

Current TaxSlayer Production Inadequacies and Other Quirks

“NY4 Workarounds for Tax Slayer (TS) Production 2016 Errors (as of 02/19/2017)”

(Part I represents Workarounds for known TS software errors and quirks. Review frequently to stay alert to the latest developments. These are not to be used if/when errors are fixed in Production, recent and already fixed items are duly noted and will be deleted in subsequent revisions. Part II represents points of clarification to keep in mind when using TS. Refer to Part II as needed. Always link to this document through Sam’s Taxhelper to be certain you have the latest info. Your dedication and diligence in staying on top of TS challenges is very much appreciated!)

PART I – WORKAROUNDS AND QUIRKS (Review frequently to stay alert to the latest developments)

- 1. Workarounds and Quirks ...** Future revisions of this list will only address remaining and requisite Workarounds and highly significant TS Quirks. Items noted as Fixed will also be removed in future revisions. Brevity is the goal. It is hoped this part of the document will become obsolete very soon. Good to know Points of Clarification have been moved to Part II, which follows and begins on a new page.
- 2. Anything missing, misleading, confusing or just plain wrong? ...** Call Lee Mayfield at (315) 589-8570 or email ATaxSvc@gmail.com to provide comments. All comments will be most appreciated.
- 3. Initial Data Entry of Personal Information ...** **Repeated for emphasis:** Be very diligent in correctly entering data for Names, Address, Zip+4, Dependents, Dates of Birth, SSNs, etc. on the first go around! These entries can ripple through out the returns. Later editing can be a huge challenge. Additional care here can save a lot of time and effort for Quality Reviewers, LCs and EROs. See Points of Clarification in the next Section for important details.
- 4. Form 8867 Paid Preparer’s Due Diligence Checklist ...** **Still not fixed:** The form currently prints the Volunteer preparer’s name and the Site’s PTIN number. No known workaround, or when this will be fixed. **Until fixed and if your LC includes this in the print set,** you should use one person’s Quick-n-Simple Workaround, black out the info on the Client’s return copy with a magic marker. If applicable, QR’s please add this to your checklists.
- 5. Date of Death for Taxpayer or Spouse Occurring in 2017, but before filing of return ...** **Recently added:** 2017 has been added to the drop down list of dates when selecting Deceased. Caution: When selecting 2017, the return will get rejected if the Social Security Administration does not have the date of Death on file and included in the IRS Master List. Please refer to page K-23 of the NTTC-modified Pub 4012 regarding a taxpayer that dies after the tax year end. It’s possible that the IRS might reject the return. If so, you may need to paper file the returns or delay the filing. Suggested workaround: leave out Date of Death and have surviving spouse or representative simply sign on behalf of the deceased party adding, as surviving spouse or representative after the spouse’s/representative’s signature. Lack of inputting a date of death will result in TS not printing “DECEASED” followed by the date of death. This will be an omission by TS, not the tax preparer’s error. Inputting a date of death in 2016 will be a tax preparer error. “If a personal representative has been appointed, that person must sign the return. If it is a joint return, the surviving spouse must also sign it. If no personal representative has been appointed, the surviving spouse (on a joint return) signs the return and writes in the signature area ‘Filing as surviving spouse’. If no personal representative has been appointed and if there is no surviving spouse, the person in charge of the decedent’s property must file and sign the return as ‘personal representative’.” See Pub 559 – Survivors, Representatives and Administrators, page 4, column 1. Federal return will generally require Form 1310 if a personal representative other than the surviving spouse is signing for decedent. Enter at Federal / Miscellaneous Forms. [Combination Significant Quirk and SS Administration change in procedure.]
- 6. New State ID Input Requirement ...** TS finally has an input screen to report the requisite state ID data in TS 2016 Production in the e-File Section. **Fully fixed.** When entering state ID info, TS has added an item to the drop down list. In addition to the choices of Driver’s License or DMV/BMV State ID, there is now a choice for Not Available. **Repeated for Emphasis:** We may now report state ID as intended and we No longer should be resorting to entering Not Available for both taxpayer and spouse!

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7. **W-2 Medicaid Waiver Payments ...** NEW: A new box was added to the TS W-2 input screen for Medicare Waiver Payments. The amount entered in the new box is supposed to carry appropriately to line 21 and should reduce the amount of AGI used in the EITC calculation appropriately.

Reminder: AARP scope and a preparer's (or QR's) personal scope may differ. If you haven't been specifically trained or feel confident on a given tax topic based on your experience, it is probably out of your personal scope! If you haven't read and fully understood [Internal Revenue Bulletin Notice 2014-7](#) and the [Medicaid Waivers Q&A](#), this would be out of your personal scope. If you deem it within your personal scope, Sam Kaplan's Taxhelper has a couple of additional links to a NTTC slide presentation and the latest info in the latest revision to Pub 4012. If anyone knows of any guidance on how this should be handled on the NY return (e.g., Addition to income?), please share with Lee.



8. **W-2 Changing Wages in Box 1 ...** After entering wages in Box 1 of the W-2, if the amount is later edited or changed, Boxes 3 through 6 will be updated but not Box 16 State wages. You will have to manually change/update the state wages in Box 16! [Significant Quirk.]
9. **W-2 Box 12 with Code H (Possibly Other Codes) ...** Unlike elective deferrals to typical retirement plans (401-Ks and 403-Bs) where such deferrals are not included in the W-2, Box 1, Wages amount, elective deferrals to Internal Revenue Code Section 501(c)(18)(D) tax-exempt organization retirement accounts are included in Box 1 Wages, therefore an adjustment needs to be made on the 1040, Line 36, to subtract the retirement contribution from income. (See Pub 525, 1040 Instructions and W-2 Instructions.) Most tax software will auto detect the W-2, Box 12, Code H and make the Line 36 subtraction adjustment for us. Unsurprisingly, Not so with TS; and, it is not expected to be fixed soon.

To make the necessary adjustment in the return using TS, go to Federal / Deductions / Adjustments / Other Adjustments. From the Other Adjustments drop down box, select "Section 501(C)(18)(D) Plan" and enter the corresponding amount from the W-2. This will cause TS to include the Other Adjustment subtraction in the subtotal for the 1040, Line 36 with the required notation "501(c)(18) :\$xx.xx". Other Adjustments, but not all manual subtraction(s), you may need to consider are Jury Duty Pay surrendered to an employer, Personal Property Rental Expenses, Contributions by certain chaplains to 403(b) plans and Certain Attorney Fees.

10. **Sale of a Primary Residence and a 1099-S is issued ...** NEW: TS has a good Sale of Main Home Worksheet input area, go to Federal / Income/ Capital Gain and Losses Schedule D / Sale of Main Home Worksheet / Add/Edit. This is a two part input screen, with input sections for "Basic Information About Your Home" and "Adjustments to the Sale". When entering the data in the Basic Info section, if applicable, be sure to (1) answer the questions about days occupied and days of residency to meet the gain exemption tests based on occupancy and ownership and (2) if applicable check the box labeled, "Check here if you qualify for the Maximum Exclusion or the Reduced Maximum Exclusion." After entering data in both the Basic Info and Adjustments to Sale input sections, TS will add two worksheets to the print set: Worksheet #1 – Adjusted Basis of Home Sold and Worksheet #2 – Taxable Gain on Sale of Home. These two printed worksheets offer valuable information for later follow up by the client and/or future tax preparer —print and save for later. Be sure you print the latest version for inclusion in the client's copy of the return(s). Be sure to enter the gross proceeds of the sale to match the 1099-S; then make adjustment inputs as necessary. Now for the problem(s) that requires this Workaround.

TS fails to fully use or take the Sale of Main Home Worksheet data previously entered by the preparer and correctly carry it into the tax returns when there is a loss on the sale of a primary residence. The data previously entered will only carry forward in a gain scenario. In a Loss situation, the data previously entered is ignored, more below. When a 1099-S is issued, the sale (whether a gain or loss) must be reported on Schedule D (by way of form 8949) for IRS record matching purposes.

Sale resulting in a Gain:

TS will use the previously entered data and carry it through and report the transaction automatically on form 8949 (which is also then carried to Schedule D) and correctly report the gross proceeds (Col. D) to match the 1099-S, but it will not breakout the total adjustment to gain between selling expenses (Code E in Col. G) and

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allowable gain exclusion (Code H in Col. G). Code E identifies Selling Expenses; Code H identifies Exclusion of Gain on Sale of Home. TS will report the full adjustment amount as a Code H adjustment, resulting in no taxable gain. The ultimate result we want inside the return. There is no way currently to add or breakout the adjustment to reflect Code E – Selling Expenses versus Code H – Exclusion of Gain. Since exclusion of gain on a personal residence of up to \$250,000 is allowed for Single/MFS and up to \$500,000 for MFJ, this should never present a problem here in Upstate NY. No additional data entry is truly required and there should be no need to breakout the selling expenses. If the gain is close to the limit and it might make a difference and you feel selling expenses might need to be shown, refer the client to a paid preparer.

Sale resulting in a Loss:

Other than to generate valuable documentation for the client, entering data into the Sale of Main Home Worksheet input area is not necessary. Just enter the data as you would any other sale of a capital asset. When a 1099-S has been reported, a loss transaction must be reported on Form 8949, and must be manually entered in TS for IRS record matching purposes. Later the loss will need to be adjusted to zero since the loss on sale of a home is not allowed. To enter the sale data manually on form 8949, go to Federal / Income / Capital Gain and Losses Schedule D / Capital Gains and Loss Items / Add a Capital Gains Transaction.

You will need to manually enter (1) “Main Home” of “Sale of Home” for Description of Property; (2) dates of sale and acquisition; (3) under Sales Price, enter the gross proceeds from the 1099-S as the Sale Price (do not net out the selling expenses) and for the Select Cost Basis Type, choose “Did Not receive Form 1099-B” from the drop down box; (4) enter as a positive number an adjustment for the difference between the proceeds and cost; and, (5) check the box for Code L – Nondeductible Loss Other than a Wash. TS will include these entries on a printed 8949, either in Part I - Box C for short term or Part II - Box F for long term, based on the dates entered for sale and acquisition. Be sure the dates and amounts entered here match the same dates and amounts entered for the Sale of Home Worksheet entries noted back at the beginning of this Workaround, or the print outs for the client copy of worksheets #1 and #2 may be wrong.

11. **IRA Rollover Distributions** ... Be sure you entered \$0.00 for the Box 2a input and then be sure to check the Box labeled, “Check here if all/part of the distribution was rolled over, and enter the rollover amount.” Failure to check the box may cause TS to include the rolled-over, nontaxable (and unavailable to spend) income when calculating the state sales tax deduction and thus calculate an incorrect amount! [Significant Quirk.]
12. **IRA Distributions from accounts with previous Non-Deductible Contributions (Form 8606)** ... To properly make an accurate calculation, you will need to know the total value of the IRA at the end of the tax year and the amount of the remaining basis in the IRA at the beginning of the tax year, which should be shown on a copy of the taxpayers Form 8606 from the prior year return. Begin by entering the 1099-R as you normally would. Go to Federal Section / Enter Myself / Ira/Pension Distributions / Add or Edit a 1099-R). To find the input screen where you can enter the Form 8606 prior remaining basis data, go to Federal Section / Deductions / Enter Myself / Adjustments / Nondeductible IRA Contributions / Enter a Form 8606-Nondeductible IRA Contributions. Warning: Taxable amounts calculated on the Form 8606 will Not automatically carry into the return. Any taxable amount from the bottom of Form 8606 must be manually noted and then manually entered or adjusted on the applicable 1099-R input screen in box 2a! Don’t forget to add or update the NY Pension exclusion! If you have more than one 1099-R involving previous non-deductible contributions, it can get complicated fast. Use the Sam Kaplan Taxhelper, [NY Pension Exclusion Calculator](#), which, in addition to calculating NY exclusion amounts, will allocate the Form 8606 federal taxable amount(s) among the various IRA 1099-Rs. The calculator will provide the applicable box 2a amounts for you to manually input into TS. [Significant Quirk.]
13. **1040 Line 10 Taxable State and Local Income Tax Refunds Versus Refunds of Other Prior Year Itemized Deductions Reported on 1040 Line 21** ... The TS State and Local Income Tax Refund Worksheet appears to be fixed in TS 2016 Production. TS now asks for all the pertinent info to make the correct calculation when no other Recoveries are involved. The TaxSlayer calculation is correct except under 2 conditions (1) 2015 Taxable income result (1040 line 41 less line 42) is negative and there are unused tax credits and (2) if, in addition to a state tax refund, there are other recoveries so that an amount needs to be entered on line 21. When there is another federal Schedule A recovery other than state tax refund(s) the amount that is taxable could be different

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than if there were no other Schedule A recoveries. In cases (1) and (2) it is necessary to use other recoveries worksheets. The IRS provides such worksheets, but they leave something to be desired.

Also, keep in mind that state and local income tax refunds are reported on Line 10 of the 1040, but all other Recoveries such as recoveries of other prior year itemized deductions (e.g., NYS Property Tax Freeze Payments) are reported on Line 21 – Other Income. Be advised if you have a combination of state income tax refunds and/or a recovery of other previously claimed deductions, you'll need to apply the recovery rules and tax benefit rules, and it can get complicated fast. In both cases above, it is recommended you use the [Taxable Refund and Recovery Calculator](#) linked inside Sam Kaplan's Taxhelper to calculate the amounts and then manually enter them into TS.

14. **1040 Line 10 Taxable State and Local Income Tax Refunds Versus Refunds of Other Prior Year Itemized**

Deductions Reported on 1040 Line 21 ... The TS State and Local Income Tax Refund Worksheet appears to be fixed in TS 2016 Production. TS now asks for all the pertinent info to make the correct calculation when no other Recoveries are involved. The TaxSlayer calculation is correct except under 2 conditions (1) 2015 Taxable income result (1040 line 41 less line 42) is negative and there are unused tax credits and (2) if, in addition to a state tax refund, there are other recoveries so that an amount needs to be entered on line 21. When there is another federal Schedule A recovery other than state tax refund(s) the amount that is taxable could be different than if there were no other Schedule A recoveries. In cases (1) and (2) it is necessary to use other recoveries worksheets. The IRS provides such worksheets, but they leave something to be desired.

Also, keep in mind that state and local income tax refunds are reported on Line 10 of the 1040, but all other Recoveries such as recoveries of other prior year itemized deductions (e.g., NYS Property Tax Freeze Payments) are reported on Line 21 – Other Income. Be advised if you have a combination of state income tax refunds and/or a recovery of other previously claimed deductions, you'll need to apply the recovery rules and tax benefit rules, and it can get complicated fast. In both cases above, it is recommended you use the [Taxable Refund and Recovery Calculator](#) linked inside Sam Kaplan's Taxhelper to calculate the amounts and then manually enter them into TS.

15. **Sch A Long Term Care Premiums ... Edited/Updated for additional clarity:** In TS, federal input is handled differently than state input for LTC Premiums. And for good reason; fed and state rules are different as to the amount of premiums paid that may be deducted or applied to the state credit. For a return in TS with LTC premiums, we (shouldn't have to, but...) must enter three inputs.

- For federal return, for the medical deduction, enter Gross LTC premiums paid.
- For NY state return, for the credit, enter Gross LTC premiums paid.
- For NY state return, for the itemized deduction adjustment, enter the Net amount of LTC premiums actually deducted on Sched A.

At the bottom of the "Schedule A - Medical Deductions" input screen is a line for entering "Qualified Long-Term Care Premiums". Enter the gross amount of premiums paid individually for the taxpayer (and spouse if MFJ). Entries made here will carry to into the federal return on "Schedule A – Medical Expenses" and the deduction limitation based on age is properly calculated, but the NY state return requires two additional manual entries.

To claim the NYS credit, enter the full gross amount of premiums paid in State / Edit / Enter Myself / Credits / NY Long Term Insurance Credit (IT-249). NY does not cap the amount of LTC premiums paid that may be considered in computing the state credit. TS will auto calculate the tax credit based on the amount of gross premiums entered and then carry the credit correctly to the NY return.

For the combination state credit and state itemized deduction "double dip" adjustment to state itemized deductions, we must manually enter the federally limited deductible amount included on the 1040 Schedule A. This amount is entered in State / Edit / Enter Myself / Itemized Deductions / Subtractions from Federal Itemized Deductions / Long Term Care Premiums Included on Federal Schedule A, Line 1. Refer to the Supporting Statement for Schedule A in the printed return pdf to find the age limited amount deducted. TS will handle the rest of the math and necessary steps for the itemized deduction double dip adjustment on the state return.

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Warning: NYS itemized deductions will be automatically reduced by typical adjustments, such as state taxes deducted on the federal Schedule A and automatically reduced for the Long Term Insurance Premiums double dip adjustment noted above. These adjustments are normally detailed on the state Form IT-201-D, line 9; however, in some cases the two adjustments may reduce overall state itemized deductions below the amount of the state's Standard Deduction. In that case TS will not print the IT-201-D as it is thought to be unneeded and TS will correctly take the higher and more beneficial Standard Deduction. Unfortunately, the unprinted IT-201-D might have helped someone understand the math involved.

16. **Sch A sales tax deductions** ... TS now appears to be calculating the sales tax deduction correctly using the built-in Sales Tax worksheet. And, the IRS has finally updated its sales tax calculator for 2016, which you can now use that as a double check. The IRS calculator is linked from Sam's Taxhelper, or it can be found at <https://www.irs.gov/individuals/sales-tax-deduction-calculator>. **Repeated for Emphasis:** for 2016 use 366 days, not 365. This will have TS calculate a near match to the IRS calculation, rather than being off a couple of dollars.
17. **Tax Credits for Unclaimed Dependents (Education and Retirement Savings Credits)** ... **Recently added:** An unclaimed dependent cannot claim their own exemption deduction, but they are allowed credits for education (AOC or LLC) and retirement savings. TaxSlayer will not allow the dependent either credit and there is no way to manually fix this. Advise the taxpayer to go to a paid preparer (or to come back later in the season to see if TaxSlayer has fixed it).
18. **NYS Tax Credits** ... **Repeated for Emphasis:** On the NYS return, if a taxpayer is eligible for a Long Term Care Insurance credit, which can be carried forward indefinitely, and other state tax credits that are use-it-or-lose-it credits (e.g., refundable NYS household credit), or other credits that can be carried forward for a limited period (e.g., out-of-scope Solar Tax credit), TS fails to consider any of these other credits. The current Long Term Care Insurance credit plus any carryover Long Term Care Insurance credit from previous years are supposed to be adjusted lower by any other higher-order tax credits (to leave the unlimited carry-forward Long Term Care credit available for future years). This is in full error by TS.

The other credits are supposed to be applied first; and unfortunately, this is done on the NY Form IT-249, page 2, line 21. TS not only doesn't carry anything to line 21, there is no way in TS to manually input numbers for line 21 when and if necessary (e.g., the abnormally required and manually prepared form IT-258 for Nursing Home Assessment credit, or IT-245 for Volunteer Firefighter/Ambulance Worker credit). If this situation applies, the only remedy is to (1) manually prepare forms IT-201-ATT, IT-249 and any other pertinent forms; (2) fudge entries in TS to make the other credits total correctly on page 3 of the IT-201; (3) substitute the manually prepared forms for any in the official TS print set; and (4) then paper file the NYS return!

19. **NYS Nursing Home Assessment Credit** ... To claim this particular credit, go to State / Edit / Enter Myself / Credits / Other Refundable Credits. The resultant input screen allows you to take up to three additional miscellaneous credits here. You choose the credit by selecting from a drop down box. Below that line is a place to enter the dollar value of the credit. TS will include the credit in the return, **but the return will not be eligible for e-File**. Preparers are expected to manually calculate the credit amount and **manually prepare the form (IT-258) for attachment** to the taxpayer's return. [Significant Quirk. No fix expected.]
20. **NY State Return Editing and the Endless Loop** ... If you try to Edit the state return and click on Enter Myself, you may be asked to answer questions you've already answered, only to find yourself back at the beginning of the Edit process. You may have to resort to the Guide Me option rather than the Enter Myself option. This is a TS software Bug and it is frustratingly inconsistent from day to day.
21. **Health Section/ACA & Affordability of Employer Offer of Insurance** ... **NEW:** After correctly answering all applicable questions in the Health Section, TS appears to handle everything correctly and automatically, including the Marketplace Affordability Worksheet. But... it doesn't appear that TS will ever provide an Affordability Worksheet to determine the affordability of an Employer Offer of Insurance. We are on our own. Follow the instructions in the latest version of Pub 4012, which is linked in Sam's Taxhelper. The Taxhelper also

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provides a link to the Colorado Tax-Aide Affordability Calculator, which can be used to generate supporting documentation for the Client's copy of the tax returns.

22. **E-File Section** ... Questions answered or other entries made here may not be fully saved until the return reaches or passes the Submission stage of entry. Be prepared to have to re-enter data if you begin the e-File section again.
23. **No Refund/Balance Due Returns** ... **Recently added:** Select "Mail Payment" as the Federal Return Type to e-file a return that has no refund or no payment due.
24. **Zero AGI Returns** ... **Recently added:** To deter identity theft and e-file the return, Tax-Aide recommends that a tax return be e-Filed, even though not required. Add \$1 to other income and describe as "TO ENABLE E-FILE."

Important Points of Clarification follow on the next page.

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Part II – POINTS OF CLARIFICATION Last Revised on 01/28/16 (Review often, any changes in subsequent revisions will be highlighted. Comments here are good to know and do not necessarily involve TS software errors/quirks.)

- 1. Correcting/Adding/Changing/Deleting of initial Data Input ... Repeated for Emphasis:** Many initial data inputs are later offered by TS as defaults to ease subsequent data input. Once accepted/input the data becomes hard coded. If the initial feeder data is later changed, you will need to go through the return and update and change those fields populated with the initial pre-edited data. The next few items discuss some observed scenarios.
- 2. Changing the Taxpayer's Last Name ... Repeated for Emphasis:** When the taxpayer's last name is updated, be sure all instances where the taxpayer's name was auto selected on initial entry are updated as well Through Out the full return.
- 3. Changing any part of the Taxpayer's Address ... Repeated for Emphasis:** The taxpayer's address as initially input is auto input into many forms on the return (Sch C, Sch E, Form 5695, etc.) If the address is later changed, all other inputs with the same address must be manually confirmed/updated.
- 4. Changing the Zip+4 ... Repeated for Emphasis:** Same as above, if the original Zip Code is changed, you must change all other Zip+4 inputs manually. Moreover, if you only initially input the 5 digit zip and do not enter the +4, on the NY state return TS incorrectly uses the last 4 digits of the Zip Code as input for the +4 number. Significant Quirk! Although the NY state return will be accepted electronically, the Taxpayer's mailing Zip Code may be incorrect in the state's database and cause a delay in receiving correspondence or a mailed tax refund! Sam Kaplan has added a link in his Taxhelper to assist in properly identifying the +4 part of the Zip Code. See Taxhelper page 2, upper right, in the Other Links column. Also note, the State and Local Sales Tax Deduction worksheet may require a manual update of the new Zip Code with new calculations.
- 5. Changing the Taxpayer's, Spouse's or Dependent(s) Age(s)/Date of Birth ... Repeated for Emphasis:** Again, changing the taxpayer's Age may not auto ripple though out the return so check that everything that might be impacted is correctly computed (i.e., Dependent Care Credit, age limited deduction for Long Term Insurance Premiums, NY state Pension Exclusion, etc.)
- 6. Changing Original Dependent Input and the Child and Dependent Care Expenses Tax Credit (Form 2441) ...**
Warning: In TS, if any dependent's birthdate, **or possibly other data elements**, is later changed or edited, the amount of that dependent's associated child care expenses will likely be automatically deleted from the 2441 input screen and the child care expenses previously entered for each dependent (whose birthdate was edited) will have to be re-entered to maintain agreement of the total of expenses for all dependents with the total paid to all providers.

Warning: The amount of the employment-related expenses that may be taken into account is limited to \$3,000 if there is one qualifying individual; and, \$6,000 if there are two or more qualifying individuals. The limits are for the number of qualifying individuals, not the amounts spent for each. However, if there are expenses for only one individual dependent, TaxSlayer reduces the allowable amount to \$3,000. In this case, enter \$1 for the individual with no expenses and the balance for the other individual.
- 7. Expired ITINs ... NEW: VITA Essentials: QSRA 2017-01: Policy Update on Expired Individual Identification Numbers (ITIN).** LCs should provide you with, and make you read, all QSRA's. Please take the extra time to read these. Your failure to read these and adhere to them could cause your site to be shut down! The document provides guidance on how to assist taxpayers with an expired ITIN who also have a requirement to file tax returns.
- 8. Unreported Tip Income ...** All tip income that is not reported to an employer is subject to income tax and must be reported on line 7 of the 1040. To add the tip income to taxable income, include the amount on the W-2 input screen in the un-numbered box area below Box 10 now labeled, "Unreported Tips". The amount entered here will automatically carry to Form 4137 and automatically calculate additional Social Security tax. However, unreported tip income is not subject to additional Social Security Tax when the unreported tip income is less than \$20 for any given month. To ensure that total unreported tip income of less than \$20 for a given month is not included in the 4137 calculation, go to the Federal Section / Other Taxes / Tax on Unreported Tip Income,

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then click on the name of the household member as appropriate. Then enter the total unreported tips for that member that did not exceed \$20 in a given month.

9. **1099-OID Input** ... This is not very intuitive and there is not a specific 1099-OID input screen. An amount in 1099-OID Box 1 is Ordinary Interest, so add it as you would ordinary Interest from a 1099-INT. An amount in 1099-OID Box 8 is Interest Earned on Federal Debt Obligations, so add it as you would federal debt interest from a 1099-INT. Don't forget to make any required state subtraction entry on the 1099-INT input screen.
10. **1099-INT with State Withholding** ... In TS, 1099 forms do not generally have a place to enter state income tax withholding. Enter in Federal / Payments & Estimates / Other State Withholdings.
11. **Specified Private Activity Bond Interest** ... Enter in Federal / Other Taxes / Alternative Minimum Tax / see 4th box down. This particular item is now within scope, but most other items on Form 1116 are out of scope.
12. **Schedule K-1 Initial Data Entry** ... Be aware of scope limitations. To enter in-scope amounts go to Federal / Income or Enter Myself / Other Income / K-1 Earnings. Choose the appropriate K-1 Entry line (1065, 1120S, or 1041). Click on Add/Edit. Amounts are entered under Income. Be sure to edit the Entity Information. Near the bottom of the screen, check the boxes, "This K-1 is from a Passive Activity" and "All Investment is at Risk". If that is not the case, the return is out of scope.
13. **Schedule K-1 other Data Entry Considerations** ... Be aware of scope limitations. Pay attention to the codes reported under Section 16. Code L stands for Foreign Tax Paid, which is in scope, to enter go to Federal / Foreign Tax Credit / Edit and enter in first box.
14. **1099-Misc** ... Immediately after entering the 1099-MISC input and clicking Continue, click on the + icon, "Create a new Schedule C Income From Business", or Schedule E for Royalties or Rents. Be aware of scope limitations. To enter a second 1099-Misc for the same schedule C or E, click on the + icon, "Add a 1099-Misc" and complete the input and click on Continue, then on the following screen, "Where Would You Like to Enter the Income?", you can chose to add the amount to an existing schedule C or E by editing the existing schedule, or create a new schedule C or E.
15. **1099-R** ... To enter a second 1099-R from the same payor, you'll see a TS Warning in brown, be sure to check the "Yes, I want to save this 1099-R" and click on Continue, or TS may discard or not accept the additional 1099-R.
16. **1099-R Simplified Method** ... The internal TS Worksheet is fixed in TS 2016 Production. To (1) eliminate potential errors in calculating age(s) of recipient at start of retirement, (2) produce a printable worksheet for the taxpayer's files and (3) determine the correct taxable amount to enter, use the linked [Annuity/Pension Exclusion Calculator](#) found inside Sam's Taxhelper. Go to Federal / Income / Enter Myself / IRA/Pension Distributions / Add or Edit 1099-R / Begin/Edit and enter the taxable portion in Box 2a. Alternatively, you can use the TS Simplified Worksheet and enter the calculated Age of Recipient at Start Date from the Colorado Calculator and then enter any other required data input. Using the TS built-in worksheet will generate an internal documentation worksheet and the data will rollover next year. To add the NY state exclusion, go to State / Subtractions / Certain Pension Exclusions / Edit / and then enter the exclusion as either a Fed, State, or Local Government Pension exclusion; or a Private Pension exclusion subject to the \$20,000 exclusion. Reminder: whenever the taxable portion is recalculated, you must go to the state return and manually update the amount there as well. Note that RRB-1099-Rs are reported slightly different, see below.
17. **1099-R with Distribution Code 3, Early Retirement Distributions** ... Distributions made prior to the underlying Retirement Plan's Minimum Retirement Age are treated as wages on the federal return and may Not be excluded pursuant to the NYS Private Pension Exclusion provisions.
18. **1099-R for a Qualified Charitable Distribution** ... An IRA distribution involving a Qualified Charitable Distribution (QCD) occasionally comes up for us and may become more common in the future. A QCD distribution is generally a nontaxable distribution made directly by the IRA trustee to an organization eligible to receive tax deductible contributions. The taxpayer must be at least age 70 ½ when the distribution was made. Also, the taxpayer must have the same type of acknowledgment of the contribution that (s)he would need to claim a deduction for a given charitable contribution. The maximum annual exclusion for QCDs is \$100,000. See – IRS

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Publication 590-B. The distribution code will have a distribution code of 7 (normal distribution) and the 1099-R will not have any specific notation to indicate that it is a non-taxable QCD distribution! However, it is likely the taxpayer will point out their generosity. To enter such distribution go to Federal / Enter Myself / IRA Pension Distributions / Begin or Edit / Add or Edit a 1099-R. Enter the 1099-R as usual. The amount in Box 2a should be the amount in Box 1 reduced by the Charitable Contribution. Then go to Federal Section / Enter Myself / IRA Pension Distributions / Begin or Edit / Nontaxable Distributions and check the box labeled, "Check here to mark this as a Qualified Charitable distribution (QCD) on your return". This will tell TS to print on the return the required notation of "QCD". A QCD counts toward the Required Minimum Distribution (RMD). Reminder: A taxpayer may not claim a charitable deduction for any portion of a QCD excluded from income, unless a portion of the QCD was excluded due to a recovery of basis – See Form 8606 non-deductible contributions discussed above.

- 19. Premature Distributions (1099-R) ...** You need to manually create a Form 5329. Go to Federal Section / Other Taxes / Tax on Early Distribution. Ask taxpayer probing questions to see if an exception applies. If the distribution code is 1 and is known to be in error, enter the incorrect distribution code, then generate the 5329 and use exception code 12 – Other, the 1099-R input will match IRS records but no penalty will be included in the return. The other common penalty exclusions are higher education purposes or medical expenses, Form 5329 Codes 08 and 05, respectively. But be careful, sometimes a distribution code of 1 after age 59 ½ is correct! Ask probing questions. If the taxpayer began receiving distributions before age 59 ½ that were part of a series of substantially equal payments as described in Internal Revenue Code Section 72(q), (t), (u), or (v); then, such payments are deemed non-premature and should have a distribution code of 2. However such equal payments may not be modified within 5 years of the start of the periodic payments or the date taxpayer reaches age 59 ½, whichever comes later. If the equal payments are modified within the 5-year period, any further distributions will be deemed premature distributions starting in the year of modification regardless of age and continuing through the end of the five year period. In such a case the distribution code of 1 would be correct!
- 20. Entering a RRB-1099 ...** In TS the RRB-1099 information is entered using the Social Security Benefits/RRB-1099 input screen, but the actual input screen makes no reference to a RRB-1099. Enter the RRB-1099 amounts as though they were Social Security benefits. Note this is different than a RRB-1099-R!
- 21. RRB-1099-R and NY State return ...** Enter the RRB-1099-R info and calculated taxable amount into the federal return on the RRB-1099-R input screen, then go to State / Subtractions / Other. There are three available points for entry, choose the first unused one, and click on Begin or Edit. For Type of Other Subtraction, choose "Individuals" from the drop down menu. For Other Subtraction description, choose "Railroad Retirement Income" from the drop down menu. This will make TS put the pension exclusion on line 31 of the IT-201 where it belongs, rather than Line 25.
- 22. Canadian or German Social Security Benefits ...** Under existing treaties between the U.S. and Canada and the U.S. and Germany, Social Security/National Pension Benefits Paid to U.S. Residents are treated for U.S. income tax purposes as if they were paid under the social security tax laws of the U.S. Similar benefits from other countries are Out-of-Scope. Canadian benefits are reported on Canadian Form NR4. Like RRB-1099 Social Security Equivalent benefits discussed above, report Canadian and German benefits on the SSA-1099 input screen. The taxpayer should have converted the foreign income into U.S. dollars, US\$. The Internal Revenue Service has no official exchange rate and generally accepts any posted exchange rate that is used consistently. The taxpayer should not shop for the best rate from multiple exchange rate sources or use the most favorable rate during the year, nor use the rate in effect for the first or last day of the year. Preferably the taxpayer will use the same rate source every year. Ideally the taxpayer will use the exchange rate applicable to the day the foreign currency was received and then total the individual converted amounts received for the year. See www.irs.gov/individuals/international-taxpayers/foreign-currency-and-currency-exchange-rates for links to sources of exchange rates. If the benefits were paid uniformly throughout the year, a single average conversion rate, if available, may be used for the total annual benefits received. In the past, the IRS has published yearly average exchange rates for some of the major currencies and may do so again for 2016. See www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates. Also see

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www.federalreserve.gov/releases/g5a/current/default.htm. Note that these two sources offer two substantially different average annual exchange rates! Pick a source and stay with it – be consistent.

- 23. 1099-LTC Long Term Care Benefits Received** ... Surprisingly, data from the 1099-LTC is initially input at Federal Section / Deductions / Adjustments / Medical Savings Accounts (8853). Look towards the bottom of the screen. LTC input information flows automatically to Form 8853 and the rest of the return. On the resultant input screen, the other input data will help TS decide how much of the benefits received should be taxable.
- 24. Jury Duty Pay and Amounts Surrendered to Employers** ... The gross amount of jury duty pay received is entered at Federal / Income / Other Income / Other Income Not Reported Elsewhere. Jury duty pay surrendered or given over to an employer must be reported as an adjustment to income. Go to Federal Section / Deductions / Enter Myself / Adjustments / Other Adjustments / Add An Other Adjustment. From the resultant screen you can click on the drop down box and choose Jury Duty Pay. In the amount box to the right, enter the amount of jury duty pay surrendered to the employer. This will tell TS to print the “Jury Duty: XXX” notation on the 1040 at line 36 to make it compliant with IRS e-filing requirements. The XXX will be replaced with the actual amount of pay surrendered. Note: Line 36 is a subtotal line of all adjustments shown at the bottom of page 1 of the 1040. The subtotal amount printed will be equal to the amount of all adjustments shown on lines 23 through 35 plus the amount of the jury duty pay surrendered. The “Jury Duty XXX” notation explains why the math doesn’t work at first glance.
- 25. Sch A Medical and Dental Expenses** ... If you use the “Itemized Details” button in the far right column of the of “Schedule A - Medical Deductions” input screen, verify the amounts entered actually are included in the calculations. In the past some entries have not carried, but TS has fixed most, if not all, of these.
- 26. Estimated State Tax Payments** ... Both federal and state Estimated Tax Payments made for the current tax year (and amounts applied from the previous year refunds) are entered by going to Federal / Payments and Estimates.
- 27. NYS Family Tax Relief Credit** ... This credit may only be claimed when tax liability after subtracting all other available credits is greater than zero. Other state credits (e.g., College Tuition Credit) may make this credit not claimable. TS will handle this credit automatically and no additional input is required. Taxpayer may opt to not claim the College Tuition Credit if it has a negative impact on the Family Tax relief Credit. Discuss and disclose with the client.
- 28. Tax Penalties for Under-Withholding and/or Late Payment of Tax** ... Estimated tax penalties are out of scope. If an amount appears on line 79 of the 1040, we must zero it out. Go to Federal / Payments and Estimates / Underpayment of Estimated Tax / Begin or Edit. Check the box to request a waiver with the following reason, “To be calculated by the IRS”. While you need to override the underpayment penalty on the 1040, in TS the IT-201 defaults to no penalty and no override action is required.
- 29. Tax Balance Due and paid by Direct Debit** ... The required “Debit Telephone #” should be the taxpayer’s telephone number. You can now enter a specific payment date.
- 30. Long Form 1040 Vs. 1040A or 1040EZ** ... To force a long Form 1040 for both printing and e-file purposes, add \$1 to Other Income captioned “To force Form 1040” and then add a negative \$1 to Other Income captioned “To force Form 1040 offset.”