

2002

TRAINING GUIDE

Developed specifically for C-VITA, using TaxWise Software



Department of the Treasury
Internal Revenue Service

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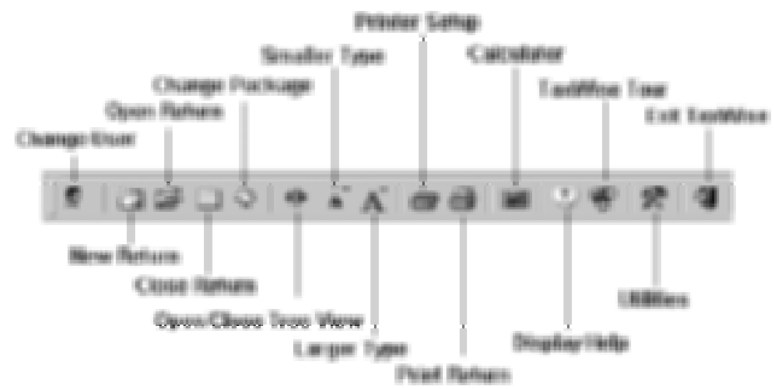
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Condensed Volunteer Income Tax Assistance or **C-VITA** is an abridged version of the **Publication 678, Volunteer Assistor's Guide, Student Text**. **C-VITA** integrates electronic filing with basic tax law.

C-VITA is a student text and reference book used by VITA/TCE for assisting taxpayers in the electronic preparation of basic income tax returns. Publication 3192, Supplemental Training Guide, includes exercises, problems, certification, and instructor notes and is shipped automatically with Publication 3888.

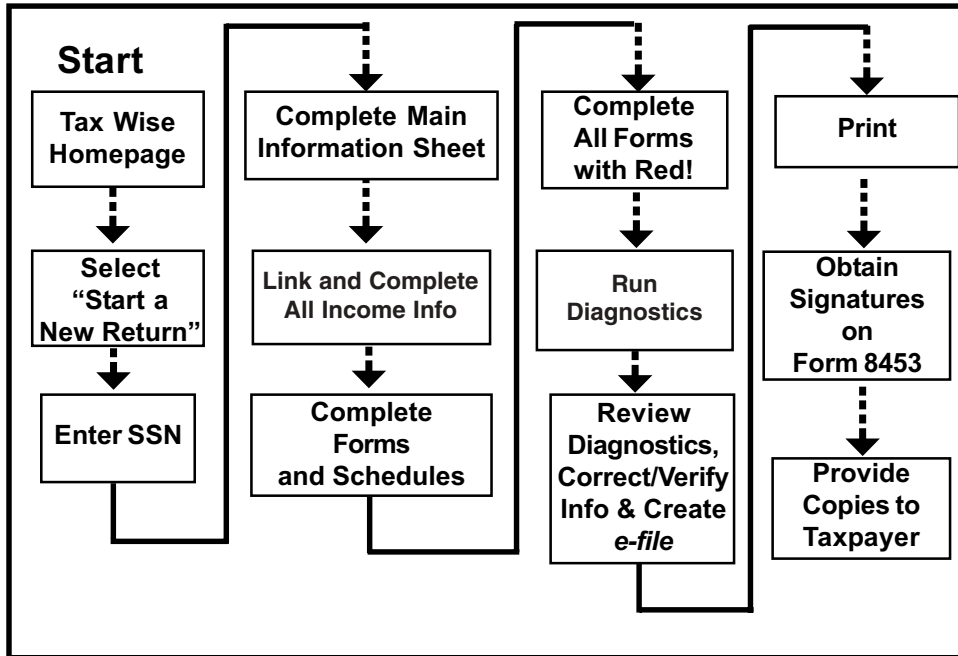
This text is intended for use in conjunction with TaxWise, the e-file software produced by Universal Tax Systems, Inc.

Toolbar Detail



TaxWise Quick Reference Card

Shift	IRS Help		Un-Estimate		Shift				Un-Override	Shift	Remove Form	Add Copy	Pause Timer
	F1	F2	F3	F4		F5	F6	F7	F8		F9	F10	F11
No Shift	TW Help		Estimate		No Shift	Calculator	Second Form	Return Status	Override	No Shift	Link	Close Form	Insert Variable



COLOR SCREEN	
Yellow	Calculated Entries
Green	Non-Calculated Entries
Red Block	Required Entries
Red on Gray	Overridden Entries
White on Red	Estimated Entries
Yellow Block	Scratch Pad Attached

Reminder: The CAPS LOCKS key must be "on" for the entire tax preparation session.

Gross Income

The following are examples of income items to consider in determining whether a return must be filed. You must include in income:

Alimony	Employee bonuses	Pensions
Annuities	Estate and Trust income	Prizes
Awards	Farm income	Railroad Retirement – Tier II
Back pay	Fees	Rents (gross rent)
Bonuses	Gain from sale of property or securities	Rewards
Breach of Contract	Royalties	Salaries
Business income	Gambling winnings	Scholarships and Grants
Commissions	Hobby income	Severance pay
Compensations for personal services	Interest	Social Security and Railroad Retirement — Tier I payment (portion may be taxable)
Debts forgiven	IRA distributions	Supplemental unemployment benefits
Director's fees	Jury duty fees	Tips and gratuities
Disability benefits (employer-funded)	Military pay	Unemployment compensation
Discounts	Military pension	Wages
Dividends	Notary fees	
Employee awards	Partnership income (taxpayer's share)	

Gross Income

The following are examples of income items to exclude in determining whether a return must be filed.

You may exclude from income:

Child support

Death payments

Federal Employees'
Compensation Act
payments

Damages for physical injury
(other than punitive)

Gifts, bequests and
inheritances

Insurance proceeds

- Accident
- Casualty
- Health
- Life

Interest on tax-free securities

Meals and lodging for the
convenience of employer

Payments to the beneficiary
of a deceased employee

Relocation payments or
payments in lieu of
worker's compensation

Housing allowance of
clergyman

Sickness and injury payments

Veterans' benefits

Welfare payments
(including TANF)

Worker's compensation and
similar payments

“Who Must File” Filing Requirements for Most People

***You must file if your**

Filing Status Is:	Age Is:	Gross Income Is:
Single	– under 65	\$ 7,700
	– 65 or older	\$ 8,850
Married, Filing Joint	– both under 65	\$ 13,850
	– one 65 or older	\$ 14,750
	– both 65 or older	\$ 15,650
Married, Filing Separate	– any age	\$ 3,000
Head of Household	– under 65	\$ 9,900
	– 65 or older	\$ 11,050
Qualifying Widow/er	– under 65	\$ 10,850
	– 65 or older	\$ 11,750

*If blind—See Publication 17, Filing Information, or tax form instruction booklet.

“Who Must File” Filing Requirements in Special Situations

Self employed taxpayers must file if net earnings are \$400 or more.

Dependent — single and under 65 (most students)

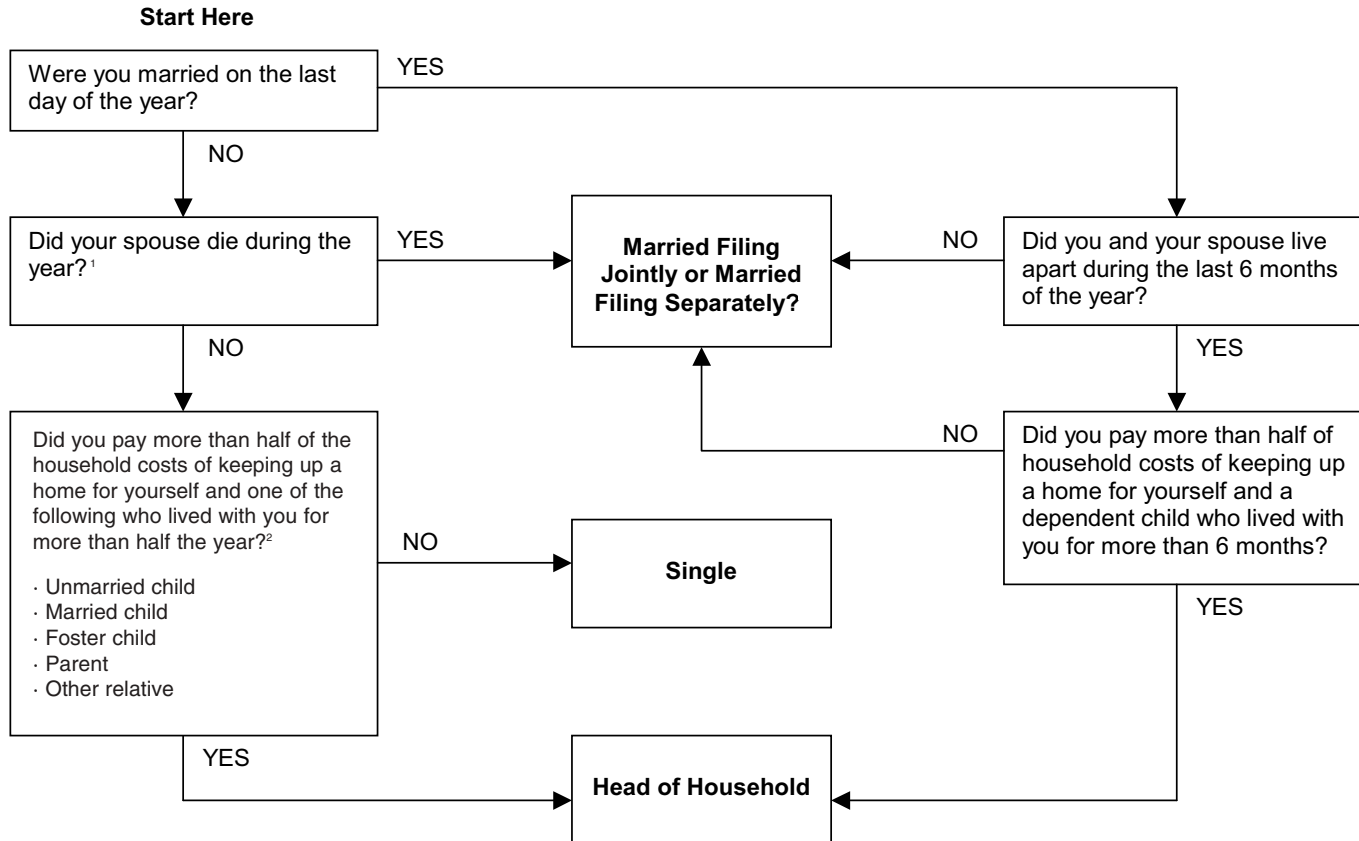
You must file a return if **any** of the following apply:

- Your **unearned income** was over \$750.
- Your **earned income** was over \$4,700.
- Your **gross income** was more than the **larger** of —
 - \$750, **or**
 - Your earned income (up to \$4,450) plus \$250.

Dependent — 65 or older, blind or married — See Publication 17, Filing Information, or tax form instruction booklet

Advanced earned income credit recipients who have an amount in Box 9 of their W-2 forms.

Determination of Filing Status



¹ See Pub 17, Filing Status, for specific rules on Qualifying Widow(er) with Dependent Child.

² See Pub 17, Filing Status, for specific rules on these qualifying persons

Exemptions

There are two types of exemptions: personal exemptions and exemptions for dependents. Exemptions reduce taxable income.

Personal Exemptions

Each taxpayer is entitled to claim one exemption for himself or herself and, if married, one exemption for his or her spouse.

Exception: The taxpayer cannot claim an exemption for himself or herself or their spouse if he or she can be claimed as a dependent on another person's tax return. This is true even if the other taxpayer does not actually claim the dependent exemption.

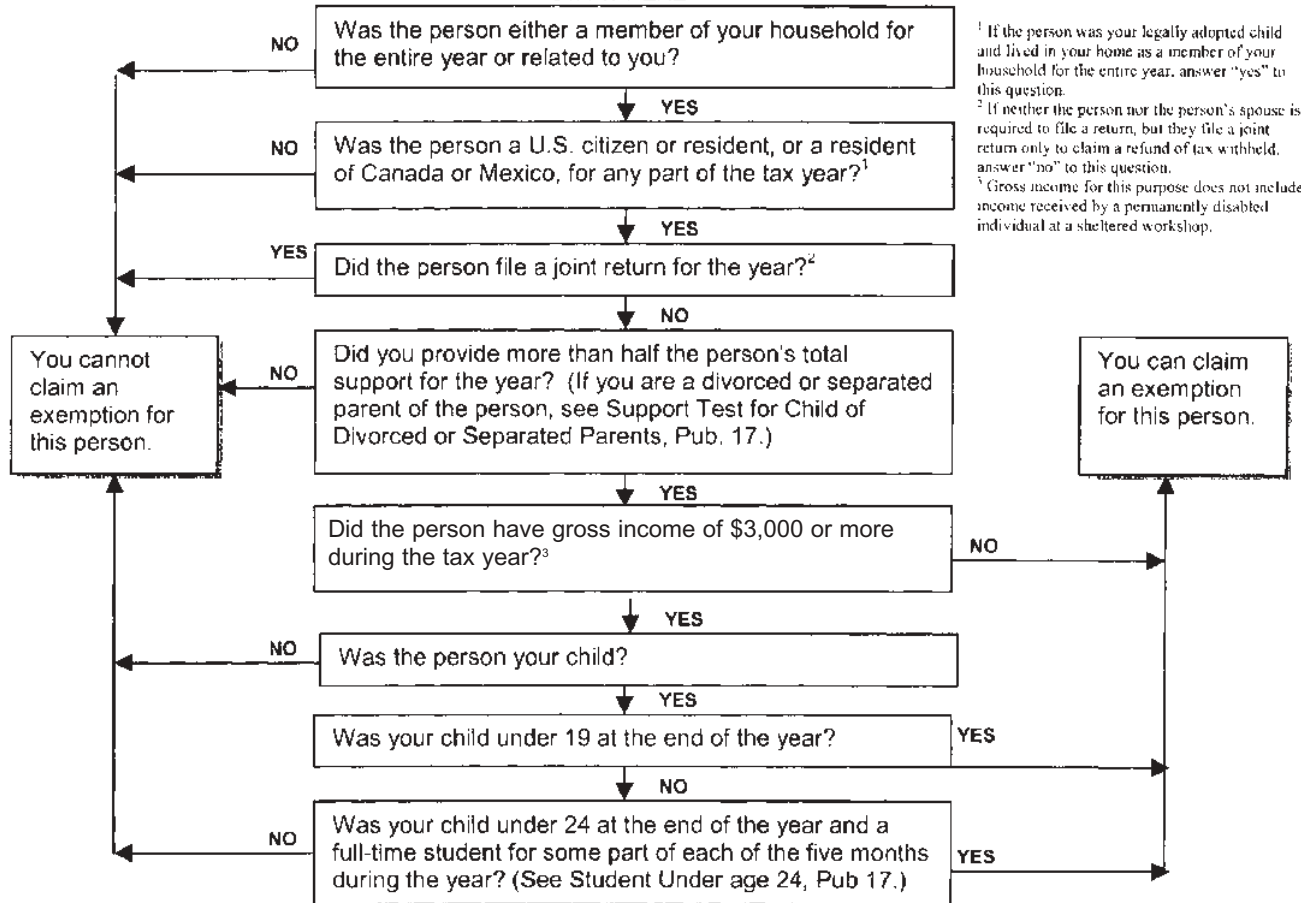
Exemptions for Dependents

Taxpayers are allowed one exemption for each person they can claim as a dependent.

Dependents cannot claim their own personal exemption when they can be claimed on another taxpayer's return.

Can You Claim an Exemption for a Dependent?

START HERE

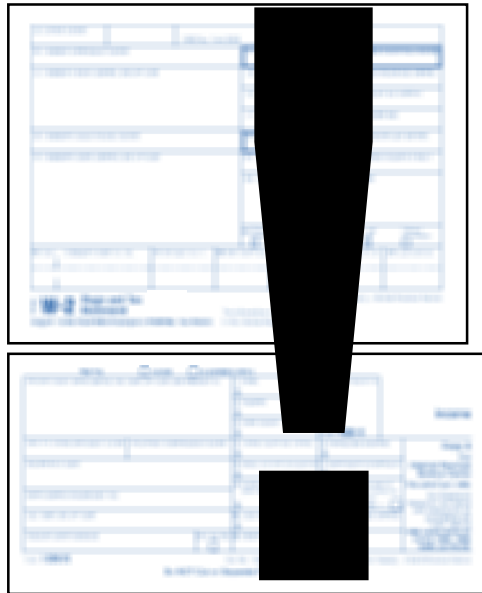


Income

The following are examples of income items to consider in determining entries into TaxWise:

<u>Form</u>	<u>Type</u>	<u>1040 Line</u>	<u>TaxWise Entries</u>
W-2	Wages & Salaries	7	Link and complete Form W-2
1099-B	Sale of Stock	13	Link and complete Schedule D
1099-DIV	Dividends	9	Link and complete Schedule B
1099-INT	Interest	8a	Link and complete Schedule B
1099-G	Certain Government Payments	19	Link and complete Form 1099-GWkt
1099-MISC	Miscellaneous Income	12	Link and complete Schedule C-EZ
1099-R	Distributions from Retirement Plans	16	Link and complete Form 1099-R
SSA-1099R	Social Security Benefits	20	Link and complete 1040 Wkt 1
W-2G	Gambling Winnings	21	Link and complete 1040 Wkt
RRB-1099	Railroad Retirement Benefits (Tier 1)	20	Link and complete 1040 Wkt 1
RRB-1099-R	Railroad Retirement Benefits (Tier 2)	16	Link and complete Form 1099-R

W-2 Address ALERT!



IRS requires that information on electronically filed Forms W-2 and 1099-R match the printed Forms W-2 and 1099-R **exactly**.

For example, the taxpayer/spouse address from the main information section (i.e. TaxWise's **MAIN INFO**) is shown at the top of the W-2. If this matches the address on the paper W-2, check the box to indicate that it does. If it doesn't match, check the box to make changes and **enter the address from the paper W-2**. Make changes for a Form 1099-R with a different address by overriding the address with the address as shown on the Form 1099-R.

A taxpayer with multiple Forms W-2 or 1099-R could possibly have a *different* address on several, if not all, of the Forms W-2 or 1099-R.

Check them carefully; the change must be done on ***each and every*** Form W-2 or Form 1099-R differing from the current address.

IMPORTANT!

The most current address entered in MAIN INFO will not be affected and will remain the current address for the taxpayer(s).

Earned Income Credit

Rules for Everyone	Rules With A Qualifying Child	Rules With No Qualifying Child
<p>Must have a valid SSN issued by SSA.</p> <p>Filing status cannot be married filing separate.</p> <p>Must be a U.S. citizen or resident alien all year.</p> <p>Cannot file Form 2555 or Form 2555-EZ.</p> <p>Investment income must be less than or equal to \$2,550.</p> <p>Must have earned income.</p>	<p>Child must meet the relationship, age, & residency tests.</p> <p>Taxpayer cannot be a qualifying child of another person.</p> <p>Qualifying child must have a valid SSN.</p>	<p>Taxpayer (or spouse if filing a joint return) must be at least age 25 but under age 65.</p> <p>The taxpayer (or spouse if filing a joint return) cannot be the dependent of another person.</p> <p>Taxpayer cannot be a qualifying child of another person.</p> <p>Taxpayer must have lived in the U.S. more than half of the year.</p>

EIC and SSN ALERT!

If the Social Security card has a legend that says **“Not Valid for Employment”** and the number was issued so that the card holder could receive a federally funded benefit, such as food stamps, SSI or Medicaid, the SSN is not a valid SSN for EIC purposes. ITINs issued by IRS to non-citizens who cannot get an SSN and ATINs issued by IRS to adoptive parents for the child they are adopting are also not valid numbers for EIC purposes.

It is an important part of your job to ensure that the taxpayer and all related parties have valid numbers; therefore, you should ask to see the taxpayers’ and their childrens’ Social Security cards.

(Numbers written on a piece of paper do not ensure accuracy.)



Please note: If the card has the **“Not Valid for Employment”** legend but the taxpayer states that his or her or their children’s situation has changed, you should advise the taxpayer to visit a local Social Security office for a replacement card without the legend. (The SSN will remain the same.) The taxpayer can then return to the volunteer site for you to complete the return. The taxpayer may now be eligible for the EIC.

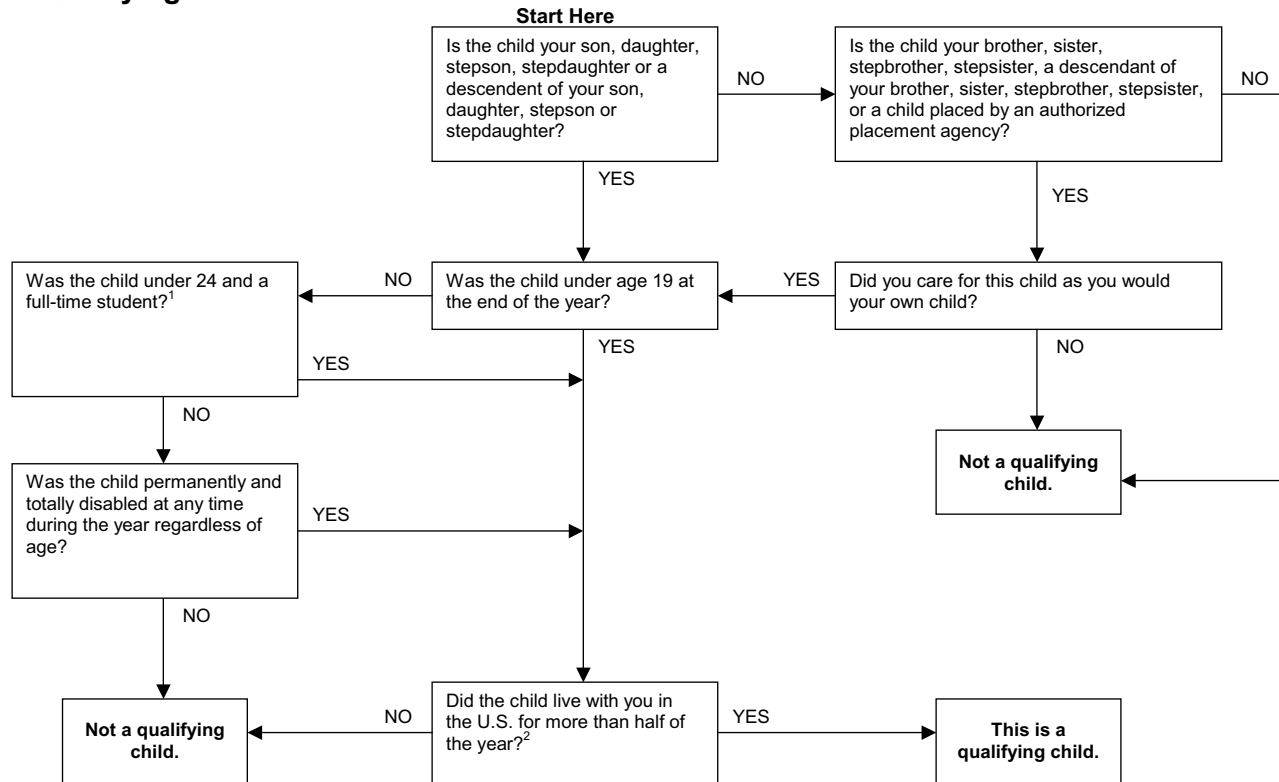
EIC Income Limits

(Earned Income And AGI Must Each Be Less Than the Following Amounts)

Filing Status	No Qualifying Children	One Qualifying Child	Two or More Qualifying Children
Single or Head of Household	\$11,060	\$29,201	\$33,178
Married Filing Joint	\$12,060	\$30,201	\$34,178

Earned income for purposes of the EIC is taxable wages, salaries, tips; net earnings from self-employment, union strike benefits; taxable long-term disability benefits received before minimum retirement age; and gross income received as a statutory employee.

EIC Qualifying Child Determination



¹ To be considered a student, the child must attend school full-time for some part of each of five calendar months of the year. See Pub. 17, *Earned Income Credit*, for rules regarding vocational high school students and night school.

² If a child fails to meet the residency test because the child was born or died during the year, the child is considered to meet the test if the child lived with the taxpayer while the child was alive.

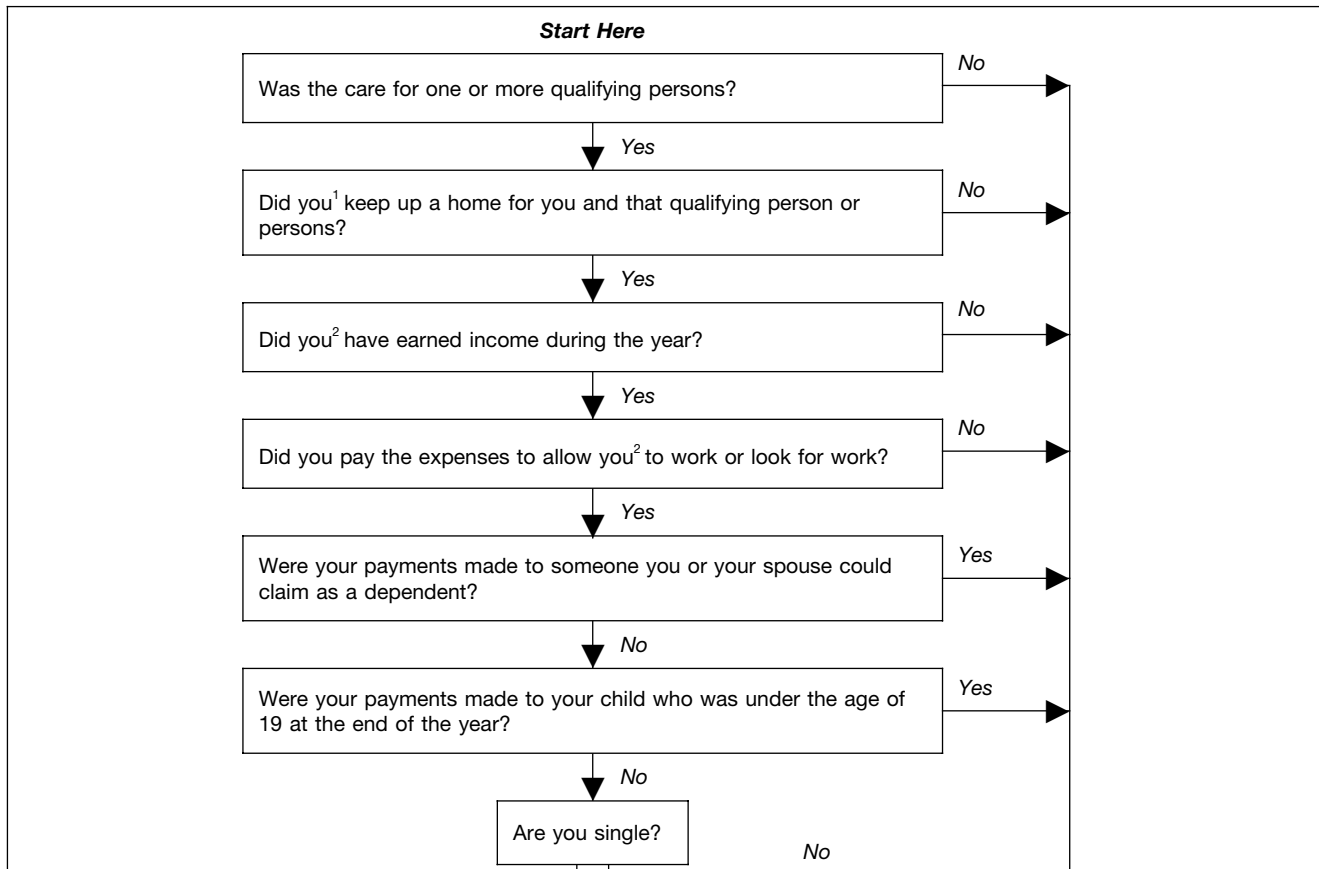
Qualifying Child of More Than One Taxpayer

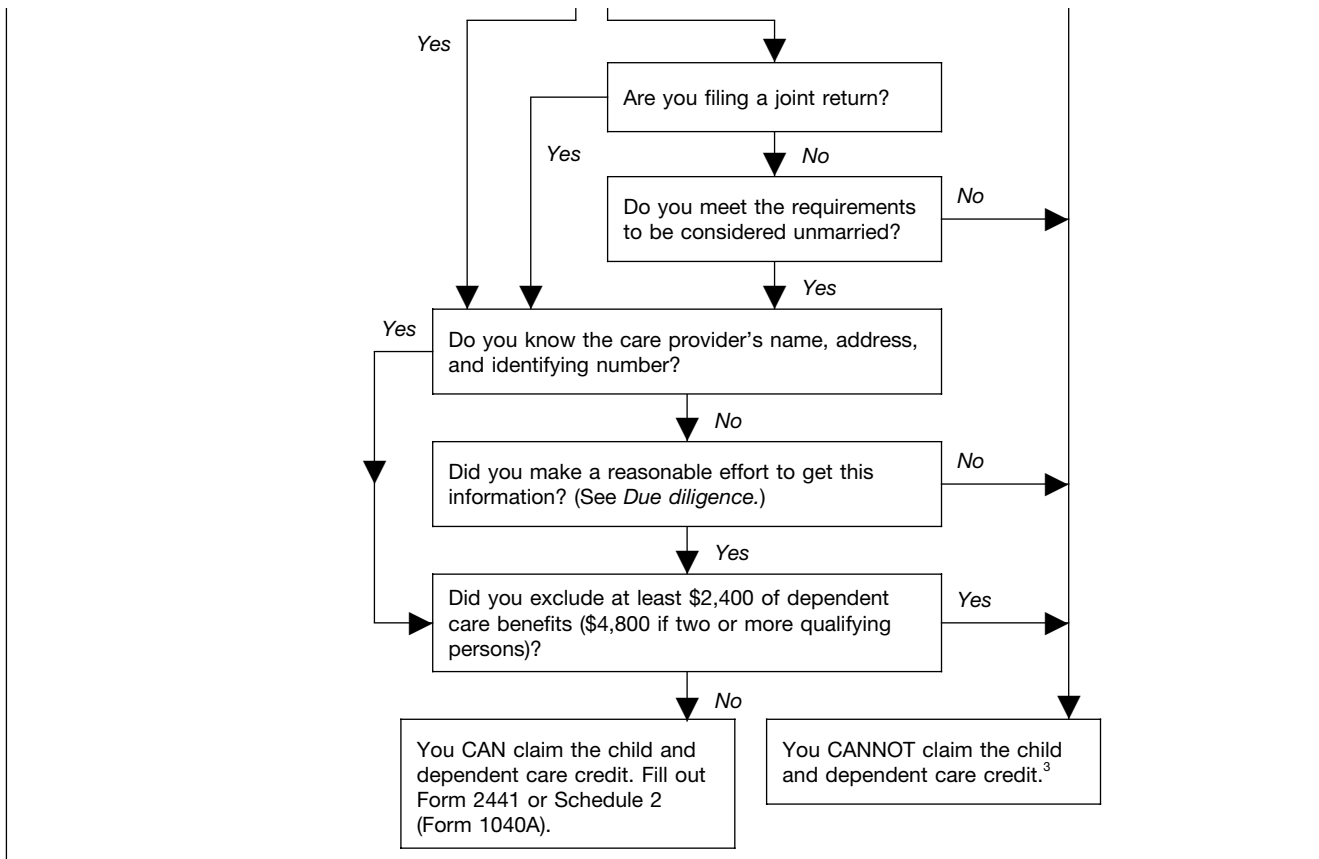
If a child is a qualifying child of more than one taxpayer, the taxpayers may choose which of them will claim the credit on the basis of that child. If two or more children are qualifying children of the same taxpayers (not filing a joint return together), the taxpayers may agree that one will claim the credit on the basis of one child and the other will claim the credit on the basis of the other child.

If two or more taxpayers actually claim the credit on the basis of the same qualifying child, the statute determines which of them is entitled to the credit on the basis of that child. This is the tie-breaker rule. The taxpayer who is entitled to the credit is

- The parent, if one taxpayer is a parent of the child.
- The taxpayer with the higher AGI, if neither is a parent of the child.
- The parent the child lived with the longest during the tax year, if both taxpayers are parents of the child and they do not file a joint return together.
- The parent with the higher AGI, if both taxpayers are parents of the child, the child lived with both parents for the same length of time during the tax year, and they do not file a joint return together.

Can You Claim the Child and Dependent Care Credit?





¹This includes your spouse if you were married.

²This also applies to your spouse, unless your spouse was disabled or a full-time student.

³If you had expenses that met the requirements for 2001, except that you did not pay them until 2002, you may be able to claim those expenses in 2002. See *Expenses not paid until the following year under How To Figure the Credit.*

Child and Dependent Care Credit

Qualifying Person

- A child that is under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed,
- A dependent (or a person who could be claimed as a dependent if his or her gross income had been less than the personal exemption amount) who is physically or mentally incapable of self-care,
- A spouse who is physically or mentally incapable of self-care.

Special rules apply if the parents are divorced or separated. **(see Pub 17)**

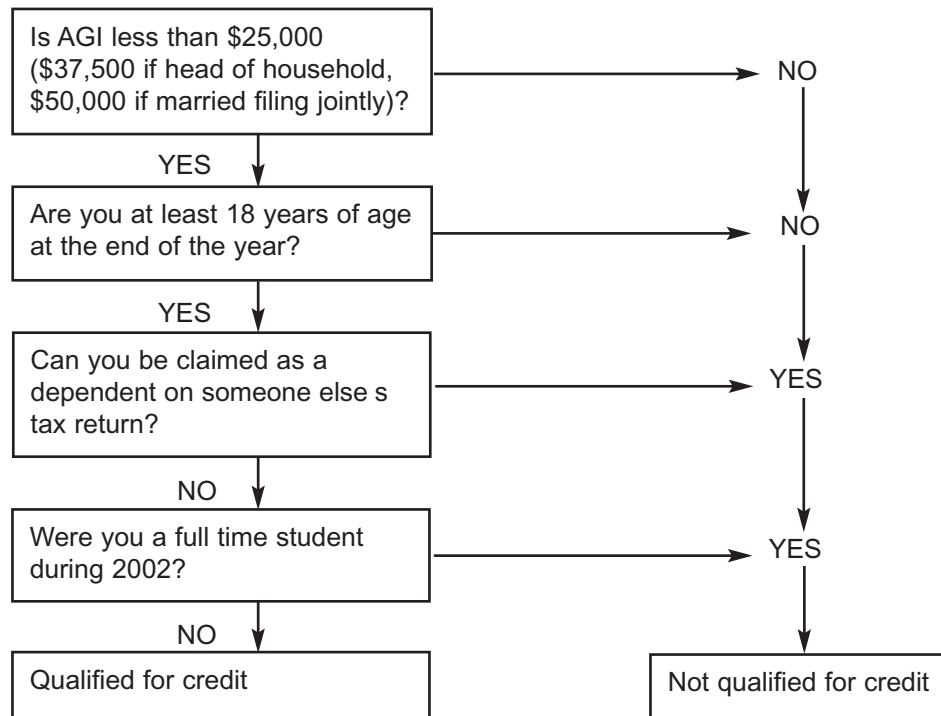
Qualified Expenses

- Expenses must be paid, for the care of a qualifying person, to allow the taxpayer to work or look for work.
- Cannot include expenses paid while the taxpayer is off work because of illness.
- Main purpose of expenses must be for the qualifying person's well being and protection.

Education Credits

Hope Credit	Lifetime Learning Credit
Limit is \$1,500 per student	Limit is \$1,000 per tax return
Only for the first two years of post-educational secondary education	Available for unlimited number of years
Must be pursuing a degree or other credentials.	Courses in degree program or to acquire or improve job skills
At least one-half of full-time workload for one academic period	One or more courses
For tuition, and related expenses (see Pub. 17 for expenses that do not qualify)	For tuition and related expenses (see Pub. 17 for expenses that do not qualify)
Not available to anyone with a felony drug conviction	No other restrictions

Retirement Savings Contributions Credit



2003 e-file Refund Cycle Chart...



CLICK. ZIP. FAST ROUND TRIP.

Transmitted and accepted (by Noon) between:	Direct Deposit Sent*	Paper Check Mailed*
Jan 10 and Jan 16	Jan 24	Jan 31
Jan 16 and Jan 23	Jan 31	Feb 7
Jan 23 and Jan 30	Feb 7	Feb 14
Jan 30 and Feb 6	Feb 14	Feb 21
Feb 6 and Feb 13	Feb 21	Feb 28
Feb 13 and Feb 20	Feb 28	Mar 7
Feb 20 and Feb 27	Mar 7	Mar 14
Feb 27 and Mar 6	Mar 14	Mar 21
Mar 6 and Mar 13	Mar 21	Mar 28
Mar 13 and Mar 20	Mar 28	Apr 4
Mar 20 and Mar 27	Apr 4	Apr 11
Mar 27 and Apr 3	Apr 11	Apr 18
Apr 3 and Apr 10	Apr 18	Apr 25
Apr 10 and Apr 17	Apr 25	May 2
Apr 17 and Apr 24	May 2	May 9
Apr 24 and May 1	May 9	May 16

* The IRS does not guarantee a specific date that a refund will be deposited into a taxpayer's financial institution account or mailed.

Pointers for Direct Deposit of Refunds

- Using a voided check as proof of account, verify:
 - Routing Transit Number (RTN).** The RTN must contain 9 digits and begin with 01 through 12 or 21 through 32.
 - Depositor Account Number (DAN).** The DAN can be up to 17 characters. Omit spaces, the actual check number, special symbols, and the dollar amounts on canceled checks.
- Always check the information you have entered **twice**. Entering the incorrect RTN and/or DAN will result in a 4-6 week delay of the refund. If the Direct Deposit is voided, a paper check will automatically be mailed to the address on the electronic tax return.

Note: The routing and account numbers may be in different places on the check.



Caution: Some financial institutions will not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a Direct Deposit.

SAMPLE

Paul Maple
Deborah Maple
 1234 Windy Oaks Drive
 Anytown, MD 20000

_____ 19 _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

ANYTOWN BANK
 Anytown, MD 20000

For _____

: 250250025 :
20202086
1234

1234

15-0000-0000

Do Not include the check number

Balance Due Returns—File Now, Pay Later...

Payment Options

There are *three* payment options available:

- 1. Send payment with Form 1040-V to the appropriate lockbox address.**

Form 1040-V, Payment Voucher, will be generated by the *e-file* software when the tax return results in a balance due.



Caution: Do not attach payment or Form 1040-V to the taxpayer's Form 8453.

- 2. Use the Direct Debit Option**

This option works like Direct Deposit for refund returns.

There is no fee for the Direct Debit transaction. The taxpayer will designate the date that the debit will occur, which can be as late as April 15, 2003.

- 3. Pay with a Credit Card (Pay-by-Phone)**

After completing their balance due return the taxpayer can call **Official Payments Corp. at 1-888-2PAY-TAX or Phone Charge, Inc. at 1-888-ALL-TAXX.**

IRS does not directly accept the credit card payment and is therefore not the merchant. The credit card processor covers its costs by assessing a “convenience fee” to taxpayers using this system. The caller will be advised of the amount of this fee.

Can't Pay in Full?

Taxpayers who *cannot pay the amount they owe in full by April 15, 2003*, may wish to request an installment agreement. This can be done by completing Form 9465, INSTALLMENT AGREEMENT REQUEST, which will be generated by your software. Form 9465 can be *e-filed* along with the tax return—or separately, as an electronically transmitted document.

Obtaining Signatures on Form 8453...

If the Self-Select PIN option is not used, then Form 8453 must be signed by the taxpayer(s) *prior* to transmission of the return. Two Forms 8453 must be obtained with the original signature(s) —one will be mailed to the service center and the other retained by the local IRS SPEC office.

The signature must be an *original*, not a copy, stamp or facsimile.

If the filing status is “married filing joint return,” both signatures are required on Form 8453 prior to transmission of the return... **but** both spouses **do not** have to be present at the time of signing- for

example, one spouse can take Form 8453 home and return it to the VITA/ TCE site with the other spouse’s signature. Advise the taxpayer that their return will **not** be transmitted until **both** signatures have been obtained.



Caution: A rejected return may contain errors that, when corrected, require substantive changes. If this occurs, a new Form 8453 must be signed by the taxpayer(s). Substantive changes are defined as changes of more than \$50 to “Total Income” or more than \$14 to “Total Tax,” Federal income tax withheld,” “Refund” or “Amount you owe.”

Help Sources...

Source	Contact	Phone #
UTS/TaxWise Customer Service		1-800-411-6391
UTS/TaxWise Toll-Free Transmission		1-800-829-5945
Local VITA/TCE <i>e-file</i> Coordinator		
Local Technology Support Specialist		
Automated Tax Refund Information		1-800-829-4477
VITA/TCE Hotline (for volunteers only)*		1-800-829-8482

*Generally, this hotline is available Feb 1 through Apr 15

Mon. - Fri. 8 a.m. through 7:30 p.m. CST

Saturday 8 a.m. through 4 p.m. CST