

# Wages

Form 1040 Line 7  
 Pub 4012 D-5 to D-7  
 Pub 4491 Part 3



## Wages – The Interview



Yes	No	Unsure	Check appropriate box for each question in each section
<b>Part III – Income – Last Year, Did You (or Your Spouse) Receive</b>			
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <input type="text"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)

## The Interview – A Conversation

- **Prior year's return**
- **Forms W-2 or other records**
- **Forms 1098-T (scholarship exceeds expenses)**
  - **At interview, identify possible scholarship income; don't finalize until all return info has been entered**

## Interview: Missing W-2



- **Taxpayer “should” receive W-2 by early February**
- **If not, taxpayer should pursue with employer**
  - **If employer can't help, taxpayer should contact IRS on 800-829-1040, but not before 02/15/2015**
- **If IRS can't help, can complete return**
  - **Use Form 4852 (discussed later)**
  - **Must have pay stub with full-year cumulative information**

## Limitations on Scope – W-2

With W-2 in hand determine if out of scope:

- **Box 12**
  - Code R – Archer Medical Savings Acct (MSA)
  - Code T – adoption benefits
  - Code Q – nontaxable combat pay (unless certified for Military)
  - Code W – employer contribution to Health Savings Acct (unless certified for HSA)

12a	
12b	
12c	
12d	

## Limitations on Scope – W-2 (cont)

- **Ministers/church workers (special tax rules)**
- **Very high income that is subject to the Additional Medicare Tax**
  - MFJ: \$250,000
  - MFS: \$125,000
  - S, HH or QW: \$200,000

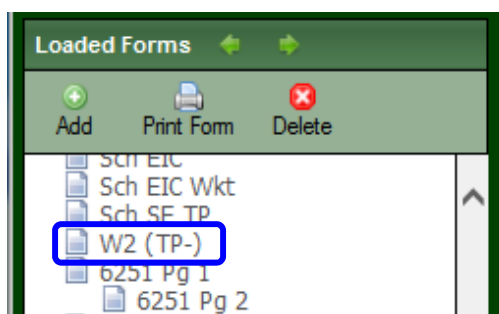
## Entering W-2 Income



- How/where to enter income in TaxWise
  - Select form in Forms Tree
- OR
- Link from 1040 line 7

## Entering W-2

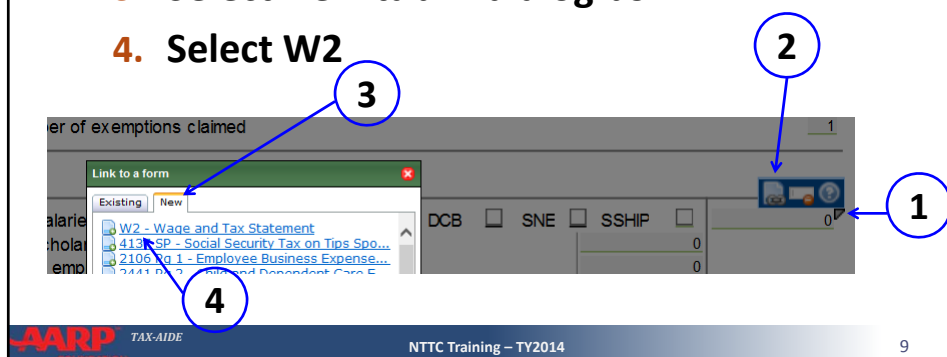
- Look in Forms Tree
- Click W2



Prior year W-2 employer information carries forward – if so, click that W-2 and verify employer data (can change)

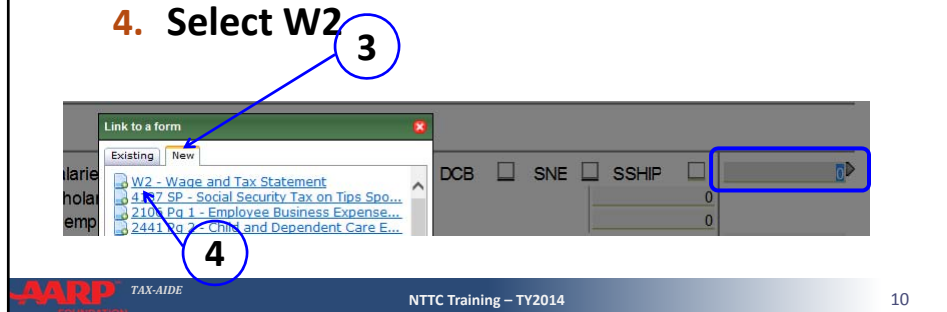
## Add W-2 Link Method

1. Click on arrow head to right of Line 7
2. Select Link Icon
3. Select New tab in dialog box
4. Select W2



## Add W-2 F9 Link Method

1. Go to line 7 on Form 1040
2. Press F9
3. Select New tab in dialog box
4. Select W2



## Entering W-2

### The Tax Form

		a Employee's social security number		OMB No. 1545-0008		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.	
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Control number				9		10 Dependent care benefits	
e Employee's first name and initial Last name Suffix				11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code				Department of the Treasury—Internal Revenue Service			
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement

**2014**

**Verify current tax year**



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## Entering W-2

- All information that is on W-2 form should be entered on TaxWise input form
- Plus there are more items to answer on input screen



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## Entering W-2

### The Input Form

- Check if address matches return address
- If does not match, enter exactly as on W-2

US W-2 Wage and Tax Statement

This W2 statement is for the: ☒ Taxpayer ☐ Spouse

Employee's name: \_\_\_\_\_ Employee's SSN: \_\_\_\_\_

☐ Check if this W2 is handw ritten, altered, or appears not to be a true W-2.

☐ Check if this is the taxpayer's address shown on the W-2 or

☒ Check and make changes to the U.S. address or foreign address below.

U.S. address \_\_\_\_\_

Zip code, city, and state \_\_\_\_\_

Foreign street address \_\_\_\_\_

Foreign city \_\_\_\_\_

Foreign province / state \_\_\_\_\_

Foreign Zip code \_\_\_\_\_

Foreign country code \_\_\_\_\_



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## Verify Withholding Question

- Will be red if federal w/h is outside IRS-set norms (employ due diligence)
  - Review with taxpayer
  - Consult with LC/QR, if not satisfied

☐ Please verify the Federal withholding, social security withholding, and Medicare withholding. The amounts exceed the Publication 15 guidelines.



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## Verify Withholding Question

- What do I do after my due diligence?
  - F3 to clear red if no issue -OR-
  - Check the “appears not to be a true W-2” box at the top of the input form

☐ Check if this W2 is handw ritten, altered, or appears not to be a true W-2.

☐ Check if this is the taxpayer's address shown on the W-2. -OR-

-OR-

- Decline to prepare return

## Entering W-2

- Input entire form W-2 (esp. Box 12)
- Compare social security and Medicare wage and tax amounts
  - Take calcs off only if different on W-2
  - Input actual amounts from W-2
- Same for state information

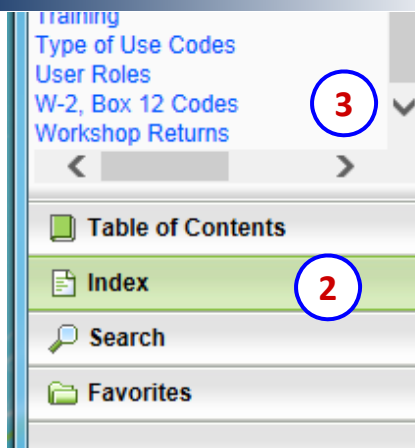
☐ Check to take calculations off of lines 3, 4, 5, and 6.

☐ Check to take calculations off of line 16, state wages.



## W-2 Box 12 Codes

1. F1 for help
2. Index
3. W-2, Box 12 Codes



## W-2 Box 12 codes

- Often seen codes (26 possible codes):
  - D – Elective deferrals to a section 401(k) (Codes E through H are elective deferrals to other qualified plans)
  - DD – Cost of employer-sponsored health coverage
- Careful: don't confuse D and DD

## Entering W-2

### The Input Form

ITIN\* return?

- W-2 may have erroneous SS number
- TaxWise will check the box
  - Input SS number shown on W-2



☐ The taxpayer / spouse ID number listed on the Main Information Sheet is an ITIN. Enter the ID number (SSN or ITIN) as it is shown on the actual W-2

**\* IRS assigned ID number, not a social security number**



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## Entering W-2

### The Input Form

- Input should conform to actual W-2

Check if "corrected" W-2C

Disregard  
Control  
number

**Critical:  
verify  
employer  
ID, name  
and  
address!**

a Control number: _____		Corrected W2 (W-2C): <input type="checkbox"/>	
b Employer ID: _____ Name code: _____		1 Wages, tips, etc. _____0	2 Federal tax withheld _____0
c Employer's name _____ Employer's U.S. address _____ Employer's Zip code, city, and state _____ Employer's foreign address _____ Employer's foreign city _____ Employer's foreign province / state _____ Employer's Zip code and country code _____		3 Social security wages _____0	4 Social security tax withheld _____0
		5 Medicare wages _____0	6 Medicare tax withheld _____0
		7 Social security tips _____0	8 Allocated tips _____0
		9 _____	10 Dependent care benefits _____0
		11 Nonqualified plans _____0	



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## Entering W-2

### The Input Form

- Input should conform to actual W-2

Verify box 13  
entries on W-2

Some employers put amounts in Box 14

<b>12</b> Code    Amount    YY -> Year _____ 0 _____ _____ 0 _____ _____ 0 _____ _____ 0 _____ for prior year USERRA contribution				<b>14</b> Other Type                    Amount                    Qualifies for Form 8880 401k                    1000 <input checked="" type="checkbox"/> _____                    0 <input type="checkbox"/> _____                    0 <input type="checkbox"/> _____                    0 <input type="checkbox"/>		
<b>13</b> Statutory    Retirement    Third party employee    plan            sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				RR = Railroad; T = Tier            RRT1: _____ 0 RRT2: _____ 0            RRTM: _____ 0		



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## W-2 – Box 13



- Statutory employee – special status
  - Taxpayer can report income and deduct expenses using Sch C – see Business Income lesson
- Retirement plan – participant
  - May affect deductibility of IRA contributions – see Adjustments Lesson
- 3rd Party sick pay
  - Reports outside insurer payments



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## Missing W-2 – Form 4852

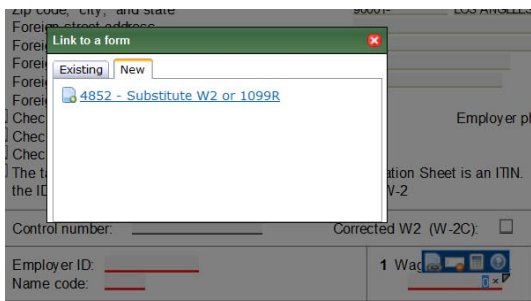


- If attempts to get W-2 from employer or IRS are unsuccessful, complete return with Form 4852
- Note: Form 4852 can be used for missing W-2 or 1099-R

## Missing W-2 – Form 4852



- Go to a blank W-2 in the form tree
- If no blanks, add one with “+”
- From the blank W-2 link to new Form 4852



## Missing W-2 – Form 4852



- **Complete Form 4852**
  - Use prior year W-2, if applicable
  - Use last pay check stub
  - Taxpayer needs to provide year-end totals if not on pay stub
  - If IRS sent taxpayer a Form 4852 with information on it, transfer it to TaxWise

## Missing W-2 – Form 4852



US 4852		Substitute W-2 or 1099R		2013
This substitute form is for the: <input type="radio"/> Taxpayer <input type="radio"/> Spouse				
1 Name:				2 SSN:
3 Address:				
5 Employer's or payer's name				
U.S. address				
Address line 2				
Zip code, city and state				
Foreign street address				
Foreign city				
Foreign province / state				
Foreign Zip code				
Foreign country code				
6 Federal identification number (EIN)				
State				
State identification number				

**Complete as much employer information as possible**

## Missing W-2 – Form 4852



<b>7</b> Enter wages, compensation, and taxes withheld			
Wages	0	Federal income tax withheld	0
Social security wages	0	State tax withheld	0
Medicare wages	0	Locality _____ withheld	0
Advance EIC payments		Social security tax withheld	0
Social security tips	0	Medicare tax withheld	0
<b>8</b> Enter distributions from pensions, annuities, retirement or profit sharing plans, IRAs, etc.			
Gross distribution			0
Taxable amount			0
Taxable amount not distributed			0
Total distribution			0
Capital gains in taxable amount			
<b>9</b> How did you determine the amounts in lines 7 and 8 above?			
<b>10</b> Explain your efforts to obtain Form W-2, Form 1099R, or Form W-2c			

**Complete lines 7, 9 and 10  
(line 8 is for 1099-R)**

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## Missing W-2 – Form 4852



- Taxpayer should retain copy of 4852
- If taxpayer gets W-2 later with different information, may need to amend return
- Taxpayer may need to follow up with Social Security Administration to get credit for FICA taxes paid

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## Entering W-2 – Special Situation

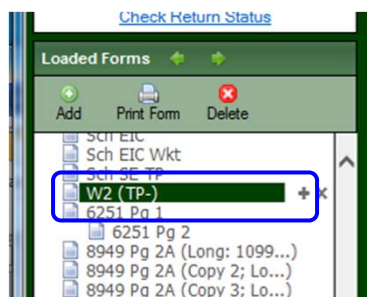
- **W-2 with -0- wages (box 1)**
  - May be reporting sick or disability pay
  - Must include in return
  - Will not e-file with -0- in TaxWise box 1
  - Input \$1 in box 1
  - F3 social security and Medicare taxes to clear the red



1 Wages, tips, etc.  
1

## Need to add another W-2?

- Click “+” to right of first W-2



## Entering W-2

- **Completely enter all information on each W-2, before going to next one**
- **Double check employer ID numbers, names and addresses!**
- **Remove any unused W-2 forms from tree**

## W-2 Allocated Tips



- **Allocated Tips (Box 8) is income in addition to wages in box 1**
- **An assumed amount of tips received by worker**
  - **Set at 8% of underlying charge such as restaurant bills**





## W-2 Allocated Tips



- Minimum amount of imputed tip income that must be declared, absent records
- Worker that keeps good records (tip log) can declare
  - More tip income
  - Less tip income



## W-2 Allocated Tips



- TaxWise adds Form 4137 when W-2 Box 8 Allocated Tips is used, otherwise add form if needed
- If taxpayer keeps good records, can use actual amount of tips on Form 4137, Line 4 (requires override)
- If using allocated tips amount, amount not reported because <\$20 per month is deemed included in allocated amount



4 Unreported tips. Allocated tips from W2 or F8 to enter the amount you wish

## W-2 Allocated Tips



- Total tips on 4137 Line 4 will flow to 1040 Line 7 as additional wages
- Social security and Medicare tax may be due
  - See Other Taxes Lesson 27



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## Other Line 7 Income



- Taxable scholarship not on Form W-2 (see Education Credits Lesson 23)
- Taxable scholarship entered on 1040 Wkt 1:

Additional Earned Income	Wkt 1	Taxpayer
Scholarship income - no W2		1500
Household employee income - no W2		0

will flow to Line 7 Wages:

Income	1040 P. 1	
7 Wages, salaries, tips, etc.	AB <input type="checkbox"/> FB <input type="checkbox"/> DCB <input type="checkbox"/> SNE <input type="checkbox"/> SSHP <input checked="" type="checkbox"/>	1500
Taxable scholarship not on Form W2		1500
Household employee income not on Form W2		0



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## Other Line 7 Income



### Household employee income not on W-2?

- Usually, amounts less than \$1,800
- Input on 1040 Wkt 1
- Can link to Scratch Pad if more than one

Additional Earned Income	Taxpayer	Spouse	Total
Scholarship income - no W2	0	0	0
Household employee income - no W2	0	0	0



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## Other Line 7 Income



- If taxpayer is under normal retirement age for employer plan, disability “pension” flows to Line 7 Wages (see retirement income lesson)
  - Eligible for EIC!



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## Quality Review – Wages Line 7



- **Verify all W-2 data has been input correctly**
  - **Employer Identification Number (EIN)**
  - **Employer name**
  - **Employer address**
  - **Social Security/Medicare amounts**
  - **All box 12 items**
  - **Stat employee/retirement/3<sup>rd</sup> party sick**

## Quality Review – Wages Line 7

- **Confirm Line 7 has all that it should have**
  - **How many jobs or W-2s?**
    - ✱ **Per Intake/Interview/QR form**
    - ✱ **In return**
  - **Compare to prior year**

## Quality Review – Wages Line 7

- After all other aspects of return are done, confirm Line 7 is complete
  - Tips from Form 4137
  - Household worker income
  - Disability pension
  - Taxable scholarships



## Quality Review – Wages Line 7

- Delete any unused W-2 forms
- Clear incomplete W-2 form warnings in tree



## Quality Review – Wages Line 7



- Wage income may trigger other aspects in return (more forms will show on forms tree)
  - Proceed methodically through each
    - e.g. IRA contributions or deductions, retirement saving credit, EIC
- All will be covered in separate lessons

## Taxpayer Summary – Wages Line 7



When return is done, revisit

- Is withholding too high? Too low?
  - Can change using W-4
  - May need state “W-4” form, too



## Wages Line 7

Comments?



Questions?