Adjustments to Income

Pub 4491 – Part 4

Pub 4012 – Tab E

AARP FOUNDATION TAX-AIDE

Adjusted Gross Income

Total Income minus Adjustments =

Adjusted Gross Income (AGI)

Intake/Interview

Part IV – Expenses – Last Year, Did You *(or Your Spouse)* Pay

☐ ☐ ☐ 1. (B) Alimony? If yes, do you have the recipient's SSN? ☐ Yes ☐ No

☐ ☐ ☐ 2. Contributions to a retirement account? _____ IRA (A) _____ 401K (B) _____ Roth IRA (B) _____ Other

Part V – Life Events – Last Year, Did You *(or Your Spouse)*

☐ ☐ ☐ 1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)

☐ ☐ ☐ 8. (B) Pay any student loan interest? (Form 1098-E)

In-Scope Adjustments

- Health Savings Account*
- Self-employment tax
- Early withdrawal penalty
- Alimony paid
- IRA contributions
- Student loan interest
- Jury duty pay given to employer

* Optional certification

Adjustments to Income

Adjusted Gross Income

Out-of-Scope

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 ▶	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	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2014)

Extenders?

Educator Expenses

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 ▶	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	

Tuition and Fees

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2014)

Health Savings Accounts

- Deduction for contributions to Health Savings Accounts (HSA)
  - Form 8889
- Requires special certification
- Advanced certification is pre-requisite
- Course and test are in Pub 4942 or online at Link & Learn

Portion of Self Employment Tax – Line 27

- SE Tax = Social Security and Medicare tax for Self-Employed
- Adjustment from Schedule SE
  - TaxWise processes
- Schedule SE generated from Schedule C
  - TaxWise processes
- Details in Business Income lesson

Early Withdrawal Penalty – Line 30

- Penalty for withdrawal of funds from time deposits, such as CDs
- As reported on 1099-INT or 1099-OID
- In TaxWise, flows from Interest Statement

US Schedule B | Interest Received | 2013

Amounts shown in Box 8 should not be entered in the "Box 1 or 3 amount" column. Instead, enter an "E" in the "NAEOB column" and the amount from Box 8 in the "NAEOB amount" column.

Payer	Box 1 or 3 amount	TSJ	State adjust + / - Amount	NAE OB	NAEOB amount	AMT PAB	Early penalty	Federal withheld

Alimony Paid – Line 31a

- Allowed if paid under Divorce/Separation Agreement
- Must provide recipient's Social Security No.
- Recipient must claim as income
- Link to Alimony Paid Worksheet from Line 31 if paid to more than one ex-spouse
- Child Support not deductible

IRA Deduction – Line 32

- Can contribute lesser of $5,500 ($6,500 if age 50 or over) or taxable compensation
- Taxable compensation
  - Wages, tips, bonuses, Sch C income, alimony
  - Not interest, dividends, pensions, unemployment, social security
- Actual amount depends on Taxpayer/ spouse retirement plans, modified AGI, age and filing status

IRA Contribution – Line 32

- Age limits
  - For traditional IRA – under 70½
  - For Roth IRA – no age limit

➢ Note: Roth IRA contribution is not deductible and will not show on line 32

IRA Contribution – Link to IRA Worksheet

US — Deductible and Nondeductible IRA Worksheet — 2013

Name: ..... SSN: 021-02-8438

Traditional IRA Contributions

These data entered automatically

	Taxpayer	Spouse
☐ Yes ☑ No		
☐ Yes ☐ No		

1 Maximum modified AGI for deductible contributions

Filing status	Covered by a retirement plan?	Yes	No	Taxpayer	Spouse
1 or 4		$69,000	No limit		
2	Spouse covered by a plan	$115,000			
2	Spouse not covered by a plan		$188,000		
2	Neither spouse covered by a plan		No limit		
3	Lived with spouse at anytime in 2013	$10,000	No limit		
3	Did not live with spouse in 2013	$69,000	No limit		
5		$115,000	No limit	0	0

2	Modified AGI computation			
	Social security computation without IRA	0		
	Taxable social security for this computation	0		
	Modified income including taxable social security	0		
3	Adjustments to income without IRA contribution	0		
4	**Modified AGI.** Subtract line 3 from line 2		0	0
5	Line 1 minus line 4. If -0- or less, enter -0- on line 6		0	0
6	Line 5 times the applicable percentage from the instructions, rounded up to nearest $10. Do not enter less than $200, or more than $5,500 ($6,500 if age 50 or older)		5500	0

IRA Contribution (cont)

- **Enter Traditional IRA contributions on line 10**
- **If part nondeductible, TW generates Form 8606**

			Taxpayer	Spouse
8	Maximum contribution based on earnings	0		
9	Maximum allowable traditional IRA contribution		0	0
10	**Enter traditional IRA contributions for 2013.** Do NOT enter more than $5,500 ($6,500 if age 50 or older) in either column		0	0
11	**Deductible IRA contributions.** Smaller of lines 6, 7, 9, or 10		0	0
12	Nondeductible IRA contributions		0	0
13	Excess traditional IRA contributions		0	0

- **Enter Roth contributions on line 20**
- **Can be a mixture so long as limit is not exceeded**

Non-Deductible Contributions

- If taxpayer participates in employer's plan and AGI is too high
  - Some or all of Traditional IRA contribution may be nondeductible
- Roth IRA contributions

Non-Deductible Contributions

- TW adds Form 8606 to form tree
  - Part I is in scope
  - If not carried forward, input beginning of year basis on line 2 (from 2013 Form 8606 line 14)

1	Enter your nondeductible contributions to traditional IRAs for 2014, including those made for 2014 from January 1, 2015, through April 15, 2015 (see instructions)	1	5800
2	Enter your total basis in traditional IRAs (see instructions)	2	1000
3	Add lines 1 and 2	3	6800

- TaxWise carries the deductible amount, if any, to Line 32

Student Loan Interest – Line 33

- **Intake and Interview Sheet – Part V, Q8**

Part V – Life Events – Last Year, Did You *(or Your Spouse)*			
☐	☐	☐	8. (B) Pay any student loan interest? (Form 1098-E)

- **If > $600, should receive Form 1098-E**

Student Loan Interest – Line 33

Pub 17, Ch 19

- **Interest paid on qualified student loan for post secondary education expenses**
- **Qualified Loan:**
  - **Expenses of taxpayer, spouse, or dependent (when loan originated)**
  - **For education expenses paid within reasonable time since loan was opened**
  - **For education provided when student enrolled at least ½ time in degree program**

Student Loan Interest – Line 33

- Qualified Loan (cont)
  - Loan cannot be from relative
  - Taxpayer cannot be filing MFS
  - Taxpayer cannot be claimed on someone else's return
  - Loan cannot be from qualified retirement plan
  - Taxpayer must be liable on the loan

Student Loan Interest – Line 33

- Maximum $2,500 per year
- Phases out as AGI increases
- Link to 1040 Wkt 2

1040 Wkt2 in TaxWise

US Student Loan Interest, Coverdell ESA and QTP, Tuition and Fees 2012

Name: SSN: 021-02-8438

Student Loan Interest (Postsecondary Education)	Taxpayer	Spouse	Total
1 Amount paid in 2012. See instructions for limitations and definition of qualified student loan interest. Total column is limited to $2,500	0	0	0
Modified AGI for this computation including excluded income from Forms 2555 (EZ) and 4563, excluded income from Puerto Rico, and excluded adoption benefits from Form 8839, line 30 0 Married filing separately and a dependent of another cannot take this deduction. The interest deduction phases out when modified AGI exceeds $60,000 ($125,000 married filing jointly) and is -0- when AGI exceeds $75,000 ($155,000 married filing jointly).			
2 Student loan interest deduction	0	0	0

Educator Expenses - Elementary and Secondary	Taxpayer	Spouse	Total
Amount of unreimbursed classroom expenses, such as books, supplies, computer equipment and related software, other equipment, and supplementary materials used by the eligible educator in the classroom, up to $250. Amounts over $250 should be listed on Schedule A, Job Expenses, subject to 2% of AGI	0	0	0

Jury Duty Pay Given to Employer

- **Show Jury Pay received on Line 21, Other Income**
- **Enter amount turned over to employer on Line 35**

35	Domestic production activities deduction. Form 8903	0
Other:	Reforestation	0
	Sub-pay (Trade Act)	0
	Jury duty pay you gave to your employer	0
	501(c)18 pension plan	0
	PPR	0
	Form 2555, line 50	0
	Archer MSA deduction. Form 8853	0
	Deduction for whistleblower fees	0
	Attorney fees and court costs for discrimination claims	0
		0

Quality Review – Adjustments

- Does 1040 page 1 reflect Adjustments properly
- Compare with Intake/Interview Sheet
- Compare with last year's return
- Were other forms generated that should be addressed

Adjustments to Income

Questions?

Comments…