1040
Software
Tutorial

Contents

Introduction

Welcome to *the 2022 1040 Software Tutorial.*

The 2022 1040 Software Tutorial provides for you an understanding of the basic steps necessary to complete and electronically file a tax return. This tutorial covers the most frequently used features of *the 1040 Software* which are categorized into seven chapters along with additional appendices.

These chapters may be used as a tutorial by an individual at a computer or by an instructor for hands-on training in a classroom setting. Additional training resources, including videos, recorded webinars and short, step-by-step *Here's How To* documents, are available at the Resource Center.

It is not necessary to complete the chapters at once all consecutively; rather, you may pause and resume at a later point. This may be arranged since each chapter is designed distinctively from one another to adjust the training to meet your needs, or the needs of your tax operation.

<u>Content of Chapters</u>

1. About This Tutorial
2. Preparing a Basic 1040 Return
3. The Asset Manager
4. Electronic Filing
5. Refund-Based Bank Products
6. Transmitting to Central Site
7. Terminology

Appendix I - Answers to End-of-the-Chapter Review Quizzes

Addendum – Beginning, Intermediate, Advanced Training Returns

Office and Preparer Setup

This guide assumes that you have completed the office and preparer setup in the 1040 *Software*, have a bank approved EFIN, and are using a fully updated version of the 2022 (TY2021) program.

Chapter Scope and Sequence

Chapter	Content Description	Computer Required?
1	Introduces the tutorial and how it may be used.	No

2	Walks one through preparing a federal and state tax return using *the 1040 Software. *Trainees who prepare tax returns are advised to complete this chapter.*	Yes
3	Illustrates how to use the Asset Manager and track depreciation issues within a tax return. *Trainees who enter assets and compute depreciation are advised to complete this chapter.*	Yes
4	Walks one through preparing a tax return for electronic filing. *Trainees who prepare tax returns for electronic filing are advised to complete this chapter.*	Yes
5	Walks one through requesting Refund Advance or Refund Anticipation Check (RAC) and printing bank product checks. *Trainees who prepare bank product tax returns or print bank product checks are advised to complete this chapter.*	Yes
6	Walks one through transmitting tax returns to Central Site. *Trainees who transmit tax returns to Central Site are advised to complete this chapter.*	Yes
7	Defines the terms used in this tutorial. *Trainees who are not familiar with electronic filing or bank products are advised to complete this chapter.*	No
Appendix I	Lists Answers to End-of-the-Chapter Review Quizzes	No

Suggested Handouts for Training

Handout	Content Description
Keyboard Guide	A keyboard guide showing the keystroke shortcuts of *the 1040 Software*. Download a copy [here]().
IRS Publication 1345	An IRS handbook that provides information on electronic filing requirements and restrictions. Download a free copy of this publication from the IRS web site [here]().
Form 8879	A form that allows the taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature. The ERO keeps the signed *Form 8879* on file for three years from the date the IRS accepted the return. Download a free copy of this form from [www.irs.gov/formspubs]() or print a blank *Form 8879* from within the 1040 *Software.*
RAC Bank Procedure Handbook	If offering bank products, we recommend you obtain a copy of your RAC bank's procedure handbook. Contact your RAC bank for more information on obtaining the procedure handbook.

Introduction

The 1040 *Software* utilizes the forms-based method for the preparation of tax returns. In the forms-based method, returns are prepared by adding the required electronic forms and worksheets. However, based on information you have provided about your taxpayer, the 1040 *Software* may also automatically append forms and worksheets to the return.

In this chapter, you will learn to:

- Use the 1040 *Software* to prepare a basic 1040 return with Earned Income Credit (EIC) as well as Child Tax Credit (CTC) for a Head of Household taxpayer with one dependent child. To prepare a more complex return using the 1040 *Software*, see Chapter 3.
- Prepare a state tax return by using the information entered on the federal return to automatically complete the state return.
- Use Bookmarks and Preparer Notes to add comments or reminders to a return.
- Navigate in the 1040 *Software* using screen buttons, keystroke shortcuts, menus, and right-click mouse menus.
- Verify a return and fix errors using Point-and-Shoot Error Correction.

Navigation Basics

The 1040 Software Main Screen Functions
The 1040 Software opens to a Main screen, as shown below, consisting of the Navigational Tabs, Menu Bar, Toolbar, Information Bar and the Work In Progress Summary.
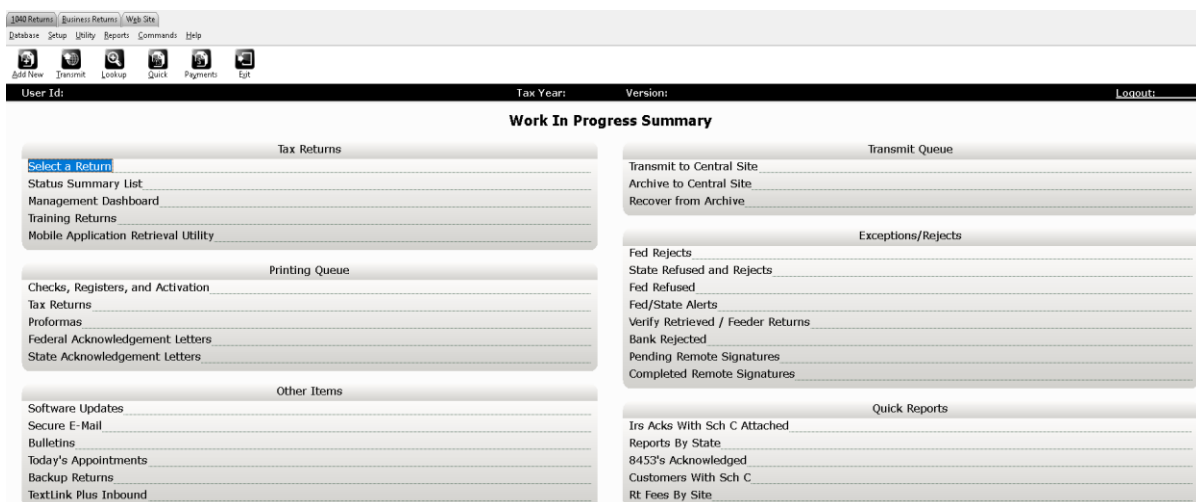
Navigational Tabs

The **Navigational Tabs** are located at the top of the screen. These tabs allow you to move between 1040 Returns, Business Returns, and the Web Site tab. For this tutorial, we will be focusing on the 1040 Returns tab.

Menu Bar

The **Menu Bar** is located across the top of the screen, just below the Navigational Tabs. The Menu Bar will change as you access different areas of the 1040 *Software*. To access, either click on a menu item or press **[Alt]** and the first underlined letter of the menu item.

Toolbar

The **Toolbar** is located directly below the Menu Bar. It provides quick access to frequently used software features and changes as you access different areas of the 1040 *Software*. To open a Toolbar function, click on the appropriate button or press **[Alt]** and the underlined letter on the button.

Information Bar

The **Information Bar** provides a view of information such as User ID, software version, taxpayer name, social security number and the return creation date.
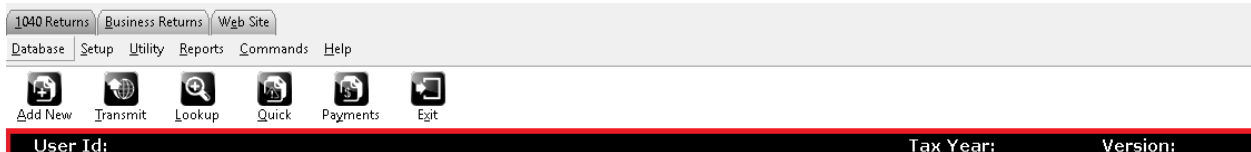
Work In Progress Summary

The **Work In Progress Summary** provides you an at-a-glance, administrative summary of what has occurred in the 1040 *Software*. The information on the Work In Progress Summary is continuously updated as data is saved, or when transmissions to Central Site take place.

The Work In Progress Summary

The Work In Progress Summary (WIP), the 1040 *Software's* landing page, is the first screen when you log into the 1040 *Software*. It provides information you need at a glance to manage your business better.

The WIP is divided into six sections:

1. Tax Returns
2. Printing Queue
3. Other Items
4. Transmit Queue
5. Exceptions/Rejects
6. Quick Reports
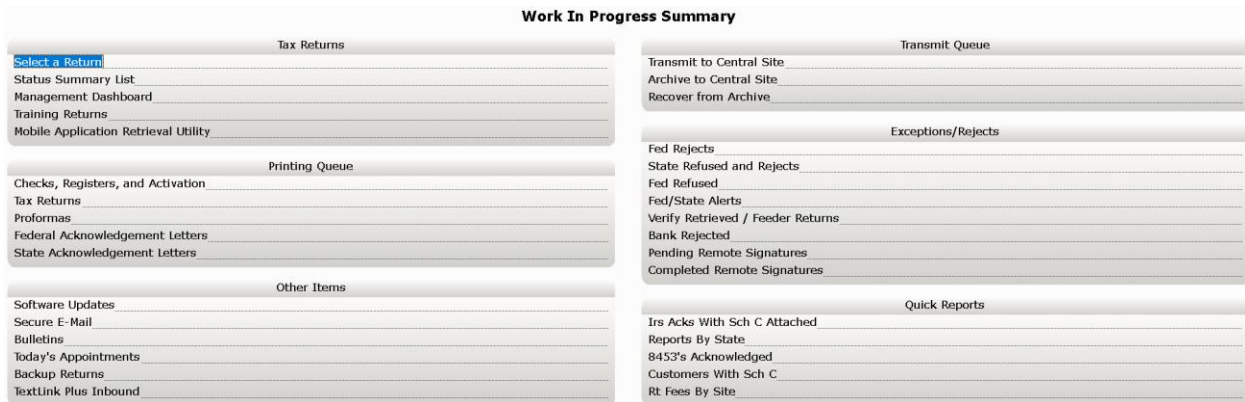
Tax Returns

The **Tax Returns** section contains data pertaining to tax returns created within the 1040 *Software*.
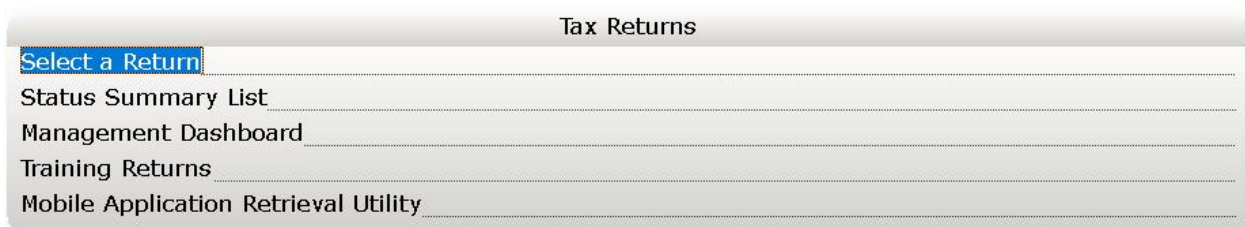
a. Select a Return
   - Displays the number of tax returns your office has created
   - Click to view Client Look-up
b. Status Summary List
   - Click to display a list of your tax returns sorted according to their status
c. Management Dashboard
   - Click to view the Management Dashboard reporting tool
d. Training Returns
   - Displays the number of training returns your office has created
   - Click to switch to Training Mode
e. Mobile Application Retrieval Utility
   - Click to launch the Mobile Application Retrieval Utility

Printing Queue

The **Printing Queue** contains data pertaining to different printing requests done using the 1040 *Software*.

```
                          Printing Queue
Checks, Registers, and Activation
Tax Returns
Proformas
Federal Acknowledgement Letters
State Acknowledgement Letters
```

a. Checks, Registers, and Activation
   - Click to print/reprint/void financial product checks and to activate check stock
b. Tax Returns
   - Click to batch print tax returns, if configured appropriately
c. Proformas
   - Click to print proforma forms
   - This option is available only after the 1040 *Software* archive is released
d. Federal Acknowledgement Letters
   - Click to view/print Federal Acknowledgement Letters
e. State Acknowledgement Letters
   - Click to view/print State Acknowledgement Letters

Other Items

The **Other Items** section contains administrative tools for the 1040 *Software*.

Other Items
Software Updates
Secure E-Mail
Bulletins
Today's Appointments
Backup Returns
TextLink Plus Inbound

   a. Software Updates
   - Click to apply updates to the 1040 *Software*
   b. Secure E-Mail
   - Click to view/send email messages to the Central Site
   c. Bulletins
   - Click to view bulletins delivered by Technical Support
   d. Today's Appointments
   - Click to access the 1040 *Software's* appointment scheduler
   e. Backup Returns (Only available with the live version of the software)
   - Click to begin the backup process
   f. TextLink *Plus* Inbound (Only available with the live version of the software)
   - Click to review text messages *via* TextLink *Plus*

Transmit Queue

The **Transmit Queue** contains data pertaining to electronic transmissions to the 1040 *Software's* Central Site.

Transmit Queue
Transmit to Central Site
Archive to Central Site
Recover from Archive

   a. Transmit to Central Site
   - Click to submit tax returns or download software updates
   b. Archive to Central Site
   - Click to archive returns to Central Site – available with purchase
   c. Recover from Archive
   - Click to retrieve archived returns – available with purchase

Exceptions/Rejects

The **Exceptions/Rejects** section contains data pertaining to tax returns that have been refused by Central Site, rejected by the IRS and/or the State, returns with other exceptions that otherwise prevent acceptance, and returns that are using the Remote Signature feature.

| Exceptions/Rejects |
|---|
| Fed Rejects |
| State Refused and Rejects |
| Fed Refused |
| Fed/State Alerts |
| Verify Retrieved / Feeder Returns |
| Bank Rejected |
| Pending Remote Signatures |
| Completed Remote Signatures |

a. Fed Rejects
- Click to view federal tax returns rejected by the IRS

b. State Refused and Rejects
- Click to view state tax returns rejected by the State or refused by Central Site

c. Fed Refused
- Click to view federal tax returns refused by Central Site

d. Fed/State Alerts
- Click to view messages from the IRS Alerts service

e. Verify Retrieved/Feeder Returns
- Click to view tax returns retrieved from outside sources

f. Bank Rejected
- Click to view tax returns rejected by your RAC bank

g. Pending Remote Signatures
- Click to view tax returns that are waiting to receive Remote Signature replies from the Taxpayer

h. Completed Remote Signatures
- Click to view tax returns that have received Remote Signature replies from the taxpayer

Quick Reports

The **Quick Reports** section allows a program administrator to pin up to eleven reports on the WIP for ease of access.

Quick Reports
Irs Acks With Sch C Attached
Reports By State
8453's Acknowledged
Customers With Sch C
Rt Fees By Site

To customize the reports displayed in the Quick Reports section, click on **Utility,** and select **Quick Report List**.
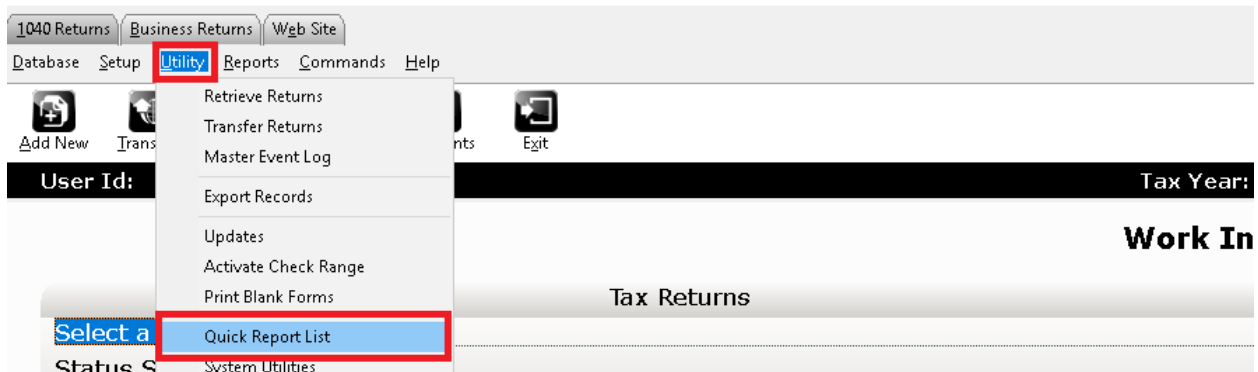
The Client Lookup Screen

The **Client Lookup** screen shows at-a-glance information about your taxpayers. It is the easiest way to sort through your client data and filed returns. Click the **Select a Return** link on the Work In Progress screen or the **Lookup** button on the Toolbar to view the Lookup screen.

The Lookup screen is comprised of the **Search Criteria** and **Client Grid**.

Search Criteria

The **Search Criteria** allows you to filter the Client Grid using one of many search criteria combined with a date range (if desired).

The default search criteria are Last Name or SSN. To change the search criteria, use the " ▼ " button, as indicated in the screenshot below, and select from the list.

Client Grid

The **Client Grid** displays returns in an *easy-to-read* format and allows you to open returns by double clicking on them.

The contents of the Client Grid changes depending on the search criteria entered in the Search Criteria.

Customizing the Client Grid

You can customize the information displayed on the grid by clicking the **Configure** button located on the Toolbar while you have the Client Lookup screen open.
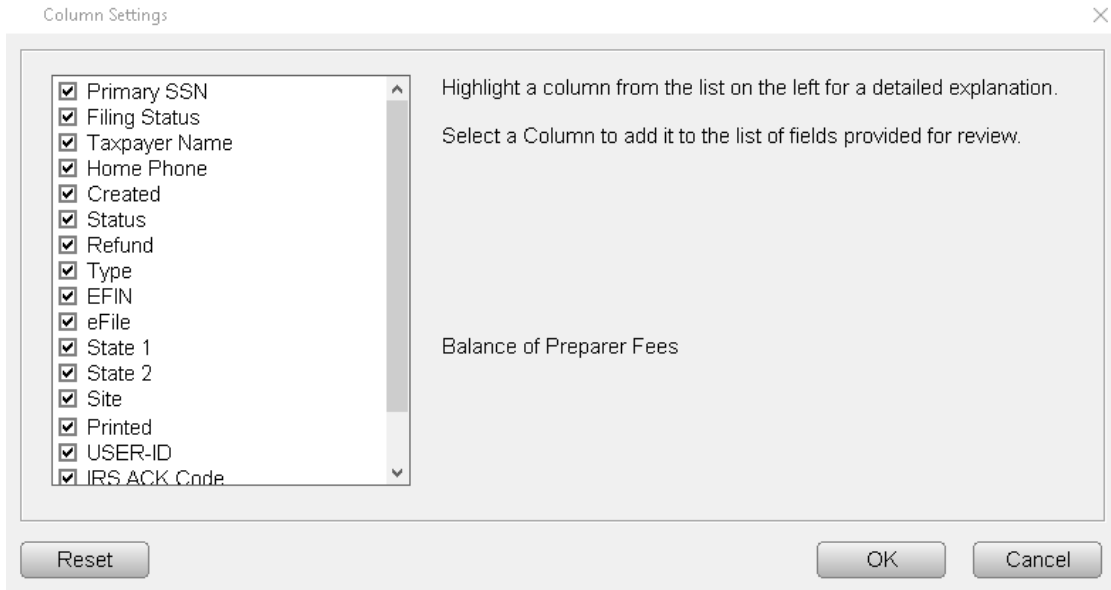
Right-Click Mouse Button Menus

The 1040 *Software* supports right-click mouse button menus. When preparing a tax return, except for certain unavailable menu items depending on the field, the same menu items appear regardless of the field you are on. Click your right mouse on an entry field to use these menus.

Keystroke Shortcuts

The following is a list of keystroke shortcuts to navigate in the 1040 *Software*.

Action	Shortcut	Action	Shortcut
Work in Progress Summary			
1040 Returns Tab	Alt+1	Business Return Tab	Alt + B
Web Site Tab	Alt + E	Database Menu	Alt + D
Setup Menu	Alt + S	Utility Menu	Alt + U
Reports Menu	Alt + R	Commands Menu	Alt + C
Help Menu	Alt + H	Add a New Return	Alt + A

Transmit to Central Site	Alt + T	Lookup Screen	Alt + L
Quick Return Lookup	Alt + Q	Payments Search	Alt + Y
Close the 1040 *Software*	Alt + X or F10		
Client Lookup Screen			
All the same shortcuts as Work in Progress summary with the following additions/exceptions.			
Extended Reports	Alt + X	Client Grid Column Settings	Alt + O
Work in Progress Summary	Alt + W or F2		

Action	Shortcut	Action	Shortcut
Within a Return			
Return Menu	Alt + R	Form Menu	Alt + F
Print Menu	Alt + P	Current Topic Help	F1
Work In Progress	F2	Choice List	F3
Print Select	F4	Clear Override	F5
Bookmark Field	F6	Calculator	F7
Print Window	F8	Sort Statement	F9
Exit	F10	Add Forms	Ctrl + A
Save Return	Ctrl + B	Proforma	Ctrl + C
Delete Form	Ctrl + D	Estimator	Ctrl + E
Attached Forms	Ctrl + F	Go to Line #	Ctrl + G

|			
Input Index	Ctrl + K	Link Forms	Ctrl + L
Asset Center	Ctrl + N	Overflow Statement	Ctrl + O
Print Return	Ctrl + P	Rejects	Ctrl + R
State Forms	Ctrl + S	Transmit	Ctrl + T
Reload Billing	Ctrl + U	Verify Return	Ctrl + V
Worksheet	Ctrl + W	Save and Exit	Ctrl + X
Info and Status Screen	Ctrl + Y	Manual Return Status/Suspend Return	Ctrl + Z
Next Form	Page Up	Previous Form	Page Down
Add Occurrence of Form	Ctrl + Shift + A	Copy	Ctrl + Shift + C
Paste	Ctrl + Shift + V	Lock/Unlock Return	Ctrl + Shift + U

Return Interview Mode

The Return Interview Mode allows the user to experience a seamless taxpayer interview process integrated to the desktop tax preparation software.

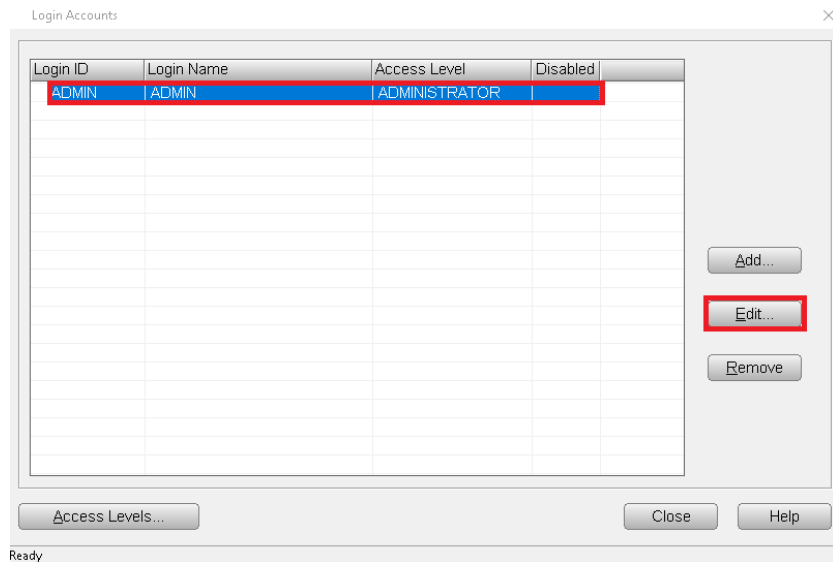### Start Return with Return Interview

The tax preparation software can be configured with the default setting to begin returns in the Return Interview mode. The Return Interview default is login specific and can be activated setting the following Setup configurations.

Return Interview Default Setup

1. From the **Work In Progress Summary** screen select the **Setup** menu option

2. Next locate and click the **Login Accounts** option
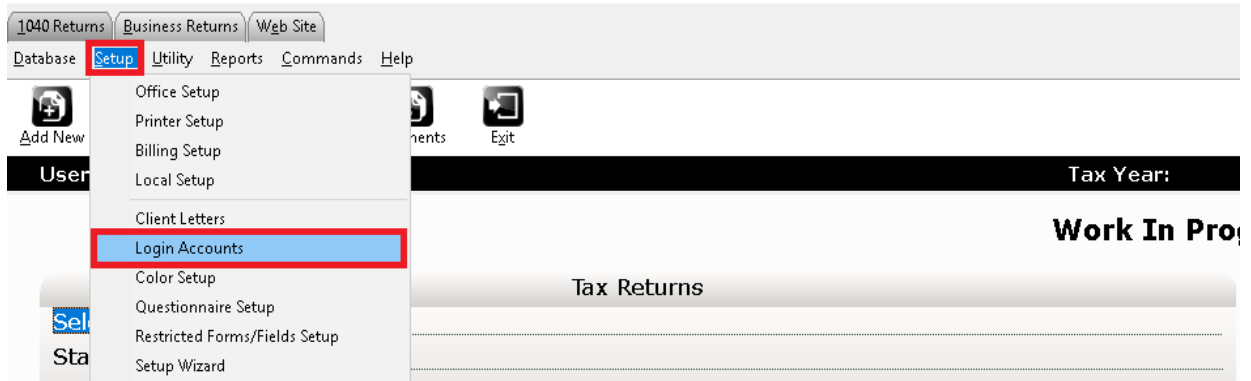
3. From the Login Accounts window
    a. Highlight the login to set the Start Return with Return Interview default and click **Edit** to access Login Preferences

    b. From the Login Preferences window, select the **Start Return with Return Interview** checkbox located in the Login Preferences section, then click **OK** to apply the setting.

Return is defaulted to the Return Interview

The selected Login has now been set to start new returns using the tax preparation software's Return Interview mode.

Return Interview Walk-Through

Begin New Return Interview

1. Click the **Add New** button to start a new return interview

2. In the **Social Security Number** box, enter 678-27-1236, re-enter 678-27-1236 into the **Confirm Entry**

3. Click **OK** to continue

Attached Forms List

Notice that within the Attached Forms list you have the Return Interview section. As you move through the tax return interview, these sections as well as form entries in the General section of the tax return Attached Forms will be completed.

*For this tutorial click Switch to Detailed (Script) Interview Mode

Filing Status

To make check box selections simply select the field and use the letter 'X' and then press the Enter key to confirm the selection

You will find informational descriptions to entry selections throughout the interview process, in addition you can also use the assistance of helpful links like the [Help me decide] button that allows you to view helpful information about the current section of the return interview.

Once the Filing Status selection has been made, use the [Next] button to continue to the Personal Information section listed in the Return Interview attached forms list.

Personal Information

In the Personal Information section of the Return Interview, you can complete taxpayer personal information.

Using the information below, complete the Personal Information section:

Personal Information	Enter
Filing status	Single
First name	Return
Last name	Interview
Date of Birth (DOB)	01/01/1988
Occupation	Transportation
Cell phone	(951) 238-1234
Check to receive text message	X
Cell phone carrier	Select your carrier from Choices button
Email	taxpayer@email.com
Preferred contact method	X – Text message
ID Number	D1234567
ID State	CA
ID issue date	12/12/2019
ID expiration date	12/12/2029
Identification type	X – Driver's license

As input fields are completed calculated fields in grey will populate based on existing information completed during the Return Interview.

Activate a pre-configured database list selection from fields that have the Choices... button active (ex. Occupation field and Cell Phone Carrier field). The selection list can assist during the Return Interview preparation.

Once you have completed the applicable taxpayer information fields, click Next to the Address Information.

Continue the Return Interview by completing your client's address information. In the client address information, you can also specify the residency status of the taxpayer (or spouse) and if the client was in the military.

Use the information below to complete the Personal Information (continued):

Personal Information (continued)	Enter
Address	X – Domestic
U.S. Address	1040 Return Way
City	Santa Fe Springs
State	CA
Zip	90670
US Citizen/Resident	X
Principal Home/Dwelling	X

Address Information

Enter in your client's address information.

This address is: [X] Domestic   [ ] Foreign

Care of:
U.S. Address: 1040 RETURN WAY   Apt. No: [   ]
City: SANTA FE SPRINGS   State: CA Zip: 90670-0000-000

Check all that apply

[X] Taxpayer (or spouse if MFJ) is a US citizen/resident alien who lived in the US for the entire year
[X] Taxpayer's principal home or dwelling was in the US for more than half of the year
[ ] Check if the client was in the military in 20XX

[Back]   [Next]

Click [Next] to continue to the Additional Personal Information form

Special taxpayer return processing can be identified in the Personal Information section, if the taxpayer was assigned a 6-digit PIN for identify theft from IRS notice 'CP01A', Place a X in "Assigned a 6-digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related to being a victim of ID theft."

For this walk-through, mark "X" for Assigned a 6-digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related to being a victim of ID theft. For the Taxpayer pin enter: 123456.

Additional Personal Information

Check all that apply

Taxpayer
[ ] Can be claimed as a dependent on another return
[ ] Legally blind as of December 31, 20XX
[ ] Legally disabled as of December 31, 20XX
[ ] Full time student for at least 6 months in 20XX
[ ] Wants to contribute $3 to the Presidential Election Campaign Fund (will not increase tax liability)
[ ] Deceased
[X] Assigned a 6 digit number (IP PIN) by the IRS from letter titled "Notice CP01A" related
     to being a victim of ID theft.
        Enter IP PIN: Taxpayer 123456
[ ] Received, sold, sent, exchanged, or otherwise acquired any financial interest in any virtual currency
     during 20XX

Foreign Account Information

Check all that apply

[ ] At any time during 20XX the taxpayer (or any individual on this return) had an interest in or signature
     authority over a financial account (such as bank/brokerage accounts or securities) in a foreign country

[ ] Is required to file FinCen Form 114. (See instructions for filing requirements and exceptions)

[ ] During 20XX the taxpayer (or any individual on this return) received a distribution from, or was the grantor
     of, or transferor to, a foreign trust

[Back]   [Next]

Use the [Next] button to move to the Dependents and Others Cared For section.

Dependents and Others Cared For

In the Dependents and Others Cared For section you will complete dependent related information. The tax preparation software includes information links like the one shown in the image below that will provide additional return processing information.

By clicking the information link, you will be shown topic related information to further assist with the Return Interview processing.

*Note – The Learn More information displayed can be collapsed back to the original state by clicking the Collapse(-) Link.

After the preparer has determined the applicable selection, check the appropriate box(es). By identifying during the interview that the taxpayer will have dependents to claim, the [Add Dependent] button will become active, allowing the preparer to add dependent information.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.
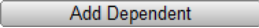
Did taxpayer...

Yes

[X] **Have dependents to claim?** Learn more

    [Add Dependent]

Yes

[ ] **Provide a home and/or support someone NOT claimed as a dependent?** Learn more

[Back]   [Next]

Click the Add Dependent [Add Dependent] button to open the Dependent Information Section.

Dependent Information

The Dependent Information section of the Return Interview will consist of dependent specific information to be used to process the taxpayers tax return.

Along with dependent specific information, here you can also identify special return processing needs, including dependent Identity Protection PIN in the IP Pin field and state specific residency credits.

Use the information below to complete the Dependent Information:

Dependent Information	Enter
First Name	Dependent
Last Name	Return
SSN	678-27-1234
Birthdate	01/01/2014
Relationship	Son
Months lived with taxpayer	12
Type of dependent	X – Lives with you
Earned Income Credit Qualification	X – Eligible child

Dependent Information

First Name: DEPENDENT   Last Name: RETURN
SSN: 678-27-1234
Birthdate: 01/01/2014   Age: 8

IP Pin (if any):

Dependent's relationship to Taxpayer: SON
Months lived with Taxpayer (or enter "CN" for Canada or "MX" for Mexico resident): 12

☐ Check if child is disabled

Which best describes your dependent:
☒ 1. Lives with you
☐ 2. Doesn't live with you due to divorce/separation
☐ 3. Dependent is Taxpayer's parent
☐ 4. Other dependent

Which best describes the child to qualify for EITC?
☒ Eligible child   ☐ Student under age 24   ☐ Disabled   ☐ Kidnapped   ☐ Not eligible

Enter qualified dependent care (such as day care) expenses incurred and paid:

Other state credits (click all that apply):
☐ ID - Grocery Credit (answer if filing an ID return). Enter qualified number of months:
☐ IL - ICR Education Cr
☐ AZ - Qualifies for AZ Exemption

[Add More]   [Next]

After completing Dependent Information addressing type of dependent, Earned Income Tax Credit eligibility, and qualified Dependent Care Expenses, you can Click the [Add More] button to attach additional dependents to the tax return or Click the [Next] button to return to the Dependents and Others Cared For section.

Dependents and Others Cared For

Answer the following questions, then complete information about each dependent or others cared for, if any. Click "Next" when done.

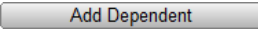**Did taxpayer...**

Yes
☒ **Have dependents to claim?** Learn more

First Name	Last Name	Birthdate	Age	SSN	Relationship	Months		
DEPENDENT	RETURN	01/01/2014	8	678-27-1234	SON	12	Edit	Delete

[Add Dependent]

Yes
☐ **Provide a home and/or support someone NOT claimed as a dependent?** Learn more

[Back]   [Next]

Dependents that have been included to the Return Interview will auto calculate to the Dependents and Others Cared For section. From the Dependents and Others Cared For section you can add dependents,

edit an existing dependent, and delete a dependent. If Dependents and Others Cared For is complete, select the [Next] button to proceed to the Income Interview.

Income Interview

The Income Interview section will provide a list of questions related to the sources of income that will be applied to the tax return.

Income Interview

Answer the following questions regarding sources of income. Click "Next" when done.

Yes	Did taxpayer...
[X]	Earn wages from work and receive a Form W-2?
[ ]	Receive interest from a bank account or investment reported on Form 1099-INT?
[ ]	Receive dividends or capital gains reported on Form 1099-DIV?
[ ]	Sell any stocks, bonds, mutual funds or other investments? Taxpayer may have received a Form 1099-B.
[ ]	Receive a distribution from IRAs, pensions, or annuity retirement plans reported on 1099-R?
[ ]	Receive Social Security retirement benefits reported on Form SSA-1099?
[ ]	Receive nonemployee compensation reported on Form 1099-NEC?
[ ]	Operate a business activity being self-employed or as an independent contractor?
[ ]	Receive unemployment benefits (for being out of work) or taxable state refund reported on Form 1099-G?
[ ]	Receive rent income from rental property or royalties?
[X]	Win gambling money and receive Form W-2G?
[ ]	Have any other forms of income not listed above?

*Note: If the Income source does not have a 'Yes' selection, then the tax preparation software will not include the income source and will treat the income source question as if 'No' were selected.

For this walk-through, select W-2 wages and W-2G gambling winnings as the type of income sources related to the tax return and then click [Next] to proceed to Type of Income.

Type of Income

The Type of Income section will show income selections from the Income Interview. Use the Add Taxpayer Form buttons available to navigate to the income entry source.

Type of Income

Complete each income section below. Click "Next" when done.

[] > W-2 (Wages and Salaries)

Add Taxpayer Form

> W-2G (Gambling Winnings)

Add Taxpayer Form

Back   Next

W-2 Wage and Tax Statement

Clicking the Add Taxpayer Form button under the W-2 (Wages and Salaries) will navigate you to the Wage and Tax Statement.

Use the information below to complete form W-2 Wage and Tax Statement:

W-2 Information	Enter
Employer Identification Number	95-1234567
Employers Name, Address, Zip Code	Money Trees Inc
Box 1 – Wages	26,723
Box 2 – Federal Tax Withheld	1,214

*Amounts for box 3, 4, 5, and 6 can be manually modified by using the:

a) direct entry field under the calculated value
   or
b) by selecting the 'not subject to tax' check box for the specified wages.

If you have additional wage and tax statements Click the `Add More` button, otherwise Click the `Next` button to return to the Type of Income section. The W-2 Wage and Tax Statement will auto calculate to the Type of Income section where we now have options to Edit, Delete, or Add an additional W-2 Wage and Tax Statement.

W-2G Gambling Income Statement

We can continue with additional types on income by Clicking the `Add Taxpayer Form` button under the W-2G (Gambling Winnings) to navigate to the W-2G Gambling Income Statement.

Use the following information to complete form W-2G Gambling Income Statement:

W-2G Information	Enter
Federal ID	45-1234567
Payer's Name	Lotto Much
Payer's Address, City, and Zip Code	2727 Lucky St, Santa Fe Springs CA 90670
Box 1 – Gross Winnings	875
Box 2 – Date Won	02/23/2021
Box 3 – Type of Wager	Lottery
Box 4 – Federal Tax	82
Box 5 – Transaction	A1234567
Box 8 – Cashier	CA474457

Form W-2G   Gambling Income Statement

Payer's Name LOTT Standard/Non S	1 Gross Winnings	2 Date Won
LOTTO MUCH	875	02/23/2021
Street Address Domestic X Foreign	Link to (1040 or Sch C)	
	3 Type of Wager	4 Federal Tax
2727 LUCKY ST	LOTTERY	82
City, State, ZIP Code	5 Transaction	6 Race
SANTA FE SPRINGS CA 90670-0000	A1234567	
Federal ID Payer's SSN Phone Number	7 Identical Wagers	8 Cashier
45-1234567 - - - -		CA474457
Winner's Name	9 Winner's SSN	10 Window
RETURN INTERVIEW	678-27-1236	
	Winner's EIN	
	-	
Street Address Domestic X Foreign	11 First ID	12 Second ID
	13 State State Use	
1040 RETURN WAY		14 State Winnings
City, State, ZIP Code	State ID	
SANTA FE SPRINGS CA 90670-0000		
Corrected W-2G	15 State Tax	16 Local Winnings
	17 Local Tax	18 Locality

[Add More] [**Next**]

If you have additional gambling income statements Click the [Add More] button, otherwise Click the [Next] button to return to the Type of Income section.

Type of Income

Complete each income section below. Click "Next" when done.

> **W-2 (Wages and Salaries)**

T/S	Employer Name	EIN	Fed Income (Box 1)	Fed Withheld (box 2)	State Abbr.	State Income	State Withheld		
T	MONEY TREES INC	95-1234567	26,723	1,214				Edit	Delete

[Add Taxpayer Form]

> **W-2G (Gambling Winnings)**

T/S	Payer Name		Fed Winnings (Box 1)	Fed Withheld (box 2)	State Abbr.	State Withheld		
T	LOTTO MUCH		875	82			Edit	Delete

[Add Taxpayer Form]

[Back]   [Next]

The W-2G (Gambling Winnings) information will auto calculate to the Type of Income section. Click the [Next] button to continue to Adjustments/Deductions Interview section.

Adjustments/Deductions Interview

In the Adjustments/Deductions Interview section, you will answer questions relating to the return. Based on the completed sections, the Return Interview will adjust income or reduce income by qualifying deductions.

<div align="center">Adjustments/Deductions Interview</div>

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes	Did taxpayer...
☐	Pay out-of-pocket expenses related to being a teacher/educator?
☐	Make contributions/deposits into an IRA(Individual Retirement Account)?
☐	Pay alimony to a prior spouse? Learn more
☐	Repay unemployment benefits for benefits received during 20XX and the repayment is not reported on Form 1099-G?
☐	Move resulting in a permanent change of station due to a military order while being an active duty member of the Armed Forces Learn more
☐	Pay for medical/dental expenses or have medical related travel?
☐	Pay state and local taxes such as income taxes, sales taxes, real estate taxes, car license fees, etc.?
☐	Pay mortgage interest/points?
☐	Give donations to charity?
☐	Have a casualty or theft loss due to a federally declared disaster? (such as fire, tornado, flood, etc.)
☐	Pay or accrue investment interest expenses?
☐	Live in a foreign country for at least 330 days or was a foreign resident and earned income?
☐	Have gambling losses and expenses?

Note: Questions left blank will be treated as not relating to the tax return.

There are no adjustments or deductions needed to be reported on this tax return, Click the [Next] button to continue to the Credits Interview section.

Credits Interview

Use the Credits Interview section to answer tax return applicable credits. In this section you can identify certain credits that the software may not automatically calculate based on taxpayer specific information.

Credits Interview

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes | **Did taxpayer...**

☐ Pay child care (such as day care) or dependent care expenses to care for a person listed as a dependent, others cared for, or disabled spouse so taxpayer (or spouse) could work or look for work?

☐ Pay for postsecondary education (such as college or university) or courses to acquire or improve job skill for any person included on this return?

☐ Pay expenses related to a child adoption or have expenses to carryforward from a prior year?

☐ Install energy efficient property such as solar panels to the main home?

☐ Purchase an electric car?

☐ Receive a Mortgage Credit Certificate (MCC) issued by either a state/local governmental unit or agency, or have MMC credit to carryforward to 20XX from a prior year?   Learn more

☐ Pay tax to a foreign country?   Learn more

☐ Have a non-taxable use of taxed fuel such as gasoline, gasohol, or diesel fuel?   Learn more

Back   Next

Remember to use the 'Learn more' links for additional helpful information related to a particular credit.

Note: The Return Interview will only calculate credits that have been answered 'Yes'. Questions left blank will not be considered applicable to the current tax return.

Click the Next button to continue to the Recovery Rebate Interview section.

Advance Child Tax Credit Payments and Stimulus Received
Use the Advanced Child Tax Credit Payments and Stimulus Received section to report Child Tax Credit and Economic Impact Payments received. For this sample return, place an X in the boxes indicated below.

Advance Child Tax Credit Payments and Stimulus Received　　2021

Advance Child Tax Credit Payment Received

Enter the total amount of advance child tax credit payments the taxpayer (and spouse if filed jointly) received as shown on Letter 6419, or check to indicate no advanced payments were received.　　Learn more

	Amount of total advanced CTC received for 2021
X	Check box if no advanced payments were received and had qualifying children in 2020
	Check box if taxpayer had no qualifying children in 2020 (Advanced payments don't apply to taxpayer)

Economic Impact Payment Received

X　Check box if taxpayer received the full amount of Economic Impact Payments. Otherwise, leave blank and complete the worksheet to determine the credit, if any, you can take.　Learn more

---

Enter the amount, if any, of the economic impact payment (EIP) received as shown on Letter 6475 (and/or check any that applies).　Learn more

EIP #3
(Letter 6475)

	Taxpayer amount (or Taxpayer/Spouse if filed jointly in 2020)
	Spouse amount (only if filed separately in 2020 and filing MFJ in 2021)
☐	Check box if no stimulus payment was received

Check box(es) if:
　Taxpayer's SSN is NOT valid for employment.

[Back]　　　　　　　　　　　　　　　　　　　　　　[Next]

"Marketplace" Insurance Questionnaire

Select the appropriate answer. For this return select **No**, then click [Next].

"Marketplace" Insurance Questionnaire

Marketplace Coverage

Yes	No	
☐	☒	Did taxpayer or any other family member on this return purchase health insurance at the "Marketplace" in 20XX (received Form 1095-A)?

*Note: Individuals may receive informational Forms 1095-B or 1095-C (which shows 20XX qualified health coverage). These forms are not needed when filing your 20XX return and are informational only.

[Back]　　　　　　　　　　　　　　　　　　　　　　[Next]

Other Misc. Interview

Additional return processing requirements can be addressed within the Other Misc. Interview section. Answer 'Yes' to all questions that are applicable to the current tax return. Scenarios include processing the First Time Home Buyer payment, Health Savings Account statement, ITIN applications, and more.

Other Misc. Interview

Answer the following questions, then complete sections where needed. Click "Next" when done.

Yes   Did taxpayer...

☐   Make estimated tax payment toward 20XX return (to be reported on this return)?

☐   Take a First-Time Homebuyer Credit in 2008 for which an installment repayment is needed, or sold/disposed home in 20XX for which the credit was taken?

☐   Receive Form 1099-C for debt that was cancelled, and qualifies for a reduction of tax attributes due to events such as insolvency or being foreclosed on their principal residence? (Form 982).

☐   Make contributions (including those made on taxpayer's behalf and employer contributions) to a Health Savings Account (HSA)? Also, answer "Yes" if taxpayer had distributions from HSAs. (Form 8889).

☐   Make Archer MSA (medical savings account) contributions? Also check "Yes" if taxpayer received distributions from Archer MSAs or Medicare Advantage MSAs, taxable payments from a long-term care (LTC) insurance contract, or taxable death benefits from a life insurance policy. (Form 8853)

☐   Have health coverage as a trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, reemployment TTA (RTAA), or Pension Benefit Corporation (PBGC) payee? Also, check "Yes" if Form 1099-H was received. (Form 8885)

☐   File a joint return with a deceased spouse and is requesting reissuance of refund? Also check "Yes" if taxpayer claiming a refund is a court-appointed/certified personal representative that did not file the original return, or other person neither the surviving spouse nor representative. (Form 1310)   Learn more

☐   Have a need to apply for an ITIN (individual taxpayer identification number) for any person on this return that isn't eligible to get a SSN?

☐   Become an Innocent Spouse? An Innocent Spouse (may be taxpayer or spouse) is a person that was not aware of a prior tax liability for which they believe only the spouse or former spouse should be held responsible. (Form 8857)

☐   Attempt unsuccessfully to get a Form W-2 or 1099-R from their employer or payer, and has contacted the IRS to get a Form 4852 sent to them? Do not answer "Yes" to this question prior to February 14th.

☐   File in a previous year any of the following credits:
　　　　　-Earned Income Credit (EIC)
　　　　　-Child Tax or Other Dependent Credit (ACTC, CTC, ODC)
　　　　　-American Opportunity Tax Credit (AOTC)
and any of these credits were reduced/disallowed for any reason other than a math or clerical error, and now taxpayer wants to take any of these credits this year?

Back   Next

Note: Questions answered 'Yes' will be included to the current tax return processing. Questions left blank will not be considered in the tax return processing.

Click the Next button to continue to the EIC Checklist portion of the Return Interview process.

Due Diligence

At this point, we have reached the Due Diligence section of the Return Interview. In order to satisfy Due Diligence requirements, the Return Interview will cover sections for Earned Income Tax Credit, Child Tax Credit/Additional Child Tax Credit, and the American Opportunity Credit, based on credits that are currently active in the tax return.

EIC Checklist

The tax preparation software works with current information already identified in the return to automatically calculate return specific information to related forms. As you have completed specific tax scenario information, the software communicates entered values to other corresponding forms in an auto calculated method.

Take note that in the current example, the majority of the EIC Checklist has been automatically calculated. The preparer of the Return Interview need only answer 'Yes' to question 10 and 'No' to question 13.

Part II - Taxpayers With a Qualifying Child

		Child 1	Child 2	Child 3
8.	Child's name	DEPENDENT		
9.	Is the child the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister or a descendant of them?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
10.	Is either of the following true? - The child is unmarried, or - The child is married, can be claimed as the taxpayer's dependent, and is not filing a joint return (or is only filing to claim a refund)	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
11.	Did the child live with the taxpayer in the United States for over half of the year?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
12.	Was the child (at the end of the year) - under age 19 and younger than the taxpayer, or - under age 24, a full-time student, and younger than the taxpayer, or - any age and permanently and totally disabled?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
13a.	Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	[ ] Yes [X] No	[ ] Yes [ ] No	[ ] Yes [ ] No
b.	Enter child's relationship to the other person			
c.	If the tie-breaker rules applied, is the child treated as the taxpayer's qualifying child?	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know
14.	Does the qualifying child have an SSN that allows him or her to work or is valid for EIC purposes?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No

If you checked "YES" on line 14, continue. Otherwise, STOP. No credit is allowed.

15.	Are the taxpayer's earned income and adjusted gross income less than the limit that applies to the taxpayer for this year?	[X] Yes [ ] No

If "NO" is checked, the taxpayer CANNOT take the EIC.
If "YES" is checked, the taxpayer can take the EIC. Complete Schedule EIC.

Click the [Next] button to continue to the Paid Preparers Due Diligence Checklist.

Paid Preparers Due Diligence Checklist

It is important to answer applicable questions in the Return Interview Paid Preparers Due Diligence Checklist to the best of your knowledge using information and documentation provided by the taxpayer.

To assist in satisfying the due diligence requirement, the tax preparation software will automatically select active credits in the return. This allows the Return Interview preparer to focus on questions for active credits in the return.

Use the information below to complete the 8867 Paid Preparers Due Diligence Checklist:

Form 8867 — Paid Preparer's Due Diligence Checklist

Taxpayer's name: **20XX** RETURN<INTERVIEW

Enter preparer's name and PTIN

If the preparer who determines eligibility for or amount of credits and/or HOH filing status is NOT the signing preparer, use these fields

Part I Due Diligence Requirements

	EIC	CTC/ ACTC/ODC	AOTC	HOH
Please check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply)	[X]	[X]	[ ]	[ ]

1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you?
[X] Yes [ ] No

2. If credits are claimed, did you complete the applicable EIC and/ or CTC/ACTC/ODC worksheets found in Form 1040, 1040-NR, or 1040-SS or Sch 8812 instructions and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet and all related forms and schedules for each credit claimed?
[X] Yes [ ] No [ ] N/A

3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following:
   -Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status
   -Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed
[ ] Yes [X] No

4. Did any information provided by the taxpayer, a third party or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes" go to 4a and 4b. If "No", go to 5.)
[ ] Yes [X] No
  a. Did you make reasonable inquiries to determine the correct, complete and consistent information?
[ ] Yes [ ] No
  b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return.)
[ ] Yes [ ] No

5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s)
[X] Yes [ ] No

List those documents, if any, that you relied on.
See "Line 5 - List of Documents" section after line 15

6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of the credit(s) claimed on the return if his/her return is selected for audit?
[X] Yes [ ] No

7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year?
(If credits were disallowed or reduced, go to 7a, if not go to 8)
[X] Yes [ ] No [ ] N/A
  a. Did you complete the required recertification Form 8862?
[ ] Yes [ ] No [X] N/A

8. If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C?
[ ] Yes [ ] No [X] N/A

Part II Due Diligence Questions for Returns Claiming EIC
(if the return does not claim EIC, go to Part III.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
9a.Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming EIC and does not have a qualifying child.)	[X] Yes [ ] No [ ] N/A			
b.Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	[X] Yes [ ] No			
c.Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tie-breaker rules)?	[X] Yes [ ] No [ ] N/A			

Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC
(if the return does not claim CTC/ACTC/ODC, go to Part IV.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
10.Have you determined each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the US?		[X] Yes [ ] No		
11.Did you explain to the taxpayer that they may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		[ ] Yes [ ] No [ ] N/A		
12.Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		[X] Yes [ ] No [ ] N/A		

For this walk-through, after question 12 on Part III of the due diligence questions, scroll down to Line 5 – List of Documents for EIC and CTC/ACTC/ODC.

Line 5 - List of Documents for EIC and CTC/ACTC/ODC

A. Which documents below, if any, did you rely on to determine EIC/CTC/ACTC/ODC eligibility for the qualifying child(ren) on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. See the instructions before answering. If there is no qualifying child, check box a. If there is no disabled child, check box o.

Residency of Qualifying Child(ren) or Qualifying Relative

	a No qualifying child or qualifying relative		i Place of worship statement
X	b School records or statement		j Indian tribal official statement
	c Landlord or property management statement		k Employer statement
			l Other
X	d Health care provider statement		
	e Medical records		
	f Child care provider records		
	g Placement agency statement		
	h Social service records or statement		m Did not rely on documents, but made notes in file
			n Did not rely on any documents

Disability of Qualifying Child(ren)

X	o No disabled child		s Other
	p Medical doctor statement		
	q Other health care provider statement		
	r Social services agency or program statement		t Did not rely on documents, but made notes in file
			u Did not rely on any documents

B. If a Schedule C is included with this return, which documents or other information, if any, did you rely on to confirm the existence of the business and to figure the amount of Schedule C income and expenses reported on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. See the instructions before answering. If there is no Schedule C, check box a.

Documents or Other Information

X	a No Schedule C		h Bank statements
	b Business license		i Reconstruction of income and expenses
	c Forms 1099		j Other
	d Records of gross receipts provided by taxpayer		
	e Taxpayer summary of income		
	f Records of expenses provided by taxpayer		k Did not rely on documents, but made notes in file
	g Taxpayer summary of expenses		l Did not rely on any documents

Click the Next button to continue to the State Returns section.

State Returns

States can be included with the return in the State Returns section of the Return Interview process. Keep in mind that many states have certain processing requirements, therefore, please review state forms thoroughly after completing the Return Interview.

State Returns

Note: Most of the information from the Return Interview will transfer to the state returns. However, many states have additional adjustments, deductions, and credits that may need specific elections on the state return. Please review the state forms after completing the Return Interview.

Please select a state for resident return, and non-resident return (if any):

Resident State

Non-Resident State

Back   Next

Click the Next button to continue to Results section of the Return Interview.

Results

The Results section is a summary of the tax return. Click Next to continue to the Filing Options section after reviewing.

Results

Please review your tax summary below. Click "Next" when done.

Tax Year 20XX **Federal Summary:**   Preview Form 1040
Filing Status   SINGLE

Gross Income	27,598	Federal Withholdings	1,296
Adjustment to Income	12,550		
Deductions	12,550	Refundable Credits & Other Payments:	
Qualified Bus. Income Deduction		Earned Income Credit	2,330
Taxable Income	15,048	Additional Child Tax Credit	3,000
Tax	1,604	Refundable Education Credit	
Credits	1,604	All other Payments & Refundable Credits	
Other Taxes		Total Payments & Refundable Credits	6,626
Total Tax	1,604		
		Refund Amount	5,022

Back   Next

Filing Options

The Filing Options section of the Return Interview will allow the preparer to view the current refund amount and select a Filing Option. For this sample return, under IRS Direct Options 2. EFile column, mark the E-File Check box (1. Select a Filing Option). Click Next to continue.

Filing Options

(Timeline based from IRS Acceptance)

Federal Filing Options	1. Mail-In	2. E-File
Timeline Check	6-8 weeks	21-28 days
Timeline Direct Deposit	5-7 weeks	10-21 days
Refund Amount	5022.00	5022.00

Fees:

Transmitter Fee		
Electronic Filng Fee		
Software Technology Fee		
Office Fees		
Tax Preparation Fee	575.00	575.00
Service Bureau Fee		
Other Products / Services		
Totals Fees (Amount Due Today)	575.00	575.00

Select Filing Option for:

Federal Refund

Mail-In	X	E-file
Mail-In with		E-file with
Direct Deposit		Direct Deposit

* All tax preparation and other fees must be paid at the time of filing.

[Back]   [Next]

The preparer of the Return Interview will automatically populate the Filing Options section to show the active preparer on file.

Filing Information

The return has a federal Refund: 5,022

Taxpayer/Spouse signs this tax return and electronic fund withdrawal consent, if applicable by using a practioner assigned PIN

Taxpayer's PIN: 01236   Spouse's PIN:
Signature Date: 05/19/20XX

Preparer Information:

001   Check if self-employed ☐
Preparer's Name: JOHN DOE   PTIN P01234567
Preparer Type: P (P) Paid Preparer (default) -or- (S)Self Prepared

Firm's Name   TAXES R US   EIN [   ]
Address   1040 TAXES DRIVE
City, State, ZIP DAVENPORT   FL 33896-0000   Phone 555-996-1234

*** You have completed the Return Interview and are now ready to complete and file the return. Please continue onto the return and add any additional information that is needed. When you've completed all the forms needed to file the return, be sure to run the Verification Diagnostics to make sure you've included all the required information needed to successfully file the return.

[Back]   [Finish]

Click the [Finish] button, the Return Interview portion of the return is now complete.

You can now continue to the return and add any additional return processing information. After reviewing return information, click the **Verify** button to identify and resolve outstanding errors and warnings. See the Verify the Return section below for more information.
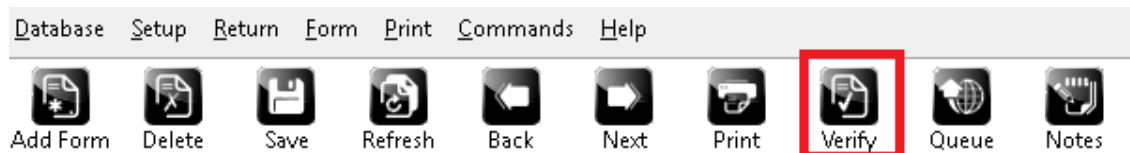
Switching Out of Interview Mode

Before continuing, let's revert the interview mode changes we applied.

1. From the **Work In Progress Summary** screen select the **Setup** menu option

2. Next locate and click the **Login Accounts** option
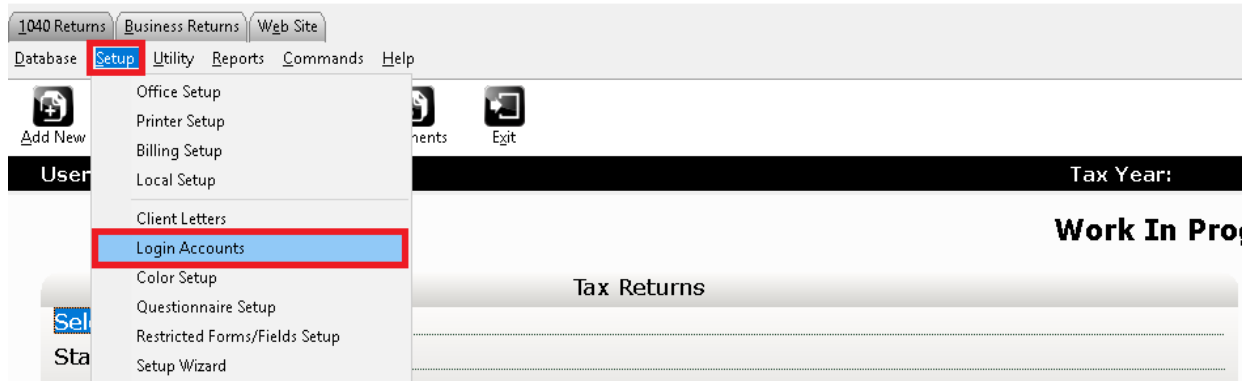
3. From the Login Accounts window
   a. Highlight the login you are using and click **Edit** to access Login Preferences
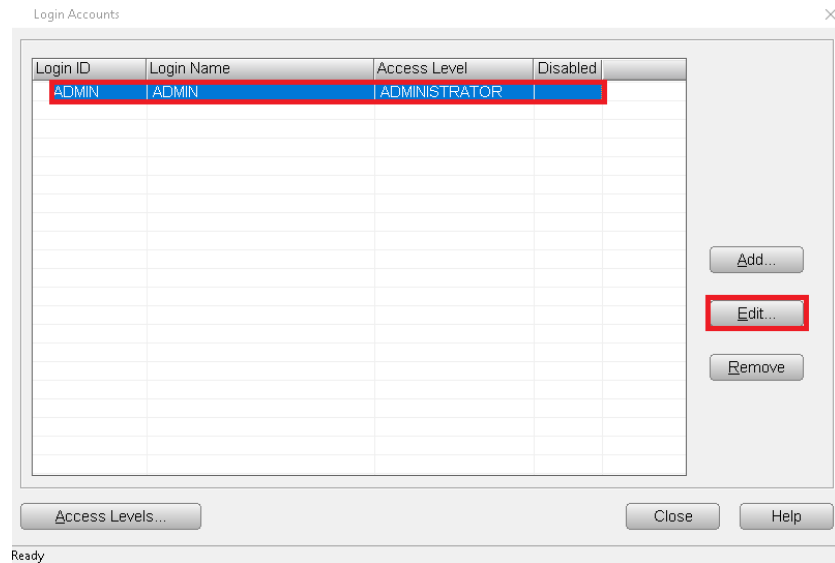
   b. From the Login Preferences window, **unselect** the **Start Return with Return Interview** checkbox located in the Login Preferences section, then click **OK** to apply the setting.

The selected Login has now been set to start new returns without using the tax preparation software's Return Interview mode.

The Training Return

By completing **The Training Return**, you will see how easy it is to prepare a return using the 1040 *Software* and become familiar with some of the key features.

Step 1: Begin the New Return

To begin the training return:

1. Select **Training Returns** located in the Work In Progress page.

2. Click the **Add New** button located on the Toolbar.
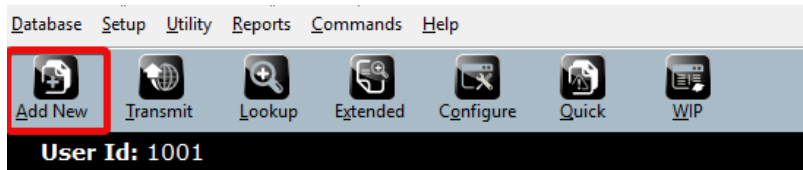
3. In the **Social Security Number** box, enter 400-00-0001, re-enter 400-00-0001 into the **Confirm Entry** box and then click **OK**. The Tax Return screen will appear.
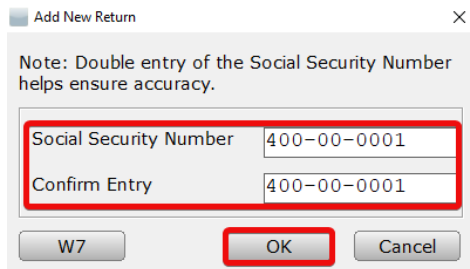
Understanding the Tax Return Screen

When you begin a return, the 1040 *Software* takes you to the Tax Return screen.

The Tax Return screen is divided into three panes:

- Attached Forms List
- Open Form
- Active Window Options

The Menu Bar, Toolbar and Information Bar are available across the top of the Return Screen with additional functionality to aid in tax return preparation.

Attached Forms List

The **Attached Forms** list is located on the left-hand side of the Tax Return screen. All forms and worksheets attached to the tax return are displayed here.

The Attached Forms list is divided into <u>four</u> sections:

1. **General Information** concerning the preparation of tax returns
2. **Federal** schedules and forms related to the Federal tax return that are sent to the IRS and/or are retained for your files
3. **Proforma** information, if brought forward from prior year tax returns
4. **State** forms and worksheets related to the State tax return, if applicable
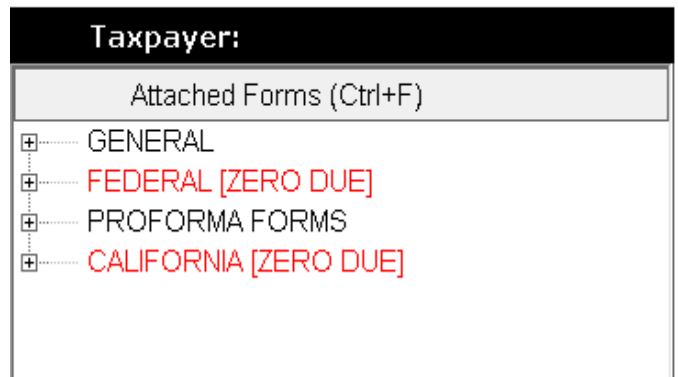
Open Form Pane

The **Open Form** pane is the forms display section located on the right-hand side of the Tax Return screen. This pane allows you to view or edit displayed forms. New returns default to the **Client Data** worksheet unless the start new return in interview mode is checked. Double click a form in the Attached Forms list to display it in the Open Form pane. When adding a form or schedule, the Open Form changes to that of the newly added form.

Active Window Options

The **Active Window Options** pane is located along the bottom of the Tax Return screen. It provides instantaneous help and other options on the field selected in the Open Form pane.
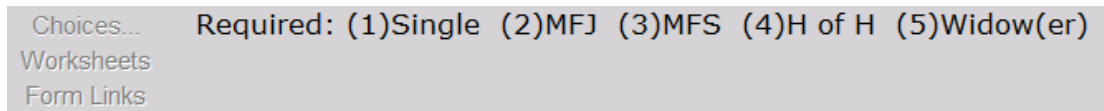
Active Window Options provides quick field level access to:

- Line-by-line Help
- Choice Lists
- Worksheets
- Form Links

Line-by-line Help

If you are unsure of what information to put into a field, click inside the field and check the Active Window Options pane for guidance.

Choice Lists

Choice Lists help populate form boxes with frequently used data such as Taxpayer occupations.

1. Click inside a box and if a Choice List is available, the **Choices…** option becomes available.

2. Click **Choices…** to display the Choice List.
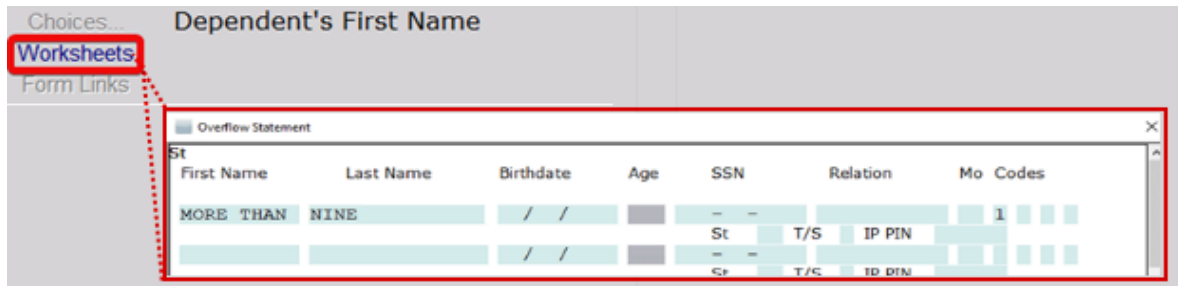
3. Double click to add the choice to the form box.
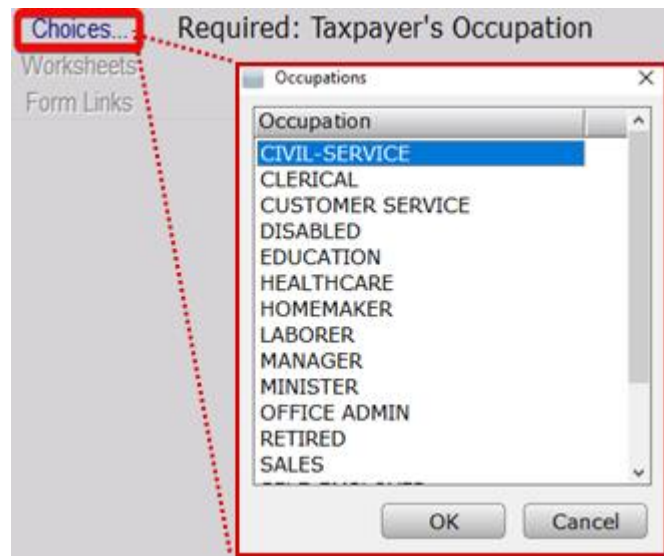
Worksheets

Worksheets provide access to associated worksheets such as Overflow Statements.

1. Click inside a box and if there are worksheets associated with it, **Worksheets** becomes available.
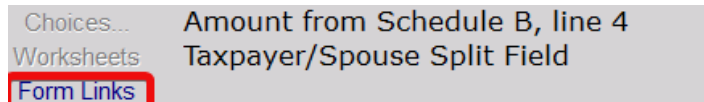2. Click **Worksheets** to display the associated worksheet.

Form Links

Form Links gives you the ability to link specific forms together.

1. Click inside the box and if there are linkable forms associated with it, **Form Links** becomes available.

2. Click **Form Links** to display a list of choices.

Note: If there is only one choice, the 1040 *Software* will open a new instance of that form instead.

3. Double click the appropriate form to create the link.
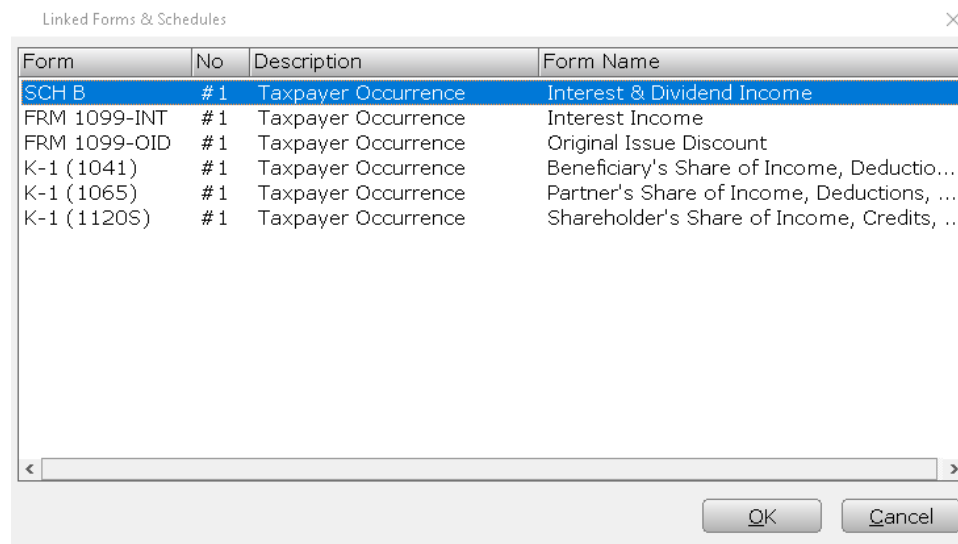
Step 2: Enter Client Information

The **Client Data** worksheet is where you enter basic information about the taxpayer, spouse, dependents, and other basic information that is relevant to the tax return. The information entered on

this worksheet carries to *Form 1040* and all necessary forms such as the *W-2*, saving you time when preparing the return.

1. Complete the **Client Data** worksheet using the information below. To easily navigate tax forms, it is best to press **Tab** after each entry to move to the next field. Complete only the fields for which we have provided information and leave all other fields blank.

Taxpayer Information	Enter
DOB (Date of Birth)	05/18/1985
First Name	Bob
Middle Initial	G
Last Name	Johnson
Occupation	Worker
Home Phone	(555) 206-9473
Work Phone	(555) 206-5519
Cell	Your cellular phone number
Text Message	X
Text Message Consent (popup)	Check the box and click OK
Cell Phone Carrier	Your cellular phone carrier
ID number	123456
ID state	OR
ID issue date	01/01/2019
ID expiration date	01/01/2029
ID type	D
Filing Status	4 (Head of Household)

	Remember: **If you do not know** which filing status corresponds to which code or are ever unsure what to enter in a field, **look below** to the Active Window Options for helpful tips.
Domestic Address	X
U.S. Address	1983 Fictitious Avenue
Zip, City, State	98258
Residency Status	Y
Enroll for Protection Plus to receive three years of audit assistance for this return?	N
Dependent Information	**Enter**
First Name	Bobby
Last Name	Johnson
Birthdate	08/19/2010
SSN	468-28-8779
Relationship	Son
Months	12

Note: Based on the age and number of months the dependent lived with Bob, the 1040 *Software* has automatically calculated some of the dependent codes (located to the right of the dependent).

> *Tip:* *To delete a dependent, right click the dependent's first name and then select* **Clear Row**. *Using this process ensures that dependent information, unless it is overridden, is deleted from all forms and worksheets.*

2. For the purposes of this tutorial, the Client Data screen should appear as shown below.

Client Data

User Status:
Client Letter: english   Prep ID: Site ID: Receipt #:   EFIN:
Owner: ADMIN   Transcript Mode: Locked:

Taxpayer Information

SSN: 400-00-0001 JOHN   DOB: 05/18/1985   36   DOD: / /
Name: BOB   G   JOHNSON
Occupation: WORKER   Dependent: Blind: Disabled:
Home Phone: 555-206-9473   Work: 555-206-5519   Cell: 555-206-9999
E-Mail:
Text Message: X   Cell Phone Carrier: VERIZON   @vtext.com
Preferred Contact   Taxpayer Male/Female:
Preferred Language   Form 1040-SS:
IP Pin

Driver's license or State Issued ID

ID number 123456   ID State OR   ID issue date 01/01/2019   ID expiration date 01/01/2029 D

Filing Status: 4

Answer if filing MFS

Did you live together at ANY time during the tax year?
If so, did you live together during the final 6 months?
Does the spouse have gross income or is a dependent of another?

Spouse Information

SSN: - -   DOB: / /   DOD: / /
Name:
Occupation: Dependent: Blind: Disabled:
Home Phone: - -   Work: - -   Cell: - -
E-Mail:
Text Message: Cell Phone Carrier:
Preferred Contact   Spouse Male/Female:
IP Pin   Spouse filing as NRA:

Driver's license or State Issued ID

ID number   ID State   ID issue date / /   ID expiration date / /

Address Information

Domestic X   Foreign
Care/of:
U.S. Address: 1983 FICTITIOUS AVENUE   Apt. No:
C/S/ZIP: LAKE STEVENS   WA 98258-0000-000

APO/DPO/FPO: Combat Zone:
US Citizen or Residency: Y   Date: / /
Principal home or dwelling in the US for more than half of the year?   Y

Bank Account Information

Bank Name: Routing Number:
Account No: Account Type   Checking: Savings: PrePaid Card:

Client Referral

Referral Type   Description

"Marketplace" Health Insurance

Check box only if you or any other family member on this return purchased health insurance through the "Marketplace" in 20XX (received Form 1095-A), then click the following "Questionnaire" button.

[Questionnaire]

* Individuals may receive informational Forms 1095-B or 1095-C (which shows 20XX qualified health coverage). These forms are not needed when filing your 20XX return and are informational only.

Dependents - Children and other qualifying individuals

First Name	Last Name	Birthdate	Age	PIN	SSN	Relationship	Mo	Codes	St
BOBBY	JOHNSON	08/19/2010	11		468-28-8779	SON	12	1 E C	
		/ /			- -				
		/ /			- -				
		/ /			- -				
		/ /			- -				
		/ /			- -				
		/ /			- -				
		/ /			- -				

Non-Dependents claimed for EIC and Disabled person's dependent care expenses

		/ /			- -				
		/ /			- -				
		/ /			- -				
		/ /			- -				

Enroll for Protection Plus to receive three years of audit assistance for this return?   N

Remote Signature

Does the Taxpayer consent to receive and sign their documentation remotely?
Include Remote Signature charge(s) on the invoice?

## Step 3: Enter Income Information

After completing the Client Data worksheet, add **Income Information** to the return. Income source forms include forms such as the *W-2* and *1099-MISC* and primarily contain income information.

Forms are added to the return using the **All Forms & Schedules** window.

1. To add a copy of *Form W-2* to the tax return:

   Access the **All Forms & Schedules** window using one of these three methods:

   a. Click the **Add Form** button in the Toolbar.
   b. From the **Menu Bar** select **Form > Add Form**.
   c. Press **CTRL+A** on your keyboard.
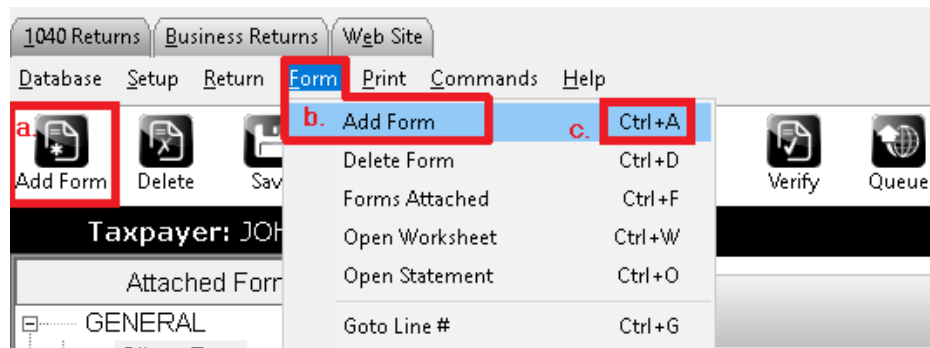
The All Forms & Schedules Window

The **All Forms & Schedules** window provides access to all forms and schedules that are available in the 1040 *Software.*

The **All Forms & Schedules** window is divided into five tabs:

   a. **Federal** displays all federal forms, schedules and worksheets ordered by form number.
   b. **Index** displays all federal forms, schedules and worksheets ordered by form description; helpful when locating elusive forms.
   c. **Proforma** displays all forms, schedules and worksheets used for storing prior year data.
   d. **State** displays a list of state modules as well as all forms, schedules and worksheets available for those installed states.
   e. **Depreciation** displays forms and worksheets for asset management.

All Forms & Schedules – Federal Tab

The **Federal Tab** is used when adding Federal forms to the tax return.

1. In opening the **All Forms & Schedules** window, the **Federal** tab will open by default; if it is not selected, click the **Federal** tab.

2. The form selection defaults to the most commonly added form, *the W-2*. **Double click** the *FRM W-2* form to add it to the tax return.

Note: If a different form is desired, type the form number or schedule into the **Enter Schedule/Form Number** section at the bottom of **All Forms & Schedules** box.
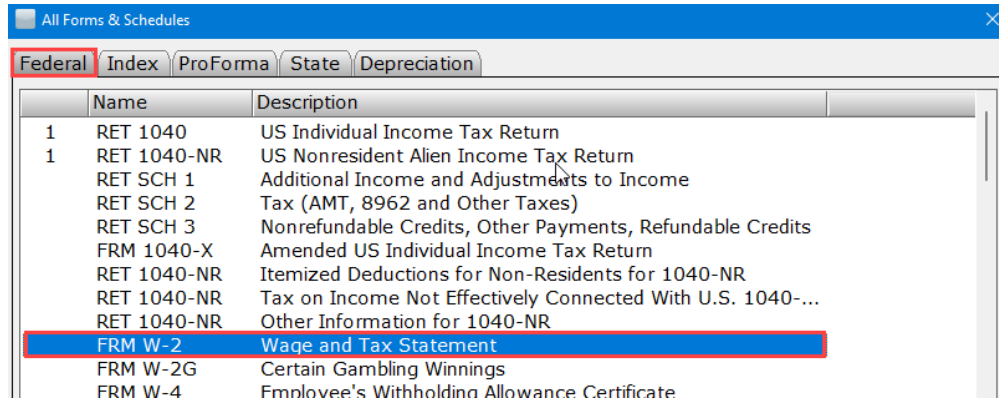
Tip: Press **Ctrl + A** on your keyboard, and then press **Enter** on your keyboard to quickly add Form W-2.

Note that the 1040 *Software* has automatically filled in Bob's SSN, name and address based on the information entered on the Client Data worksheet.

Complete the remainder of *Form W-2* using the information below. Complete only the fields for which we have provided information and leave all other fields blank.

Field	Enter
Employer's Identification Number (EIN)	91-9999998
Name of Employer	Very Good Building & Development Co
Address	814 Illusionary Drive
Zip, City, State	98223
Box 1, Wages	17,843
Box 2, Fed Tax Withheld	1,380
Box 15, State	OR
Box 15, Employer ID	6012345
Box 16, State Wages/Tips	843
Box 17, State Tax W/held	50

Note: The amounts in **Boxes 3, 4, 5** and **6** are automatically calculated based on the entry in **line 1**

Once you have entered all *W-2* information, your screen should look like the screen below.

Form W-2 — Wage and Tax Statement

a. Employee's Social Security Number	1 Wages	2 Fed Tax Withheld
400-00-0001 Corrected W-2 ☐	17,843	1,380

b. Employer's Identification Number	3 SS Wages ( )	4 SS Tax Withheld ( )
91-9999998	17,843	1,106

c. Employer's Name, Address, ZIP Code
VERY   Domestic X   Foreign ☐
VERY GOOD BUILDING & DEVELOPMENT CO

	5 Medicare Wages ( )	6 Medicare Tax Wh. ( )
814 ILLUSIONARY DRIVE	17,843	259

ARLINGTON WA 98223-0000	7 Soc Sec Tips	8 Allocated Tips

d. Control Number		10 Dep Care Benefits

e. Employee's Name, address & ZIP code
        Domestic X   Foreign ☐
BOB G JOHNSON

11 Non-Qual Plans	12 Employer Use

1983 FICTITIOUS AVENUE
LAKE STEVENS   WA 98258-0000

13 a( )   b( )   c( )
Stat Emp Select Sch C link

14 Other

RRTA Comp
RRTA T1 Tax
RRTA T2 Tax

RRTA
Medicare Tax
Add Med Tax

15 State Employer ID	16 State Wages/Tips	17 State Tax W/hld	State Use	18 Local Wages/Tips	19 Local Tax W/hld	20 Locality Name
OR 6012345		843	50			

Tip: *Click the **Refresh** button in the toolbar to manually calculate the return. (The program auto-calculates when navigating to a different form.) Notice that on Form 1040, an Adjusted Gross Income amount of $17,843 displays on Line 11. In addition, the standard deduction and total exemptions have been calculated automatically.*

Step 4: Enter Tax, Credit and Payment Information

In this section, you will enter information to generate the Earned Income Tax Credit (EIC). Using the information entered in the previous sections, the 1040 *Software* has automatically added the *Schedule 8812* (Child Tax Credit) and calculated the credit amount.

Double-click on **EIC CKLIST** on the Attached Forms list.

FEDERAL [RFND:$7,998, AGI:$17,843]
  ✔ RET 1040 - FEDERAL RETURN
        Line 1 - Income Wks
        Earned Income Credit Wks
  ✔ FRM W-2 [T - VERY GOOD BUILDING & DEV
  ✔ SCH EIC - EARNED INC CREDT
  ✔ EIC CKLIST - EIC CHECKLIST
  ✔ SCH 8812 - CHILD TAX CREDIT
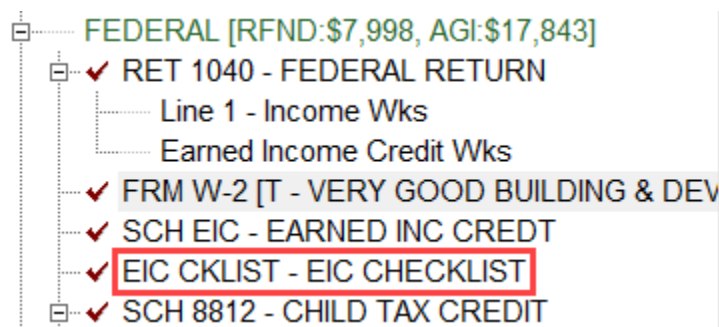
Complete the EIC Checklist with the answers provided here.

Note: Some information on this form has been entered automatically based on information entered elsewhere in the return.

Questions to be completed on the "EIC checklist"	Answer
10. Is either of the following true? -The child is unmarried, or -The child is married, can be claimed as the taxpayer's dependent and is not filing a joint return (or is only filing to claim a refund)	Yes
13a. Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	No

When the EIC checklist is complete it should look like the image below.

Part II - Taxpayers With a Qualifying Child

		Child 1	Child 2	Child 3
8.	Child's name	BOBBY		
9.	Is the child the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister or a descendant of them?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
10.	Is either of the following true? - The child is unmarried, or - The child is married, can be claimed as the taxpayer's dependent, and is not filing a joint return (or is only filing to claim a refund)	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
11.	Did the child live with the taxpayer in the United States for over half of the year?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
12.	Was the child (at the end of the year) - under age 19 and younger than the taxpayer, or - under age 24, a full-time student, and younger than the taxpayer, or - any age and permanently and totally disabled?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No
13a.	Could any other person check "Yes" on lines 9, 10, 11 and 12 for the child?	[ ] Yes [X] No	[ ] Yes [ ] No	[ ] Yes [ ] No
b.	Enter child's relationship to the other person			
c.	If the tie-breaker rules applied, is the child treated as the taxpayer's qualifying child?	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know	[ ] Yes [ ] No [ ] Don't Know
14.	Does the qualifying child have an SSN that allows him or her to work or is valid for EIC purposes?	[X] Yes [ ] No	[ ] Yes [ ] No	[ ] Yes [ ] No

If you checked "YES" on line 14, continue. If you checked "NO" on line 14 but qualify for self-only EIC, continue. Otherwise, STOP. No credit is allowed.

15.	Are the taxpayer's earned income and adjusted gross income less than the limit that applies to the taxpayer for this year?			[X] Yes [ ] No

If "NO" is checked, the taxpayer CANNOT take the EIC.
If "YES" is checked, the taxpayer can take the EIC. Complete Schedule EIC.

From the Attached Forms pane, **double-click** on **FRM 8867 – PREP DUE DILIGENCE**.

```
Attached Forms (Ctrl+F)
⊞──── GENERAL
⊟──── FEDERAL [RFND:$6,364, AGI:$17,843]
    ⊟─✔ RET 1040 - FEDERAL RETURN
         ──── Line 1 - Income Wks
         ──── Earned Income Credit Wks
    ──✔ FRM W-2 [T - VERY GOOD BUILDING
    ──✔ SCH EIC - EARNED INC CREDT
    ──✔ SCH 8812 - CHILD TAX CREDIT
    ──✔ EIC CKLIST - EIC CHECKLIST
    ──✔ FRM 8867 - PREP DUE DILGNCE
    ──✔ FRM 8879
```
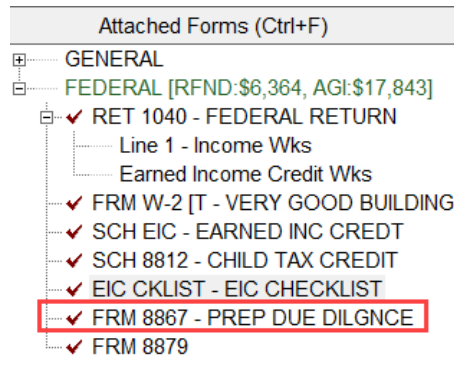
Complete the Form 8867 with the answers provided below.

Part I Due Diligence Requirements	
1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you?	YES
2. If credits are claimed, did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in Form 1040, 1040-NR, or 1040-SS or Sch 8812 instructions and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet and all related forms and schedules for each credit claimed?	YES
3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following: • Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status. • Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed.	YES
4. Did any information provided by the taxpayer, a third party or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes," go to 4a and 4b. If "No," go to 5.)	NO
a. Did you make reasonable inquiries to determine the correct, complete, and consistent information?	
b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return.)	
5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheet(s), a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s) List those documents, if any, that you relied on.	YES
6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of any credit(s) claimed on the return if his/her return is selected for audit?	YES
7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If credits were disallowed or reduced, go to 7a; if not, go to 8.) a. Did you complete the required recertification Form 8862?	YES
8. If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C?	YES
Part II Due Diligence Questions for Returns Claiming EIC (If the return does not claim EIC, go to Part III.)	
9. a. Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming the EIC and does not have a qualifying child.)	YES
b. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	YES
c. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tiebreaker rules)?	YES
Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC (If the return does not claim CTC, ACTC, or ODC, go to Part IV.)	

10. Have you determined each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the US?		YES
11. Did you explain to the taxpayer that they may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		YES
12. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		YES
Part V Due Diligence Questions for Returns Claiming HOH (If the return does not claim HOH filing status, go to Part VI.)		
14. Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?		YES
Part VI Eligibility Certification		
15. Do you certify that all the answers on this Form 8867 are, to the best of your knowledge, true, correct, and complete?		YES
Line 5 – List of Documents for EIC and CTC/ACTC/ODC		
Residency of Qualifying Child(ren) or Qualifying Relative	b. School records or statement	X
Line 5 – List of Documents for Head of Household		
Documents or Other Information	i.Did not rely on documents, but made notes in file	X

When complete, the Form 8867 should look like the screen below.

Part I Due Diligence Requirements

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply)	EIC	CTC/ ACTC/ODC	AOTC	HOH
	[X]	[X]	[ ]	[X]

1. Did you complete the return based on information for tax year 20XX provided by the taxpayer or reasonably obtained by you?
[X] Yes [ ] No

2. If credits are claimed, did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in Form 1040, 1040-NR, or 1040-SS or Sch 8812 instructions and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet and all related forms and schedules for each credit claimed?
[X] Yes [ ] No [ ] N/A

3. Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following:
   - Interview the taxpayer, ask questions, and document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status
   - Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and the amount of any credit(s) claimed
[X] Yes [ ] No

4. Did any information provided by the taxpayer, a third party or reasonably known to you in connection with preparing the return appear to be incorrect, incomplete, or inconsistent? (If "Yes" go to 4a and 4b. If "No", go to 5.)
[ ] Yes [X] No
   a. Did you make reasonable inquiries to determine the correct, complete and consistent information?
[ ] Yes [ ] No
   b. Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, the information that was provided, and the impact the information had on your preparation of the return.)
[ ] Yes [ ] No

5. Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount of the credit(s)
[X] Yes [ ] No

List those documents, if any, that you relied on.
See "Line 5 - List of Documents" section after line 15

6. Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount of the credit(s) claimed on the return if his/her return is selected for audit?
[X] Yes [ ] No

7. Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year?
(If credits were disallowed or reduced, go to 7a, if not go to 8)
[X] Yes [ ] No [ ] N/A

   a. Did you complete the required recertification Form 8862?
[ ] Yes [ ] No [ ] N/A

8. If the taxpayer is reporting self-employment income, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C?
[X] Yes [ ] No [ ] N/A

Part II Due Diligence Questions for Returns Claiming EIC
(if the return does not claim EIC, go to Part III.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
9a. Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim EIC if the taxpayer has no qualifying child? (Skip 9b and 9c if the taxpayer is claiming EIC and does not have a qualifying child.)	[X] Yes [ ] No [ ] N/A			
b. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	[X] Yes [ ] No			
c. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tie-breaker rules)?	[X] Yes [ ] No [ ] N/A			

Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC
(if the return does not claim CTC/ACTC/ODC, go to Part IV.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
10. Have you determined each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the US?		[X] Yes [ ] No		
11. Did you explain to the taxpayer that they may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		[X] Yes [ ] No [ ] N/A		
12. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		[X] Yes [ ] No [ ] N/A		

Part V Due Diligence Questions for Returns Claiming HOH
(if the return does not claim HOH filing status, go to Part VI.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
14. Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?				[X] Yes [ ] No

Part VI Credit Eligibility Certification

15. Do you certify that all the answers on this Form 8867 are, to the best of your knowledge, true, correct and complete?		[X] Yes [ ] No

Line 5 - List of Documents for EIC and CTC/ACTC/ODC

A. Which documents below, if any, did you rely on to determine EIC/CTC/ACTC/ODC eligibility for the qualifying child(ren) on the return? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. See the instructions before answering. If there is no qualifying child, check box a. If there is no disabled child, check box o.

Residency of Qualifying Child(ren) or Qualifying Relative

☐	a No qualifying child or qualifying relative	☐	i Place of worship statement
☒	b School records or statement	☐	j Indian tribal official statement
☐	c Landlord or property management statement	☐	k Employer statement
☐	d Health care provider statement	☐	l Other
☐	e Medical records		
☐	f Child care provider records		
☐	g Placement agency statement		
☐	h Social service records or statement	☐	m Did not rely on documents, but made notes in file
		☐	n Did not rely on any documents

Line 5 - List of Documents for Head of Household

A. Which documents below, if any, did you rely on to determine Head of Household eligibility? Check all that apply. KEEP A COPY OF ANY DOCUMENTS YOU RELIED ON. If not filing Head of Household, check box a.

Documents or Other Information

☐	a Not Head of Household	☐	h Other
☐	b Divorce decree		
☐	c Separation agreement		
☐	d Bank statements		
☐	e Property tax bills	☒	i Did not rely on documents, but made notes in file
☐	f Rent statements	☐	j Did not rely on any documents
☐	g Utility bills		

Using the Attached Forms list, double click on **RET 1040 – FEDERAL RETURN** to view *Form 1040* in the Open Form Pane. Notice that the 1040 *Software* has calculated an Earned Income Credit (EIC) of $3,618 on **line 27a**.

1. Scroll down to **line 35a** to see that Bob is due a refund of $7998.

27a.	Earned income credit (EIC) ☐ Form 8862	27a	3,618	
	Check if taxpayer was born after 1/1/1998 and before 1/2/2004, and satisfy all EIC requirements for those at least 18 years old ☐			
	☐ Check to use 2019 earned income for EIC			
	2019 NT combat pay - taxpayer ____ spouse ____			
b.	Nontaxable combat pay election	27b		
c.	2019 earned income	27c		
28.	Refundable child tax credit or additional child tax credit from Schedule 8812	28	3,000	
29.	American opportunity credit from Form 8863, line 8	29		
30.	Recovery rebate credit. Check the box if received full EIP #3 payment. No worksheet entries are needed	30		
31.	From Schedule 3, line 15	31		
32.	**Total other payments and refundable credits.** Add lines 27a and 28 through 31	32	6,618	
33.	**Total Payments.** Add lines 25d, 26 and 32	33	7,998	

Refund

34.	If 33 is more than 24, subtract line 24 from line 33. This is the amount **overpaid**	34	7,998
35a.	Amount of line 34 you want **refunded to you**	35a	7,998

Step 5: Add a State Return

For this practice return, you will add an Oregon state non-resident return to the federal return for Bob.

The State Tab is used when adding state modules and forms to a tax return.

1. Click the **Add Form** button or press **Ctrl + A** to bring up the **All Forms & Schedules** window, then click the **State** tab.


Note: To see a list of state modules installed on your computer, click **Help** and then click **About**. A listing of all state modules appears in the **State Packages Installed** section at the bottom of the window.

Note: For this practice return you will prepare a single State Return. However, you can prepare, print and electronically file more than one State Return with the 1040 *Software*.

2. In the **Available States** drop down list, select Oregon. A list of Oregon forms will display in the **State Forms** section. Double click **RET OR-40**.
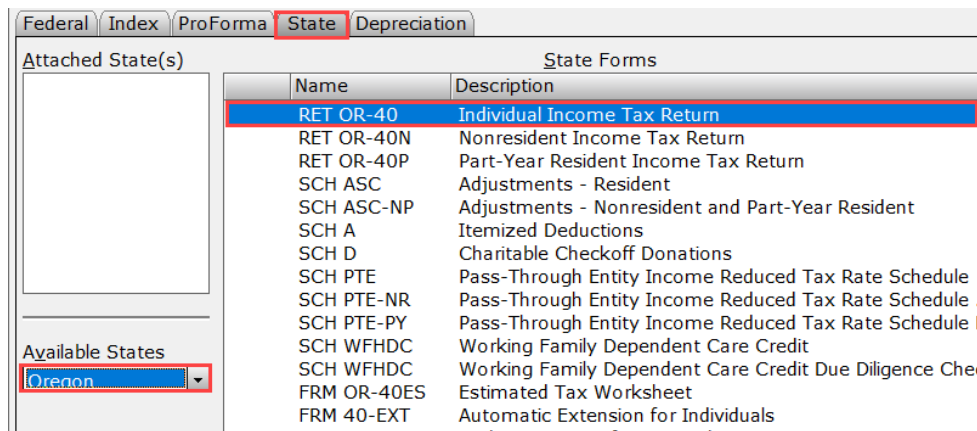
3. The Oregon State Tax Return will appear beneath the Federal Return on the Attached Forms list. the 1040 *Software* has automatically completed the State Return based on the Federal information.
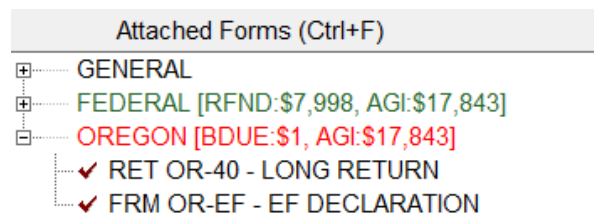
Step 6: Add Bookmarks and/or Preparer Notes

Bookmarks allow you to easily attach a comment to any data field on a tax form. A Bookmark is the electronic equivalent of a yellow sticky note and is a great way to identify fields that require reminders or to bookmark fields for further review later. Bookmarks are for your use only and appear during return verification, prompting you to pay extra attention to the bookmarked field. They do not transmit to the IRS when the return is electronically filed.

Follow the instructions provided below to add a Bookmark to a field:

1. Click the **(A) Client Data worksheet** in the Attached Forms list, right click the **(B) E-Mail field** and select **(C) Bookmarks** from the right click menu. The Bookmark Field window will appear.

2. In the text box, type "Call Bob and verify his email address" and click the **OK** button.
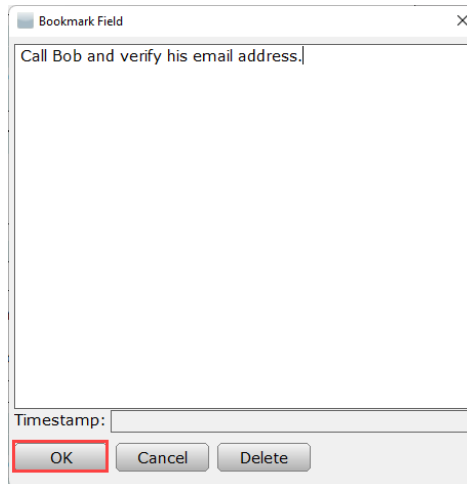
A Bookmarks heading will appear in the GENERAL section of the Attached Forms list after you save the return. Use this to view and remove Bookmarks as needed.
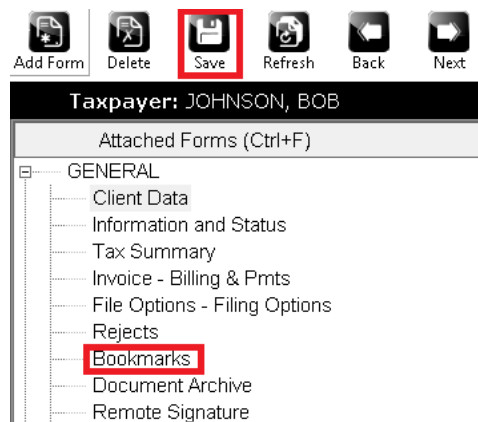
Preparer Notes allow you to easily attach a comment to the return, rather than to a specific data field. They are a good way to put reminders on the return of information needed or steps that need to be taken to complete the return. Each time the tax return is opened, the Preparer Notes window will display. They do not transmit to the IRS when you file the return electronically.

Follow the instructions provided below to add Preparer Notes to the return:

1. On the Toolbar click the **Notes** button. The Preparer Notes window will appear.
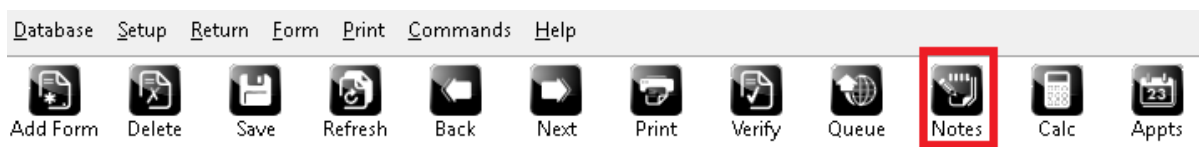
2. Click the **New** button. A new Preparer Note entry will appear and the text box will be enabled.

3. In the text box type, "Need a copy of medical records for 8867."

4. Click the **Save** button to save the note, then click **Close**.

Removing *Bookmarks*

After a Bookmark is no longer needed, it should be removed as it will appear during verification and in some cases, may prevent printing and transmission of the return. Removing a bookmark can be done immediately after the bookmark is completed or during return verification; the process is the same in either case.

Follow the steps provided below to remove a Bookmark from a field:

1. From the General Forms list, double click **Bookmarks**.

Attached Forms (Ctrl+F)

GENERAL
- Client Data
- Information and Status
- Tax Summary
- Invoice - Billing & Pmts
- File Options - Filing Options
- Rejects
- **Bookmarks**
- Document Archive
- Remote Signature
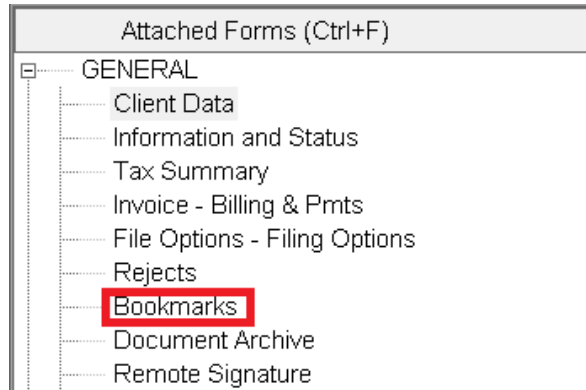
2. On the Return Bookmarks window, click on the Bookmark you wish to remove and press the **Delete** button.

Return Bookmarks

Form	Message	Timestamp
Client Data	Call Bob and ask for his email address.	10/23/20XX 12:37:06

Description

[Delete]   [Close]
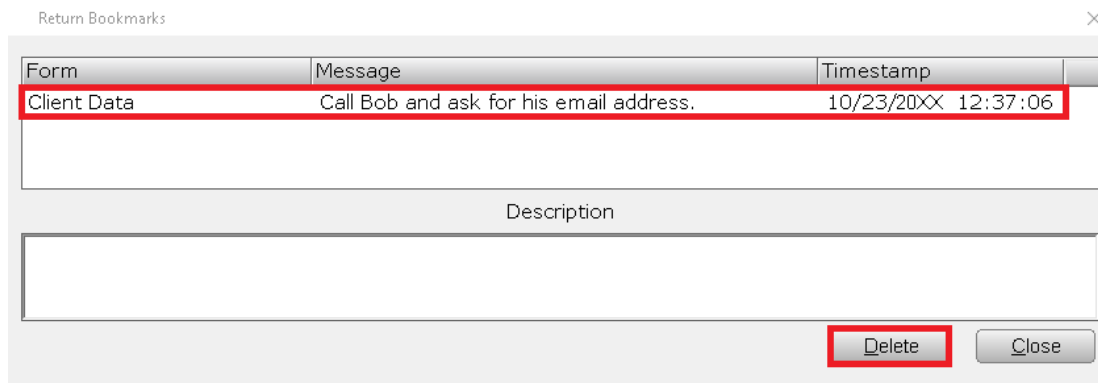
3. The bookmark has been removed from the field.

Removing Preparer Notes

Preparer Notes are often simply left on a return as they do not affect return verification or transmission in any way. Preparer notes are frequently used to add notes to a return that can be useful later.

Follow the steps below, to remove a Preparer Note from a return:

1. On the Toolbar click the **Notes** button. The Preparer Notes window will appear.

Database   Setup   Return   Form   Print   Commands   Help

Add Form   Delete   Save   Refresh   Back   Next   Print   Verify   Queue   **Notes**   Calc   Appts
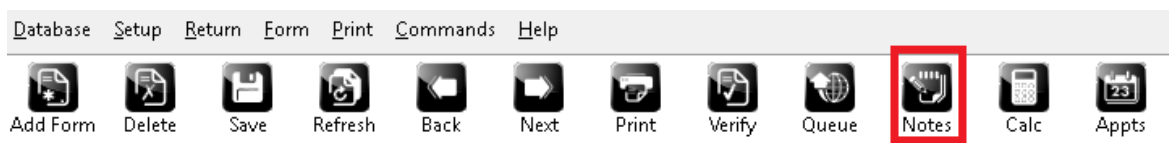
2. Click on the Preparer Note you wish to remove from the return and press the **Delete** button.
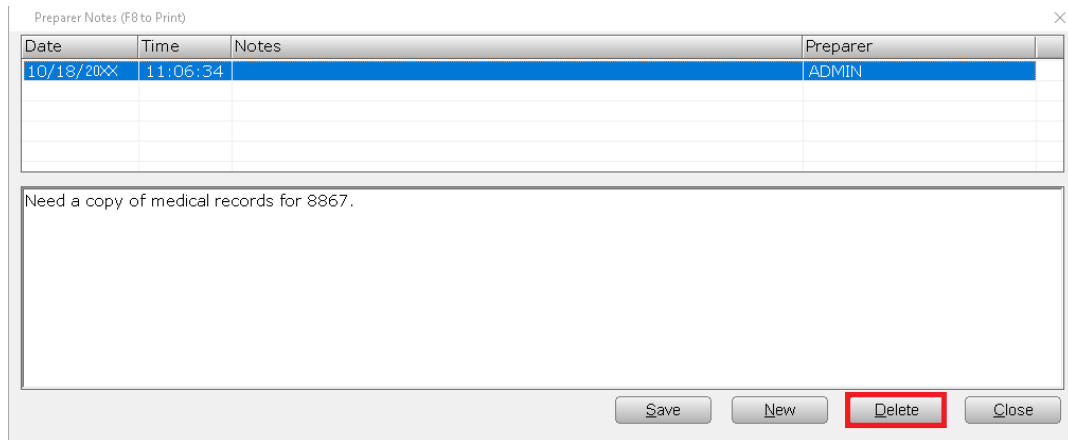
3. The Preparer Note has been removed from the return.

Step 7: Text Messaging

Should you ever find it necessary to communicate with the taxpayer about their return, whether it is to inform them of the return's status or to ask them to get in contact with you to provide more information, the TextLink feature allows you quick and easy communicate *via* text messaging.

To send a text message using TextLink:

1. With the desired tax return open, press the **Send Text** button located on the Toolbar. The TextLink Service window will open.

2. Type the message to the taxpayer into the text entry box. **NOTE:** Only space for 160 characters.

3. When finished, press the **OK** button.
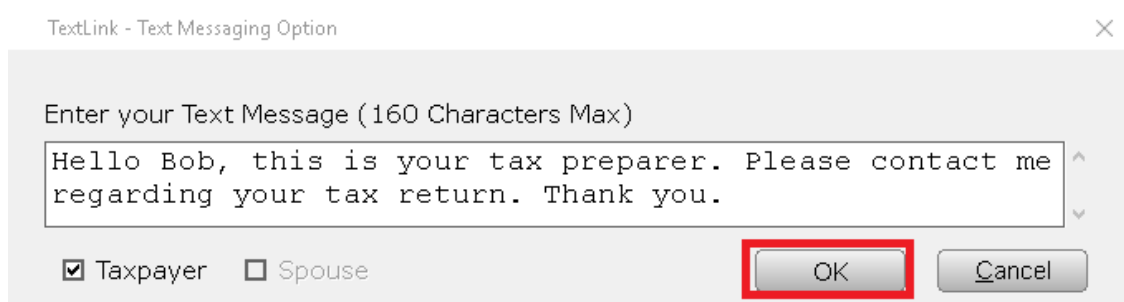
4. A confirmation prompt will be displayed. Click **Yes** to send the text message. The TextLink Service window will close, and you will be taken back to the tax return window. Your text message was sent.
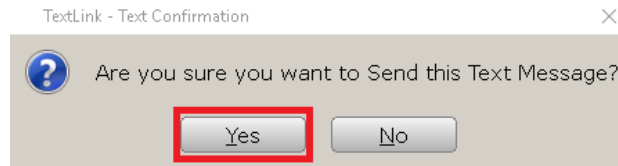
Note: The TextLink feature is disabled in the Demo version of the *1040 Software* program.

For this practice return and taxpayer text message, Bob called you and provided you with his e-mail address. Enter this information on the Client Data worksheet.

Taxpayer Information	Enter
E-mail	Your Email

Step 8: Verify the Return

Before you file a tax return, run Verify to check for completeness and correctness. You can review your overrides and bookmarks, as well as find and correct any errors in the return. In addition, "Verify" runs numerous Electronic Filing checks to find errors that could prevent the return from being filed electronically.

Any changes or updates you make to a tax return after you've used **Verify** may affect other items in the return. Make sure to go through **Verify** again before you file the return electronically to verify that changes or updates did not introduce any new errors.

To verify the return:

1. Click the **Verify** button on the Toolbar or press **Ctrl + V**. The 1040 *Software* reviews the return for errors, omissions, bookmarks, and overrides. When review is complete, the Return Errors and Rejects window appears.
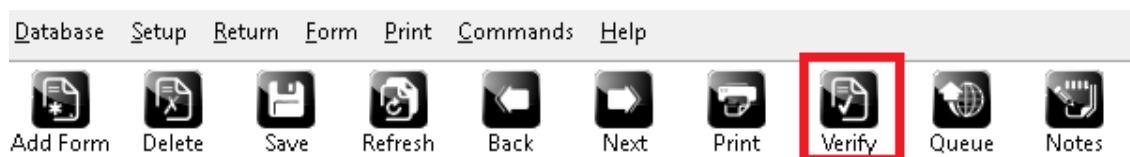
Return Errors and Rejects Window

The **Return Errors and Rejects** window provides error and reject information about the return, including but not limited to return preparation errors and omissions.

The Return Errors and Rejects window is divided into five tabs:

    a. Errors associated with importing returns are displayed on the **Import** tab.
    b. A list of tax return preparation errors is displayed on the **Verify** tab.
    c. Federal and State rejection information is displayed on the **Rejects** tab.
    d. Bank rejection information displays on the **Bnk Rej** tab.
    e. IRS Alert information displays on the **Alerts** tab.
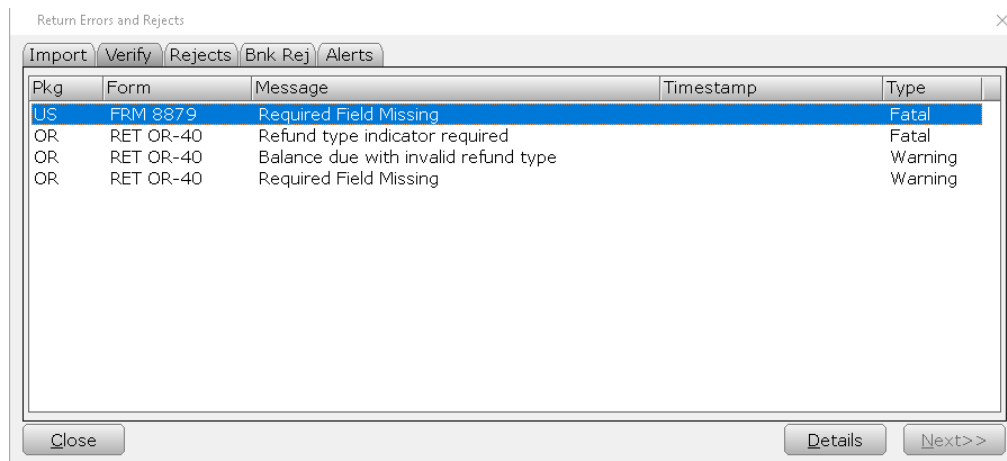
2. When you double click on an error, the 1040 *Software* moves you to the form and the box associated with the error. Type "**1**" for the refund type on the Form 8879.

3. Read the reminder message displayed in the **Refund Type** window and press the **OK** to continue.
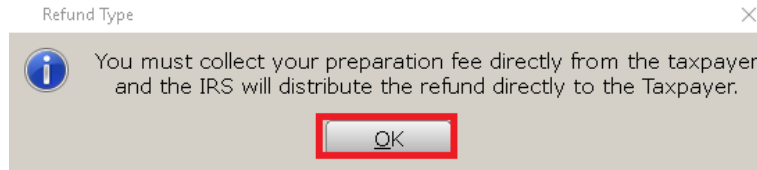
4. After adding the Refund Type, the **Return Errors and Reject** screen re-appears and the Verify feature automatically moves its focus to the next error in the list.
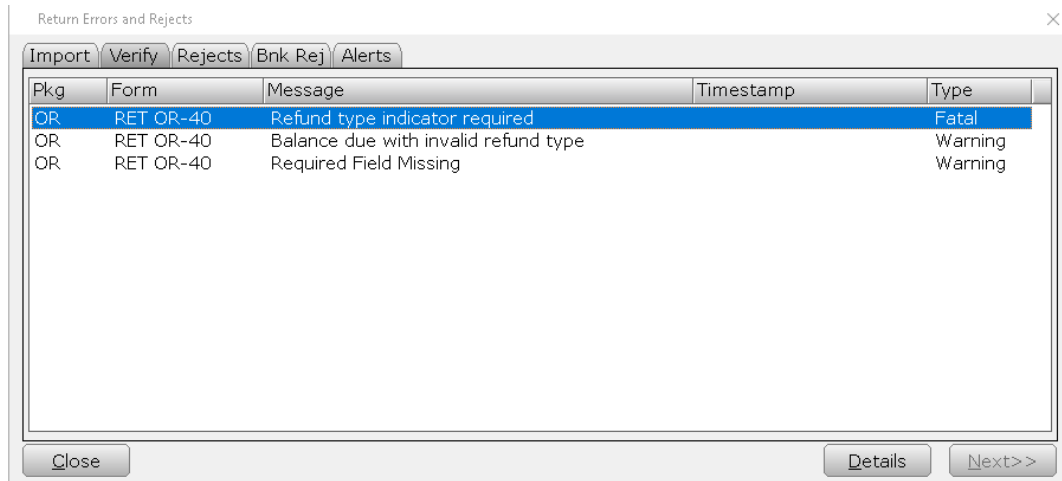
5. Press **Enter** on your keyboard to correct the next error.

6. Type "**4**" on your keyboard (Balance Due) and press **Enter**.

7. Click **Save**, then **Refresh** before selecting **Verify.**
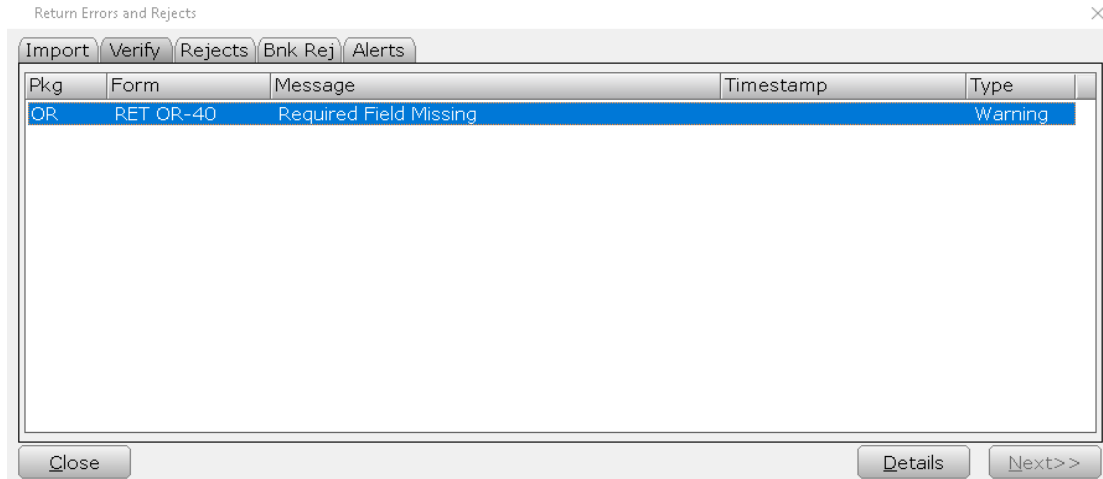
8. Some states will require a license to e-file tax returns. For this practice return, please enter all Zero's or all 9's for the license number.

9. Click **Verify** again in the toolbar. When all tax return errors are resolved, a dialog displays stating the tax return verified successfully. Click **OK**.
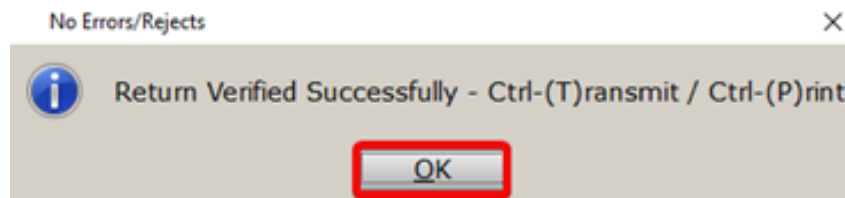
Step 9: Print the Return

Once the tax return is completed, and all errors are corrected, it is time to print. Taxpayers may also sign electronically during the printing stage using either an electronic signature pad, on-screen signature, or the remote signature feature.

To print the return:

1) From the Menu Bar select the **Print** option.

The Print Menu

The **Print** menu contains a selection of different items that may be printed with the tax return.
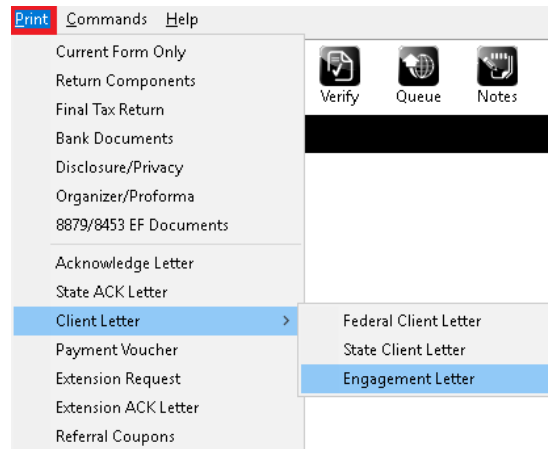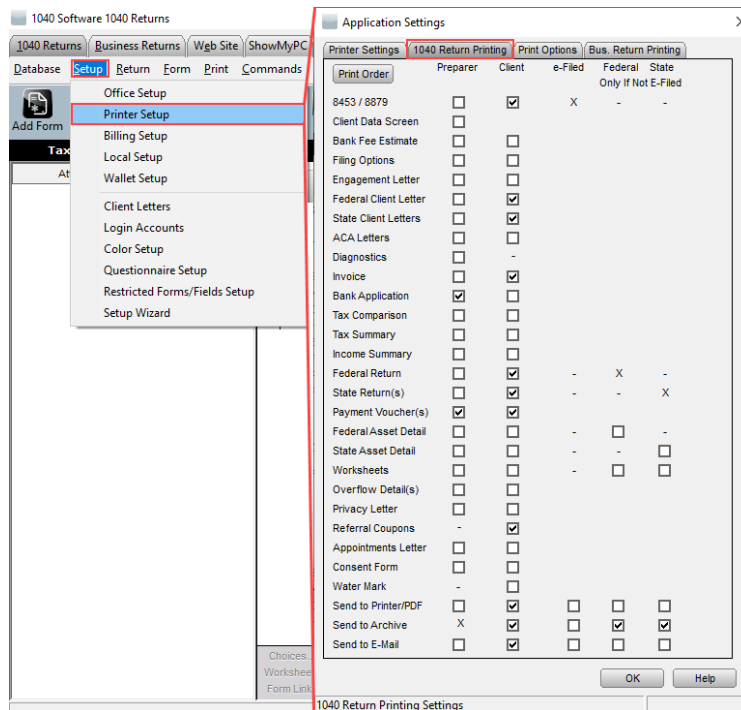

Print Final Tax Return

This feature is accessed either *via* the **Print** menu option or by pressing the **Print** button in the toolbar. This option prints the print packets which are configured elsewhere in the program.
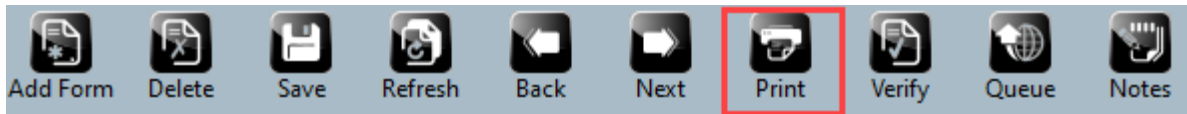
Note: To access the Print Packet setting, click the **Setup** menu option and then **Printer Setup**. Next, click the **1040 Return Printing** tab.

You can also customize the print order of the tax returns by selecting the "**Print Order**" Button, followed by highlighting the selected Print Item and using the **Up/Down** buttons.
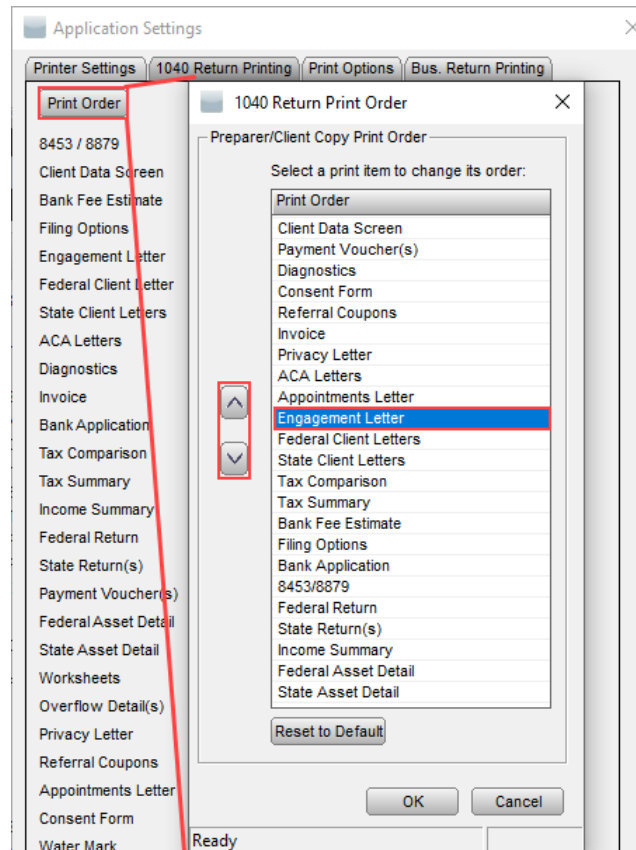

Print Bank Documents

If the taxpayer has elected to receive a refund-based bank product (covered in detail in Chapter 5) you are required to print the bank documents and present them to the taxpayer to review and/or sign before finalizing the return. The bank documents include EF declaration forms and the disclosure and consent forms required by the bank.
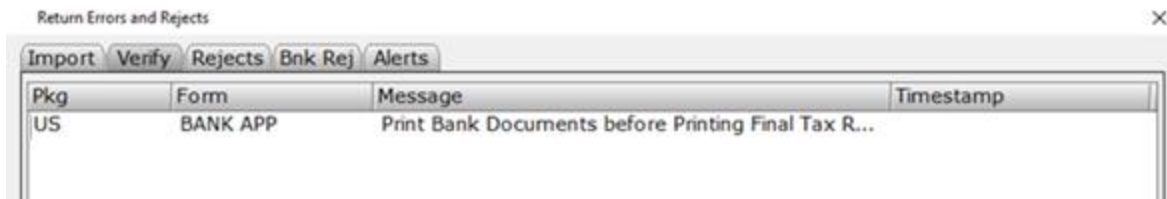

Current Form Only

This option prints only the form currently displayed in the Open Form pane in the tax return.

Note: Not all forms support Current Form Only printing. If a form does not support this feature, a message will be displayed, and the form will not print.
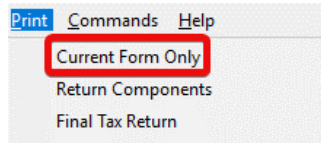
Return Components

This option opens the Print Specified Components window and allows you to print only the parts of the return selected. For example, if you wanted to only print the invoice and federal tax return, select only those two items on the Print Specified Components window.
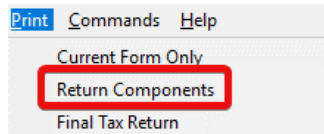
The Print Window

After you have selected an option from the **Print** menu the **Print Window** will display. This window contains options such as how, and to which printer the selected item will be printed. The Print Window also includes several additional features such as print preview, electronic return signatures and creation of PDF copies of the return.

Name

The Name drop down allows you to specify which printer the 1040 *Software* uses to print the selected item. By default, the printer that is configured in Printer Setup will be selected.

Copies

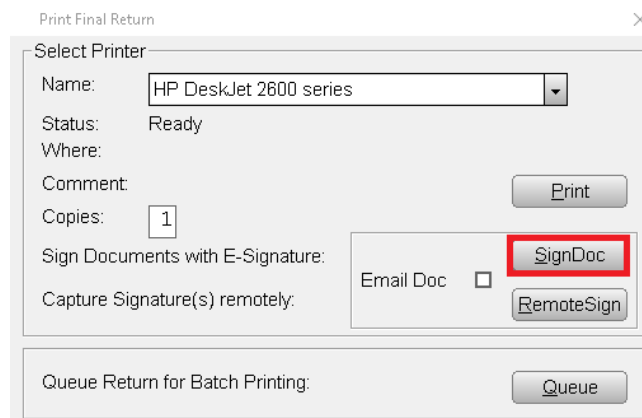Enter the desired number of copies of the selected item- the default number of copies is "one."

Print

The Print button prints the desired number of copies of the selected item using the specified printer.
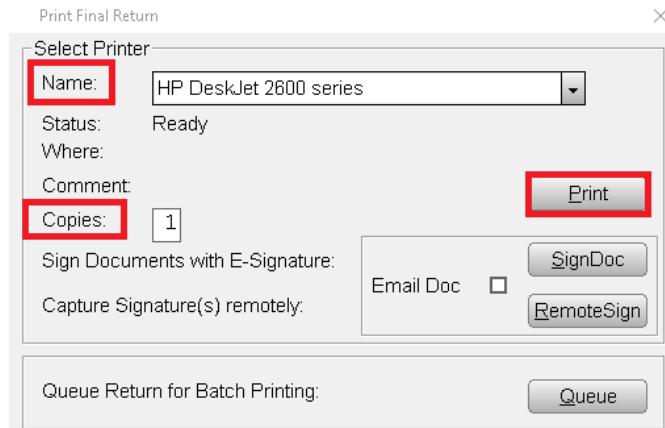
SignDoc

The **Sign Doc** button initiates the electronic signing process if signing with a supported electronic signature pad or on-screen signature.

Note: An electronic signature pad is a device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.

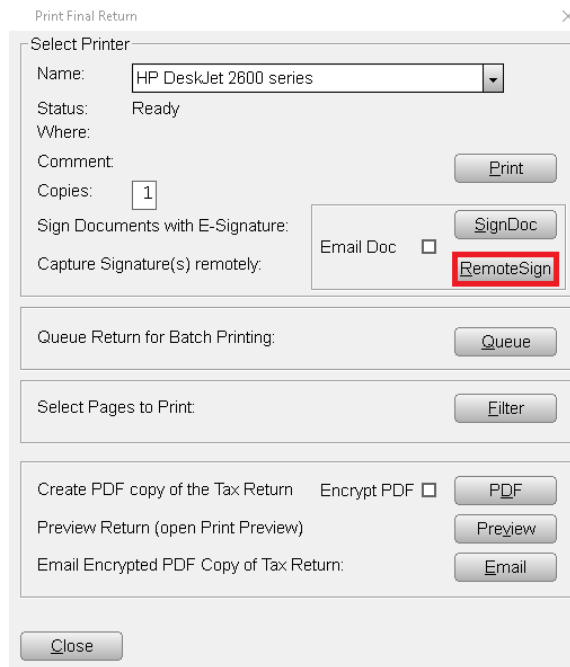The 1040 *Software* supports *seven* electronic signature pad models:

Topaz SigLite™ 1x5 T-S460	Scriptel Slimline SC-ST1475
Topaz SigLite™ 1x5 T-S461	Scriptel Slimline LCD SC-ST1570
Topaz SigLite™ LCD 1x5 TL460	Scriptel Compact LCD SC-ST1550
	Scriptel Compact LCD SC-ST1550-C6FT

Important Note: Be sure to check the latest system requirements for all signature devices before purchase. For the latest information on the setup or use of electronic signature pads, please contact Partner Support.

The **RemoteSign** button initiates the remote signature process, allowing you to request a signature of a client who is not in your office. When you send a remote signature request to your client, they will receive a text message or email containing a web link. The link will require them to authenticate themselves using their last name, date of birth, last 4 digits of their SSN and zip code. Once authenticated, they will be presented with a PDF copy of their return which they can review and sign.

After the client(s) have signed, you will receive a notification on the WIP screen. To access the signed return, click **Remote Signature** in the **Attached Forms** pane in the tax return.
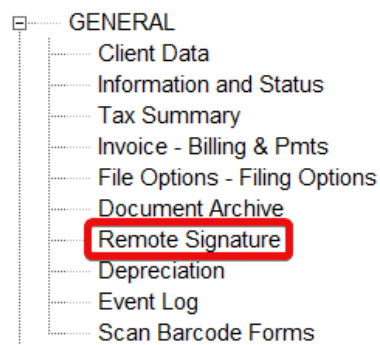
Tip: *Configure the TextLink feature before using the remote signing feature. For more information, please contact **Partner Support**.*
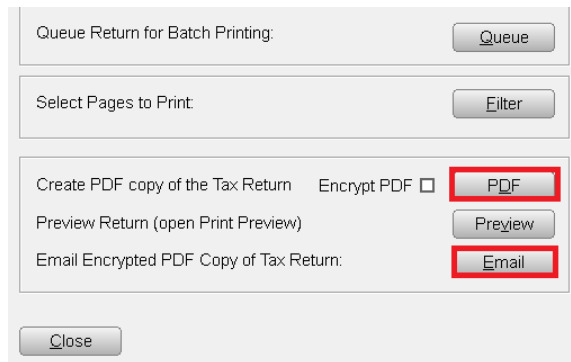
Creating a PDF Copy of a Return

In some cases, it is useful to augment or even replace a physical printed copy of the return with an electronic copy; with the 1040 *Software*, it is seamless.

PDF

The **PDF** button creates a PDF copy of the return. Printing to PDF allows you to create a PDF copy of the tax return on your computer. The PDF file can then be emailed or copied to an external media such as a CD-ROM or flash drive.
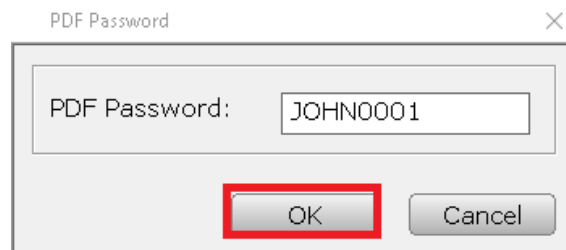
Email

This feature allows you to easily email an encrypted (password protected) PDF copy of the tax return to the taxpayer and/or spouse using the addresses on the Client Data Sheet. When you click the **Email** button on the print window, you are presented with a PDF password prompt.

By default, the PDF password is the first four of the taxpayer's last name combined with the last four of the taxpayer's social. You can, however, change the PDF Password prompt. Once the password is entered, press the **OK** button. On the email window, enter the subject and body for the email that will contain the PDF attachment.

Note: Including the PDF password in the email that contains the tax return attachment is **not** recommended. Instead, use an alternate means to convey the password to the taxpayer such as text message or phone call.

If you are certain that the taxpayer's email is correct on the Client Data click the OK button.
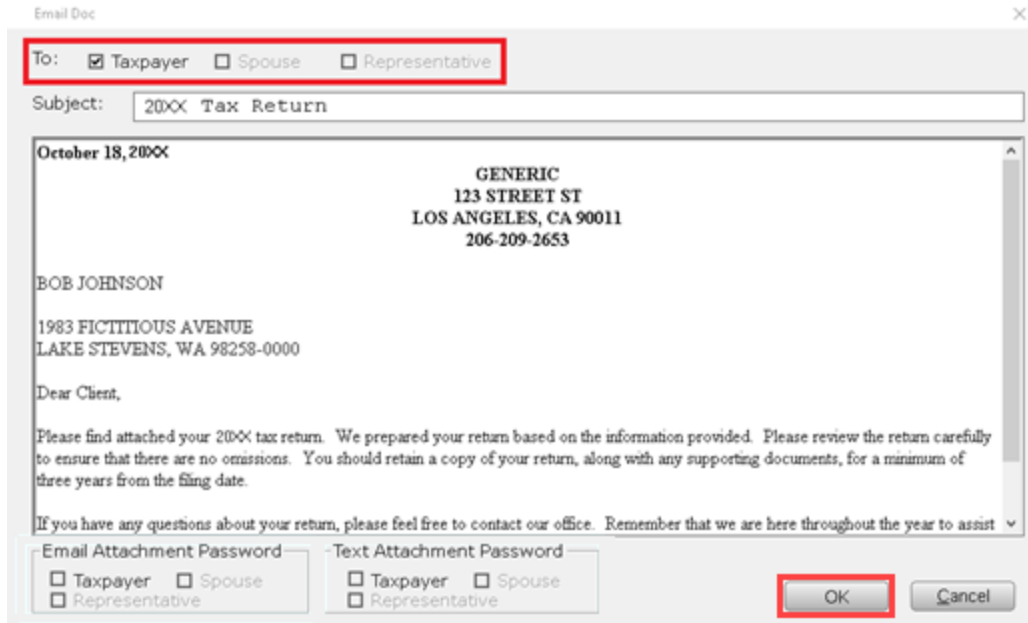
Tip: *This feature utilizes the same configuration information as TextLink. Configure TextLink before using this feature. For more information, please contact **Partner Support***.

Print Preview

This option opens a preview copy of the return. Although it resembles a PDF copy, it cannot be printed or saved.
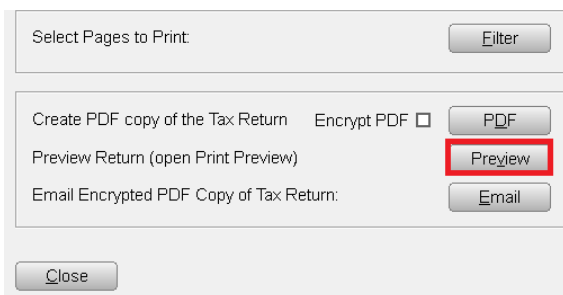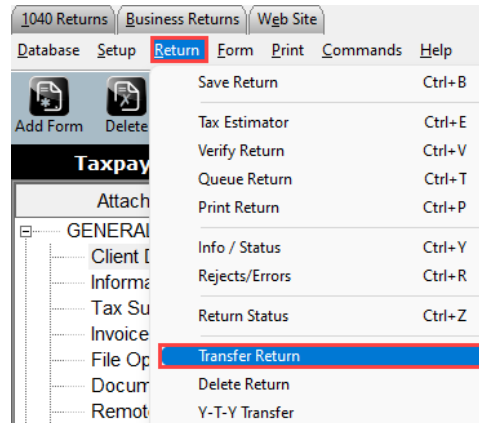

### *Convert a Training Return into a Live Return*

Later we will be using this training return to explain the Electronic Filing process, so the return will need to be converted to a live return in the 1040 *Software*. To do this, follow these steps:

1. Open the training return.
2. From the return menu select **Return**, then **Transfer Return**.

3. Click on the ⋯ button, select a folder that you can easily access, then click **Save** and **Ok**. After transferring, head back to the WIP screen.

4. From the menu select **Utility**, then **Retrieve Returns.**
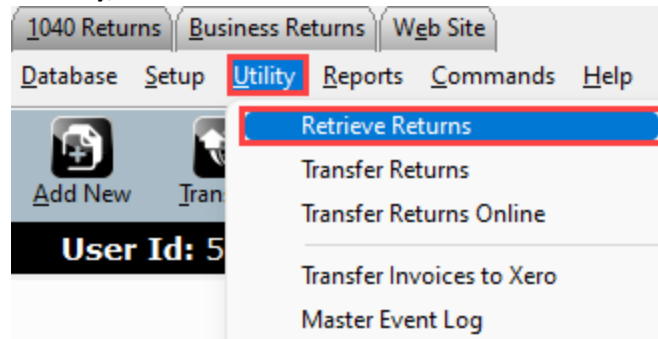
5. Navigate to the folder where you saved the file, click on the file, then click **Open**.

6. Select the return using the checkbox toward the left, then click **Retrieve**. Click **Ok**.

Congratulations!

You have successfully prepared a basic Federal and State tax return using the 1040 *Software*. You have also learned how to navigate through the program as well as enter taxpayer information, *W-2* income and compute the Earned Income Credit.

If you followed the steps above precisely, the refund on this return would have calculated to $7,998.

There is no quiz for this chapter. In the next chapter, you will learn to prepare a more complex return using the 1040 *Software*. If you do not wish to complete a more complex return, skip to **Chapter 4, Electronic Filing**.

Note: For further practice after completing this Tutorial, be sure to refer to the Addendum to access a separate TY2021 1040 Practice Return document containing various Beginning, Intermediate and Advanced tax return scenarios.

Introduction

The Asset Manager is used for computing and tracking depreciation entries within a tax return. You can handle all depreciation entries from the Asset Manager for any business or asset type.

In this chapter you will learn:

- How to prepare a return that contains a *Schedule C* – Profit or Loss from Business
- How to add a vehicle to the Asset Manager
- How to add a non-vehicle asset to the Asset Manager

The Practice Return

1. Use what you learned in Chapter 2 – Preparing a Basic 1040 Return to open a new tax return and complete the Client Data worksheet using the information below.

Taxpayer Information	Enter
SSN	400-00-0002
DOB (Date of Birth)	08/19/1979
First Name	Jason
Middle Initial	B
Last Name	Taylor
Occupation	Security
Home Phone	(835) 511-8135
Work Phone	(835) 444-1040
Cell	Your cellular phone number
E-Mail	Your email address
Text Message	X (pop up will open to check to CONSENT to receive alerts via text)
Cell Phone Carrier	Your cellular phone carrier
Filing Status	2

Spouse Information	Enter
SSN	400-00-0003
Birthdate	12/11/1978
First Name	Abigail
Last Name	Jones-Taylor
Occupation	Housekeeping
Home Phone	(835) 511-8135
Domestic Address	X
U.S. Address	1834 Spurious Drive
Zip, City, State, Residency Status	98177
Residency Status	Y

2. For **Tax Year 2021,** Health Insurance coverage is NOT required for purposes of this tutorial, No 1095-A was received (do not mark checkbox).

"Marketplace" Health Insurance
Check box only if you or any other family member on this return purchased health insurance through the "Marketplace" in 2021 (received Form 1095-A), then click the following "Questionnaire" button.

Questionnaire

* Individuals may receive informational Forms 1095-B or 1095-C (which shows 2021 qualified health coverage). These forms are not needed when filing your 2021 return and are informational only.

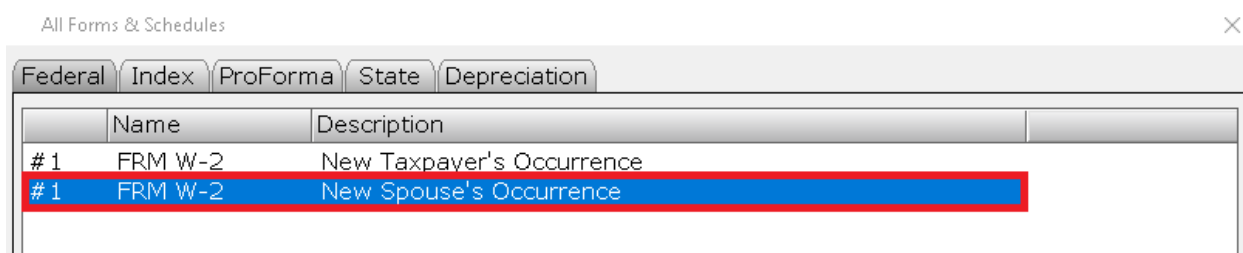Continue by entering the dependent using the information below.

Dependent Information	Enter
First Name	Sophia
Last Name	Taylor
Birthdate	08/19/2006

SSN	549-24-1889
Relationship	DAUGHTER
Mo	12

3. Use the **All Forms and Schedules** window to add a copy of *Form W-2* to the tax return.
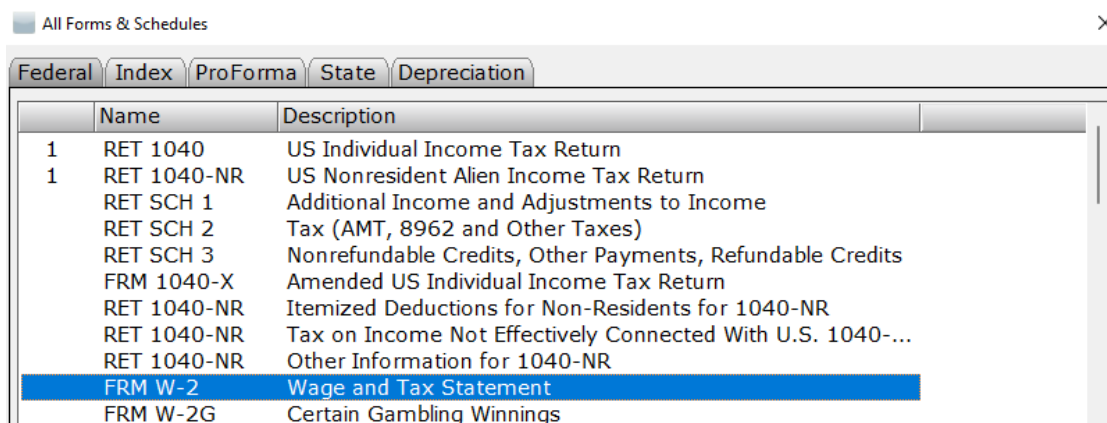
4. Select **New Spouse's Occurrence** to add a new *Form W-2* for Abigail.

Note: For this joint return, you are prompted to add **New Taxpayer's Occurrence** or a new **Spouse's Occurrence of Form W-2**

Complete Abigail's *W-2* using the information below. Complete only the fields for which we have provided information. Leave all other fields blank.

Field	Enter

Employer's Identification Number (EIN)	91-9999997
Name of Employer	Very Good Enterprises Holdings Inc.
Address	519 Illusionary Drive
Zip, City, State	98101
Box 1, Wages	25465
Box 2, Fed Tax Withheld	2589

Schedule C and Business Income

Before adding an asset, a form or schedule which supports depreciation expenses must be added to the return. These forms/schedules include:

- *Schedule C* – Profit or Loss from Business
- *Schedule E* – Supplemental Income and Loss
- *Schedule F* – Profit or Loss from Farming
- *Form 2106* – Employee Business Expense
- *Form 4835* – Farm Rental Income and Expenses

Jason, who works security as a contractor, needs to file *Schedule C* to account for his business income.

Schedule C

1. Click into **line 10** on *Form 1040*, then click on the **Form Links** button in the Active Options pane. This will take you to Schedule 1 Form. Click into **line 3**, then click on the **Forms Link** button. Alternatively, click the **Forms** button on the toolbar to add *Schedule C* from the **All Forms & Schedules** window covered in Chapter 2.

Income, deductions, taxes, credits and payments

1.	Wages, salaries, tips	AB	FB	DCB	SCH	1	25,465
2a.	Tax-exempt interest	2a		b. Taxable interest		2b	
3a.	Qualified dividends Adj	3a		b. Ordinary dividends		3b	
		Form 8814		Form 8814			
4a.	IRA distributions	4a		b. Taxable amt		4b	
5a.	Pensions and annuities	5a		b. Taxable amt		5b	
	Taxable Foreign Pension						
6a.	Social security benefits	6a		b. Taxable amount		6b	
7.	Capital gain or (loss)			No SCH D Required		7	
8.	Other income from Schedule 1, line 10					8	
9.	**Total Income.** Add lines 1, 2b, 3b, 4b, 5b, 6b, 7 and 8					9	25,465
10.	Adjustments to income from Schedule 1, line 26					10	
11.	**Adjusted Gross Income.** Subtract line 10 from line 9					11	25,465
12a.	**Standard deduction or itemized deductions**			12a	25,100		
b.	Charitable contributions if taking standard deduction			12b			
c.	Add lines 12a and 12b					12c	25,100
13.	Qualified business income deduction					13	
14.	Add lines 12c and 13					14	25,100
15.	**Taxable income.** Subtract line 14 from line 11					15	365
	Capital Construction Fund						
16.	**Tax** 1. ☐ Form 8814 ☐ 2. ☐ Form 4972 3. ☐					16	36
	Form 2555 ☐						
17.	From Schedule 2, line 3					17	
18.	Add lines 16 and 17					18	36
19.	Nonrefundable child tax credit or credit for other dependents from Schedule 8812					19	

Choices...
Worksheets   Calculated: Schedule 1, line 26
Form Links

Schedule 1   Additional Income and Adjustments to Income

Part I Additional Income

1.	Taxable refunds, etc. of state and local income taxes	1	
2a.	Alimony or separate maintenance received	2a	
b.	Date of original divorce or separation agreement /		
3.	Business income or (loss)	3	
4.	Other gains or (losses)	4	
5.	Rents, royalties, partnerships, S corporations, trusts, etc.	5	
6.	Farm income or (loss)	6	
7.	Unemployment compensation Unemployment Repaid	7	
8.	Other income:		
a.	Net operating loss	8a (	)
b.	Gambling income	8b	
c.	Cancellation of debt	8c	
d.	Housing exclusion and/or Foreign earned income exclusion from		
	Form 2555: Taxpayer Spouse	8d (	)
e.	Form 8889 Taxable HSA Distributions	8e	
f.	Alaska Permanent Fund dividends	8f	
g.	Jury duty pay income	8g	
h.	Prizes and awards	8h	
i.	Activity not engaged in for profit income	8i	
j.	Stock options	8j	
k.	Income from rental of personal property if engaged in rental for profit but were not in the business of renting such property	8k	
l.	Olympic and Paralympic medals and USOC prize money	8l	
m.	Section 951(a) inclusion	8m	
n.	Section 951A(a) inclusion	8n	
o.	Section 461(l) excess business loss adjustments	8o	
p.	ABLE Account Taxable Distributions	8p	
z.	Other income. List type and amount		
		8z	
9.	Total other income. Add lines 8a through 8z	9	
10.	Combine lines 1 through 7 and 9. Include on Form 1040 or 1040-NR, line 8	10	

Choices...
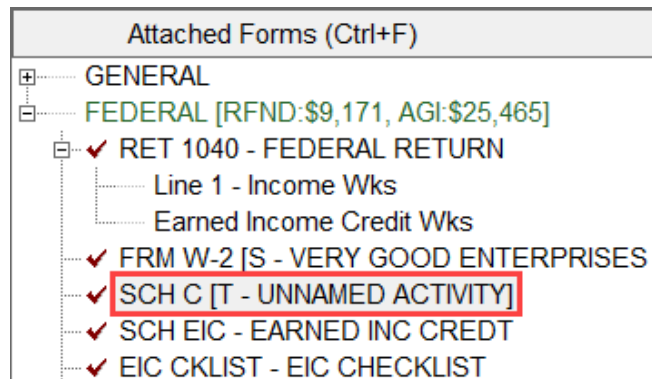Worksheets   Calculated: Amount from Schedule C, line 31
Form Links

2. Select **SCH C #1 Taxpayer Occurrence Profit or Loss From Business** and then click **OK** button.
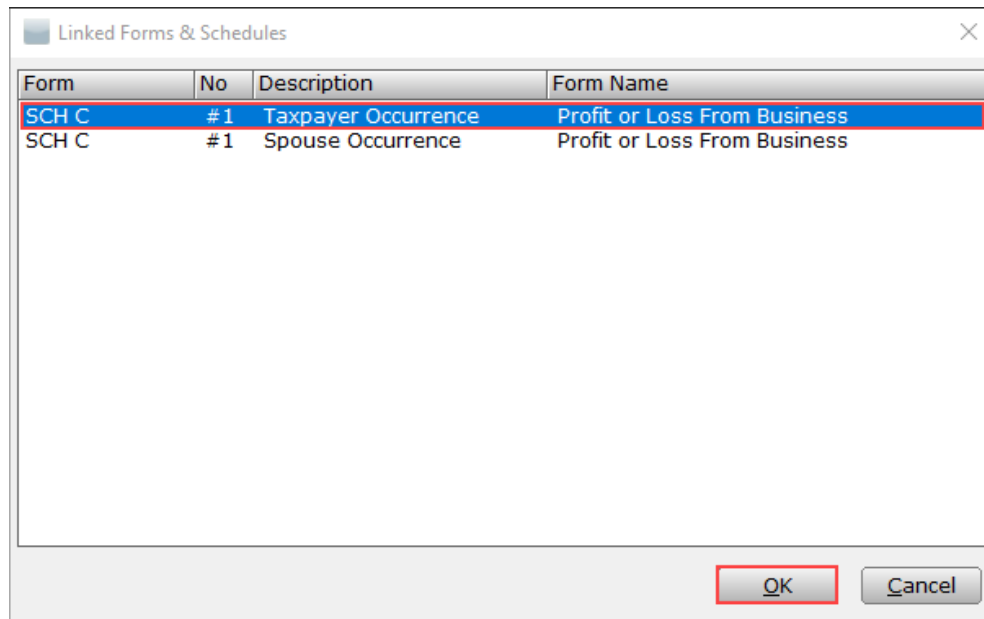
A *Schedule C* has now been added to the return

3. *"Unnamed Activity"* is the default name for the **Principal Business or Profession**. Type "Security Guard" in Line "A" of the Sch C and refresh to change the name.

4. Click into the **Business Code** field as illustrated below.

5. Click the **Choices** button in the Active Options pane near the bottom of the screen to open *Schedule C* Business Codes list.

Schedule C   Profit or Loss From Business

Proprietor: JASON B TAYLOR   SSN: 400-00-0002

A. Principal Business or Profession: B. Business Code:
    SECURITY GUARD

Choices...   Alphanumeric Information
Worksheets

6. Begin typing "Investigation & Security SVCS." Take notice how the focus on the selected form
    changes based on what you have typed. Once **Investigation & Security SVCS** has been
    automatically selected, press **Enter** on your keyboard, or press the **OK** button.

Schedule C Business Codes   ✕

Description	Code
CARPET & UPHOLSTERY CLEANING SVCS	561740
COLLECTION AGENCIES	561440
CREDIT BUREAUS	561450
DOCUMENT PREPARATION SVCS	561410
EMPLOYMENT SVCS	561300
EXTERMINATING & PEST CONTRAL SVCS	561710
FACILITIES SUPPORT (MANAGEMENT) SVCS	561210
INVESTIGATION & SECURITY SVCS	561600
JANITORIAL SVCS	561720
LANDSCAPING SVCS	561730
OFFICE ADMINISTRATION SVCS	561110
TELEPHONE CALL CTRS (INCL TELEPHONE ANSWERING SVC & TELEMARKETING)	561420
TRAVEL ARRANGEMENT & RESERVATION SVCS	561500
OTHER BUSINESS SUPPORT SVCS (INCLUDING REPO SVCS, COURT REPORTING)	561490
OTHER SVCS TO BUILDINGS AND DWELLINGS	561790
OTHER SUPPORT SVCS (INCULDING PACKAGING & LABELING SVCS)	561900
WASTE MANAGEMENT & REMEDIATION SERVICES	562000
- AGRICULTURE, FORESTRY, HUNTING, & FISHING	
ANIMAL PRODUCTION (INCLUDING BREEDING OF CATS & DOGS)	112900
FISHING	114110
FORESTRY & LOGGING (INCLUDING FOREST NURSERIES & TIMBER TRACTS)	113000
HUNTING & TRAPPING	114210

OK   Cancel

Complete the remainder of the *Schedule C* using the information below. Complete only the
fields for which we have provided information. Leave all other fields blank.

Field	Enter
Line D	91-2323232
Business Address	1892 Sand Drive
City, State, Zip	98177
Accounting Method	Cash

Line G	Yes
Gross Receipts or sales	24950

C. Business Name: (if no business name, leave blank)   D. Employer ID:
                                                                    91-2323232

Domestic   X   Foreign
E. Business Address: 1892 SAND DRIVE
    City, State, ZIP: SEATTLE   WA 98177
            Check box to transfer CDS address to Schedule C business address

            Resident: State Code: WA   City Name:
            Non-Resident: State Code: City Name:

F. Accounting method:
    1. X Cash   2. ☐ Accrual   3. ☐ Other:
G. Did you materially participate in this business in 20XX?   Yes X   No ☐
H. If you started or acquired this business during 20XX, check here   Yes
I. Did you make any payments in 20XX that would require you to file Form(s) 1099?   Yes ☐   No ☐
J. If "Yes", did you or will you file all required Forms 1099?   Yes ☐   No ☐

    Qualified Business Income Indicator - Select "Q", "S" or "N"   Agg #
    W-2 wages allocable to qualified business income
    Unadjusted basis immediately after acquisition (UBIA) of qualified property

    Check here if claiming an exemption from self-employment tax
    Check here to allocate expenses on minister worksheet
    Was this activity disposed during the year?   Yes
    Prior year unallowed loss from Form 8582
    Single person "Disregarded" LLC - State requirement only, check here

                        - Self Employed Retirement Calculator -
To take a deduction for a contribution check the box next to the plan type. The maximum contribution will be
calculated and shown below. The contribution must be made by the due date of the tax return.
Simplified Employee Pension (SEP) Contributors   Qualified Contributors (401K)   SIMPLE Contributors
Maximum contribution   Transfer amount shown to Schedule 1, line 16 of Form 1040

PART I - Income
1. Gross receipts or sales   24,950
    Income from Forms 1099-Misc, 1099-NEC, 1099-C and 1099-K
    Income reported to you on Form W-2 as "Statutory Employee"   1   24,950

Business Income

Although there are many types of business income, for this example we will use one of the most
common: **Form 1099-NEC** for Nonemployee Compensation.

1. Click into **Line 1** on the *Schedule C* field, and then click the **Form links** button.

2. Select **FRM 1099-NEC #1 Taxpayer Occurrence Nonemployee Compensation,** and then click the **OK** button.

Complete the **Form *1099-NEC*** using the information provided below. Complete only the fields for which we have provided information. Leave all other fields blank.

Field	Enter
Payer's EIN	91-9999998
Name of Payer	Very Good Building & Development CO
Address	814 Illusionary Drive
Zip, City, State	98223
Box 1 Nonemployee Comp	600

3. Click into **Box 1** Link to **(1040, *Sch C* or *F*)** as indicated below and then click the **Choices** button.

Form 1099-NEC   Nonemployee Compensation

VERY
VERY GOOD BUILDING & DEVELOPMENT C
Domestic X   Foreign
814 ILLUSIONARY DRIVE
ARLINGTON   WA 98223-0000

1 Nonemployee compensation   600
  Link to (1040, Sch C, or F)
  SE/EIC (if linked to Other Income)
  Report on Form 8919 as wages

Payer's EIN   Payer's Phone Number
91-9999998   -   -
Payer's SSN   Recipient's SSN
   -   -   400-00-0002

2 Direct sales of $5000 or more of consumer products
  for resale

Recipient's name
JASON B TAYLOR
Recipient's EIN: -
Domestic X   Foreign

3

1834 SUPRIOUS DRIVE
SEATTLE   WA 98177-0000

4 Federal income tax withheld

FATCA filing requirement ☐

Account Number (optional):

5 State tax
  withheld

6 State
  Code/Use: ☐ ☐
  ID:

7 State income

Void ☐   Corrected ☐

Choices...   Select Form to Link from Choice list

4. Select the **SCH C# 01 Security Guard** and then click the **OK** button.

Link to Form   ✕

Form ID	Form Name
1040	1040 Line 1
1040	1040 OTHER INCOME
SCH C# 01	SECURITY GUARD
SCH C# 02	UNNAMED ACTIVITY
SCH F# 01	UNNAMED ACTIVITY

OK   Cancel

When complete, your screen should look like the one below.

Form 1099-NEC — Nonemployee Compensation

VERY
VERY GOOD BUILDING & DEVELOPMENT C
Domestic X   Foreign
814 ILLUSIONARY DRIVE
ARLINGTON   WA 98223-0000

Payer's EIN   Payer's Phone Number
91-9999998   -   -

Payer's SSN   Recipient's SSN
    -    -   400-00-0002

Recipient's name
JASON B TAYLOR
Recipient's EIN: -
Domestic X   Foreign

1834 SUPRIOUS DRIVE
SEATTLE   WA 98177-0000

FATCA filing requirement ☐

Account Number (optional):

Void ☐   Corrected ☐

1 Nonemployee compensation   600
   Link to (1040, Sch C, or F)   SECURITY GUARD
   SE/EIC (if linked to Other Income)
   Report on Form 8919 as wages

2 Direct sales of $5000 or more of consumer products
   for resale

3

4 Federal income tax withheld

5 State tax withheld
6 State Code/Use:
   ID:
7 State income

5. Double click the **SCH C (T-Security Guard)** from **the Attached Forms List** on the left. Note that the income from the *1099-NEC* is now linked to the *SCH C* as indicated on line 1.

FEDERAL [BDUE:$1,577, AGI:$49,210]
  ⊞ ✔ RET 1040 - FEDERAL RETURN
    ✔ RET SCH 1 - INC & ADJUSTMENT
    ✔ RET SCH 2 - ADDITIONAL TAX
    ✔ FRM W-2 [S - VERY GOOD ENTERP
  ⊞ ✔ SCH C [T - SECURITY GAURD]
    ✔ SCH SE [T - JASON B TAYLOR]
    ✔ FRM 1099-NEC [T - VERY GOOD BU
      FRM 2210 - UNDERPAY PENALTY
    ✔ FRM 8867 - PREP DUE DILGNCE

PART I - Income

1.	Gross receipts or sales			24,950
	Income from Forms 1099-Misc, 1099-NEC, 1099-C and 1099-K			600
	Income reported to you on Form W-2 as "Statutory Employee"		1	25,550
2.	Returns and allowances		2	
3.	Subtract line 2 from line 1		3	25,550
4.	Cost of goods sold		4	
5.	**Gross profit**		5	25,550
6.	Other income (see instructions for credits that need to be included here)		6	
7.	**Gross income**		7	25,550

Adding Assets

For most assets, the 1040 *Software* simplifies depreciation into three easy steps:

1. Select the type of asset.
2. Enter the date placed in service.
3. Enter the cost basis of the asset.

There are two types of assets in the 1040 *Software,* vehicles, and everything else.

Adding a Vehicle Asset

To add a vehicle asset, follow these steps:

1. To open the Asset Manager in the 1040 *Software*, select **Form** on the menu bar and then click **Depreciation**. Alternatively, press **Ctrl + N** on your keyboard.
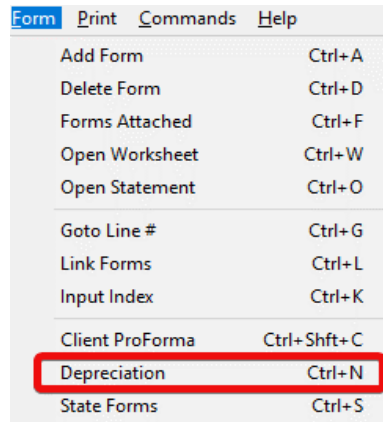
2. Double click on **Car/Truck Vehicle Allocation**.
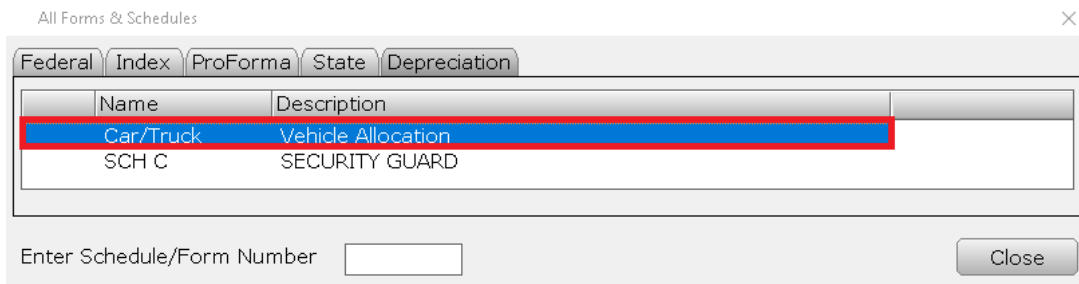
3. The **Business Activity Asset** window displays a list of vehicle assets currently associated with the return. To add a new vehicle asset, click the **New Asset** button.

4. In the Asset Details Window **Type** "Toyota Tundra" into the **Description** field and "03/18/2019" into the **Date Placed in Service**. Select the **Business Asset Class Code** indicated below to determine the depreciation specifics for the vehicle, and then click the **OK** button.

5. In the **Choose Asset Class** window, type "34875" in the **Original Cost or Basis** field, in the **Federal** column. The 1040 *Software* will automatically carry this amount to the state cost basis.

Note: Be sure to uncheck **Listed Property.**

6. Answer the vehicle related questions as illustrated below.

7. Click on the **Mileage/Expenses** tab and type "*24800*" in the **Total Vehicle Mileage** field and "*4800*" in the **Total Commute Mileage** field. Enter *"15000"* into the **Miles** column as indicated below. **Note:** The program will use this value to calculate the percent of business use.

Note: Business miles can be split amongst multiple forms or schedules if more than one exists. Business use and other percentages are calculated based on this information.

8. By entering both the mileage and actual expenses, the 1040 *Software* will apply the larger of the two deductions. Type "*3000*" into the **Gas, Oil, Repairs, etc.** field and "*2000*" in the **Parking Fees and Tolls** field.

Select both boxes, as indicated below, to indicate that written evidence exists to support this deduction, and then click the **Close** button.

9. The first time an asset is entered, the **Special Depreciation Allowance** screen will open. For this example, elect out of the bonus depreciation by clicking the box indicated below. Click the **OK** button to continue.

Tip: *If you do not wish to save the changes you have made to an asset, close the **Choose Asset Class** window (shown on Step 5) using the red X in the upper right corner instead of using the **Close** button.*

The vehicle asset is now complete. Click the **Close** button to exit the Asset Manager.

## Adding Non-Vehicle Assets (Everything Else)

Unlike vehicle assets, deductions for non-vehicle assets are applied to a single form or schedule that supports the deduction.

Note: Make sure the form that the information needs to be carried to is in the return prior to adding the asset.
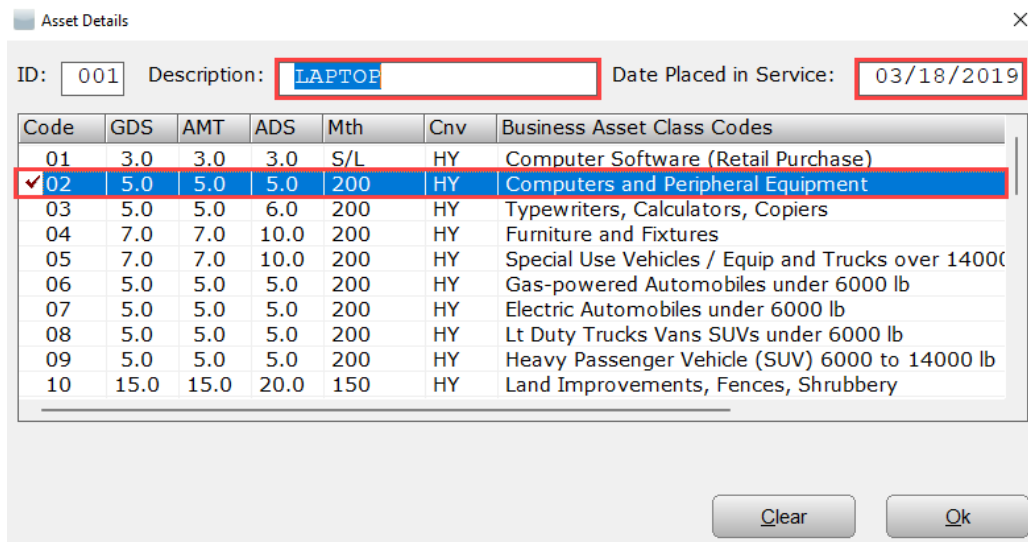
To add a non-vehicle asset:

1. Open the **Asset Manager** by pressing **Ctrl+N** on your keyboard.
2. Double click on *SCH C* **Security Guard**.
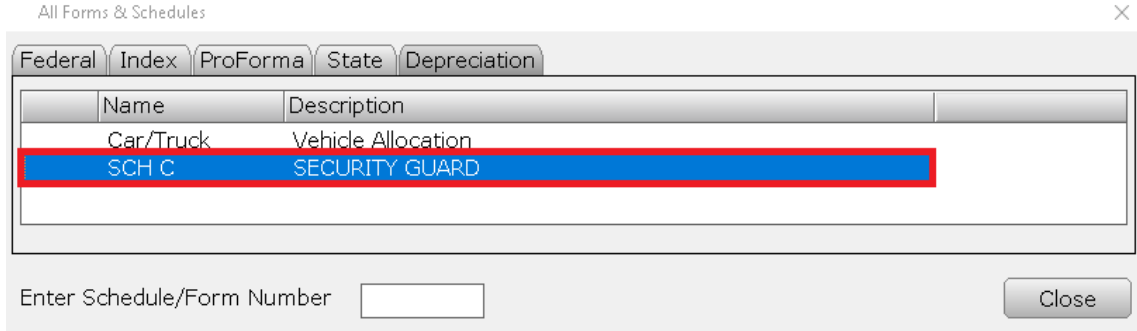
3. To add a new asset, click the **New Asset** button.

4. Type "Laptop" in the **Description** field, "3/18/2019" in the **Date Placed in Service** field and select "Computers and Peripheral Equipment," and then click the **OK** button.

Type "2000" in the **Original Cost or Basis** box and then click the **Close** button.

Like the vehicle asset before, the first time an asset is entered, the **Special Depreciation Allowance** screen will open. For this example, elect out of the bonus depreciation by clicking the box indicated below. Click the **OK** button to continue.

Note: For information on advanced depreciation options, see the **Advanced Depreciation** section of this tutorial.

5. The new asset is displayed in the list. Click the **Return to List** button.

6. Click the **Close** button to close the Asset Manager.
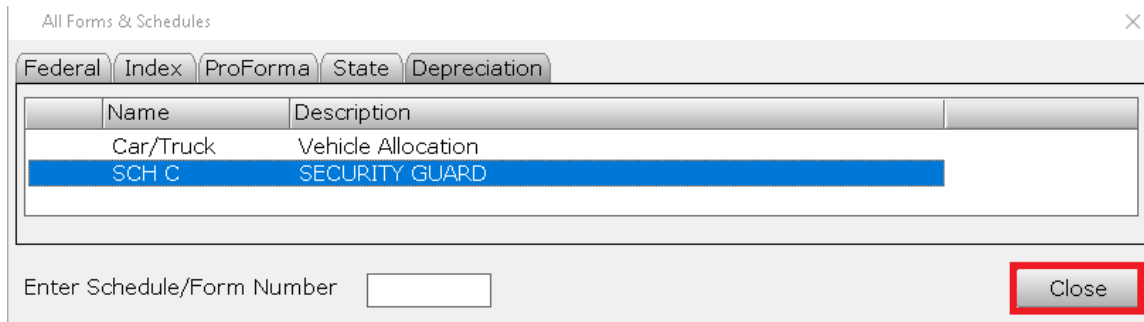
Prior Year Assets

If you used a conversion program to bring forward your tax return information into the 1040 *Software*, it is recommended that you review the information for each asset carried forward.

To review the asset information:

1. Open the Asset Manager by pressing **Ctrl+N** on your keyboard.

2. Double click the appropriate form, schedule, or allocation for the prior year asset.

3. In the **Business Activity Asset** window, select the asset you wish to review and click the **Details** button. The **Choose Asset Class** window will open.
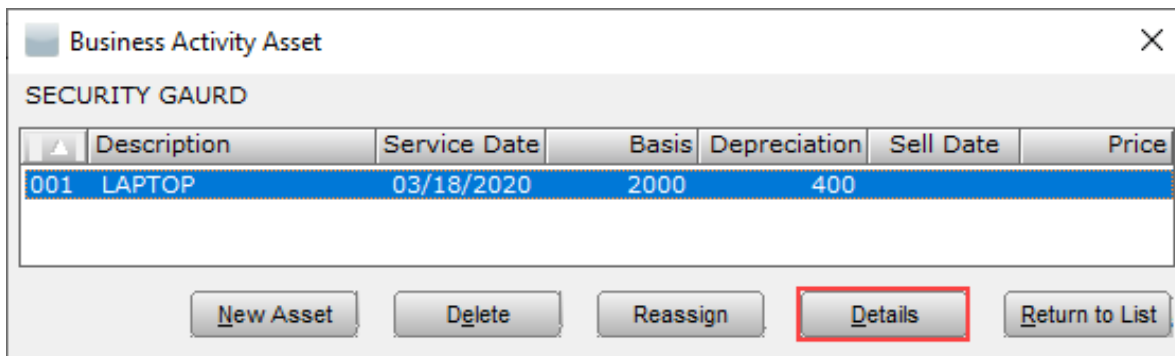
4. Review the asset information in the **Asset Class** window and make changes if needed.

5. When finished, click the **Close** button to return to the Business Activity Asset window.

6. Repeat this process for each asset requiring review.

Deleting an Asset

To delete an asset, follow these steps:

1. Open the Asset Manager by pressing **Ctrl+N** on your keyboard.

2. Double click the appropriate form, schedule, or allocation for the asset you wish to delete.

3. Select the asset you wish to delete and click the **Delete** button.

Advanced Depreciation

In some cases, it may be necessary to override the calculated depreciation for an asset.

Depreciation Override

Additional information may be necessary for amortizable assets or asset types not included in the asset class list. Use the **Depreciation** tab found on the **Choose Asset Class** window to make any needed overrides to either vehicle or non-vehicle assets.

Overrides can be made to the **basis, recovery period, method/convention, prior year depreciation** and **current year depreciation** at either the Federal or State level (or both).

Congratulations!

You have completed Chapter 3, The Asset Manager. To become even more familiar with the Asset Manager, enter a variety of different assets.

There is no quiz with this chapter.

Additional Training Resource: Depreciation and Allocation of Assets recorded webinar available at the Resource Center, Webinar page.

Introduction

Chapter 4 explains the steps to electronically file a tax return.

In this chapter, you will learn how to:

- Prepare a Federal and State tax return for electronic filing.
- Use the Practitioner PIN/*Form 8879*

What is Electronic Filing?

When you complete a tax return, in some cases you can mail the completed return to the IRS; however, it is much more likely that you will file it electronically using your Internet connection. The IRS strongly encourages electronic filing because electronically transmitted returns can be processed quickly and more accurately than paper returns. Before submitting a return to the IRS, the 1040 *Software* thoroughly checks to ensure that the return is both accurate and complete. In addition to convenience, benefits of electronic filing include the following:

- **Increased accuracy of the tax return.** Because electronically filed tax returns are imported directly into IRS computers, there is a decreased risk of errors that might occur from transferring data by hand from a paper return. In addition, before submitting returns to the IRS, the 1040 *Software* checks your return to ensure that it is both accurate and complete.
- **IRS acceptance of electronically filed returns.** The only official proof receipt of your tax returns by the IRS is the acceptance of your electronically filed returns.
- **Reduced processing time.** Electronic filing ensures both quick delivery of your returns to the IRS and fast processing of any refund your client may be receiving. In addition, you can transmit returns to Central Site 24-hours a day, 7 days a week.
- **Secure transmission.** The 1040 *Software* uses encryption to ensure secure transmission of your returns.
- **Tax return status.** Filing electronically gives you the best available method for checking the status of your tax returns.
- **Direct deposit or direct withdrawal.** If filing electronically, the taxpayer can choose to have his or her refund deposited to his or her bank account, or to have any taxes owed automatically withdrawn from his or her bank account.
- **Bank products.** If partnered with a bank, you can also offer bank products, such as Refund Advances (Pre-Funds or Easy Advances) or Refund Anticipation Checks (RACs) to your clients. Bank products allow your fees to be deducted from the refund and deposited directly into your account. Taxpayers can have access to their refund faster than if they wait for the IRS to mail them a check.

The Electronic Filing Step-by-Step Process

1. The tax return is prepared in the 1040 *Software,* or the taxpayer brings you a completed (self-prepared) tax return.

2. The tax preparer selects the return for transmission and transmits it to Central Site. Central Site runs preliminary error checks to look for problems with the return.

3. Once the return is accepted by Central Site, Central Site instantaneously transmits the tax return to the IRS and/or State.

4. The IRS processes the tax return and sends you an acknowledgement file that lets you know if the return is accepted or rejected.

5. Central Site generates an IRS Acknowledgement Report and a State Electronic Filing Acknowledgement Report (if electronically filing a State tax return) that you will pick up when you transmit to Central Site.

6. If the IRS rejects the return, the IRS Acknowledgement Report lists the reason for the rejection. A rejection can be caused by something as simple as the taxpayer's Social Security number not matching his or her name. In this case, you can quickly correct the mistake and resubmit the tax return.

Practitioner PIN/Form 8879

Form 8879 allows taxpayers to enter a five-digit PIN or authorize the ERO to enter the taxpayer's PIN for them when completing *Form 8879*, IRS e-file Signature Authorization.

On *Form 8879*, the ERO enters the five-digit PIN they have chosen for their use on all e-filed returns for the entire filing season. The PIN can be any five numbers, except all zeros. The first six-digits contain the Electronic Filing Identification Number (EFIN) assigned by the IRS. The last five-digits consist of the PIN the ERO has elected to use for the filing season.

By using *Form 8879*, IRS e-file Signature Authorization, the IRS has provided Electronic Return Originators (EROs) with a method for a paperless electronically filed return. The ERO keeps the signed *Form 8879* on file for 3 years from the date the IRS received the return.

Both the taxpayer (and the spouse when applicable) must select a five-digit PIN to use. Once the PIN is entered, it becomes the taxpayer's (and spouse's where applicable) electronic signature for the tax return. They must also sign a copy of *Form 8879* for you to keep in your files and for the taxpayer to keep in his or her own files.

There are forms that <u>disqualify</u> the return from using *Form 8879*. Below are the three most common:

1. *Form W7*, Application for IRS Individual Taxpayer Identification Number
2. *1040-X*, Amended US Individual Income Tax Return
3. *1040NR*, U.S. Nonresident Alien Income Tax Return

Prepare a Return for Electronic Filing
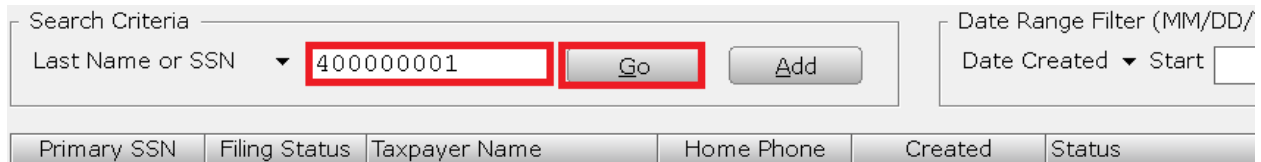
Now that you have completed a tax return, you can prepare the return for electronic filing and select the refund disbursement method. The 1040 *Software* makes it seamless to prepare a return for electronic filing.

To prepare the return for electronic filing:

1. From the **Work In Progress Summary,** press the **Lookup** button.
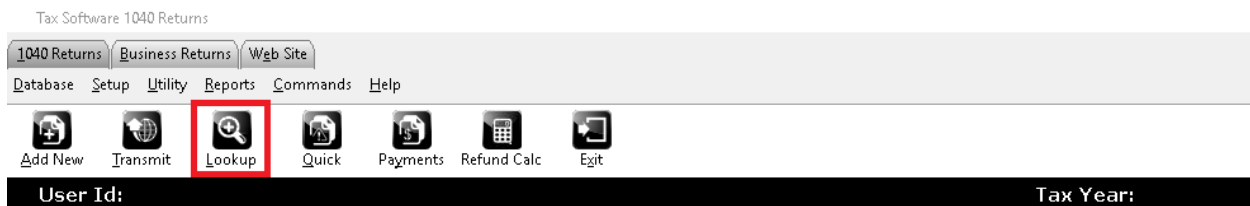
2. In the **Search Criteria, Last Name or SSN** box, type *400-00-0001*, and then click **Go**.

3. In the **Attached Forms** list, double click on **FRM 8879** (Form 8879 – e-File Signature Authorization).
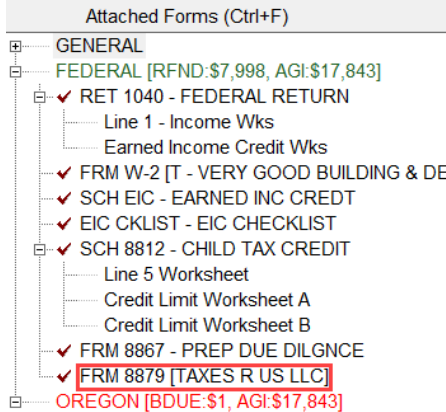
4. In the **Refund Type** box, verify that "1", and **Check From IRS**, is selected.

5. If the program is configured to automatically add the ERO/Paid Preparer and taxpayer (also spouse if applicable) PINs, the Federal Return is now ready for electronic filing.

I AM SIGNING THIS TAX RETURN AND ELECTRONIC FUND WITHDRAWAL CONSENT, IF APPLICABLE, BY ENTERING MY SELF SELECT PIN BELOW.

Taxpayer's PIN:	00001	Spouse's PIN:	
Prior Year AGI:		Prior Year AGI:	
Prior Year PIN:		Prior Year PIN:	
Taxpayer's DOB:	05/18/1985	Spouse's DOB:	/ /
Signature Date:	05/24/2022	PIN Codes :	P D 2

PART III - Declaration of Electronic Return Originator

Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete. This declaration is based on all information of which I have any knowledge.

I AM SIGNING THIS TAX RETURN BY ENTERING MY PIN BELOW.

ERO/Paid Preparer PIN: 12345 12345612345

	SSN	– –		Service Bureau
ERO/Preparer	PTIN	P01234567		
TAXES R US LLC			Self-Employed: ☐	
1040 TAXES WAY			EIN : –	
DAVENPORT	FL 33896-0000	Phone: 555-444-1040		

6. Use the **Attached Forms** list to open **FRM OR-EF – EF DECLARATION.**

> **Attached Forms (Ctrl+F)**
> ⊞ GENERAL
> ⊞ FEDERAL [RFND:$7,998, AGI:$17,843]
> ⊟ OREGON [BDUE:$1, AGI:$17,843]
>   ✔ RET OR-40 - LONG RETURN
>   ✔ FRM OR-EF - EF DECLARATION

7. In the **Refund Type** box, type "4" for **Balance Due**, if it is not typed already.

Form EF   Oregon Declaration for Electronic Filing

Refund Type: 1   1 = Paper Check; 2 = Direct Deposit; 3 = State RAC: 4 = Balance Due
                   X to Opt out of Direct Deposit/Debit

It is recommended that you review the return for errors and print the bank signature documents before electronically filing the return. For this demonstration, however, you will not review or print the return.

Congratulations!

Congratulations! You have completed the chapter on Electronic Filing.

Now that you have prepared the return for electronic filing, you can proceed to Chapter 5 – Refund-Based Bank Products. If you do not provide bank products to your clients, you can skip Chapter 5 and continue to Chapter 6 – Transmitting to Central Site.

End-of-the-Chapter Quiz

Electronic Filing – What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill in the blank to the left of the question with the letter of the best answer.

Answers are available in the appendix.

__1.	What is electronic filing?
__2.	Why are electronically filed returns easier for the IRS to process?
__3.	Why do people file electronically?
__4.	Who transmits to the IRS?
__5.	How does an ERO get a Practitioner PIN?
__6.	How do you know a return has been accepted by Central Site?

A.	Central Site generates an Acknowledgement that is downloaded to your system on your next transmission.
B.	Central Site.
C.	The ERO creates a five-digit number that does not contain all zeros.
D.	*Form 8879* does not have to be mailed to the IRS.
E.	Electronic transmission of tax return data to the IRS and states.
F.	Within 72-hours after the return has been accepted.
G.	To get their refunds faster.
H.	They are more accurate.

Introduction

This chapter explains the steps necessary to request and process the various bank product options available to your clients.

In this chapter, you will learn:

- What bank products are and how they are processed.
- How to print a refund-based bank product check.

What are Refund-Based Bank Products?

Refund-based bank products allow your fees to be deducted from the client's refund and deposited directly into your bank account and also provide a way for the client to pay for tax preparation out of the refund. Clients can have access to their refund faster than if they wait for the IRS to mail them a check. Refund-based bank products can be a profitable addition to the tax products or services you offer.

The most common bank products offered by our banking partners include:

- **Refund Advance (Pre-Fund or Easy Advance)** – A fast way for your clients to receive a pre-determined amount of money in advance of IRS issuing their refund at no cost to them. This pre-determined amount is set by your banking partner. If the client meets your banking partner's approval criteria, after receiving an IRS acknowledgement, your banking partner will disburse funds to your client. Depending on your banking partner, you can choose one of the following disbursement methods: Cashier's check, direct deposit, or ATM card.
- **Refund Anticipation Check (RAC)** –RACs are temporary accounts which wait for the client's tax refund to be deposited by the IRS. Refund anticipation check authorizations are usually made available by your banking partner within 21 days, depending on IRS processing and funding policies. When the IRS authorizes your client's refund, your banking partner will deduct all applicable fees from the refund amount and disburse the balance of the refund to your client. Depending on your banking partner, you can choose from one of the following refund disbursement methods: cashier's check, direct deposit, or ATM card.
- **Tier II Check** – A second refund check that is authorized when the total refund amount is greater than the initial check limit set by the participating bank. You cannot request a Tier II check disbursement; the bank determines which taxpayers receive a Tier II check.
- **State RAC** – If you electronically file State tax returns and your banking partner offers State refund options, this option allows the taxpayer to receive a State refund check from your office.

The Bank Product Step-by-Step Process

1. A completed tax return, with a completed bank application, is selected for transmission and transmitted it to Central Site.

2. Tax returns accepted by Central Site are transmitted to the IRS or State instantaneously.

3. The IRS and State, if applicable, process the tax return and make an acknowledgement file available that lets you know if the return was accepted or rejected.

4. When a bank product has been requested, Central Site then transmits the IRS accepted return to your selected banking partner for approval.

5. If the requested bank product is a Refund Advance, the participating bank reviews the tax return and makes available the Refund Advance check authorization or denial information. If the requested bank product is a RAC, the participating bank awaits the actual IRS funding of the refund before making the check authorization available.

6. You transmit to Central Site to pick up the check print authorization. **Note**: If you print checks through your banking partner's website, log on to the banking partner's website instead and follow their instructions for printing a check (and disregard steps 8 and 9 below and proceed to step 10).

7. You print the check, which equals the refund amount less your tax preparation, bank product and any other applicable fees.

8. After printing the check, you will need to transmit to Central Site which will automatically send the check print record to show the check was printed. **Note:** If Central Site does not have a check print record, the taxpayer may be unable to cash the check and you may not receive your fee deposit until the check has cleared the bank.

9. Central Site instantaneously transmits the check print record to the participating bank.

10. You give the client their refund-anticipation check.

11. The participating bank deposits applicable fees deducted from the refund into your bank account.

12. Central Site transmits to the participating bank to pick up any available fee deposit information. Central Site makes available the fee deposit information that you will pick up the next time you transmit to Central Site.

Prepare a Return for a Refund-Based Bank Product

Now that you have completed the return, it is time to determine how the taxpayer would like to receive the refund.
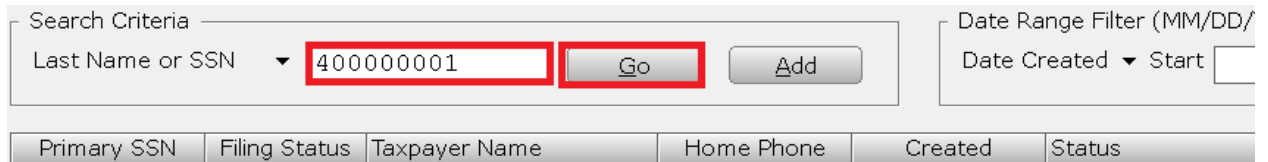
Bob Johnson has decided that he would like a Refund Anticipation Check.

To prepare a return to receive a refund-based bank product:

1. From the **Work In Progress Summary,** press the **Lookup** button.

2. In the **Search Criteria, Last Name or SSN** box, type *400-00-0001* and then click **Go**.

3. Use the **Attached Forms** list to open *FRM 8879* (*Form 8879* – e-File Signature Authorization).
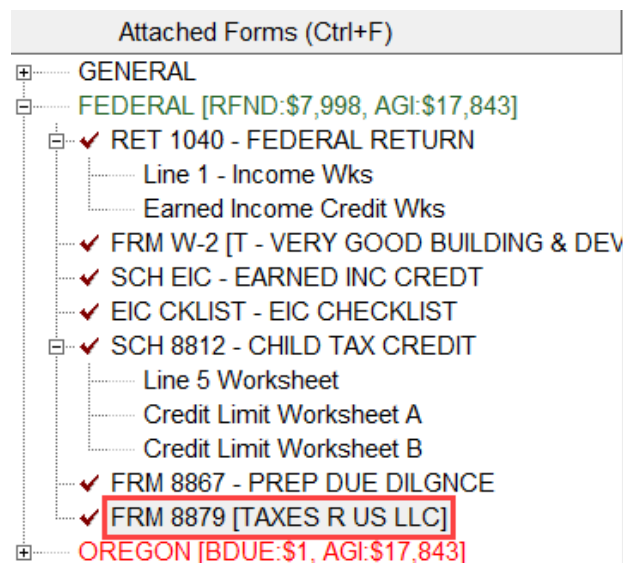
4. In the **Refund Type** box, enter **5** for **RAC/ERC/RT – Bank Product (Check, Direct Deposit or Debit Card).**

5. On the Toolbar, click the **Refresh** button. Note that the bank application now appears in the Attached Forms list.
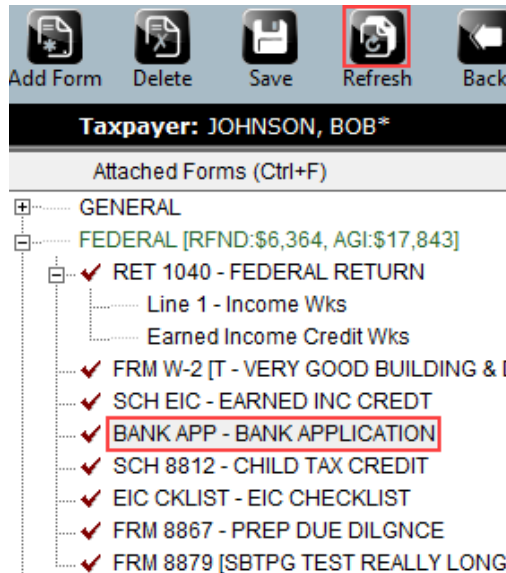
Use what you learned in preceding chapters to open and complete the Bank RT Application Data worksheet using the information below. **Note:** This tutorial uses a TPG bank application. The application in your program will differ slightly if your EFIN is approved at a different bank.

Information	Enter
Bank Signature Verification	Y
Do you anticipate preparing…	Y
Taxpayer's Citizenship Status	C

ID Type	Driver's License
ID Number	123456
Date Issued	01/01/2017
State/County	WA
Expiration Date	01/01/2024
Cashier's Check	X

Tip: *Post Office Boxes (P.O. Box) cannot be used as the taxpayer's street address if applying for a bank product.*

[Y] Bank Signature Verification - Has the Taxpayer reviewed and signed all of the Bank Documents?

[Y] Do you anticipate preparing more than one RT for this taxpayer this year? (e.g. a federal and state RT) (Add'l fee of $14.95)

[ ] Does Taxpayer consent to receive and sign their documentation remotely?

[ ] Include Remote Signature charge(s) on the invoice?

[ ] Request Due Diligence review?
[ ] The taxpayer(s) consented to requesting the prior year(s) anticipated refund and funding amount (if available) be disclosed to TPG

[ ] Does the customer want to receive account-related text messages from Santa Barbara Tax Products Group, Civista Bank, Green Dot, or tax refund advance provider regarding the products and services they request? This confirms that customer has agreed to be bound by all the terms and conditions set forth in their Refund Transfer Application and Agreement. Message and data rates may apply from the taxpayer's wireless carrier. 555-206-9999

[ ] Does the customer want to receive promotional and marketing emails from Santa Barbara Tax Products Group, Civista Bank, Green Dot, or tax refund advance provider for products and services that may be offered by these companies? This confirms that customer has agreed to be bound by all the terms and conditions set forth in their Refund Transfer Application and Agreement.

[C] Taxpayer's Citizenship Status with the US? (C=Citizen, R=Resident Alien, N=Non-Resident Alien)
If the Taxpayer is not a Citizen of the US, enter Country of Citizenship

[ ] If MFJ - Spouse's Citizenship Status with the US? (C=Citizen, R=Resident Alien, N=Non-Resident Alien)
If the Taxpayer is not a Citizen of the US, enter Country of Citizenship

Important Note: After examining the unexpired, government issued photo ID for the taxpayer, place a **"Y"** in the field indicated below.

Taxpayer Identification		☐ Transfer ID Information from CDS			

ID Type	Code	ID Number	Date Issued	State/Country	Expiration Dt
DRIVERS LICENSE US S	1	123456	01/01/2017	WA	01/01/2024

Spouse Identification			Date Issued	State/Country	Expiration Dt
			/ /		/ /

Y I have personally examined the unexpired, government-issued photo identification provided to me by the applicant and confirm that the applicant matches the likeness and description of the person described on the ID.

Account Information

X Cashier's Check
☐ Direct Deposit
☐ Direct Deposit Opt Out: ☐
☐ GO2bank Visa Debit Card

Check Printing in the 1040 Software

The 1040 *Software* contains a powerful and user-friendly check printing program.

Note: If you are printing checks through your banking partner's website, please disregard this section and refer to their documentation.

Print a Test Check

Before printing a client's check, it is a good idea to print a test check to assure that check printing has been configured correctly.

To print a test check in the 1040 *Software*:

1. From the **Work In Progress Summary (WIP)** screen, in the **Printing Queue** section, click **Checks, Registers, and Activation**. The **Checks Registers and Activation** window will open to the **Checks to Print** tab.

Printing Queue

Checks, Registers, and Activation
Tax Returns
Proformas
Federal Acknowledgement Letters
State Acknowledgement Letters

2. On the **Checks to Print** tab, click the **Test Check** button.
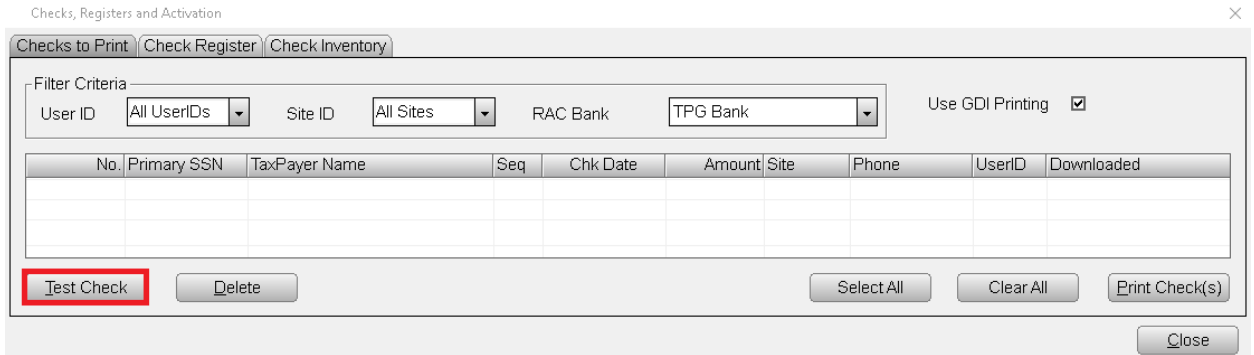
3. Select your printer, assure that there is plain paper in it (not check stock) and click the **Print** button. A test check will be sent to the printer.
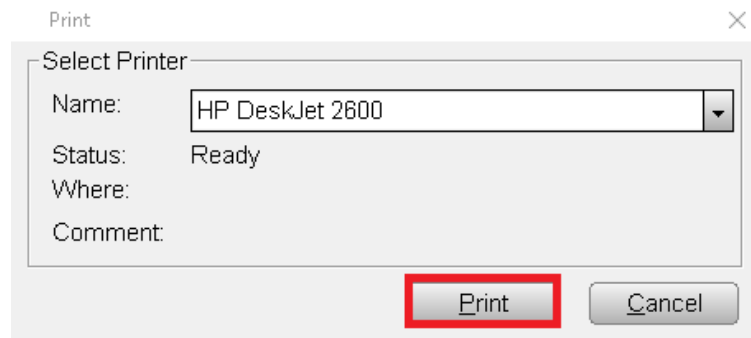
4. The test check should resemble the one below. The text should line up to the pattern on a piece of real check stock.

CIVISTA BANK
DISBURSEMENT DETAIL

Total Federal Refund Received	$ X,XXX.XX
Total State Refund Received	$ X.XX

Deductions:

1. Amount paid for tax preparation services:	$ X.XX
2. Document preparation fee:	$ X.XX
3. Transmission fee paid to transmitter:	$ X.XX
4. Refund transfer processing fee:	$ X.XX
5. Service bureau fee:	$ X.XX
6. Other:	$ X.XX
7. Repayment of tax refund advance:	$ X.XX
8. Amount previously received:	$ X.XX
Amount Paid to You	$ X,XXX.XX

Taxpayer(s): XXX XXXXXXXX   Date: XX/XX/XX
Phone Numbers(s): (XXX)XXX-XXXX (XXX)XXX-XXXX   SSN: XXX-XX-xxxx   12345678

Void after 90 days

CIVISTA BANK   XXXXXXXX
Site Id: XXXXXXX   XX/XX/XX   XXX-XX-xxxx

Void after 90 days   12345678

$X,XXX.XX

XXXXX Thousand XXXX Hundred XXXXXX-XXXX Dollars and XX Cents

XXX XXXXXXXX
111 ANY STREET
ANYTOWN XX XXXXXXXXX

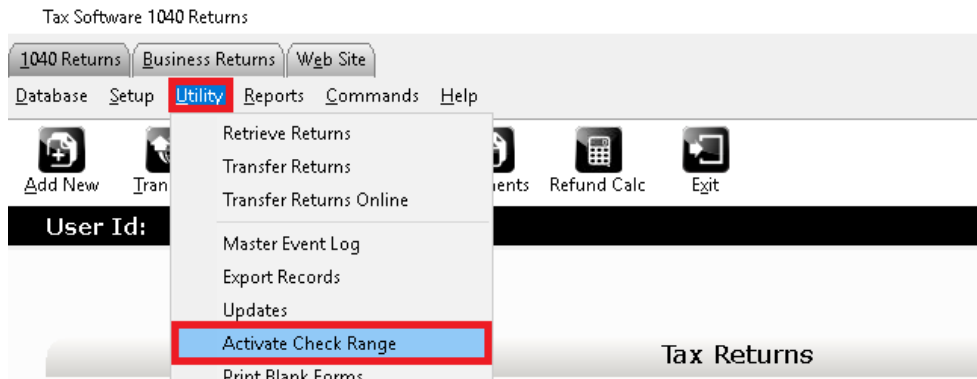## Activate a Check Range

Before printing client checks, it will be necessary to activate a range of numbered check stock in the 1040 *Software*.

To activate a check range in *the 1040 Software*:

1. From the menu bar select **Utility > Activate Check Range**. The **Checks, Registers and Activation** window will open to the **Check Inventory** tab.

2. On the **Check Inventory** tab, click the **Activate** button. The **Activate Check Range** window will open.
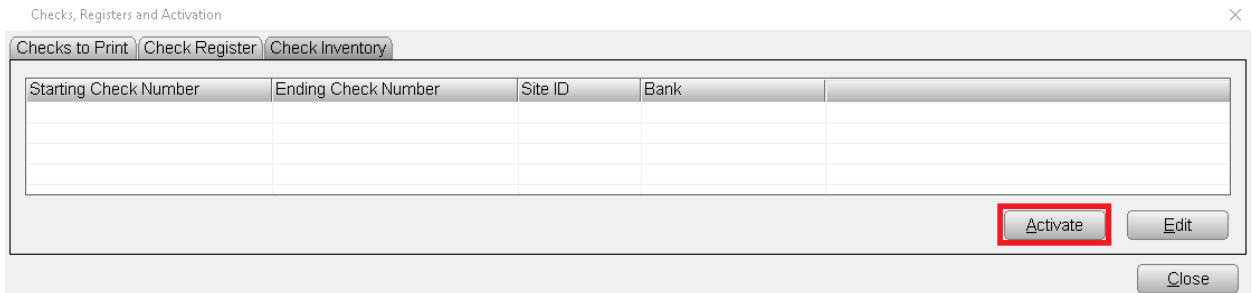
3. In the **RAC Bank** drop down menu, select your banking partner, and then enter the remaining information as indicated below.

Field	Information
Starting Check Number	The check number of the first piece of check stock in the pack. The "lowest" check number.
Ending Check Number	The check number of the last piece of check stock in the pack. The "highest" check number.
Site ID	An optional identifier that you might assign to your offices. If a Site ID has been assigned to your office, enter it here.
Check Layout Version (TPG only)	The check layout version is a code provided by Santa Barbara Tax Products Group. This code can be found on the outside of the package of check

4. When you are finished, click the **OK** button to finish activating the check range.
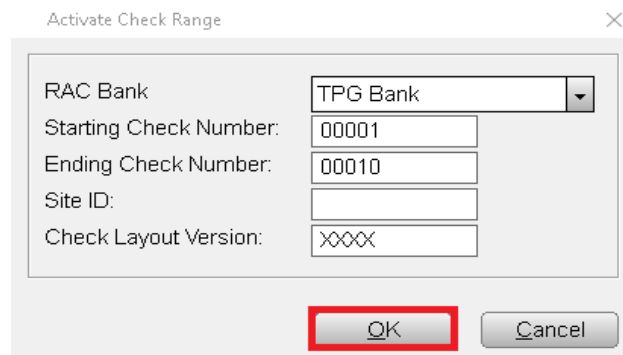
NOTE: In the demo version, you will be unable to activate a check range for TPG without the **"Check Layout Version"**

Print Checks in the 1040 Software

To print bank product checks in the 1040 *Software*:

1. From the **Work In Progress Summary (WIP)** screen, in the **Printing Queue** section, click **Checks, Registers, and Activation**. The **Checks Registers and Activation** window will open to the **Checks to Print** tab.
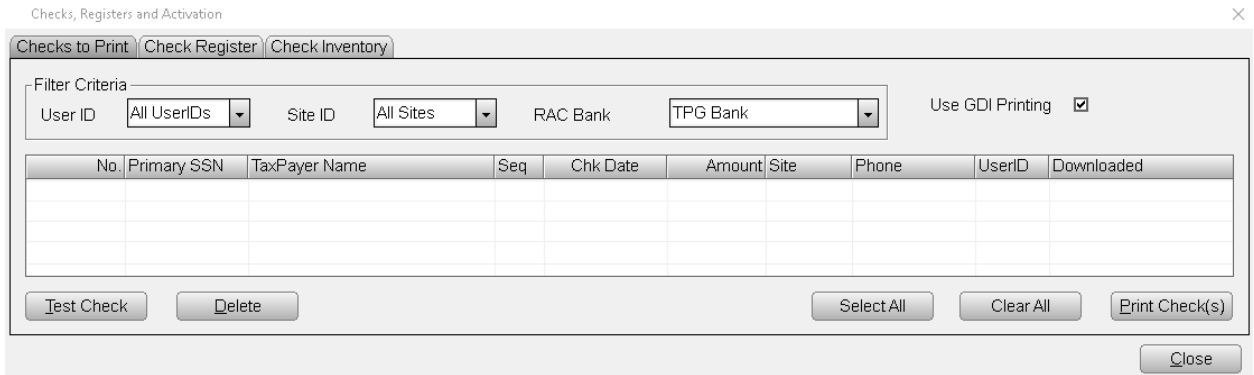
2. On the **Checks to Print** tab, select the checks you wish to print by placing a checkmark in the box(es) to the left, then click the **Print Check(s)** button. A check number prompt will open.
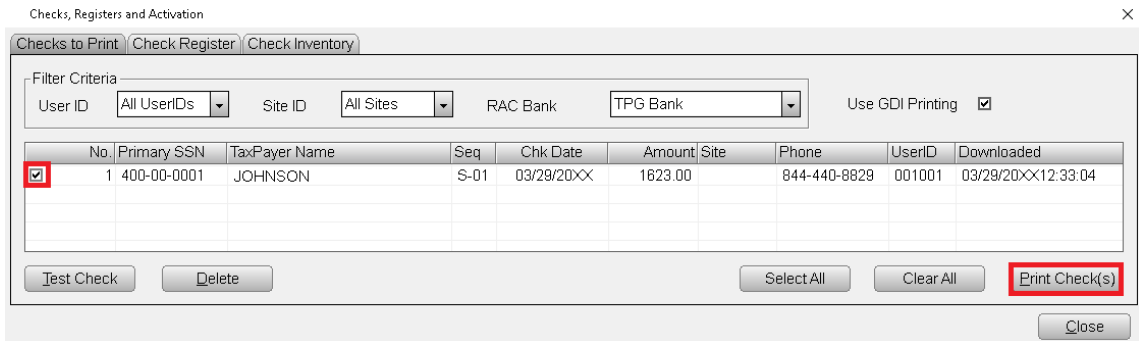
3. Enter the check number that is printed on the next piece of check stock in your package and click the **OK** button. A confirmation prompt will open.
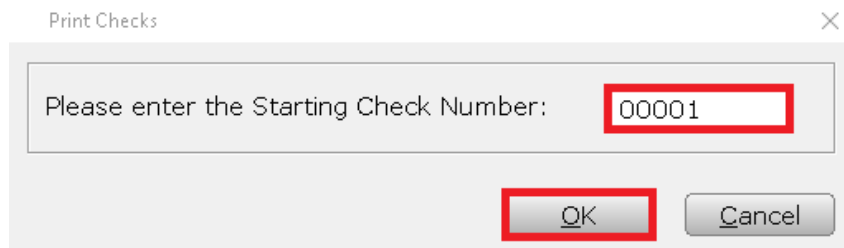
> ***Tip:*** *Checks will be printed in ascending order (counting upwards), the lowest available check number should be used. Load check stock in the printer accordingly.*

4. Confirm that the correct number of checks to be printed and the correct starting number are displayed in the prompt, then click the **OK** button. The print window will open.

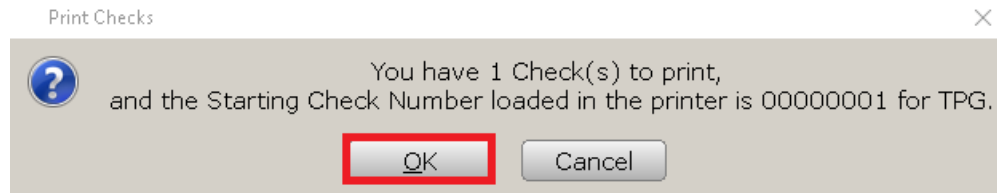5. In the **Name** drop down, select the desired printer. Next, load the appropriate check stock into that printer, and then click the **Print** button.
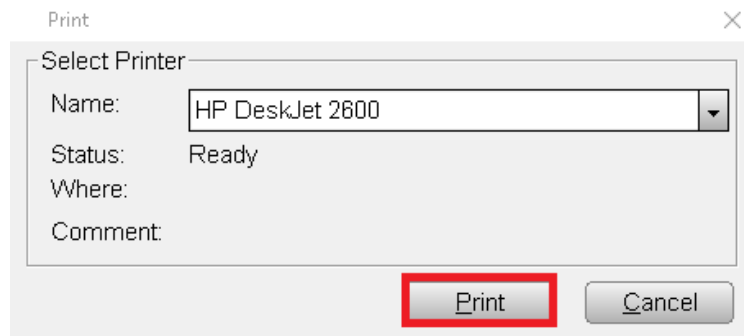
6. As the checks print, they will be removed from the **Checks to Print** tab.
The check printing process is complete.

Congratulations!
You have completed the chapter on Refund-Based Bank Products.

End-of-the-Chapter Quiz
Refund-Based Bank Products - What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill in the blank to the left of the question with the letter of the best answer.

Answers are available in the appendix.

___1. Why are EF and bank products important to your business?
___2. What is a Refund Advance?
___3. What is the last step in the EF/Bank Product process?
___4. How does the bank get Refund-Based Bank Product information?
___5. When can you use a Post Office Box address on a bank product application?
___6. What is a RAC?
___7. How are your fees paid to you?
___8. Why do taxpayers choose bank products?

A. The IRS makes a direct deposit to the banking partner to fund the refund-based bank product.
B. They allow taxpayers to pay the tax preparation fees out of their refunds.
C. A pre-defined amount of money provided to the taxpayer in advance of the IRS paying the refund.
D. Your fees are deposited into your account.
E. To avoid having to pay tax preparation fees up front.
F. May only be used for mailing address, not residential address.
G. Central site transmits it to them.
H. They bring in a lot of revenue in a short amount of time.

Introduction

This chapter covers selecting (queuing) and transmitting a tax return for transmission to Central Site, as well as selecting a return for state-only transmission to Central Site. After completing this chapter, you will be able to transmit returns to Central Site using your internet connection. During this process, all available returns selected for transmission are sent to our Central Site, and all files ready for you at Central Site, such as IRS acknowledgements or rejections, are picked up automatically.

If you will be transmitting Federal and/or State tax returns to Central Site, you should complete this chapter.

In this chapter, you will learn how to:

- Queue a tax return for transmission.
- Queue an independent State return for transmission.
- Queue a return for diagnostics.
- Transmit queued returns to Central Site.
- Transmit to Central Site without sending your queued returns.

Queuing Returns for Transmission to Central Site

Queue a Return for Transmission

Returns must be queued for transmission before they can be transmitted to Central Site. The following process will queue both a Federal and any associated State return(s) for transmission.

To queue a return for transmission:

1. On the **Work In Progress Summary** screen, click the **Lookup** button or use the **Select a Return** link to bring up the **Lookup** screen.

2. In the **Search Criteria, Last Name or SSN** box, type **400000001** and then click **Go.**

3. Double click the listing in the client grid to open the return.

4. On the **Toolbar,** click the **Queue** button. The **Queue Return for Transmission** window will open.

5. On the **Queue Return for Transmission** window, assure that both the State and Federal returns are marked for transmission. Then click the **Queue** button.

6. The return will be saved, closed, and queued for transmission. You will be returned to the **Lookup** screen, and the status of the return will now be **Return Queued**.

7. The Federal and State returns are now ready to be transmitted to Central Site.

Queue an Independent State Return

In some instances, you may want to queue only the State return for electronic filing.

To send a State return independently, or after the Federal return has been acknowledged by the IRS:

1. On the **Work In Progress Summary** screen, click the **Lookup** button or use the **Select a Return** link to bring up the Lookup screen.
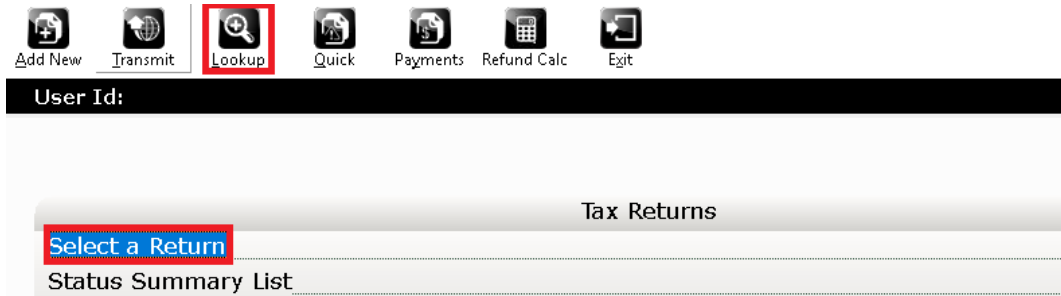
2. In the **Search Criteria, Last Name or SSN** box, type "*400000001*" and then click **Go.**
   The 1040 *Software* will list the return in the client grid.
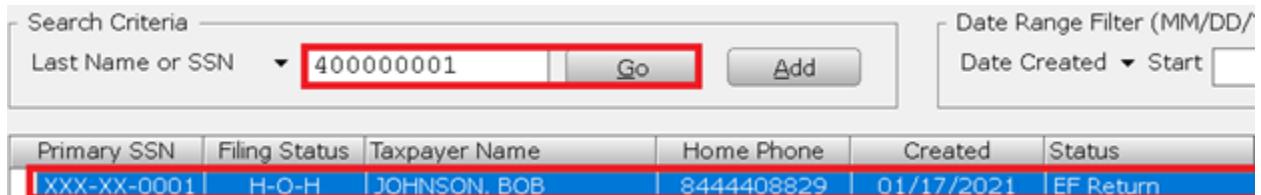
3. Double click the listing in the client grid to open the return.

4. On the **Toolbar,** click the **Queue** button. The **Queue Return for Transmission** window will open.

5. On the **Queue Return for Transmission** window, ensure that only the **State** return is marked for transmission. Then click the **Queue** button.

Note: If you are queuing the State return independently before the federal return has been transmitted, a confirmation prompt will be displayed. Click the **Yes** button to queue the State return independently.

6. The state return will be saved, closed, and queued for transmission. You will be returned to the **Lookup** screen.

7. The State return is now ready to be transmitted to Central Site.

Queue a Return for Diagnostics

In some instances, you may want to send a copy of a return to Central Site for technical support to inspect. Returns that are submitted for diagnostics are "suspended" and are not sent to the IRS.

The diagnostics process queues the entire return for diagnostics, regardless of what is selected to be queued.

To queue a return for diagnostics:

1. On the **Work In Progress Summary** screen, click the **Lookup** button or use the **Select a Return** link to bring up the **Lookup** screen.

2. In the **Search Criteria, Last Name or SSN** box, type **"***400000001***"** and then click **Go.**
   The 1040 *Software* will list the return in the client grid.

3. Double click the listing in the client grid to open the return.

4. On the **Toolbar**, click the **Queue** button. The **Queue Return for Transmission** window will open.

5. On the **Queue Return for Transmission** window, check the **Submit for Diagnostic** option. An optional **Comments** section will appear. Enter a comment, if desired.

6. Click the **Queue** button.

   Note: The queue for diagnostics process queues the entire return for diagnostics, regardless of what is selected to be queued.

7. The return will be saved, closed, and queued to be submitted diagnostics. You will be returned to the **Lookup** screen, and the status of the return will now be **Suspended/Queued**.

8. The return is now ready to be transmitted to Central Site for diagnostics.

Transmit Queued Returns to Central Site

Once you have queued a return or returns for transmission, the last step is to transmit them to Central Site. This process will transmit all queued returns to Central Site, as well as pick up any status or program updates that are available.

NOTE: Transmit option is unavailable in the demo version.
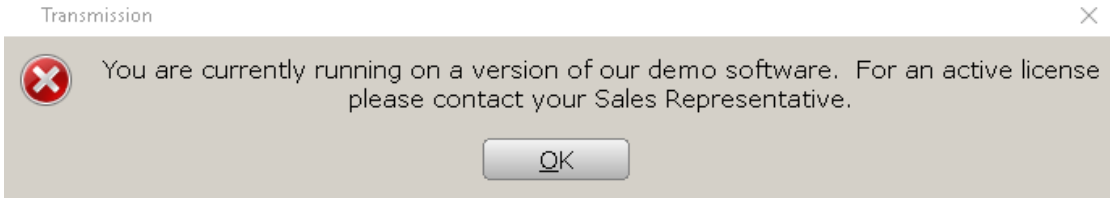
To transmit queued returns to Central Site:

1. From the **Work In Progress Summary**, click the **Transmit** button. The **Transmit to Central Site** window will open.
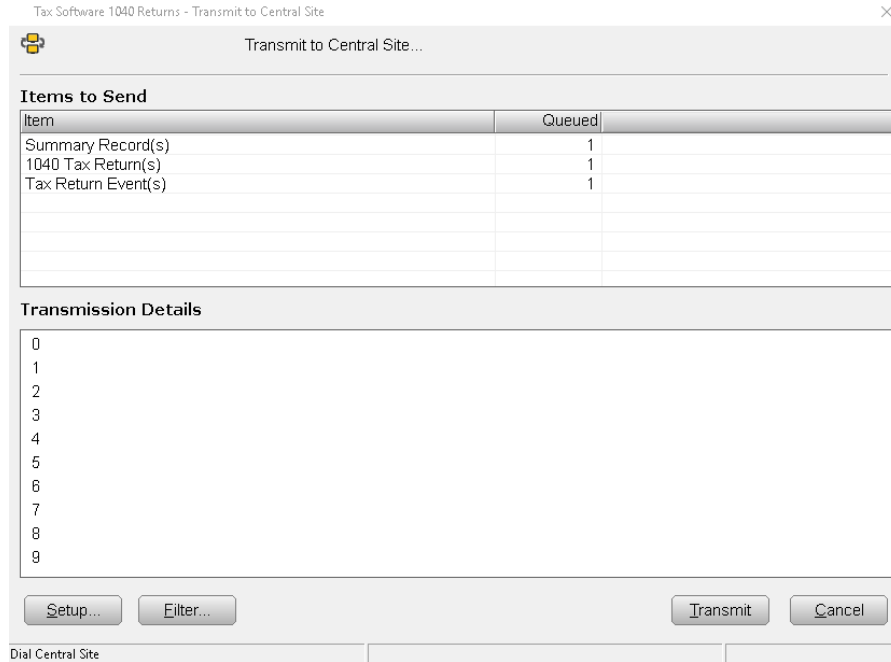
2. The **Items to Send** will be displayed in the **Transmit to Central Site** window, listing the items that will be sent during the transmission.
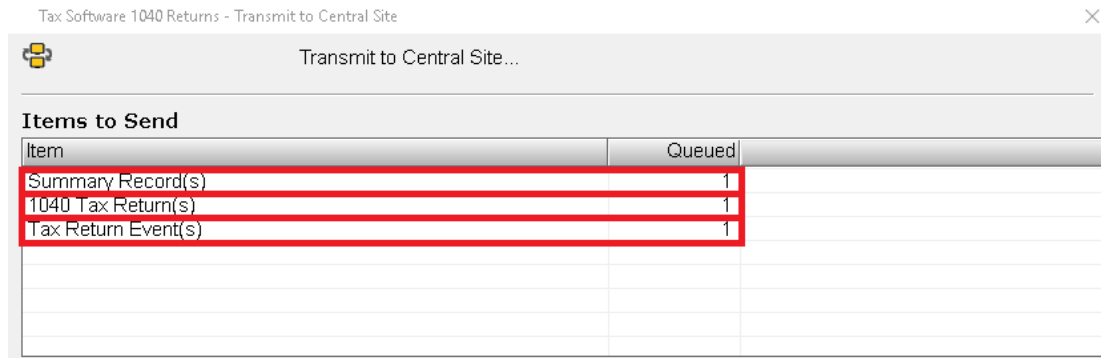
3. On the **Transmit to Central Site** window, click the **Transmit** button to begin transmission.
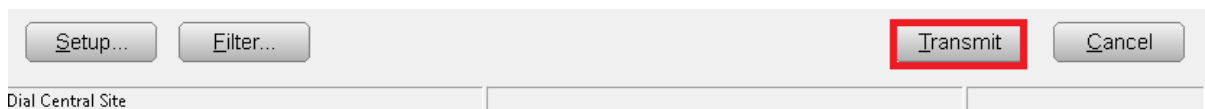
4. When transmission is completed, a transmission prompt will be displayed. Click **OK** on this prompt.

5. The **Communication Results** will be displayed in the **Transmit to Central Site** window, detailing what was sent and received from Central Site during the transmission.

6. The transmission process is completed.

Transmit to Central Site without Sending Queued Returns

In some instances, you may want to transmit to Central Site, but may not wish to transmit the returns that you have queued. This process is called a "blank", "empty" or "dry" transmission. It is useful when you want to pick up software updates, IRS acknowledgements or checks without transmitting any returns that may be queued for transmission but are not ready to be sent just yet.

NOTE: For the demo version, the Transmit option is unavailable.
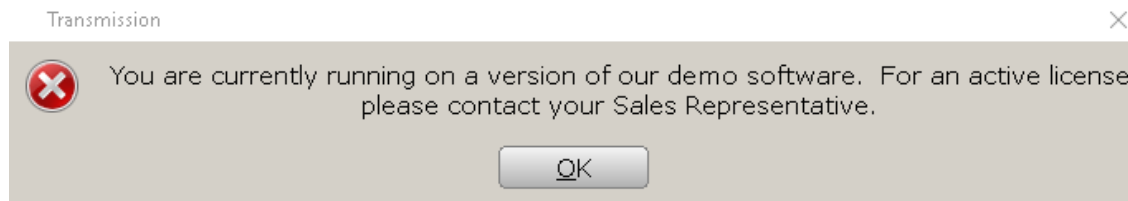
To transmit to Central Site without sending queued returns:

1. From the **Work In Progress Summary,** click the **Transmit** button. The **Transmit to Central Site** window will open. Note that there is a *1040 Tax Return* listed in the **Items to Send** section.
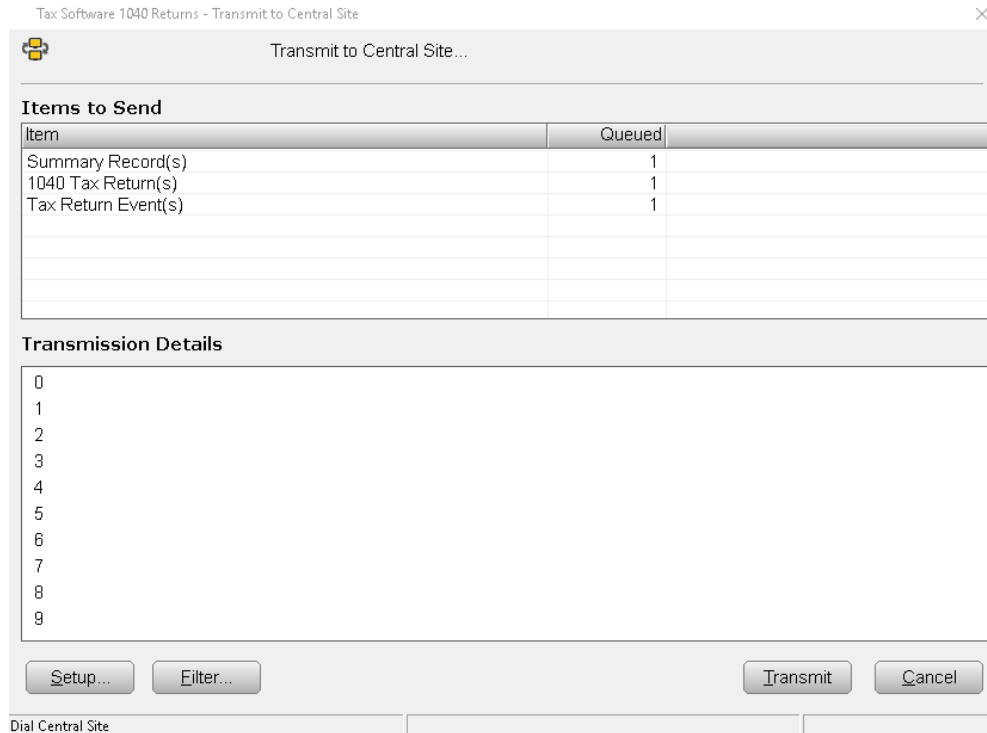
2. On the **Transmit to Central Site** window, click the **Filter…** button. The **Central Site Transmit Queue** window will open.
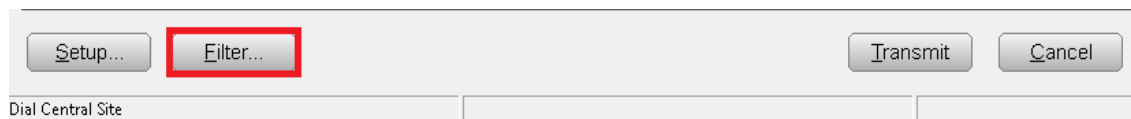
3. In this window, a list of the returns that you have queued for transmission will be displayed. To prevent the returns from being transmitted, **remove the check mark** next to the social security number of each queued return you do not wish to transmit, or use the **UnSelectAll** button to uncheck them all.
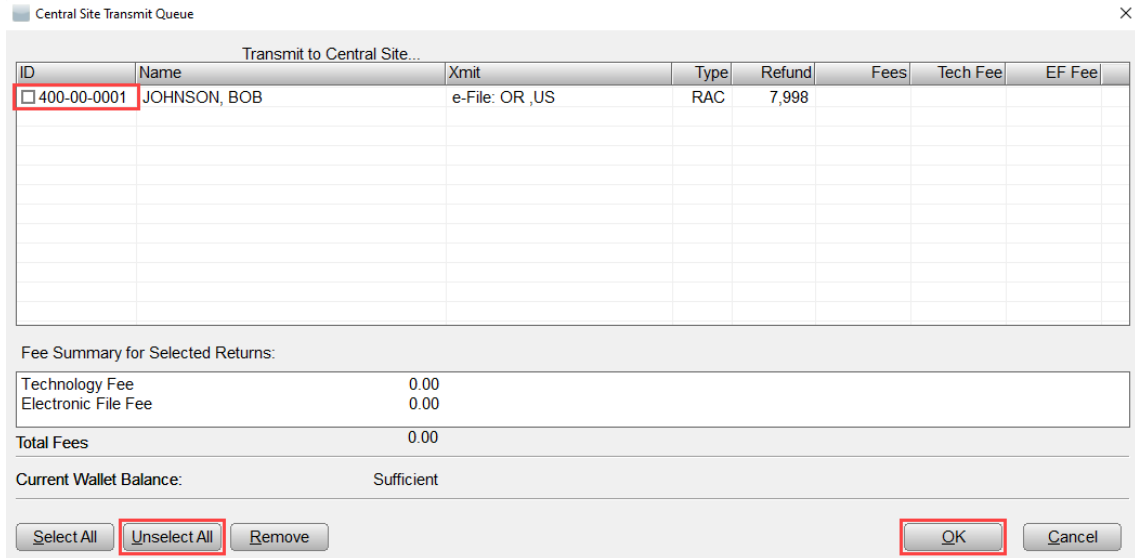
Note: The queued returns will only be excluded from the next transmission to Central Site, or until the transmission window is closed. If you wish to transmit again without sending the returns, you will need to repeat this process each time.

4. When finished, click the **OK** button. You will be returned to the **Transmit to Central Site** window. Note that the *1040 Tax Return* no longer appears in the **Items to Send** section.
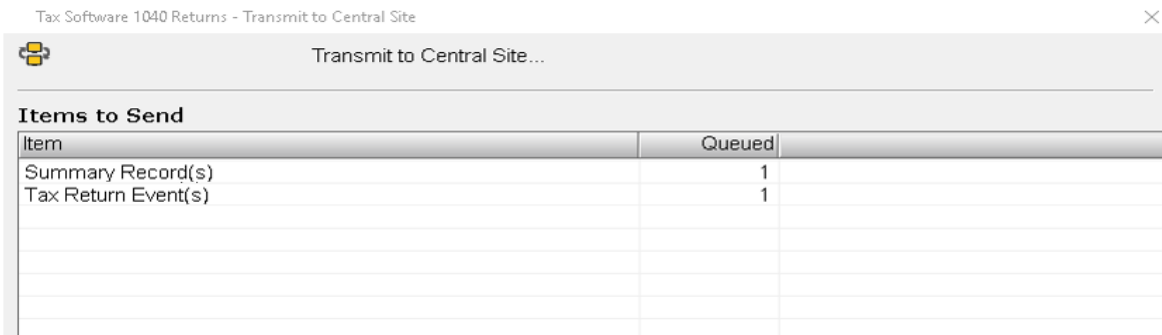
5. Click the **Transmit** button to transmit to Central Site. The return will be omitted from this transmission.
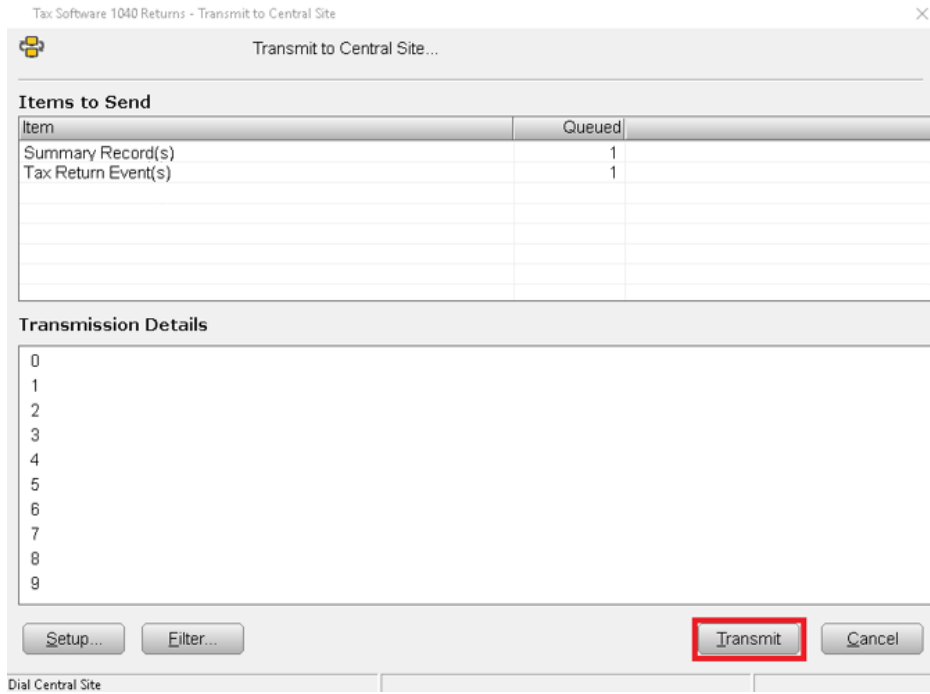
Congratulations!

You have completed the chapter on transmitting returns to Central Site.

Introduction

This chapter defines terminology commonly used in the electronic filing and bank product industry.

Exercise

Familiarize yourself with the following terms and definitions:

Term	Definition
Acknowledgement	An official electronic notice from the IRS or a state tax authority that lets you know if an electronically filed tax return was accepted and considered "filed" or rejected and considered "not filed." Acknowledgements are received by the filing center and are passed on electronically to the electronic return originator.
Additional Child Tax Credit	An additional, refundable credit for taxpayers with three or more qualifying children who cannot take the full Child Tax Credit because the taxpayer's income tax liability is less than the maximum credit of $1,400 per child (in 2021).
Bank Product	A Refund Advance (Pre-Fund or Easy Advance) or Refund Anticipation Check (RAC)
Banking Partner	A provider of bank products for the electronic filing industry. The 1040 *Software* partners with three banks offering bank products: Refund Advantage, Republic Bank and Trust, and Santa Barbara Tax Products Group (TPG).
Bookmarks	Bookmarks allow you to easily attach a comment to any data field on the tax return. Essentially, a Bookmark is the electronic equivalent of a yellow sticky note and is a great way to identify fields that require taxpayer reminders, or to mark fields for further review. Bookmarks are for your use only and they do not transmit to the IRS when you file a return electronically.

Central Site	Central Site transmits your electronically filed tax returns to the IRS, as well as bank applications to the appropriate bank, and sends acknowledgements and other reports back to the electronic return originator (ERO). All electronic transmissions using the 1040 *Software* are sent to Central site.
Check Stock	Bank certified sheets of paper that are issued to each customer for printing checks.
Child Tax Credit	A refundable credit for taxpayers with one or more children. The maximum credit is $3600 (in 2021) per qualifying child under 6 years old and $3000 (in 2021) per qualifying child 6 years old and older. The Child Tax Credit is limited by your client's tax liability. However, clients with three or more children that cannot take the full credit because of their tax liability may qualify for the Additional Child Tax Credit.
Direct Deposit Account Number (DAN)	The deposit account number for a checking or savings account.
Direct Deposit	You can arrange for the IRS to deposit your client's tax refund directly into his or her bank account rather than mailing a check. To request a direct deposit, you must provide the IRS with your client's routing transit number, account type (checking or savings) and account number.
Earned Income Credit (EIC)	A refundable credit for low-income taxpayers with earned income. Clients who qualify for the Earned Income Credit can receive a refund even if they had little or no income tax withheld.
Electronic Filing	A method for filing tax returns over the internet with the IRS using your computer and internet connection. Electronic filing is the fastest, most secure method of filing tax returns.
Electronic Filing Identification Number (EFIN)	A unique six-digit number assigned to a business by the IRS so that the business can file returns electronically. The IRS assigns an EFIN once *Form 8633* has been completed and approved.
Electronic Return Originator (ERO)	An office or person who electronically files tax returns (has an EFIN).

Fiduciary	An individual, company, or association responsible for managing another's assets. Fiduciaries include executors of wills and estates, trustees, receivers in bankruptcy and those responsible for managing the finances of a minor.
Form 8879	A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature. The ERO keeps a signed *Form 8879* on file for three years from the date the IRS accepted the return.
Forms Based Method	The method of completing a tax return in the 1040 *Software* by completing electronic versions of the IRS forms and worksheets.
Interest Income	Earnings on investments such as savings accounts, certificates of deposit (CD) and installment sales. Banks or other organizations or individuals who pay interest usually report it on *Form 1099-INT*.
Override	A method of manually changing data entry fields that are calculated by the 1040 *Software*. The 1040 *Software* allows you to override calculated values and fields, as well as Yes/No entry fields, check boxes and buttons.
Practitioner PIN Return	Allows the electronic return originator and taxpayer to sign a tax return using an electronic signature by entering a five-digit PIN.
Preparer Tax Identification Number (PTIN)	A unique identification number assigned by the IRS to each tax return preparer. PTINs expire each year on December 31 and can be [renewed online](#) at IRS.gov.
Publication 1345	An IRS handbook for electronic filers of individual tax returns that provides information on electronic filing requirements and restrictions.
Refund Advance (Pre-Fund or Easy Advance)	A fast way for your clients to receive a pre-determined amount of money in advance of IRS issuing their refund at no cost to them. This pre-determined amount is set by your banking partner. If the client meets your banking partner's approval criteria, after receiving an IRS acknowledgement, your banking partner will disburse funds to your client. Depending on your banking partner, you can choose one of the following disbursement methods: Cashier's check, direct deposit, or ATM card.

Refund Anticipation Check (RAC)	A quick and cost-effective way for your clients to receive their tax refunds and avoid paying for tax preparation costs upfront. Refund anticipation checks allow your clients to receive a tax refund usually within 21 days. When the IRS authorizes your client's refund, your banking partner will deduct all applicable fees from the refund amount and disburse the balance of the refund to your client. Depending on your banking partner, you can choose from one of the following refund disbursement methods: cashier's check, direct deposit, or ATM card.
Routing Transit Number (RTN)	A unique nine-digit identification number for a bank. This number is used by the banking system to route direct deposits to the correct bank.
Signature Pad (SigPad)	An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.
Site	The physical location and address of your business.
Test Return	A return prepared in the 1040 *Software* for test purposes and kept separate from your live returns, so it is not transmitted to the IRS.
Third Party Designee	Information electronically filed with a tax return that authorizes the IRS to discuss the tax return with a third party.
Transmission	Send and receiving tax returns, acknowledgements and other files using your computer and internet connection.
User ID	A unique number assigned to a transmitting site that identifies the location.

End-of-the-Chapter Quiz

Terminology – What Have You Learned?

Matching. Below is a list of questions with matching answers. Fill the space to the left of the question with the letter of the best answer.

Answers are available in the appendix.

__1.   What is a PTIN?
__2.   What is an acknowledgement?
__3.   What is a DAN?
__4.   What is an EFIN?
__5.   What is an ERO?
__6.   What is a SigPad?
__7.   What is *Form 8879*?
__8.   What is a RTN?
__9.   What is a UserID?
__10.   What is a Practitioner PIN return?

A.   A unique number assigned to a transmitting site that identifies the location.

B.   The ERO and taxpayer use five-digit identification numbers to sign the return electronically.

C.   A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature.

D.   Account number for a checking or savings account.

E.   An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.

F.   A unique nine-digit identification number for a bank.

G.   A person who electronically files a return.

H.   A six-digit number assigned by the IRS, which allows an ERO to file returns electronically.

I.   A unique identification number assigned by the IRS to each tax return preparer.

J.   A notice by the IRS that a return has been acknowledged or rejected.

Appendix I – Answers to End-of-the-Chapter Review Quizzes

Chapter 4: Electronic Filing - What Have You Learned?

__1.	What is electronic filing?	A. Central Site generates a filing center Acknowledgement that is downloaded to your system on your next transmission.
__2.	Why are electronically filed returns easier for the IRS to process?	
__3.	Why do people file electronically?	B. Central Site.
__4.	Who transmits to the IRS?	C. The ERO creates a five-digit number that does not contain all zeros.
__5.	How does an ERO get a Practitioner PIN?	D. Form 8879 does not have to be mailed to the IRS.
__6.	How do you know a return has been accepted by Central Site?	E. Electronic transmission of tax return data to the IRS and states.

Answers: E, H, G, B, C, A

A. Central Site generates a filing center Acknowledgement that is downloaded to your system on your next transmission.

B. Central Site.

C. The ERO creates a five-digit number that does not contain all zeros.

D. Form 8879 does not have to be mailed to the IRS.

E. Electronic transmission of tax return data to the IRS and states.

F. Within 72-hours after the return has been accepted.

G. To get their refunds faster.

H. They are more accurate.

__1. Why are EF and bank products important to your business?
__2. What is a Refund Advance?
__3. What is the last step in the EF/Bank Product process?
__4. How does the bank get Refund-Based Bank Product information?
__5. When can you use a Post Office Box address on a bank product application?
__6. What is a RAC?
__7. How are your fees paid to you?
__8. Why do taxpayers choose bank products?

A. The IRS makes a direct deposit to the banking partner to fund the refund-based bank product.
B. They allow taxpayers to pay the tax preparation fees out of their refunds.
C. A pre-defined amount of money provided to the taxpayer in advance of the IRS paying the refund.
D. Your fees are deposited into your account.
E. To avoid having to pay tax preparation fees up front.
F. May only be used for mailing address, not residential address.
G. Central site transmits it to them.
H. They bring in a lot of revenue in a short amount of time.

Answers: H, C, A, G, F, B, D, E

Chapter 7: Terminology - What Have You Learned?

__1.   What is a PTIN?

__2.   What is an acknowledgement?

__3.   What is a DAN?

__4.   What is an EFIN?

__5.   What is an ERO?

__6.   What is a SigPad?

__7.   What is Form 8879?

__8.   What is a RTN?

__9.   What is a UserID?

__10.   What is a Practitioner PIN return?

Answers: I, J, D, H, G, E, C, F, A, B

A.   A unique number assigned to a transmitting site that identifies the location.

B.   The ERO and taxpayer use five-digit identification numbers to sign the return electronically.

C.   A form that allows taxpayers and preparers to sign a tax return using an electronic signature by entering a five-digit PIN as a signature.

D.   Account number for a checking or savings account.

E.   An electronic device with a touch sensitive LCD screen which allows the user to capture and convert a signature into an electronic format.

F.   A unique nine-digit identification number for a bank.

G.   A person who electronically files a return.

H.   A six-digit number assigned by the IRS, which allows an ERO to file returns electronically.

I.   A unique identification number assigned by the IRS to each tax return preparer.

J.   A notice by the IRS that a return has been acknowledged or rejected.

Addendum

Training Returns

The **Software 1040 Practice Returns** document contains various tax return scenarios that can be used to practice entering returns in the 2022 1040 Desktop Software Program (for TY2021).

Choose from **Beginner, Intermediate, and Advanced** return scenarios to increase your skill using more complex forms and situations.

This document along with additional training resources, including videos, recorded webinars and short, step-by-step *Here's How To* documents, are available at the Resource Center.

For any questions about information or instructions contained in this Tutorial, please contact the Partner Support Team at 206-209-2653 or email us at help@erosupport.com.