

## INSTRUCTOR'S TRAINING GUIDE

The following outline is designed to assist managers in working through the Tax Training Manual, the Software Training Manual, the EZ-Tax Online website, and the 8 Practice Returns. It is suggested that the five lessons be completed on a weekly basis. Sessions can be self-guided, instructed over the telephone, or, ideally, taught in groups.

Accountability checks are included in EZ-Tax Online training. The completed written exercises and tests can be submitted to supervisors, thereby ensuring that your staff downloaded the Tax Training Manual and is familiar with the contents. Please be aware that the answer sheets to the "tests" are included in the Tax Training Manual.

Supervisory staff can monitor the completion of Practice Returns by accessing the EZ-Tax Online website, as all test returns are saved in the online system. If you have any questions regarding the Instructor Guide, please telephone the call center.

### Session I

**Tax Training Manual, Chapters 1, 3, 4 (W-2 income, only)**

**Practice Returns 1 and 2**

**Chapter 1 True/False Quiz**, Tax Training Manual, page 9

**Filing Status Small Group Discussion**, Tax Training Manual, page 10

**Exemption Exercise**, Tax Training Manual, page 28

**Following Session I, the preparer should fully understand:**

- i **Interview Sheet**
- i **Filing Status**
- i **Rules relating to Dependents and to a Qualified Child**
- i **EITC Due Diligence**
- i **W-2 Forms**
- i **Child Care (day care) Credit**

### Session II

**Review Session I**

- i **Chapter 3 True/False Test** Tax Training Manual, page 29
- i **Chapter 3 Multiple Choice Test** Tax Training Manual, pages 30-31
- i **Due Diligence Exercise Chapter 3**, Tax Training Manual, page 32

**Tax Training Manual, Chapter 10**

**Preparing State Returns**

**Processing required documents** use the Tax Return Completion Checklist under the "Help at Your Fingertips" button on the Training page of the EZ-Tax Online website.

**Practice Return 8**

**Chapter 10 True/False Test** Tax Training Manual, pages 76-77

**Following Session II, the preparer should master:**

- i **Preparation of the EITC Due Diligence Questionnaire** refer to the EITC Due Diligence Questionnaire under the “Preparer Due Diligence Forms” on the Training page of the EZ-Tax Online website.
- i **Preparation of multiple state returns**
- i **Processing documents for the office files and for client copies**

## **Session III**

**Tax Training Manual, Chapters 4, 5, 6**

**1099 Income Training**, use the 1099 Forms, Where to Put Them under the “Help at Your Fingertips” button on the Training page of the EZ-Tax Online website

**Refund Options** use the Refund Options Guide under the “Help at Your Fingertips” button on the Training page of the EZ-Tax Online website.

**Matching Quiz, Chapters 4-6** Tax Training Manual, pages 51-53

**Practice Returns 3 and 4**

**Following Session III, the preparer should master:**

- i **Where to put 1099 income in the software**
  - o **1099-R**
  - o **1099-G**
  - o **1099-INT**
  - o **1099-Misc**
- i **Full understanding of the various Refund Options available**

## **Session IV**

**Tax Training Manual, Chapters 7 and 9**

**Itemized Deductions/Schedule A**

**Adjustments to Income and Other Tax Credits**

**Itemized Deduction Activity** Tax Training Manual, page 71

**Crossword Puzzle** Tax Training Manual, pages 58 and 59

**Practice Returns 5 and 6**

**Following Session IV, the preparer should master:**

- i **Itemized Deduction (Schedule A) Client Worksheets**
- i **Itemized Deduction (Schedule A) data entry**
- i **Schedule A Due Diligence** refer to the Itemized Deduction Questionnaire under the “Preparer Due Diligence Forms” on the Training page of the EZ-Tax Online website.
- i **Education Credits**
- i **1099 SSA (Social Security income)**

## **Session V**

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**Tax Training Manual, Chapters 2, 4 and 8**

**Self Employment/Schedule C training**, refer to the Self Employment/Sch C Questionnaire under the “Preparer Due Diligence Forms” button on the Training page of the EZ-Tax Online website.

**Practice Return 7**

**Certification Exam**, found on the EZ-Tax Online website, Training Page.

**Following Session V, the preparer should master:**

- i **Self Employment Worksheet**
- i **Schedule C data entry**
- i **Self Employment/Schedule C Due Diligence Questionnaire**
- i **Complete the Certification Exam and download your certificate.**

# Chapter 1

## Filing Status Review Questions

### Answer Key

1. **True.** The IRS recognizes that taxpayers can qualify for one or more filing statuses. The taxpayer can choose which filing status fits their particular circumstances. As a general rule the IRS allows taxpayers to choose which filing status gives them the largest refund.
2. **False.** In general, a filing status depends on whether the taxpayer is *considered* married or unmarried. For federal tax purposes, a marriage means only a legal union between a man and a woman.
3. **True.** Period.
4. **False.** If the spouse did not live in the taxpayer's home during the last six months of the tax year, a married person can file Head of House. Unless persons actually divorce or are legally separated under a divorce or separate maintenance decree on December 31<sup>st</sup> they are considered married.
5. **False.** This is a popular belief among clients and tax preparers alike. EIC is awarded to qualified taxpayers filing Single and Married Filing Joint, in addition to Head of House.
6. **False.** A married person could be *considered* unmarried, therefore could file as Single or Head of House. A married taxpayer is considered unmarried if, on the last day of the tax year, they are legally separated under their state law. For IRS filing status purposes, a taxpayer is considered unmarried if the spouse did not live in the home during the last six months of the year.
7. **False.** In order to file Head of House, one must pay for **more than half** the cost of keeping up the home for the tax year.
8. **True.**
9. **True.**
10. **False.** Qualifying Widow(er) filing status is for taxpayers with qualifying dependents for 2 years following the year of the spouse's death.

# Chapter Three

## Exemptions/Dependents and Credits

### Exemption Exercise

#### Answer Key:

1. **Two.** When filing a joint return, both the taxpayer and spouse qualify for an exemption even if only one had income.
2. **Four.** One exemption for the taxpayer; an exemption for each child.
3. **Three.** One exemption for taxpayer; one for the spouse; one for the child.
4. **Two exemptions for the mother's return.** She can claim herself and her dependent daughter.

**NO exemptions for the student's return.** A social security number can be used one time only as an exemption for a tax year. The student should file her taxes even though her mother will claim her as an exemption and receive all credits (EIC, Child Tax Credit, or Education Credits for example). The mother cannot file her daughter's W-2 on her return. Each W-2 is assigned to a social security number.

5. **Four.** One exemption for the taxpayer; one exemption each for her two daughters and one exemption for her mother. Even though the elderly parent does not qualify for any credits, she still should be claimed as an exemption

## Chapter 3

### Exemptions/Dependents and Credits

#### Review Questions

#### Child Care Credit, Child Tax Credit, EIC

#### Answer Key

1. **True.** Even though Charlie will not receive exemption deductions, he still will receive a Standard Deduction and possibly a refund check. Encourage working students and young people to file their returns, as they may be due a refund.
2. **False.** Even though a new-born baby did not “reside” with the taxpayer for more than six months, the taxpayer is due all credits due them, including EIC, Child Tax Credit and Child Care Credit. (note: in the software, mark that children born in the tax year resided with taxpayer 12 months)
3. **False.** In order to receive Child Tax Credit, the dependent, as on December 31<sup>st</sup> of the tax year must be under the age of 17.
4. **Trick question.** In general, this is a true statement. Actually, this statement does not give the taxpayer enough information to determine whether or not the taxpayer is eligible for Child Care Credit. If one taxpayer had earned income, the other taxpayer could be a student, disabled, or require child care during the times they looked for work.
5. **False.** IF your sister did not live in your house. In order to claim the credit, you must have the care-giver’s social security number. The children can be kept by individuals or by formal child care centers.
6. **True.** If the caregiver lives with the taxpayer, they cannot claim child care costs.
7. **False.** Child Tax Credit reduces the amount of taxes due. Tyrone would owe no taxes, therefore, would not qualify for this credit. Additionally, he would not receive the Additional Child Tax Credit because he did not make enough money to qualify.
8. **False.** Retirement income is not considered “earned” income for EIC.
9. **False.** Remember the three tests for qualifying for EIC. The child passes the Relationship and the Age test but does not pass the Residency Test. The child must live with the taxpayer for more than six months.
10. **False.** The child care provider does not need to be licensed nor are they required to have a tax ID number. An address and valid social security number is required.

# Chapter 3

## Exemptions/Dependents and Credits

### EITC Review Questions Answer Key

The correct answer is indicated in **Bold Type**.

1.
  - a) Incorrect. Earned income credit is available to taxpayers with children but also is available to taxpayers without children.
  - b) Incorrect. EIC is available to taxpayers without children but also is available to taxpayers with children.
  - c) **Correct. EIC is available to taxpayers with and without children.**
  - d) Incorrect. The EIC is available for taxpayers who worked and had earned income under a specific limit. The taxpayer can receive income from other sources such as interest from a savings account; however, investment income may negatively impact the taxpayer's eligibility for EIC.
2.
  - a) Incorrect. Wage, salaries, and tips are examples of earned income.
  - b) Incorrect. "Net earnings from self-employment" is an example of earned income.
  - c) Incorrect. Gross income received as a statutory employee is an example of earned income.
  - d) **Correct. Unemployment compensation is not considered earned income for purposes of earned income credit.**
3.
  - d) **Correct. Cash income from mowing lawns is earned income.**
4.
  - b) **Correct. A taxpayer using the filing status Married Filing Separate is not eligible for EIC. There are many credits that are either not eligible for or reduced by using the filing status of Married Filing Separate.**
5.
  - c) **Correct. For the purpose of EIC, a qualifying dependent is not required to meet a support test.** (note, there is a support test in the filing status of Head of House)
6.
  - a) **Correct. A roommate's child does not meet the relationship test for purpose of earned income credit.**
7.
  - d) **Correct. To meet the IRS requirement as an eligible foster child must have lived with the taxpayer more than six months of the year.**
8.
  - d) **Correct. There is no requirement that a taxpayer must be married filing a joint return to be eligible for EIC.**
9.
  - c) **Correct. The age requirement for a taxpayer without a qualifying child is be at least 25 at the end of the year. A 24 year old taxpayer and his 24 year old wife would not qualify. Neither meets the age requirement of at least 25 years of age. At least one of the taxpayers on a joint return must meet this age requirement.** (note: there is no minimum age requirement for taxpayers having a qualifying EIC dependent)

# **Chapters 4-6**

## **Income**

### **IRA and Pension Distribution**

#### **Matching Quiz**

#### **Matching Quiz Answer Key:**

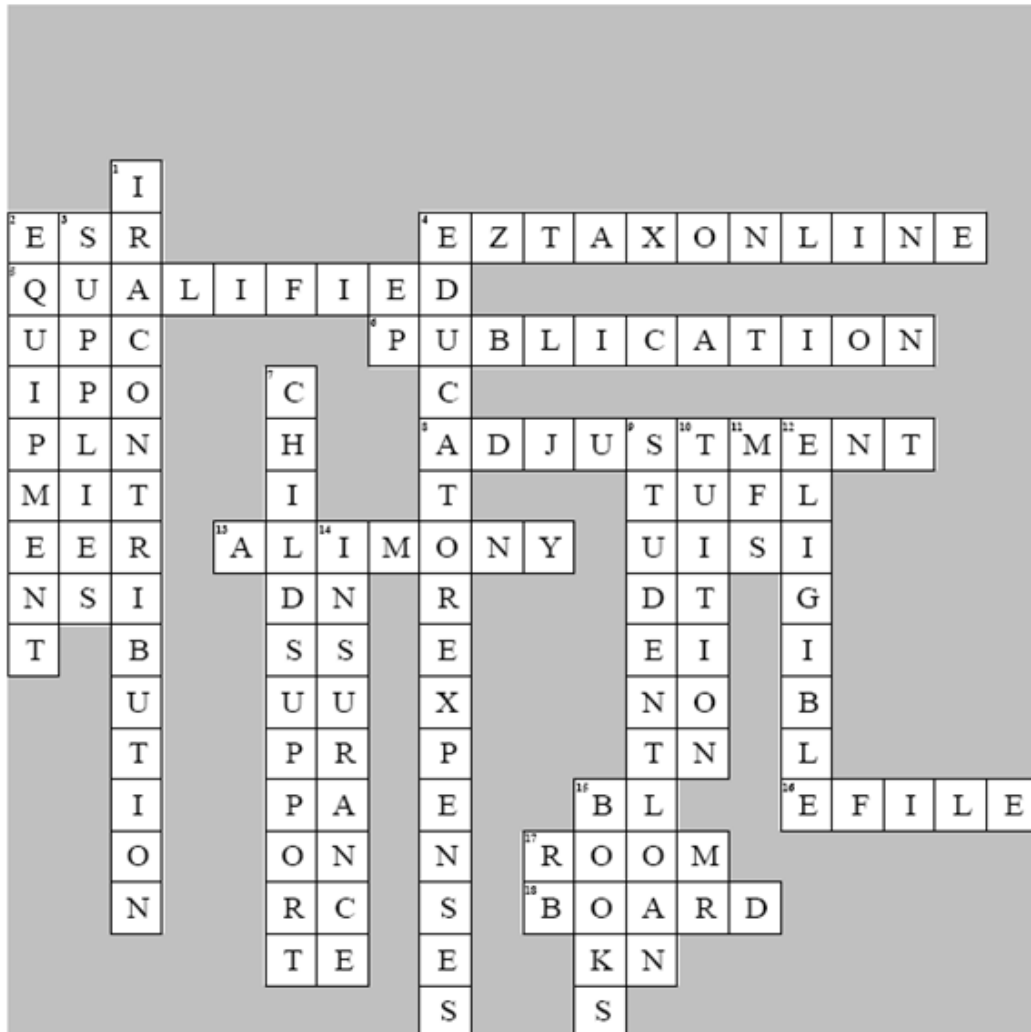
- A. Distribution Code
- B. Payers Name
- C. State Income Tax
- D. Gross Distribution
- E. Social Security Benefit Statement
- F. Wages
- G. Gambling
- H. Jury Duty
- I. Dividends
- J. Other Income
- K. Interest
- L. Social Security Number
- M. Advance EIC
- N. Unemployment
- O. Early Withdrawal Penalty
- P. Social Security Income
- Q. Employer Identification Number
- R. Federal Income Tax Withheld



# Chapter 7

## Adjustment to Income Crossword Puzzle

### Answer Sheet



# Chapter 8

## ITEMIZED DEDUCTIONS Activity

### Answer Key

Cosmetic Surgery <i>Only if the cosmetic surgery was needed due to certain deformities or obesity</i>	Gambling Losses, no winnings
Mortgage Interest	Donations to political parties
Union Dues	Last year's tax preparation fees
Miles to and from the workplace	Medical tests
Donations to the Salvation Army	Veterinary costs
Medical Insurance Premiums	Home repairs/utilities/improvements
Sales tax	Credit Card interest
Check written to a church	Mileage to and from the doctor
Tools purchased necessary for work	Used clothing donated to charity
* Real Estate Taxes	Dental expenses
Gifts of cash given to relatives	* Theft losses
Car Insurance	Cash to the local church
Car Tax (ad valorem) taxes	Car repairs
Unreimbursed hotel lodging on a job related trip	Raffle tickets purchased for a local charity's fundraiser
Prescriptions	Unreimbursed uniform costs
* Damage to roof due to tornado	Gas for automobile used for work commute
* Sales taxes paid on a new car	Over-the-counter medicine
Late fees charged by mortgage company	Car note

# Chapter 8

## ITEMIZED DEDUCTIONS Activity

### Answer Key, continued

License required for job

Health club membership

*generally not* an allowable deduction  
unless membership is directly related  
to a specific medical condition

\* Property taxes

Legal fees incurred due to divorce

# **Chapter 10**

## **Record Retention/ Banking Requirements**

### **Review Question**

## **Answer Key**

1. **False.** Both the customer and tax preparer must sign the form 8879.
2. **True.** Failure to have this form signed prior to submission of a tax return is a major IRS violation.
3. **False.** All forms must be kept for a minimum of five years.
4. **True.** At any time, a representative from the bank could telephone your office and request a copy of this form to be faxed to their office.
5. **False.** You are required to maintain a copy of the taxpayer's current ID. By doing so, you ensure that due diligence was practiced.
6. **True.** You are required to document what questions you asked and the response given by the customer. Initial and date such notations.
7. **True.** Also, they should have a copy of all signed bank documents, also.
8. **False.** A RAL is a real loan.
9. **False.** The term "optional" is used in that the tax return may not need such forms. If, for example, a customer wants to itemize their deductions, they are to complete the Schedule A worksheet, sign and date it.
10. **False.** Your file should contain copy B (federal copy) and a state copy. The client is to be given back their "taxpayer" copy.
11. **True.**
12. **True.** In addition to the forms the software prints, your files should contain a copy of the federal w-2, signed, dated Interview Sheet, and a copy of the ID, at a minimum.
13. **False.** Even though a copy of this is not required, it is a good practice to obtain a copy of not only the taxpayer's social security card, but a copy of each dependent's social security card also.
14. **False.** Your software contains a complete copy of the customer's tax return. The signed form 8879 is the proof that the customer agreed to the tax information you e-filed to the IRS.
15. **True.** Your tax/bank file should be in a secure location to ensure the integrity of your income tax business.
16. **True.** Always market your income tax services.
17. **True.**
18. **False.** The state 8453 form will be printed in duplicate. One copy is for the customer; one for your files.
19. **True.** Use the self-employment worksheet found on the website.
20. **True.** If you have any questions or concerns about this, call the technical support office.