

AARP Foundation Tax-Aide

Introduction to Federal Income Tax Law

Tax Law Basics

- **All income is taxable,
unless the law says it is not**
- **No deduction is allowed,
unless the law says it is**
- **No credit is allowed,
unless the law says it is**

Tax Law Basics

Income

Less adjustments

= Adjusted gross Income

Less deductions and exemptions

= Taxable Income

Form 1040

- Identity, filing status and exemptions
- Income
- Adjustments
- Deductions and exemptions
- Tax and nonrefundable credits
- Additional taxes
- Refundable credits

Form 1040

Form	1040	Department of the Treasury—Internal Revenue Service (99)	2014	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.																									
For the year Jan. 1–Dec. 31, 2014, or other tax year beginning		, 2014, ending		, 20																										
Your first name and initial		Last name		Your social security number																										
If a joint return, spouse's first name and initial		Last name		Spouse's social security number																										
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.																										
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).				▲ Make sure the SSN(s) above and on line 6c are correct.																										
Foreign country name		Foreign province/state/country		Foreign postal code																										
Filing Status Check only one box.		<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>1 <input type="checkbox"/> Single</p> <p>2 <input type="checkbox"/> Married filing jointly (even if only one had income)</p> <p>3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶</p> </div> <div style="width: 48%;"> <p>4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶</p> <p>5 <input type="checkbox"/> Qualifying widow(er) with dependent child</p> </div> </div>																												
Exemptions If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>		<div style="display: flex;"> <div style="flex: 1;"> <p>6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a</p> <p>b <input type="checkbox"/> Spouse</p> </div> <div style="flex: 1;"> <p>Boxes checked on 6a and 6b <input type="checkbox"/></p> <p>No. of children on 6c who:</p> <ul style="list-style-type: none"> • lived with you <input type="checkbox"/> • did not live with you due to divorce or separation (see instructions) <input type="checkbox"/> <p>Dependents on 6c not entered above <input type="checkbox"/></p> <p>Add numbers on lines above ▶ <input style="width: 40px;" type="text"/></p> </div> </div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 30%; font-size: 0.7em;">(1) First name</th> <th style="width: 30%; font-size: 0.7em;">Last name</th> <th style="width: 15%; font-size: 0.7em;">(2) Dependent's social security number</th> <th style="width: 15%; font-size: 0.7em;">(3) Dependent's relationship to you</th> <th style="width: 10%; font-size: 0.7em;">(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td><input type="checkbox"/></td></tr> </tbody> </table> <p>d Total number of exemptions claimed <input style="width: 40px;" type="text"/></p>				(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)					<input type="checkbox"/>					<input type="checkbox"/>					<input type="checkbox"/>					<input type="checkbox"/>
(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)																										
				<input type="checkbox"/>																										
				<input type="checkbox"/>																										
				<input type="checkbox"/>																										
				<input type="checkbox"/>																										

Income

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see instructions. Enclose, but do not attach, any payment. Also, please use Form 1040-V.	7	Wages, salaries, tips, etc. Attach Form(s) W-2			7		
	8a	Taxable interest. Attach Schedule B if required			8a		
	b	Tax-exempt interest. Do not include on line 8a			8b		
	9a	Ordinary dividends. Attach Schedule B if required			9a		
	b	Qualified dividends			9b		
	10	Taxable refunds, credits, or offsets of state and local income taxes			10		
	11	Alimony received			11		
	12	Business income or (loss). Attach Schedule C or C-EZ			12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► <input type="checkbox"/>			13		
	14	Other gains or (losses). Attach Form 4797			14		
	15a	IRA distributions	15a		b Taxable amount	15b	
	16a	Pensions and annuities	16a		b Taxable amount	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			17		
	18	Farm income or (loss). Attach Schedule F			18		
	19	Unemployment compensation			19		
	20a	Social security benefits	20a		b Taxable amount	20b	
	21	Other income. List type and amount			21		
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ►			22		

Adjustments

Adjusted Gross Income	23	Reserved	23			
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
	25	Health savings account deduction. Attach Form 8889 .	25			
	26	Moving expenses. Attach Form 3903	26			
	27	Deductible part of self-employment tax. Attach Schedule SE .	27			
	28	Self-employed SEP, SIMPLE, and qualified plans . .	28			
	29	Self-employed health insurance deduction	29			
	30	Penalty on early withdrawal of savings	30			
	31a	Alimony paid b Recipient's SSN ► <input type="text"/>	31a			
	32	IRA deduction	32			
	33	Student loan interest deduction	33			
	34	Reserved	34			
	35	Domestic production activities deduction. Attach Form 8903	35			
36	Add lines 23 through 35	36				
37	Subtract line 36 from line 22. This is your adjusted gross income ►	37				

Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	
	39a	Check <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes <input type="checkbox"/> if: <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind. checked ▶ 39a		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b <input type="checkbox"/>		
Standard Deduction for— • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,100	40	▶ Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	
	41	Subtract line 40 from line 38	41	
	42	▶ Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions	42	
	43	▶ Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	
	44	▶ Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	
	45	Alternative minimum tax (see instructions). Attach Form 6251	45	
	46	Excess advance premium tax credit repayment. Attach Form 8962	46	
	47	Add lines 44, 45, and 46 ▶	47	
	48	Foreign tax credit. Attach Form 1116 if required	48	} Nonrefundable
	49	Credit for child and dependent care expenses. Attach Form 2441	49	
	50	Education credits from Form 8863, line 19	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	
	52	Child tax credit. Attach Schedule 8812, if required	52	
	53	Residential energy credit. Attach Form 5695	53	
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54		
55	Add lines 48 through 54. These are your total credits	55		
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- ▶	56		

Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)		38
	39a	Check <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes		
		if: <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind. checked ▶ 39a		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b		
	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40
	41	Subtract line 40 from line 38		41
	42	Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions		42
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>		44
	45	Alternative minimum tax (see instructions). Attach Form 6251		45
	46	Excess advance premium tax credit repayment. Attach Form 8962		46
	47	Add lines 44, 45, and 46		47
	48	Foreign tax credit. Attach Form 1116 if required	48	
	49	Credit for child and dependent care expenses. Attach Form 2441	49	
	50	Education credits from Form 8863, line 19	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	
	52	Child tax credit. Attach Schedule 8812, if required	52	
	53	Residential energy credit. Attach Form 5695	53	
	54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
	55	Add lines 48 through 54. These are your total credits		55
	56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-		56

Nonrefundable

Page 2 cont.

Other Taxes		Payments		Refund		Amount You Owe	
57	Self-employment tax. Attach Schedule SE	57		75		78	
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		76a		79	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59					
60a	Household employment taxes from Schedule H	60a					
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b					
61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61					
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62					
63	Add lines 56 through 62. This is your total tax	63					
64	Federal income tax withheld from Forms W-2 and 1099	64					
65	2014 estimated tax payments and amount applied from 2013 return	65					
66a	Earned income credit (EIC)	66a					
b	Nontaxable combat pay election 66b	66b					
67	Additional child tax credit. Attach Schedule 8812	67					
68	American opportunity credit from Form 8863, line 8	68					
69	Net premium tax credit. Attach Form 8962	69					
70	Amount paid with request for extension to file	70					
71	Excess social security and tier 1 RRTA tax withheld	71					
72	Credit for federal tax on fuels. Attach Form 4136	72					
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/>	73					
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74					
75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75					
76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here	76a					
b	Routing number c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings						
d	Account number						
77	Amount of line 75 you want applied to your 2015 estimated tax	77					
78	Amount you owe . Subtract line 74 from line 63. For details on how to pay, see instructions	78					
79	Estimated tax penalty (see instructions)	79					

Training Materials

- Pub 4491 – Training Guide
- Pub 4491W – Problems and Exercises for Practice
- Pub 4012 – Resource Guide
- Pub 5157 – VITA/TCE Affordable Care Act
- Form 6674 – Certification Test and Retest
- Pub 17 – Your Federal Income Tax for Individuals

The Text Book

evergreen



4491

VITA/TCE Training Guide

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

2014 | ELECTRONIC
VERSION



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



Publication 4491 (Rev. 10-2014) Catalog Number 47499R Department of the Treasury Internal Revenue Service www.irs.gov

Pub 4491

**Follows Form
1040 order**



Table of Contents

















Part 1: Getting Started

 	What's New	3
 	Course Introduction	7
 	Affordable Care Act	19
 	Filing Basics	37

Part 2: Determining Filing Status and Exemptions

 	Filing Status	47
 	Personal Exemptions	57
 	Dependency Exemptions	61
 	Unique Filing Status and Exemption Situations	73

Part 3: Determining Taxable Income

 	Income – Wages, Interest, Etc., Form 1040, Lines 7–11	81
	Income – Business; Form 1040, Line 12	95
	Income – Capital Gain or Loss; Form 1040, Line 13	111
 	Income – Retirement Income; Form 1040, Lines 15–16	131
 	Income – Rental and Schedules K-1	145
 	Income – Unemployment Compensation; Form 1040, Line 19	163
 	Income – Social Security Benefits; Form 1040, Line 20a	165
  	Income – Other Income; Form 1040, Line 21	171
	Military Income	195

Part 4: Determining Adjusted Gross Income (AGI)



 	Adjustments to Income	203
	Military Moving Expenses	217

Pub 4491 (cont)

Part 5: Computing the Tax and Credits

 	Standard Deduction and Tax Computation	223
 	Itemized Deductions	229
	Military Employee Business Expenses	243
 	Credit for Child and Dependent Care Expenses	253
 	Education Credits	263
 	Foreign Tax Credit	271
 	Child Tax Credit	281
 	Miscellaneous Credits	287




Part 6: Computing Other Taxes and Total Tax

 	Other Taxes	295
---	-------------------	-----



Part 7: Applying Refundable Credits and Computing Payments/Refund

 	Payments	303
 	Earned Income Credit (EIC)	309
 	Refund and Amount of Tax Owed	317

Part 8: Completing and Filing the Return

 	Concluding the Interview	331
	Military Finishing and Filing the Return	337

Part 9: Amending and Filing Returns

 	Amended and Prior Year Returns	347
---	--------------------------------------	-----

Index	355
-------------	-----

Work- book

evergreen



4491W

VITA/TCE Problems and Exercises **2014 RETURNS**
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE) **EVERGREEN VERSION**



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



Publication 4491W (Rev. 10-2014) Catalog Number 51494C Department of the Treasury Internal Revenue Service www.irs.gov

Pub 4491W

Introduction	1
Basic Course	
Exercise 1—Beringer	7
Exercise 2—Washington	12
Exercise 3—Webster	17
Comprehensive Problem A—Graham	24
Advanced Course	
Exercise 4—Austin	35
Exercise 5—Fleming	41
Exercise 6—Sterling	49
Comprehensive Problem B—Kent	56
Military Course	
Exercise 7—Woods	73
Comprehensive Problem C—Brooks	78
International Course	
Exercise 8—Lincoln	87
Comprehensive Problem D—Surry	92
2012 Answers	
Exercise 1—Beringer	97
Exercise 2—Washington	103
Exercise 3—Webster	107
Basic Comprehensive—Graham	110
Exercise 4—Austin	119
Exercise 5—Fleming	122
Exercise 6—Sterling	128
Advanced Comprehensive—Kent	133
Exercise 7—Woods	151
Military Comprehensive—Brooks	160
Exercise 8—Lincoln	173
International Comprehensive—Surry	182

The Golden Book

Primary Reference Tool

Contains new ACA Tab



4012

VITA/TCE Volunteer Resource Guide **2014 RETURNS**
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



Publication 4012 (Rev. 10-2014) Catalog Number 34183E Department of the Treasury Internal Revenue Service www.irs.gov

Text Book for Affordable Care Act

New Resource for 2014



5157

VITA/TCE Affordable Care Act

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

2014 RETURNS



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



Publication 5157 (10-2014) Catalog Number 66653D Department of the Treasury Internal Revenue Service www.irs.gov

The Test



6744

VITA/TCE Volunteer Assistor's Test/Retest **2014 RETURNS**
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)



The Test

Basic Test not required for AARP Tax-Aide



Form 6744 – 2014 VITA/TCE Test

Table of Contents

Preface	2
Test Instructions	3
Test Answer Sheet	8
Retest Instructions	9
Retest Answer Sheet	10
Volunteer Standards of Conduct Test Questions	11
Volunteer Standards of Conduct Retest Questions	14
Volunteer Standards of Conduct Agreement, Form 13615	16
Basic Course Scenarios and Test Questions	19
Basic Scenario 1: Wendy Gordon	19
Basic Scenario 2: Joanne Parks	20
Basic Scenario 3: Mike Hastings	21
Basic Scenario 4: Paul and Jessica Vermilion	22
Basic Scenario 5: Jim Wells and Sally Fulton	23
Basic Scenario 6: Melinda Armstrong	24
Basic Scenario 7: Warren and Shirley Graves	25
Basic Scenario 8: Teresa Martin	34
Basic Scenario 9: Evan James Swift	43
Basic Course Retest Questions	52
Advanced Course Scenarios and Test Questions	61
Advanced Scenario 1: Bill Flagler	61
Advanced Scenario 2: Julia Hillsdale	62
Advanced Scenario 3: George and Maria Newton	63
Advanced Scenario 4: Steven Wilson	64
Advanced Scenario 5: Chad Forsyth	66
Advanced Scenario 6: Matthew Clark	67
Advanced Scenario 7: Kelly Floyd	76
Advanced Scenario 8: Elliot and Kathy Blackburn	84
Advanced Scenario 9: Enrique Clayton	97
Advanced Course Retest Questions	106
Military Course Scenarios and Test Questions	115
Military Scenario 1: Parker and Charlotte Mitchell	115
Military Scenario 2: Emmett and Veronica Russell	117
Military Scenario 3: Gregory and Madeline Colbert	118
Military Course Retest Questions	126
International Course Scenarios and Test Questions	131
International Scenario 1: Andrew and Colleen Banks	131
International Scenario 2: Jared and Rachel Baldwin	133
International Scenario 3: Blake and Anastasia Harper	134
International Course Retest Questions	142



Department
of the
Treasury
Internal
Revenue
Service

Your Federal Income Tax

For Individuals

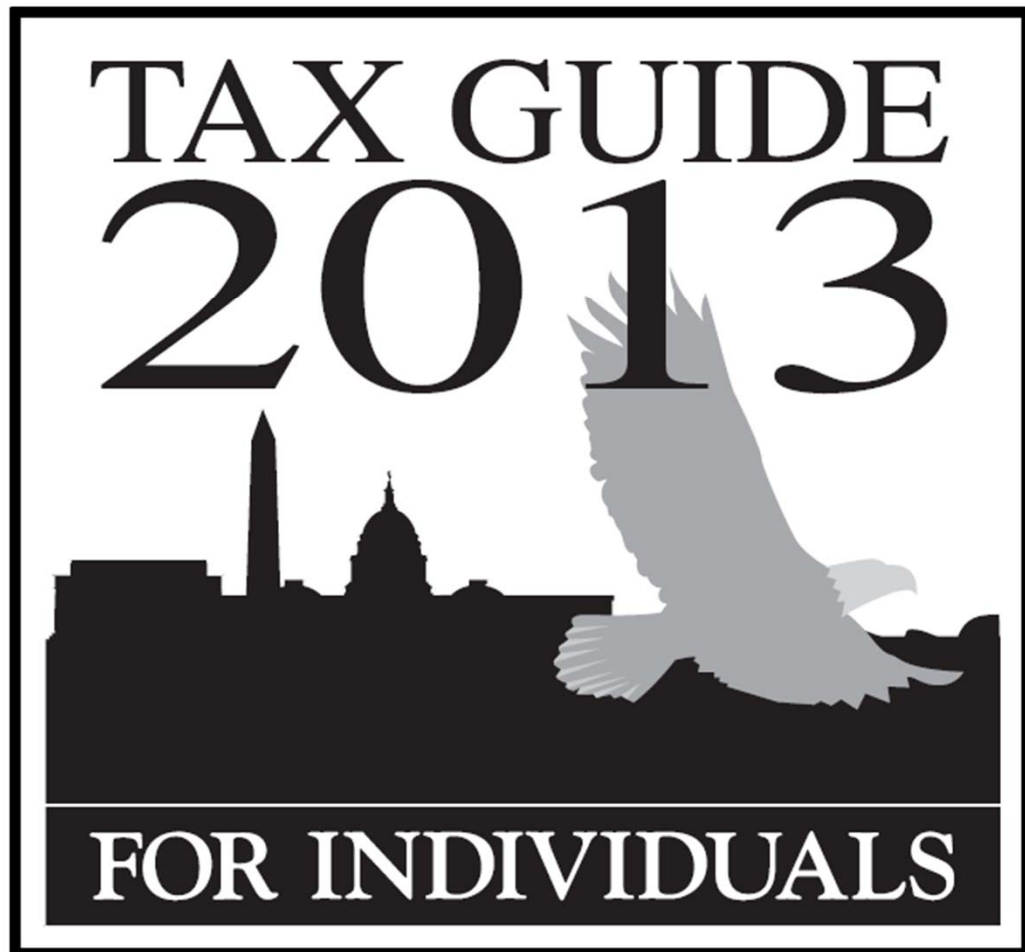
Publication 17

Catalog Number 10311G

For use in preparing

2013 Returns

Tax Law Details



Details Line-by Line

1040

NOTE: THIS BOOKLET DOES NOT CONTAIN TAX FORMS

INSTRUCTIONS

Including Instructions for Form 8949 and
Schedules 8812, A, C, D, E, F, R, and SE

2013



makes doing your taxes
faster and easier.



is the fast, safe, and free
way to prepare and e-file
your taxes. See
www.irs.gov/freefile.

Get a faster refund, reduce errors, and save paper.
For more information on IRS e-file and Free File,
see *Options for e-filing your returns* in these
instructions or click on IRS e-file at IRS.gov.

2013 TAX CHANGES

See *What's New* in these instructions.

FUTURE DEVELOPMENTS

For the latest information about developments related
to Form 1040 and its instructions, such as legislation
enacted after they were published, go to
www.irs.gov/form1040.



Introduction to Income Tax

Questions...



Comments...

