
__7.   What is *Form 8879*?
__8.   What is a RTN?
__9.   What is a UserID?
__10. What is a Practitioner PIN return?

A.   A unique number assigned to a transmitting site that identifies the location.
B.   The ERO and taxpayer use five-digit identification numbers to sign the return electronically.
C.   A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature.
D.   Account number for a checking or savings account.
E.   An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.
F.   A unique nine-digit identification number for a bank.
G.   A person who electronically files a return.
H.   A six-digit number assigned by the IRS, which allows an ERO to file returns electronically.
I.   A unique identification number assigned by the IRS to each tax return preparer.
J.   A notice by the IRS that a return has been acknowledged or rejected.

Chapter 4: Electronic Filing - What Have You Learned?

__1.   What is electronic filing?

__2.   Why are electronically filed returns easier for the IRS to process?

__3.   Why do people file electronically?

__4.   Who transmits to the IRS?

__5.   How does an ERO get a Practitioner PIN?

__6.   How do you know a return has been accepted by Central Site?

Answers: E, H, G, B, C, A

A.   Central Site generates a filing center Acknowledgement that is downloaded to your system on your next transmission.

B.   Central Site.

C.   The ERO creates a five-digit number that does not contain all zeros.

D.   Form 8879 does not have to be mailed to the IRS.

E.   Electronic transmission of tax return data to the IRS and states.

F.   Within 72-hours after the return has been accepted.

G.   To get their refunds faster.

H.   They are more accurate.

Chapter 5: Refund-Based Bank Products - What Have You Learned?

___1. Why are EF and bank products important to your business?

___2. What is a Refund Advance?

___3. What is the last step in the EF/Bank Product process?

___4. How does the bank get Refund-Based Bank Product information?

___5. When can you use a Post Office Box address on a bank product application?

___6. What is a RAC?

___7. How are your fees paid to you?

___8. Why do taxpayers choose bank products?

Answers: H, C, A, G, F, B, D, E

A. The IRS makes a direct deposit to the banking partner to fund the refund-based bank product.

B. They allow taxpayers to pay the tax preparation fees out of their refunds.

C. A pre-defined amount of money provided to the taxpayer in advance of the IRS paying the refund.

D. Your fees are deposited into your account.

E. To avoid having to pay tax preparation fees up front.

F. May only be used for mailing address, not residential address.

G. Central site transmits it to them.

H. They bring in a lot of revenue in a short amount of time.

Chapter 7: Terminology - What Have You Learned?

__1.   What is a PTIN?
__2.   What is an acknowledgement?
__3.   What is a DAN?
__4.   What is an EFIN?
__5.   What is an ERO?
__6.   What is a SigPad?
__7.   What is Form 8879?
__8.   What is a RTN?
__9.   What is a UserID?
__10.   What is a Practitioner PIN return?

Answers: I, J, D, H, G, E, C, F, A, B

A.   A unique number assigned to a transmitting site that identifies the location.

B.   The ERO and taxpayer use five-digit identification numbers to sign the return electronically.

C.   A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature.

D.   Account number for a checking or savings account.

E.   An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.

F.   A unique nine-digit identification number for a bank.

G.   A person who electronically files a return.

H.   A six-digit number assigned by the IRS, which allows an ERO to file returns electronically.

I.   A unique identification number assigned by the IRS to each tax return preparer.

Training Returns

The **uTax Software 1040 Practice Returns** document contains various tax return scenarios that can be used to practice entering returns in the 2020 1040 Desktop Software Program (for TY2019).

Choose from **Beginner, Intermediate, and Advanced** return scenarios to increase your skill using more complex forms and situations.