VOLUNTEER INCOME TAX ASSISTANCE
VITA United Way
A UNITED WAY COLLABORATIVE

Study Guide Advanced Test TY2022

Read each scenario carefully, what are they asking you for? Use your PUB 4012 to help guide you with the answers. (At the time I am updating this guide, the TY2022 PUB 4012 is not yet available. I am referencing TY2021 page numbers—so it should be close to what the 2022 book will have) irs.gov/pub/irs-pdf/p4012

Don't forget, vitaresources.net is a great resource for information on all topics covered on the test—click on training checklist!

Advanced Scenario 1: Chris Spalding

1. Remember entering the filing status wrong can have a huge impact on the outcome. Please USE YOUR DECISION TREE on PUB 4012 page B-10 or tables B-11 through B-12 as appropriate. Follow from the top-don't skip a step.
2. Look at the requirements/qualifications for Earned Income Tax Credit section I of PUB 4012. This is a wonderful credit—designed to boost people out of poverty—if they qualify.
3. Look at PUB 4012 page D-1; or create a fake tax return in Practice Lab and see what appears on schedule 1 Line 7.

Advanced Scenario 2: Adam and Lisa Garcia

4. What is the question asking? Information on child tax credit can be found in PUB 4012 starting on page G-2
5. To find who qualifies to take this credit, look in PUB 4012 starting on page G-9 and use the table G-10

Advanced Scenario 3: Jenny Smith

- PUB 4491 pages 17-10 through 17-13 is all about HSA's
- HSA certification information was combined in the Advanced Certification about 3 years ago. I think that information is still helpful so I still keep my slide show from that practice class updated. Learn about HSA's vitaresources.net/hsa.html here (I took information from IRS Link&Learn and modified it so I hope is easier to understand.)
- I also recommend you look at an actual form to see what it looks like. irs.gov/pub/irs-dft/f8889--dft.pdf

6. See also PUB 4491 page 17-13
7. See PUB 4012 page E-7. This question is asking, in general, is she able to contribute more because of her age?
8. What are considered qualified expenses? See either presentation above or PUB 4491 page 17-12 to find out what qualifies.

Advanced Scenario 4: Alice Adams

9 PUB 4012 page C-1 through C-5 is the dependent section; read the overview pages then start on the first table and work through the tables (never go out of order)***Really pay attention to C-2 information on Qualifying Child of More Than One Person

10 PUB 4012 **page I-2** through I-3, and PUB 4491 page vi (this credit changed in 2021 and has now reverted back to how it was before 2021—with a little exception).

Advanced Scenario 5: **Ellen Black**

If you want to learn about itemized deductions and what qualify go to PUB 4491 20-1 through 14—but don't even attempt to memorize—just know where to find 😊 ****With standard deductions being so high now, hardly any of our clients will itemize (but know where to find the information in case you have a possible one. PUB 4012 Tab F for how to enter in Taxslayer

11. See PUB 4491 page 20-7 through 20-10
12. See PUB 4012 page F-12 and PUB 4491 page 20-11

Advanced Scenario 6: John Ward

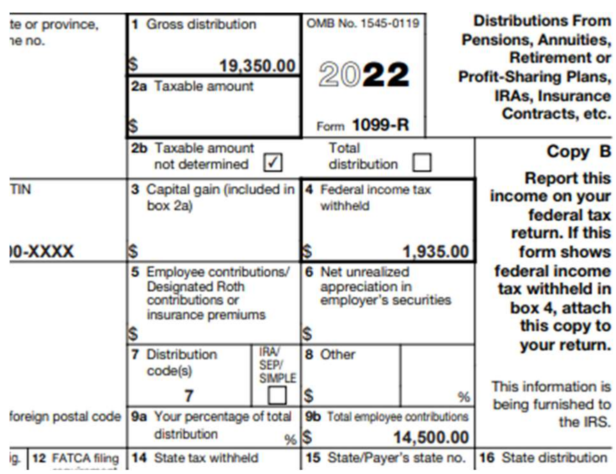
13. See PUB 4012 page J-6 through J-8 and PUB 4491 see section 22 on education credits to learn more
14. See PUB 4012 pages I- 2 through 3

Tip: Before you begin these next scenarios, read them carefully, they will cover a lot of different little situations to put as much stuff in one return as possible. So, don't rush. And don't just assume that you just type everything in. **Like in real life, you must determine if they can claim the credits/adjustments etc. and if there is some more information you need to complete the return—so know your books and ask your teammates—once you do a few it will be easy peasy, I promise!**

Advanced Scenario 7: Robert and Emily Lincoln

In this scenario:

- We have a 6th grade school teacher that had spent money on classroom supplies. Look in PUB 4012 page E-4 and see what are the requirements & do they meet it—you have to do this in real life—know where to find this in your book—flag it!
- You have a 1099-R with BLANK box 2a. This is a special type of situation See PUB 4012 pages D34-37* vitaresources.net/income **scroll down to **Calculating the taxable portion of a retirement distributions**
- Cancellation of Debt PUB 4012 pages D60-62
- Various Gambling Winnings & Losses Learn about them here PUB 4012 page D-53 and PUB 4491 page 20-11
- Higher Education expenses for child. See PUB 4012 Section J refers to the Education section—types of credits, qualifications, allowable expenses and how to enter.


te or province, ne no.
1 Gross distribution $ 19,350.00
OMB No. 1545-0119
2022
Form 1099-R
Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
2a Taxable amount $
2b Taxable amount not determined ☑ Total distribution ☐
Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.
TIN 0-XXXX
3 Capital gain (included in box 2a) $
4 Federal income tax withheld $ 1,935.00
5 Employee contributions/ Designated Roth contributions or insurance premiums $
6 Net unrealized appreciation in employer's securities $
7 Distribution code(s) 7
IRA/ SEP/ SIMPLE ☐
8 Other $ %
This information is being furnished to the IRS.
foreign postal code
9a Your percentage of total distribution %
9b Total employee contributions $ 14,500.00
12 FATCA filing
14 State tax withheld
15 State/Payer's state no.
16 State distribution

Take your time, refer to the interview notes AND the intake form—have fun entering the return! My favorite part! Then print your return as a PDF and review it, and then answer these questions:

15. Print the PDF--See your 1040 Line 5b
16. Print the PDF--See your 1040 Line 6—compare 6a to 6b
17. Print the PDF--See your Schedule 1 (Line 10) which also carries over to the 1040 Line 8
18. Print the PDF--See your 1040 Schedule 1 (Line 11)
19. Print the PDF--See your 1040 Line 12. In your book PUB 4012 page F1-2 (use your decision tree page B-10 to make sure you select the correct filing status)

20. Review PUB 4012 section J to see what is a qualified expense J-8 (Section J covers everything you need to know about education credits)
21. Look at the return you did—the 1040 and the Schedule 8812. Schedule 8812 is kind of vague, but if there is an amount on Line 5, then they qualified for the CTC. If there is an amount on Line 7, then you know they qualified for Credit for Other Dependent. (TIP-If you enter all your dependents information correctly into the software, the system will automatically select the correct credits based on age and qualifications.) To learn about these credits, you could view PUB 4012 page G-1 through G-5 for information on Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents to see which credits they may qualify for.
22. Print the PDF-See your 1040 Line 25d. You can also manually calculate the total withholdings—amount of income tax the client paid to the IRS ***during the tax year*** like from a W2, or taken from Social Security or Retirement payments before the check was put into the clients bank account.

TIP: Don't just answer the questions, look to see how all the information you entered flowed from the forms to the schedules, to the 1040 page 1 to the end results on page 2. See an example of someone going over a tax return line by line like it should be explained *I will post a "How to review the return to the client" video once the software is updated for 2021. It will be posted on vitaresources.net/explainingreturns.html

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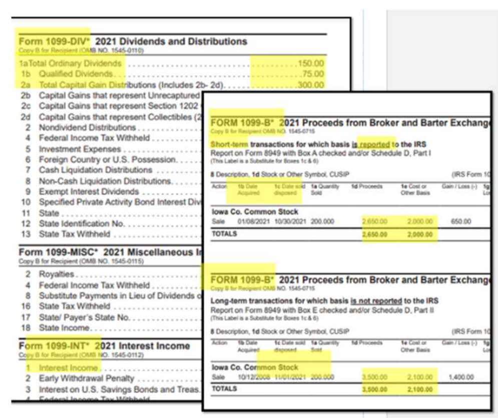
Advanced Scenario 8: Joanne Oak

In this scenario we have:


Form 1099-DIV* 2021 Dividends and Distributions
Copy B for Recipient (OMB NO. 1545-0110)
1a Total Ordinary Dividends 150.00
1b Qualified Dividends 75.00
2a Total Capital Gain Distributions (Includes 2b- 2d) 300.00
2b Capital Gains that represent Unrecaptured
2c Capital Gains that represent Section 1202
2d Capital Gains that represent Collectibles (2
2 Nondividend Distributions
4 Federal Income Tax Withheld
5 Investment Expenses
6 Foreign Country or U.S. Possession
7 Cash Liquidation Distributions
8 Non-Cash Liquidation Distributions
9 Exempt Interest Dividends
10 Specified Private Activity Bond Interest Div
11 State
12 State Identification No.
13 State Tax Withheld

Form 1099-MISC* 2021 Miscellaneous In
Copy B for Recipient (OMB NO. 1545-0115)
2 Royalties
4 Federal Income Tax Withheld
8 Substitute Payments in Lieu of Dividends o
16 State Tax Withheld
17 State/ Payer's State No.
18 State Income

Form 1099-INT* 2021 Interest Income
Copy B for Recipient (OMB NO. 1545-0112)
1 Interest Income
2 Early Withdrawal Penalty
3 Interest on U.S. Savings Bonds and Treas.

FORM 1099-B* 2021 Proceeds from Broker and Barter Exchang
Copy B for Recipient OMB NO. 1545-0715
Short-term transactions for which basis is reported to the IRS
Report on Form 8949 with Box A checked and/or Schedule D, Part I
(This Label is a Substitute for Boxes 1c & 6)
8 Description, 1d Stock or Other Symbol, CUSIP

Action	1b Date Acquired	1c Date sold disposed	1a Quantity Sold	1d Proceeds	1e Cost or Other Basis	Gain / Loss (-)
Iowa Co. Common Stock						
Sale	01/08/2021	10/30/2021	200.000	2,650.00	2,000.00	650.00
TOTALS				2,650.00	2,000.00	

FORM 1099-B* 2021 Proceeds from Broker and Barter Exchang
Copy B for Recipient OMB NO. 1545-0715
Long-term transactions for which basis is not reported to the IRS
Report on Form 8949 with Box E checked and/or Schedule D, Part II
(This Label is a Substitute for Boxes 1c & 6)
8 Description, 1d Stock or Other Symbol, CUSIP

Action	1b Date Acquired	1c Date sold disposed	1a Quantity Sold	1d Proceeds	1e Cost or Other Basis	Gain / Loss (-)
Iowa Co. Common Stock						
Sale	10/12/2008	11/01/2021	200.000	3,500.00	2,100.00	1,400.00
TOTALS				3,500.00	2,100.00	

- Consolidated broker's statement. See PUB page D23-D26—**Tip: Don't get overwhelmed, get a highlighter and breakout all the forms you see, and all the data needs to be entered **a consolidated statement is just multiple forms as part of one report—do each form one by one in order, check them off as you do them so you don't miss one. Go in order and keep papers organized and in order**
- Self-employment: reported income from cash, 1099-K & 1099-NEC, expenses & mileage **See PUB 4012 D15-D22** or Read PUB 4491 section 9-1 through 9-16; **Tip: when looking at expenses—are they reasonable, ordinary, and necessary to run the business—or are they more personal in nature?**
- Early withdraw from retirement See PUB 4012 pages H4-H5 PUB 4491 page 11-12
- Education Expenses See PUB 4012 Section J*5 like to share page J-f with volunteers and clients
- Payment of Student Loan Interest PUB 4012 page E-11

When you finish the return, print it as a PDF and review the return and all accompanying schedules. Then start the questions.

23. Print your PDF-Look at the Schedule D Line 15 that generated with your return
24. Remember note from above: when looking at expenses—are they reasonable, ordinary, and necessary to run the business
25. Look on your printed 1040 Schedule 1 under adjustments (Line 21); PUB 4012 page E-11 (good news-you don't have to memorize this #, if you enter more on the actual tax return, the system will only use the amount paid up to the allowed amount
26. Print your PDF-How many miles did you enter on the Schedule C? See Schedule C page 2. What miles are allowed? See Pub 4012 D-24 through 25

27. Look at Form 8863 that printed. What is on Line 19. The question itself gives a hint to the correct education credit you should have selected when doing your data entry (make sure you know why that credit instead of the others for your own knowledge and understanding.
28. Print the PDF-Look at your 1040 Schedule 2 line 8.
29. See PUB 4012 page K-17

Advanced Scenario 9: Thomas Polk

In this scenario we have: a widower, Thomas, who has 1 daughter who lives with him. Thomas has W2 wages, interest, daycare expenses, and Marketplace Health Insurance.

- Information on who and what qualifies for dependent care credit can be found in PUB 4012 pages G12-15
- To learn about Child Tax Credit, you could view PUB 4012 page G-1 through G-5
- To learn about Dependent Care expenses—PUB 4012 G10-12 and PUB 4491 starting page 21-1
- To learn about Marketplace see PUB 4491 Section 26-1 (you could also learn about Marketplace at vitaresources.net/marketplace)

30. PUB 4012 pages B10 or tables B11 through B12—start at top—don't just assume you know what the filing status should be.
31. Print your PDF-Look at your 1040, Line 11
32. Look at the return you did
    a. **The 1040 and the Schedule 8812**. Schedule 8812 is kind of vague, but if there is an amount on Line 5, then they qualified for the CTC. If there is an amount on Line 7, then you know they qualified for Credit for Other Dependent. (TIP-If you enter all your dependents information correctly into the software, the system will automatically select the correct credits based on age and qualifications.)
    b. **The 1040 Schedule 3 Line 2**
    c. **The 1040 Schedule 3 Line 9**
33. Print your PDF-Look at your 1040, Schedule 3 Line 4
34. What is it asking? Key word—*advanced*…… Look at your 1040, Form 8962 Line 25 (You can find this # on the 1095A as well)
35. Print your PDF-Just look at your Schedule 3. Where is the credit reporting?

Disclaimer: If I have to make changes to this study guide, I will post them on vitaresources.net/studyguides

Questions? Please reach out to me.

Make sure to visit vitaresources.net for more tools and training resources to be used for certification and throughout the year.

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