



It's yours, file free & keep it

earned income tax credit

Cuyahoga EITC Coalition

2009 Volunteer Tax Training
Basic Tax Law

Resources

- Pub 4491 – Student Training
- Pub 4012 – Volunteer Resource Guide
- Pub 17 “Your Federal Income Tax”



5

The Intake Process

1. Taxpayer fills out Intake Sheet (4012 p. 5-8)
2. Volunteer completes Interview
3. Check Identification – ITIN vs. SSN (ITIN begins with 9) 4491 pp. 3-5 to 3-7
4. Review Documents
5. Prepare Return
6. Quality Review is part of the review sheet.



6

Label

(See instructions on page 14.) Use the IRS label. Otherwise, please print or type.

Form section for personal information including name, address, and social security numbers.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You [] @spouse []

Filing Status 1 [] Single 2 [] Married filing jointly (even if only one had income) 3 [] Married filing separately. Enter spouse's SSN above and full name here. 4 [] Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 [] Qualifying widow(er) with dependent child (see page 16)

Exemptions section including boxes for dependent status and a table for dependent information.

Income section with lines 7 through 22 for reporting various types of income.

Adjusted Gross Income section with lines 23 through 37 for reporting deductions.

Tax and Credits		38	Amount from line 37 (adjusted gross income)	38	
39a		Check <input type="checkbox"/> You were born before January 2, 1945, <input type="checkbox"/> Blind. Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1945, <input type="checkbox"/> Blind. checked ▶ 39a			
b		If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here ▶ 39b <input type="checkbox"/>			
Standard Deduction for— • People who check any box on line 39a, 39b, or 40b or who can be claimed as a dependent, see page 35. • All others: Single or Married filing separately, \$5,700 Married filing jointly or Qualifying widow(er), \$11,400 Head of household, \$8,350	40a	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40a	
	b	If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here (see page 35) ▶ 40b <input type="checkbox"/>			
	41	Subtract line 40a from line 38		41	
	42	Exemptions. If line 38 is \$125,100 or less and you did not provide housing to a Midwestern displaced individual, multiply \$3,650 by the number on line 6d. Otherwise, see page 37		42	
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	
	44	Tax (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 9814 b <input type="checkbox"/> Form 4972.		44	
	45	Alternative minimum tax (see page 40). Attach Form 8251		45	
	46	Add lines 44 and 45		46	
	47	Foreign tax credit. Attach Form 1116 if required		47	
	48	Credit for child and dependent care expenses. Attach Form 2441		48	
	49	Education credits from Form 8863, line 29		49	
	50	Retirement savings contributions credit. Attach Form 8880		50	
	51	Child tax credit (see page 42)		51	
	52	Credits from Form: a <input type="checkbox"/> 8396 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 5695		52	
	53	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>		53	
54	Add lines 47 through 53. These are your total credits		54		
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-		55		
Other Taxes		56	Self-employment tax. Attach Schedule SE	56	
57		Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919		57	
58		Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		58	
59		Additional taxes: a <input type="checkbox"/> AEIC payments b <input type="checkbox"/> Household employment taxes. Attach Schedule H		59	
60		Add lines 55 through 59. This is your total tax		60	
Payments		61	Federal income tax withheld from Forms W-2 and 1099	61	
62		2009 estimated tax payments and amount applied from 2008 return		62	
63		Making work pay and government retiree credits. Attach Schedule M		63	
If you have a qualifying child, attach Schedule EIC.	64a	Earned income credit (EIC)		64a	
	b	Nontaxable combat pay election <input type="checkbox"/> 64b			
	65	Additional child tax credit. Attach Form 8812		65	
	66	Refundable education credit from Form 8863, line 16		66	
	67	First-time homebuyer credit. Attach Form 5405		67	
	68	Amount paid with request for extension to file (see page 72)		68	
	69	Excess social security and tier 1 RRTA tax withheld (see page 72)		69	
	70	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 4136 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885		70	
71	Add lines 61, 62, 63, 64a, and 65 through 70. These are your total payments		71		
Refund		72	If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you overpaid	72	
Direct deposit? See page 73 and fill in 73b, 73c, and 73d, or Form 8888.	73a	Amount of line 72 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>		73a	
	b	Routing number			
	d	Account number			
74	Amount of line 72 you want applied to your 2010 estimated tax ▶ 74		74		
Amount You Owe		75	Amount you owe. Subtract line 71 from line 60. For details on how to pay, see page 74	75	
76	Estimated tax penalty (see page 74)		76		

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see page 75)? Yes. Complete the following. No

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
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Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 15. Keep a copy for your records. ▶	Your signature	Date	Your occupation	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	Phone no.	

Personal & Dependent Exemptions (4012 Tab C and 4491 Chap 6)

- Claim for Taxpayer and Spouse
- If a dependent, cannot have dependents
- A dependent who files her own return claims zero exemptions – High school student who works at the grocery store is claimed by her parents.
- Great tables 4012 pp. C-4 through C-7.
- Good examples Chapter 6.
- The old method - Meet the 5 Tests for a dependent – next 5 slides.



8

Household/Relationship

- Lived with Taxpayer for whole year OR
- Relative
 - Child, Stepchild or Grandchild
 - Brother/Sister or Half-Sibling
 - Parent/Grandparent, Step-Parent or In-Law
 - Aunt, Uncle, Niece or Nephew by Blood



9

Citizen or Resident

- US Citizen or Resident
- or*
- Resident of Canada or Mexico aka "NAFTA Rule"
 - Must have an ID Number (ITIN). ITINs are okay for all dependents.



10

Joint Return Test

- Dependent cannot file a joint return
- Exception: Joint return filed for refund claim only – no decrease in liability
- Very Rare – Young married couple living with parents



11

Gross Income Test

- Dependent must have less than \$3,650 in gross income.
- Exceptions:
 - Child under 19 on 12/31/09
 - Full-time student child under 24 on 12/31/09 (in school for 5 months)



12

Support Test

- Who is providing for the dependent?
- Benefit sources count (SSI, TANF etc.)
- If a disabled relative receives Social Security that pays for more than 50% of his support then he is considered as supporting himself for tax purposes and cannot be claimed! May be EITC eligible.
- Specifics:
 - Multiple Support (no one more than 50%)
 - Children of Divorced or Separated Parents



13

Qualifying Child and Relative

- The newer way which is not necessarily the easier.
- Child - IRS way of linking all the credits together.
- Relative - Other dependents for whom EITC and other tax benefits cannot be claimed.
- Tables 1 and 2 p. C-4



Watch out—the IRS throws around the qualifying child term in the test and in the materials. You may be better off using the definitions laid out by the credit. For instance, a mother who lives with her disabled adult son who receives his own Social Security that pays his support, is still eligible for the Earned Income Tax Credit though the son is not her qualifying child (he provides his own support.)

Qualifying Child of More than One Taxpayer

- Normally, one taxpayer claims all tax benefits for the same child.
- Tie-breaker p 15
 - Parent
 - Parent who lived longer with child
 - Parent with higher AGI if same length of time

Three Generation Household

- Daughter, Mother and Grandmother all live together
- Both Mom and Grandma work and support the house.
- Mom should claim the daughter.
- Depending on situation, Grandma could claim granddaughter.

Qualifying Child or Relative?

- Bobby lives with his mom Angela and mom's boyfriend Pete for the full year. Pete provides support of the house and Angela doesn't work.
- Can Pete claim Bobby?
- Is Bobby Pete's qualifying child?
- What if Angela worked?



17

Divorced or Separated Parents

- Form 8332 release of claim signed by custodial parent – Needs a form 8453. Tax Wise is very stubborn.
- Divorce Decree – not for decrees signed in 2009
- Divorced parents may claim different benefits.
 - Noncustodial Dad – Exemption and Child Tax Credit
 - Custodial Mom – Head of Household and EITC and Child Care



18

Exercises

- Joe, 65, lives with his son. Has a taxable pension of \$5,000. Claim?
- Paul, 20, full-time student made \$4,300. Can his parents claim him?
- Tim's Mom moves in with Phil in June. Can Phil claim Tim?
- Robert, 35, is permanent disabled and lives with his mom. He collects social security which covers his living expenses. Can his mom claim him?

Filing Status Tab B or Chap 4

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualified Widow(er) with Dependent Child for 2007 or 2008 death of spouse
- Tables on B-1 and B-2.



20

Married

- Jointly vs. Separately has nothing to do with love.
- If a spouse dies during 2009 still married in the IRS's eyes.
- Divorce is divorce.



21

Head of Household

- Taxpayer is unmarried or meets the married person living apart test (Last 6 months)
- Taxpayer must have paid more than half the cost of the main home (6 mos) for child, grandchild, sibling, in-law, parent, blood relatives (aunt, uncle, niece and nephew)
- Parents may have own residence
- Boyfriend cannot file HOH for girlfriend's child even if claims child as qualifying relative.

Exercises

- Laverne pays all expenses for unemployed and unrelated Shirley. Can she be HoH? How about an exemption?
- Lilly took the kids and left her husband in August. What are her options?
- Annie and Bill were married in 2007 but lived apart all of 2009. What are their options? What about if they have kids?
- Pete, Angela and Bobby example from earlier – Can Pete file HOH?

