

A large, stylized graphic of an eagle's wing, composed of a grid of white lines on a grey background, sweeping across the top and right side of the page.

National Tax Training Committee Workbook (Part 3)

Tax Year 2015

**AARP FOUNDATION
TAX-AIDE**

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ACA EXERCISES – TY 2015

1. Joe is 26 years old and on his own. He has a part-time job while he finishes his master's degree. He earns \$17,000 for the year. Is Joe required to have health coverage?
2. Hank has retiree health coverage from his old employer. His wife, Sara is in good health and has a dental policy only. Do both Hank and Sara have MEC?
3. Although Robert is eligible for Medicaid, he did not enroll at all during 2015. Must he pay a SRP?
4. Alejandro and Maria have a child. Alejandro's employer offered him family coverage which costs Alejandro 8.5% of his gross income. If Alejandro takes the family coverage for the full year, how would he report that on his tax return?
5. Martine and James are married and have a child. James' employer offered him self-only coverage that would have cost 7.5% of James' household income or family coverage which would have been 9.0% of James' household gross income.
 - a. Can James buy coverage through the Marketplace and get PTC?
 - b. If they don't get any MEC, are they eligible for the affordability exemption(s)?
6. Willy, Katey and their two young children have recently immigrated to the US, and while lawfully present, are not eligible for Medicaid. Their combined income is \$23,000 and Willy and Katey believe they cannot afford health coverage. Are they eligible for an exemption from the SRP?
7. Joe and Jackie are legally separated. Their child, Marcie, lives with Jackie. So long as Joe makes the child support payments, he is entitled to claim Marcie as his tax dependent. Joe is current on all the child support payments so he will claim Marcie as his dependent. Jackie provides coverage for herself and Marcie through her employer's plan. Joe purchases a full-year policy for himself through the Marketplace.
 - a. Who is responsible for Marcie's health coverage under ACA?
 - b. Since Joe did not provide Marcie's health coverage, will Joe need an exemption from the shared responsibility payment with respect to Marcie?
 - c. In computing his premium tax credit, what is Joe's family size?
 - d. Is the policy that Jackie has through her employer a "shared policy" subject to allocation?
8. Jennice is 26 years old, going to school full-time and earned \$8,500 in a part-time job. Jennice still lives with her parents who provide more than half of Jennice's support. Who is responsible for Jennice's health coverage under ACA?

9. Johnny was covered by Medicaid until February 23 of last year when he got a job. His employer-sponsored health coverage started after his probationary period ended on May 23.
 - a. Does Johnny have full-year coverage so that he can check the box on his 1040 line 61?
 - b. Will Johnny be liable for a shared responsibility payment? If yes, for what months? If no, why not?

10. Ralph and Martha have retired and are covered by Medicare Parts A, B and D. Their grandchild, Charlie, who is 20 years old, comes to stay with them while he is going to a nearby college. Ralph and Martha provide all of Charlie's support. Charlie's parents' home is in another state where Charlie still has his room. Charlie's parents are employed and have much more income than Ralph and Martha.
 - a. Who is responsible for Charlie's health insurance coverage?
 - b. Whether or not Charlie is eligible for Medicaid, who would be responsible for Charlie's health coverage if Charlie was 26 years old?

11. Joanne and Marty file jointly and claim their child, Tommy. Tommy is the beneficiary of a trust from his grandparents and has interest income of \$1,200. Will Joanne and Marty include Tommy's \$1,200 as part of their Household Income (MAGI) for ACA purposes?

12. Richard is employed and earns \$30,000 during the year. He is a member of a recognized Indian tribe and does not have health coverage. Is Richard liable for a shared responsibility payment?

13. Rachael has had difficulties with the law and was in jail for the first six months of the year having been released on July 3, 2015. Upon her release, she found a job and got health coverage through her employer that started October 1 and still continues. Is Rachael liable for a shared responsibility payment? If so, for the whole year or for what months?

14. Sheryl's mother, Marion age 67, lives with her. Marion gets \$16,000 of social security and a \$2,000 survivor's pension. Sheryl earns \$45,000 and pays for more than half of Marion's support and for more than half of the cost of the household. If Sheryl has no health coverage for the whole year and is not entitled to an exemption, what is the total amount of household modified adjusted gross income used to compute the shared responsibility payment?

15. Bobby was in the military until his discharge on May 12, 2015. He started his new employer's health coverage for himself and his son, Benny, on July 1, 2015. Bobby is not married and provides all the support for Benny, who lived with him since he got out of the military.
 - a. Is there an exemption that covers Bobby for the months before his employer coverage started?
 - b. Assuming that Benny is ineligible for Medicaid, is Bobby eligible for the Marketplace affordability exemption with respect to Benny for the first 6 months of the year when he was uninsured?

16. Mark and Katrina adopted a child in June 2015. This qualified them for a special enrollment period to enroll in private health insurance coverage, and they sign up for a plan that covered them starting June 25. They keep this coverage for the rest of the year, but before they signed up for it in June, Mark and Katrina were uninsured. For which months do Mark and Katrina have MEC?
17. Vicki's husband died three years ago, after he had started to receive social security. Vicki and each of her two teenage children are receiving social security survivor benefits of \$12,000 each. Vicki also won \$15,000 in a lottery, which she used to pay off an old student loan. That is all their income and together they pay for all the costs of their support and of the household (1/3 each).
- May Vicki claim the two children as dependents?
 - Who is responsible under ACA for health coverage for the children?
 - Assuming none had any health coverage and no exemption applies to them, will Vicki have to pay a shared responsibility payment? Will it be just for herself or will she also have to pay the SRP with respect to her children?
 - You have been asked to prepare the necessary tax returns – do the children need to file? Should they file?
18. Alex's employer offered him self-only coverage. Alex's share of the cost would be 8.5% of his income.
- Must Alex accept his employer's plan?
 - If Alex does not accept his employer's plan and does not get other health coverage, is he entitled to an exemption from the shared responsibility payment?
19. Beth is 66 years old and covered by Medicare Part A and pays for Part B coverage. Is Beth eligible for a premium tax credit?
20. Jason graduated from college in June. From January 1 to August 12, he was enrolled in a student health plan through his university. On September 1, Jason started a new job that offered health coverage. He enrolled in this coverage from September 1 through December. For which months does Jason have MEC?
21. Sergio purchased coverage through the Marketplace and was given APTC of \$1,800. Unfortunately, Sergio became ill and had to stop working. His income fell below 100% of the FPL for the year.
- Is Sergio an applicable taxpayer for ACA purposes?
 - Will Sergio have to repay all the APTC?

22. Alex received medical treatments through workers' compensation throughout 2015. In October he married Lisa. Lisa had coverage through her employer and added Alex to her policy effective October until the end of the year. For which months do Alex and Lisa have MEC?
23. George and Estelle have been divorced for several years. They have two minor children and share custody. Their divorce grants each George and Estelle one child's dependency exemption deduction for income tax purposes and that is how they file their returns. Estelle's employer offers her family health coverage for herself and the two children, which Estelle accepts and pays for from her paycheck.
- Is Estelle entitled to a premium tax credit?
 - Is this a shared policy for purposes of Form 8962?
24. Jerry, now 64 years old, took early retirement and is collecting social security of \$6,000 and a pension of \$20,000.
- If Jerry has no health coverage for the whole year and is not entitled to an exemption, how much income will he show as MAGI to calculate his shared responsibility payment?
 - If Jerry bought coverage on the exchange, how much income will he show as MAGI to calculate his premium tax credit?
25. You are completing the joint return for David and Lily, who purchased health coverage on the exchange and received APTC. In completing form 8962, you note that their MAGI is 301% of the FPL and the calculation shows that they have to repay a lot of APTC. Lily made an allowable contribution to her Roth IRA during 2015; had it been a traditional IRA contribution, it would have been deductible. Can she recharacterize that contribution as made to a traditional IRA so that they can reduce their 2015 MAGI for the PTC? (Hint: Pub 590)
26. Henry has been covered under a policy he purchased through the exchange with an APTC subsidy. In late July, Henry changed employers and is covered by his new employer's MEC plan starting September 15. Is Henry eligible to claim PTC for the full year?
27. Kathy and Mike live together but are not married. Kathy's income is \$40,000 for the year, while Mike makes \$28,000.
- Since Kathy's income is higher, is she responsible for Mike's health coverage?
 - If Kathy's employer offers her family coverage that could cover Mike, is Kathy responsible for Mike's coverage?
 - If Kathy takes her employer's offer and covers herself and Mike, is Mike liable for a shared responsibility payment since he did not get his own coverage?
 - If Kathy and Mike decide to not take her employer's offer for Mike's coverage, can Mike purchase a policy on the exchange and be eligible for PTC?

28. Cindy's ex-husband, Scott, purchased a policy on the exchange covering himself and their two young children and received an advance premium tax credit subsidy. Their divorce calls for each to claim one child as a dependent for income tax purposes.
- Since Cindy did not provide coverage for the child she is claiming, is she liable for a shared responsibility payment with respect to that child?
 - Is the policy that Scott bought through the exchange a shared policy subject to the allocation rules?
 - Generally, who should take the three attributes (bronze plan cost, SLCSPP and APTC) shown on Form 1095-A when there is a shared policy?
29. Jack and Jill got married during the year. Jack's job pays him \$20,000 and Jill's income is \$23,000. They both purchased their health coverage on the exchange and received APTC of \$4,000 each. Jack got very lucky and won \$30,000 in the lottery, which puts their MFJ return's total income over 400% of the FPL. They live in a separate property state.
- Is the one-time lottery income part of Jack and Jill's MAGI for Form 8962 purposes?
 - Does the repayment limitation (the cap) apply to limit the amount of APTC that must be repaid if Jack and Jill file a joint return?
 - Would Jack and Jill be eligible for the alternative calculation for the year of marriage?
 - If Jack and Jill each file married filing separately, would that reduce the APTC repayment?
30. Frank purchased coverage through the exchange covering himself and his two children, whom he claims as his dependents. Frank is lawfully present in the U.S., but his children are not. In computing his PTC, will Frank include the cost of the policy with respect to his children?
31. Alex resided in the U.S. the entire year, but received his lawful status on May 24, 2015. His income level requires that he file a return. If he does not have health coverage, will he be liable for SRP for the whole year or for what months?
32. Jerry and Jessie were married during the year. They each had their own marketplace policies before they got married. Once married, they switched to a single policy covering both of them through the marketplace and received APTC. They will file a joint return.
- Is the joint policy a Shared Policy subject to allocation?
 - In reconciling their APTC, how many forms 8962 will Jerry and Jessie include in their joint tax return?
 - Assuming the policy change was effective timely, do Jerry and Jessie have to make a special calculation of the SLCSPP for PTC purposes?

33. Stephanie's son Roger is 20 years old and in college with scholarships and grants. They have decided that Roger should show \$4,000 of his grants as taxable income so that the maximum American Opportunity Education credit can be claimed on Stephanie's return. Roger has no other income. Stephanie buys health coverage for herself and Roger on the exchange and receives an APTC. Will Stephanie include Roger's \$4,000 of taxable grants as part of her household MAGI for Form 8962 purposes?
34. Thomas and Julie are married and are on Medicare. Their young grandson Hector came to live with them two years ago, after his parents were tragically killed in an auto accident. Thomas and Julie properly claim Hector as their tax dependent. Hector is the beneficiary of a sizeable trust set up by his parents and is ineligible for Medicaid.
- a. Are Thomas and Julie responsible for Hector's health coverage under ACA?
 - b. In determining whether Marketplace coverage is affordable for Hector:
 - i. The cost of coverage for which individual(s) is included in line 1 of the marketplace affordability worksheet of Form 8965?
 - ii. The SLCSP cost for which individual(s) is included in line 10 of the marketplace affordability worksheet of Form 8965 instructions?
 - c. Would the answer to b and c be different if Hector was eligible for, but not enrolled in, Medicaid under his state's laws?
35. Wally had employer-sponsored coverage until he lost his job in April. He was offered COBRA but did not take it because he thought it cost too much. While unemployed, Wally would have been eligible for Medicaid, but failed to apply.
- a. Does Wally need to complete the affordability worksheet with respect to the employer-offered COBRA? Would that help avoid the SRP?
 - b. Is Wally entitled to any exemption for the months during which he could have had Medicaid coverage? Why or why not?

FILING STATUS AND EXEMPTION EXERCISES

1. Sam and Lucinda had been married 40 years when Sam died in January 2015. Since then Lucinda has lived alone. She comes to your site for help with her taxes. What is her filing status?
2. Jody is 17 years old. She lives with her parents but had a summer job to make money for her college fund. She comes to your site for help with her taxes. What is her filing status?
3. Tom and his girlfriend Helen share an apartment. They both have jobs and share the expenses. Neither has ever been married or had any children. They come to your site for help with their taxes. What is their filing status?
4. Mary and John are married with three children. They have lived together all year. What is their filing status?
5. Susie is 28 years old. In 2013, she divorced Sam and moved back home with her parents. She has a full-time job earning \$5,000, but spends most of her money on entertainment and clothes. Her folks pay all the household bills. What is her filing status? Who claims her exemption?
6. Archie and Elaine lived together all of 2015. They married on January 3rd, 2016. What is their filing status for 2015?
7. Judy and Joe are married, but they didn't live together at all in 2015. They have one child, who lives with Judy. What is their filing status:
 - a. If Joe is deployed with the army in Afghanistan?
 - b. If Joe is working in Afghanistan for a civilian contractor?
 - c. If Joe left last June without saying good-bye, and Judy doesn't even know where he is?
 - d. If Joe and Judy signed a separate maintenance agreement in 2015 between themselves without court decree and are planning to divorce soon.
8. Lynn is a single mom whose only child Larry graduated from high school in May 2015. He got a full-time job and has paid all his own bills since then—except he still lives with his mom, who pays the rent and utilities. Overall, he paid less than half of his own support. What is Lynn's filing status? What is Larry's filing status? Who claims Larry's dependency exemption?
 - a. Same situation as above. If Larry moved out of the house in June 2014 (but still paid less than half of his own support for the year), what is Lynn's filing status? What is Larry's?
 - b. Same situation as above but Larry provided more than half of his own support. What is Lynn's filing status? Larry's? Can Lynn claim any tax benefit for Larry?
9. Tom pays his ex-wife \$1,000/month in child support for his two children who live with her, Laurie, 17 and Lonnie, 10. His divorce decree states he can claim an exemption for both kids in odd-numbered tax years. If he claims the kids, can he also claim Head of Household?

10. Mary and Tom are divorced. The divorce decree doesn't say anything about tax exemptions, but Tom pays child support for their two young children, who live with Mary. Neither has remarried. What is Mary's filing status? What is Tom's?
- Same situation as above. Mary and Tom's divorce decree won't be final until January 2016. Tom moved out of the house in March 2015. What is Mary's filing status? What is Tom's?
 - Same situation as above. Mary and Tom's divorce decree doesn't go into effect until January 2016. Tom didn't move out of the house until August 2015. What is Mary's filing status? What is Tom's?
11. Jack and Jill were married with three small children when Jack died in January 2014. Jill filed Married Filing Joint (MFJ) for TY2014.
- What is her filing status for TY2015?
 - What is her filing status for TY2016?
 - What is her filing status for TY2017?
12. Tom and Betty were married when Tom died in February 2015. In November 2015, she married Tom's best friend, Dick.
- What is Betty's filing status for 2015?
 - What is Tom's filing status for 2015?
 - What is Dick's filing status for 2015?
13. Dan and Elizabeth are married and have one son Jake, aged 16. Jake spent eight months in juvenile detention last year.
- Can Dan and Elizabeth claim him as a dependent?
 - Can Dan and Elizabeth claim him for EIC?
14. Missy signs a Form 8332 to let her ex-husband Max claim their daughter Marie on his tax return even though Marie lives with Missy.
- Can Max claim the Child and Dependent Care Credit as well?
 - Can Max claim the Child Tax Credit?
 - Can Max claim the EIC with Marie as his qualifying child?
15. Tom and Shelley are married and live together with their two kids, Rachael and Rebecca. They both work and are glad to have Tom's mother Sylvia living with them. In addition to social security, Sylvia has a sizable pension and pays more than half the costs of maintaining the home.
- If it's okay with Tom and Shelley, can Sylvia file as Head of Household (HoH)?
 - What if it is not okay with Tom and Shelley?

16. Lynn and Les live together with Lynn's daughter Laurilou, age 4. Les has a good job and pays most of the bills. Lynn works part time and made \$8,000 last year. She pays for her own and Laurilou's clothes, for her car and helps with the groceries.
- What is Les' filing status?
 - Can Les claim Laurilou as a dependent?
 - Can Les claim Lynn?
 - Should you mark Laurilou as a qualifying child for EIC on Les' return?
 - Should you mark Laurilou for Child Tax Credit on Les' return?
 - Should you mark Laurilou for Child Tax Credit on Lynn's return?
 - Can either Les or Lynn file as head of household?
17. Tom and Sarah are married and are not lawfully present in the United States and do not have valid social security numbers. They lived together with their two children, Peter and Polly, who are lawfully present and have valid social security cards.
- Can Tom and Sarah claim the children as dependents?
 - For Child Tax Credit?
 - For EIC?
 - What is their filing status?
18. Tom and Shelley are married and live together with their two kids, Rachael and Rebecca. They both work and are glad to have Tom's mother Sylvia living with them. If Sylvia's only income is Social Security, can Tom and Shelley claim her as a dependent?
19. Marybeth lives with her father Sam in a house that Sam owns. Sam's only income is Social Security, which he gives to Marybeth to help with household expenses. Marybeth provides all of the rest of the household income. How do you decide if Marybeth is providing more than half of Sam's support?
20. Marissa's sister Carol is in a residential drug rehab program, and Marissa is caring for Carol's newborn daughter Sunny until Carol is able. Sunny has lived with Marissa since she was born in August 2014.
- Can Marissa claim Sunny as a dependent?
 - What is Marissa's filing status?
21. When Susan was alive, she and her husband Charlie supported her mother and her mother's sister in a neighboring city. They claimed both women as dependents. Now that Susan has died, Charlie continues to support them. Can he continue to claim them as dependents?
22. Andrea (25) and her children, Jane (3), Elaine (5) and Tony (7) lived with Andrea's mother, Juliet, most of the year. Andrea's AGI is \$18,000. Juliet's AGI is \$25,000. Ron, Andrea's husband died three years ago. All three children are qualifying children of both Andrea and Juliet. Which statement(s) are true?
- Juliet can claim all three children as she has the higher AGI.
 - Andrea can claim all of the children as she is the parent.
 - They can reach an agreement between themselves as to who will claim each child.

QUIZ: SCOPE

	In scope	Out of scope
1. Ray and Barbara each receive a social security pension from Germany and provide you the U.S. dollar actual amount received.		
2. April arrives at the site with a W-2 with code W.		
3. Joseph does a lot of stock trading and has foreign tax withheld on some of his transactions. The total amount of foreign tax is \$651.		
4. Scott relocated to your town from another state for his new job. He would like to claim his moving expenses that were not covered by his employer.		
5. Colin and Paula bought and moved in Jan 2014 but have now decided that it is too small and moved into a larger house in Nov 2015. They received a 1099-S from the sale of the first home (Nov 2015).		
6. George has a 1099R, coded 1, but he is 67 years old.		
7. Cynthia has a W-2 with an entry in Box 11 for a non-qualified plan.		
8. Henri moved to a smaller house and donated a lot of his furniture and other items to charity. He wants to claim \$6,000 for his donations.		
9. Tomas has a 1099-R with code D.		

QUIZ: WHO MUST FILE

1. If you are a US citizen or resident, whether you must file a return depends upon:
 - a. Your gross income
 - b. Your filing status
 - c. Your age
 - d. All of the above

2. If you turn 65 on January 1, 1951 you follow the guidelines for under 65 for purposes of determining whether or not you must file a return for 2015? Yes/ No

3. Kevin is 10 years old. He has income of \$1,500 from a stock transaction in a trust account held by his grandmother that is reported under his SSN. Must he file a return? Yes/ No

4. Philip is 17 years old and earned \$1,350 in wages from his summer job (reported on a W-2). Must he file a return? Yes/ No

5. Donald and Sally are 66 and 61, respectively. They had Social Security income of \$24,000 and Interest and Dividend income of \$500 for 2014. They received a 1099 B from their broker reporting noncovered transactions with proceeds of \$ 21,500 from stock transactions. They tell you they didn't receive any money from the broker. Should they file a return for 2014? Yes/ No

6. Give five reasons a person should file a return, even though they have no taxable income.

QUIZ: WAGES

1. What do the letters EIN represent?
2. What do you have to do if the employer’s name and address appears when you enter the EIN?
3. Where can you find the definition of the codes for Box 12?
4. When do you enter the information from Box 13 of the source document?
5. What do you do if you have multiple W-2s from the same employer?
6. What if the taxpayer tells you they have unreported tips? How would you enter them in TaxWise?

QUIZ: INTEREST

1. Where is Seller-Financed Mortgage Interest entered in TaxWise?
2. Tax-Exempt Interest is entered on the interest statement (same line as Box 1 interest) in the NAEOB amount column only and coded “E”. True/False
3. If a bond is issued at a price lower than its stated redemption value, the difference is called OID, and is simply a form of interest. The issuer of the bond reports a portion of OID each year to the bondholder on Form 1099-OID and we enter it on the interest statement. True/False
4. Interest on life insurance dividends is not taxable, but is reportable. True/False
5. The terms Tax-Exempt, non-taxable and tax-free can be used interchangeably and usually mean that the interest earned is reportable but not taxable True/False
6. The difference between the discounted price for savings bonds and the face value received at maturity is _____.

QUIZ: DIVIDENDS

4012 Tab D-910, G-2

1. Alfred has Ordinary Dividends in the amount of \$326 and Qualified Dividends in the amount of \$186 for the same account. Because they are different amounts they must be listed on separate lines on the dividend statement. True/ False

2. Ordinary and qualified dividends are both taxed in the same way. True/ False
3. Form 1099-DIV shows \$86 in Box 3 [non-dividend distributions]. Since it is not an ordinary dividend it is eligible to be treated the same as a qualified dividend. True/ False
4. If foreign tax paid meets the rules of the simplified limitation election, you do not need to complete Form 1116. True/ False
5. Tax exempt dividends are not taxable and should not be entered. True/ False
6. Edward claims that since his dividend was a part of a reinvestment plan to purchase more shares he does not have to declare the dividend. True/ False
7. Charlie has \$9.35 in dividends from his credit union account. He did not get a document reporting the amount from his credit union. You tell him that they are to be reported as interest not dividends. True/ False

QUIZ: CAPITAL GAINS OR LOSSES --Stocks

1. Where will capital gain distributions from a 1099-DIV source document be entered in TaxWise?
2. On which line in the TaxWise 1040 would you expect to see capital gain distributions?
3. If a taxpayer cannot provide the basis for stock sold, what will the IRS deem it to be?
4. If you have a zero cost basis what do you need to do on Sch D?
5. How can you double check to make sure you have entered the stock transactions accurately?
6. Which of the following sales are in scope for Tax-Aide?
 - a. Inherited stock
 - b. Stock received as a gift
 - c. No cost basis on the broker statement
 - d. The client tells you the basis of stock as "about \$650"
 - e. Sale of stock options
 - f. Wash sales
7. What are the steps to follow if a client has more than a few transactions and you want to enter just the totals?
8. Thomas, aged 75, has a capital loss carry forward of \$78,000 and is thinking he won't file next year as he doesn't think he'll be alive in 28 years to have used up his \$3,000 capital loss each year. He receives \$18,000 in Social security, a \$9,000 pension, has more stock to sell and owns a piece of land in Georgia. What would you tell him?

9. On July 1st, 2000, Fred bought 100 shares of AT&T for \$44/share. The brokerage fees were \$80. What is the cost basis for these shares of AT&T?
10. On December 11, 2012 Jim inherited 100 shares of XYZ stock from his great uncle Phillip. Phillip had purchased the stock for \$5.00 per share in 1952. The fair market value on the date of Phillip's death was \$20.00 per share. Jim sold all the stock on 12/1/2013. He received \$1,800 gross proceeds and paid a \$50 commission. What is the cost basis which Jim needs to report? Is the gain or loss on the sale of Jim's stock long-term or short-term?
11. Tom and Helen received a 1099-B in their broker statement from ABC Investments. Enter the following transactions in the Capital Gain Worksheet below:
- The 1099-B form showed a transaction on 02/01/15 for the sale of 200 shares of XYZ stock for \$1,500 (proceeds less commissions/ net) with Code A. It showed it was acquired on 3/23/2014 with a basis of \$1,000.
 - The 1099-B showed a transaction on 2/01/15 for the sale of 100 shares of ABC stock for \$2,000 (proceeds less commissions/ net) with Code D, and it also showed it was acquired on 9/16/2013 with a basis of \$3,500. Tom and Helen tell you that the basis shown on the form does not reflect a \$50 fee they paid when purchased.
 - The 1099-B showed a transaction on 5/5/15 for the sale of 100 shares of IBM for \$15,000 (proceeds less commissions/ net) with Code E and the acquisition date and basis is unknown. Tom and Helen tell you that they acquired the 100 shares of IBM stock on 6/1/05 and their cost for the purchase was \$5,000.
 - Tom and Helen tell you that they received a 1099-S showing \$705,750 for the sale of their home. They purchased the home on 3/3/54 for \$3,600 and lived in it until it was sold on 05/01/2015 for \$675,750 after commissions.

(a) Description of Property	1 0 9 9	T S J	*	(b) Code	(b) Date acquired	(c) Date sold	(d) Sales price	(e) Cost or basis	(f) ADJ	(f) Gain or Loss	S / L

QUIZ: RETIREMENT

1. The TP, a retired public safety officer (PSO), tells you or has a detail statement telling him health insurance premiums of \$3,786 were withheld.
 - a. How much can be excluded on the exclusion section of 1099-R line 4 in Tax Wise?
 - b. If there is a remainder how is it handled?
 - c. What if the insurance premiums were paid to the insurer by the TP?
2. If the TP is allowed to make a qualified charitable contribution from their required minimum distribution and the entire distribution amount is \$4,500 while the contribution portion is \$2,000; how would you handle the transaction on form 1099-R?
3. When might the taxable amount need to be calculated on Form 1099-R? Where is it calculated when it is pension? Where is it calculated when it is an IRA with basis?
4. The retiree died before starting to collect on his pension. It is a joint and survivor benefit policy. When using the Simplified Method, both birthdates must be used. True/ False
5. If the 1099-R shows a code "G" in Box 7 it represents a rollover and the entire distribution is not taxable. True/ False
6. An early distribution is not subject to the 10% early withdrawal penalty if it has one of the following codes in Box 7 - 2, 3, 4. True/ False
7. The taxpayer takes a distribution from his IRA and tells you he had made non-deductible contributions in prior years. How would you enter the non-taxable portion of the current distribution into TaxWise?

QUIZ: ITEMIZED AND STANDARD DEDUCTIONS

1. On which pages of the Volunteer Resource Guide (Pub 4012) can preparers find charts showing Standard Deduction Amounts?
2. Medical insurance premiums paid through work are deductible if they are deducted from the employee's gross pay. TRUE/FALSE
3. Harry and Sally are filing MFJ. They paid the cost of keeping Sally's father, George, in a nursing home. The entire cost of the nursing home was \$18,000, of which \$8,900 was for medical care. The primary reason for George being in the nursing home was for medical care. George is their dependent. How much of the nursing home costs can Harry and Sally claim as a medical expense?

4. Charles and Maria Stuart file MFJ. They paid the following bills. Which items are eligible deductions?
 - a. Prescription drugs from Canada?
 - b. False teeth?
 - c. Oxygen equipment and oxygen?
 - d. Lodging expenses while receiving medical care?
 - e. Vitamins and dietary supplements?
 - f. Medical marijuana prescribed by a doctor?

5. Elizabeth Windsor is over 65 years old and has an AGI of \$40,000. She has \$3,500 of medical expenses.
 - a. Will she be able to deduct any of her medical expenses? YES/NO
 - b. Suppose Elizabeth is under 65 years old. Can she claim a medical deduction? YES/NO

6. Which taxes are deductible on Schedule A?
 - a. Sales tax for the purchase or lease of a car?
 - b. Real-estate transfer taxes (or stamp taxes)?
 - c. Excise tax on gasoline, alcohol or tobacco?
 - d. State, local, and foreign real estate tax?

7. Peter Piper has a reverse mortgage on his primary residence. He received a lump sum payment and \$100 per month from the reverse mortgage lender. Interest is accruing which he will owe at some date in the future.
 - a. Is the amount he received in a lump sum reportable as income? YES/NO
 - b. Can he take an interest deduction for the interest which is accruing? YES/NO

8. Is a special assessment for the specific property, eligible for the Real Estate Tax deduction? What if the special assessment is for all properties in the school district? YES/NO

9. Which of the following types of interest are **within the scope** of the Tax-Aide Program?
 - a. Home mortgage interest incurred and paid by TP?
 - b. Mortgage interest paid on son's mobile home while he is in college (son is sole owner of the mobile home)?
 - c. Points paid to acquire mortgage on the purchase of taxpayer's home?
 - d. Mortgage insurance premiums for contract that commenced 12/21/2006?
 - e. Investment interest?

10. Jack and Jill are filing MFS. They have lived apart for 2 years. They each earn \$55,000 per year. Jack pays half of the \$6,000 mortgage interest on the house they own and Jill lived in, and all of their \$4,500 property tax. Jill pays the other \$3,000 mortgage interest. They have no other itemized deductions.
 - a. If one of them chooses to itemize, can the other claim a standard deduction?
 - b. If Jack itemizes, what amount will Jill use as her deduction?
11. Alice and Bill are senior citizens who have itemized their deductions for many years. They have no receipts or record of their cash contributions. They tell you these contributions added up to \$260. Can they deduct \$260 as a cash contribution this year?
12. The amount you deduct for charitable contributions cannot be more than 50% of your AGI and may be further limited to 30% or 20% depending on the type of property and the type of organization. Any excess can be deducted in each of the next 5 years until used up. Is this in scope for AARP preparers?
13. Josephine Bonaparte is 81 years old and made a \$10,000 qualified charitable distribution from her IRA to Goodwill Industries. The distribution was made directly by the trustee of her IRA to Goodwill. How much of the \$10,000 can she take as a charitable itemized deduction?
14. Liz has non-cash contributions that she wishes to claim. She has brought her receipts which show she wishes to claim amounts of \$225, \$350 and \$450. Which way should you enter the contributions (after verifying the amounts she wishes to claim are within acceptable limits)? On the A detail worksheet since no amount is greater than \$500 or by linking to Form 8283 from the A detail worksheet and entering the data there since the total is greater than \$500.

QUIZ: EDUCATION BENEFITS

4012 Tab J

1. What are the 2 types of education credits?
2. Who can claim an education credit?
3. What is an eligible post-secondary education institution?
4. Name at least three options for claiming educational expenses?
5. How do you decide which of the options is right for the taxpayer?
6. What page in Pub 4012 shows you which educational expenses qualify for which benefits?
7. Grandma pays the eligible educational expenses for her grandson who is claimed on the parent's return as a dependent. Who can claim the payment amount and where?
8. Taxpayer pays for his son's tuition, but the son is not claimed on the taxpayer's return. Can he claim the tuition he pays for his son as an education credit? YES/ NO
9. When are scholarships and grants taxable?

1. Assume you meet all the eligibility tests to receive EIC. What are the three factors that determine the amount of EIC you will receive?
2. In Tax-Wise, where do you indicate that you want the EIC worksheet activated?
3. Which of the following items are considered EARNED income for EIC?
 - a. Taxable wages
 - b. Pensions/Annuities
 - c. Worker's Compensation
 - d. Union Strike Benefits
 - e. Long-Term Disability Benefits received prior to minimum retirement age
 - f. Social Security/Railroad Retirement Benefits
 - g. Unemployment
 - h. Self-Employment Net Earnings
 - i. Alimony
 - j. Work release wages
4. David, who is 25 years old, his 2 year old son, Jack, and his 5 year old daughter, Jill, live with David's mother Mary. David's earned income is \$11,500 Mary's earned income is \$20,000. Mary also has \$5,000 in interest and dividend income. Who could receive EIC based on Jack and Jill?
5. Sue, age 26, is unmarried and she and her 5 year old daughter Tracey live with Sue's mother, Doreen, 63. Sue and Doreen provide Tracey's support. Sue worked as a clerk and earned \$16,000. Doreen has a part-time job and earned \$8,000 to supplement her social security income. Who can claim Tracey for EIC?
6. Bob is 23 years old. Liz, his spouse, is 27 years old. They have no children, and will file Married Filing Jointly. Can they apply for EIC?
7. Jane Shingler is 38 years old. In 2013, Jane worked as a teacher's assistant and received \$25,000. Thomas, who is single, is Jane's 40-year-old brother. Thomas has lived with Jane in her home since 2005 as he is permanently and totally disabled. Thomas's only income was social security disability *but* it provided over half of Thomas' support. Jane and Thomas are U.S. citizens and have valid social security numbers. Is Thomas a qualifying child for EIC even though he is not a qualifying child for the dependency exemption?

