

Understanding Tax Forms

Changes to Tax Forms & Exercises

1040 Department of the Treasury—Internal Revenue Service (99) **2018** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: ☒ X

Your first name and in

Miriam

Your standard deduct

If joint return, spouse's

Spouse standard ded

☐ Spouse is blind

Form 1040 (2018) Miriam Maisel 012-34-5678 Page **2**

1 Wages, salaries, tips, etc. Attach Form W-2 **1** 12,630

Attach Form(s)
W-2. Also attach
Form(s) W-2G and
1099-R if tax was
withheld

2a Tax-exempt interest **2a** 0 **b** Taxable interest **2b** 68

3a Qualified dividends **3a** 0 **b** Ordinary dividends **3b** 0

4a IRAs, pensions, and annuities **b** Taxable amount **4b** 0

4a 0 **4b** 0

5a Social security benefits **b** Taxable amount **5b**

6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 8,293 **6** 20,991

7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 **7** 20,490

Standard
Deduction for —
• Single or married
filing separately,
\$12,000
• Married filing
jointly, \$24,000

8 Standard deduction or itemized deductions (from Schedule A) **8** 12,000

9 Qualified business income deduction (see instructions) **9** 1,419

10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0- **10** 7,071

Agenda

9:00am – 3:00pm (with breaks)

- Housekeeping & review of handouts
- Review of Income Rules
- Detailed review of new 1040/schedules
- Exercises with policy discussion

Handouts Review

Training Guide

This guide is a reference document for you. We will not be reviewing all content during this session. This is only a training guide and is not policy. Always reference official policy sources.

Exercise Packet

The “official” answers will be posted to the website. The goal is to complete all the exercises during this session, but it is ok if we do not finish all of them since the answers are being provided.

<https://changewithin.net/worker-resources/self-employment-resources>

Policy Review

Policy Citation, page 2

*“It is essential to
handle each applicant
with dignity and
respect.”*

Income Calculation Rules

Qualification Period

The applicant can choose one of three qualification periods to calculate the Annual Income amount:

- Most recent 30 days, starting with the application date back a full 30 days.
- The last 12 months
- The most recent tax year (using federal tax return).

If only 30 days of income is collected, it must be converted to an annual amount. Applicants must be informed they can select a different qualification period.

Income Calculation Rules

Verifying Income

All income must be verified except part-time employment of youth 18 and younger who are not the Head of Household.

If an applicant refuses to produce verification of income and does not authorize the CAA to verify earnings, the applicant is not eligible for assistance.

Income Calculation Rules

Calculating Income

Gross income is used for income calculations except when using the Federal Tax Return for Self-Employment.

When using the tax return, the NET taxable Self-Employment Income is used for the Annual Amount.

Income Calculation Rules

Self-Employment Income (SEI)

The LIHEAP application form asks the applicant to provide their Federal Income Tax Return for Self-Employment or Farm income. **Remember though, they can choose last 30 days or last 12 months.**

IOWA LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM AND WEATHERIZATION ASSISTANCE PROGRAM APPLICATION Page 2 of 2

3. HOUSEHOLD TYPE (check one)

<input type="checkbox"/> SINGLE PERSON	<input type="checkbox"/> SINGLE PARENT FEMALE	<input type="checkbox"/> TWO PARENT HOUSEHOLD	<input type="checkbox"/> MULTIGENERATIONAL HOUSEHOLD
<input type="checkbox"/> TWO ADULTS NO CHILDREN	<input type="checkbox"/> SINGLE PARENT MALE	<input type="checkbox"/> NON-RELATED ADULTS WITH CHILDREN	<input type="checkbox"/> OTHER: _____

4. HOUSEHOLD INCOME SOURCES (check all that apply)

For each household income source you check, you must include proof of income documentation with this application.

For EMPLOYMENT INCOME, provide copies of your check stubs for the 30 days preceding this application, or provide a copy of your federal income tax return.

For SELF-EMPLOYMENT INCOME or FARM INCOME, provide a copy of your federal income tax return.

<input type="checkbox"/> EMPLOYMENT INCOME (SALARY/WAGES)	<input type="checkbox"/> SSI (SUPPLEMENTAL SECURITY INCOME)	<input type="checkbox"/> PRIVATE DISABILITY INSURANCE	<input type="checkbox"/> CASH CONTRIBUTIONS FROM FAMILY OR FRIENDS	
<input type="checkbox"/> SELF-EMPLOYMENT OR FARM INCOME	<input type="checkbox"/> SSDI (SOCIAL SECURITY DISABILITY INCOME)	<input type="checkbox"/> WORKERS' COMPENSATION	<input type="checkbox"/> ALIMONY OR OTHER SPOUSAL SUPPORT	<input type="checkbox"/> CHILD SUPPORT
<input type="checkbox"/> SOCIAL SECURITY RETIREMENT INCOME	<input type="checkbox"/> VA SERVICE CONNECTED DISABILITY COMPENSATION	<input type="checkbox"/> UNEMPLOYMENT INSURANCE/BENEFITS	<input type="checkbox"/> GENERAL RELIEF/ASSISTANCE	<input type="checkbox"/> NO INCOME
<input type="checkbox"/> PENSION	<input type="checkbox"/> VA NON-SERVICE CONNECTED DISABILITY PENSION	<input type="checkbox"/> TANF/FIP ASSISTANCE	<input type="checkbox"/> OTHER: _____	

Does your household have savings over \$15,000 (include: all savings and checking accounts, CDs, and other investments)? ☐ YES ☐ NO

Did anyone in your household file a tax return and receive the EITC (Earned Income Tax Credit) benefit last year or this year? ☐ YES ☐ NO

Income Calculation Rules

Self-Employment Income (SEI)

Although a person can choose last 30 days or last 12 months, our focus for today is the Federal Tax Return.

For most income-tested programs, SEI is calculated with tax forms because SEI generally has large fluctuations throughout the year. A 12-month window, provides the best income evaluation.

Who Must File a Return

Federal Requirements

The IRS website has an excellent interactive tool to determine if an individual is required to file a tax return. It is at:

<https://www.irs.gov/uac/Interactive-Tax-Assistant-%28ITA%29-1>

Filing Status	Age	Gross Income is at least:	Minimum <u>NET</u> Self-Employment Earnings	
Single	Under 65	\$12,000	\$400	<i>*Information on self-employment earnings threshold found at the IRS.gov website page "Self-Employed Individuals Tax Center"</i>
	65 or older	\$13,600	\$400	
Head of Household	Under 65	\$18,000	\$400	
	65 or older	\$19,600	\$400	
Married Filing Jointly	Under 65 (both spouses)	\$24,000	\$400	
	65 or older (one spouse)	\$25,300	\$400	
	65 or older (both spouses)	\$26,000	\$400	
Married Filing Separately	Any age	\$5 *significant change	\$400	
Qualifying Widow(er) with Dependent Children	Under 65	\$24,000	\$400	
	65 or older	\$25,300	\$400	

Who Must File a Return

Iowa Requirements

Information on who must file can be found at the Iowa Department of Revenue website:

<https://tax.iowa.gov/expanded-instructions/who-must-file-2018>.

Filing Status	Age at end of Year	Residents Net Income
Single	Under age 65	\$9,000 or more
Single	Age 65 or older	\$24,000 or more
Other than Single	Both spouses under 65	\$13,500 or more
	One spouse 65 or older	\$32,000 or more
Dependent	n/a	\$5,000 or more

Lines on the 1040 for LIHEAP

October 1, 2018 to April 30, 2019

ELIGIBILITY: USING FEDERAL TAX RETURN

UTILIZE PREVIOUS YEAR'S COMPLETED TAX RETURN (2018)

Income from some sources may not appear on the tax return. Income from Foster Care, Worker's Compensation, FIP, Child Support, VA, SSA, SSD, SSI, Railroad Retirement Benefits, and Public Assistance need to be added to the total gross income.

WHAT TO COUNT ON A TAX RETURN:

1040 FORM

Wages, Salaries, and Tips	Line 1	1040 Form
Dividend income	Line 3b	1040 Form
IRA Distributions, Pensions, Annuities	Line 4b	1040 Form
Social Security Benefits	Line 5a	1040 Form

SCHEDULE 1 (only needed if line 6 doesn't match the total of lines 1-5 on 1040)

Alimony Income	Line 11	Schedule 1
Business Income or Loss	Line 12	Schedule 1
Rent, Royalties, Partnership Income	Line 17	Schedule 1
Farm Income or Loss	Line 18	Schedule 1
Unemployment Income	Line 19	Schedule 1
Other Income	Line 21 ***	Schedule 1

*** DO NOT COUNT prior year's losses carried forward as NOL (Net Operating Loss), when this is on line 21. Use Line 21 only if a positive number.

The “New” 1040 Form

The 1040 form is the Federal Tax Return form that is used to declare all taxable income sources as well as deduction and tax credits.

The 1040 was significantly revised for 2018 tax year. It is “simplified” by having less lines. **But** all the eliminated lines have been moved to 4 different schedules.

Therefore, the “simplified 1040 is more complicated for many tax filers, especially those with Self-Employment.

The “New” 1040 Form

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2017** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning , 2017, ending , 20

U.S. Individual Income Tax Return

Your first name and initial Last name
Jane B Nimble

If a joint return, spouse's first name and initial Last name

Home address (number and street). If you have a P.O. box, see instructions.
123 S Main St

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Anytown WI 50001

Foreign country name Foreign province/state/county Foreign postal code

Filing Status

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

Check only one box.

Exemptions

6a ☐ Yourself. If someone can claim you as a dependent, do not check box 6a.
b ☐ Spouse

Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions)
Jack B	Nimble	0 1 2 3 4 5 6 7 9	Son	<input checked="" type="checkbox"/>

If more than four dependents, see instructions and check here ▶ ☐

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 4,625 00
8a Taxable interest. Attach Schedule B if required 8a 55 00
8b Tax-exempt interest. Do not include on line 8a 8b 10 00
9a Ordinary dividends. Attach Schedule B if required 9a 950
10 Qualified dividends 9b 560 00
11 Taxable refunds, credits, or offsets of state and local income taxes 10
12 Alimony received 11 2,000 00
13 Business income or (loss). Attach Schedule C or C-EZ 12 -200 00
14 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ 13 400 00
15 Other gains or (losses). Attach Form 4797 14
16a IRA distributions 15a b Taxable amount 15b
16a Pensions and annuities 16a b Taxable amount 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 6,000 00
18 Farm income or (loss). Attach Schedule F 18 -1,900 00
19 Unemployment compensation 19
20a Social security benefits 20a b Taxable amount 20b
21 Other income. List type and amount N.O.L. 21 -3,000 00
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22 5,330 00

Adjusted Gross Income

23 Educator expenses 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24
25 Health savings account deduction. Attach Form 8889 25 800 00
26 Moving expenses. Attach Form 3903 26
27 Deductible part of self-employment tax. Attach Schedule SE 27
28 Self-employed SEP, SIMPLE, and qualified plans 28 320 00
29 Self-employed health insurance deduction 29
30 Penalty on early withdrawal of savings 30
31a Alimony paid b Recipient's SSN ▶ 31a
32 IRA deduction 32
33 Student loan interest deduction 33
34 Reserved for future use 34
35 Domestic production activities deduction. Attach Form 8803 35 450 00
36 Add lines 23 through 35 36 1,570 00
37 Subtract line 36 from line 22. This is your adjusted gross income ▶ 37 3,960 00

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2017)

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2018** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space

Filing status: ☒ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial Last name Your social security number
Miriam Maisel 012-34-5678

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial Last name Spouse's social security number

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☒ Full-year health care coverage or exempt (see inst.)
☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign (see inst.) ☐ You ☐ Spouse
123 Joke St 3

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.
Anytown WI 54444

Dependents (see instructions)

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check if qualifies for (see inst.):
Ethan	Maisel	012-34-5679	Son	<input checked="" type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents
Zelda	Maisel	123-45-6789	Daughter	<input checked="" type="checkbox"/> <input type="checkbox"/>

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation
Comedian

Spouse's signature, if a joint return, both must sign. Date Spouse's occupation

Paid Preparer Use Only

Preparer's name Preparer's signature PTIN Firm's EIN Check if:
☐ 3rd Party Designee
Firm's name ▶ Phone no. ☐ Self-employed
Firm's address ▶

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Form **1040** (2018)

New Page 1

Old Page 1

Page 9 in Packet

The “New” 1040 Form

1040 Department of the Treasury—Internal Revenue Service (99) **2018** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: ☒ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial: Miriam Last name: Maisel Your social security number: 012-34-5678

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial: _____ Last name: _____ Spouse's social security number: _____

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☒ Full-year health care coverage or exempt (see inst.)

☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. 3 Presidential Election Campaign (see inst.) ☐ You ☐ Spouse

123 Joke St. City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule B. Anytown WI 54444 If more than four dependents, see inst. and check here ▶

Dependents (see instructions)

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check if qualifies for (see inst.):
Ethan	Maisel	012-34-5679	Son	<input checked="" type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents
Zelda	Maisel	123-45-6789	Daughter	<input checked="" type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature: _____ Date: _____ Your occupation: Comedian

Spouse's signature, if a joint return, both must sign: _____ Date: _____ Spouse's occupation: _____

Paid Preparer Use Only

Preparer's name: _____ Preparer's signature: _____ PTIN: _____ Firm's EIN: _____ Check if: ☐ 3rd Party Designee ☐ Self-employed

Firm's name ▶ _____ Phone no. ▶ _____

Firm's address ▶ _____

KIA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate Instructions. Form **1040** (2018)

New Page 1

New Page 2

Page 10 in Packet

Form **1040** (2018) **Wages, salaries, tips, etc.** Attach Form W-2 **1** 12,630

2a Tax-exempt interest 0 2b Taxable interest 68

3a Qualified dividends 0 3b Ordinary dividends 0

4a IRAs, pensions, and annuities 0 4b Taxable amount 0

5a Social security benefits 0 5b Taxable amount 0

6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 8,293 **6** 20,991

7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 20,490 **7** 20,490

8 Standard deduction or itemized deductions (from Schedule A) 12,000 **8** 12,000

9 Qualified business income deduction (see instructions) 1,419 **9** 1,419

10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0- 7,071 **10** 7,071

11 a Tax (see inst.) 708 (check if any from: 1 Form(s) 9814 2 Form 4972) **11** 708

b Add any amount from Schedule 2 and check here ☐ **12** 708

12 a Child tax credit for other dependents ☒ b Add any amount from Schedule 3 and check here ☒ **12** 708

13 Subtract line 12 from line 11. If zero or less, enter -0- 0 **13** 0

14 Other taxes. Attach Schedule 4 1,002 **14** 1,002

15 Total tax. Add lines 13 and 14 1,002 **15** 1,002

16 Federal income tax withheld from Forms W-2 and 1099 493 **16** 493

17 Refundable credits: a EIC (see inst.) 5,334 b Son 8812 2,508 c Form 8863 0 **17** 7,842

Add any amount from Schedule 5 0 **18** 8,335

18 Add lines 16 and 17. These are your total payments 8,335 **18** 8,335

19 If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid 7,333 **19** 7,333

20a Amount of line 19 you want refunded to you. If Form 8888 is attached, check here ☐ **20a** 7,333

b Routing number XXXXXXXXXX ▶ c Type: ☐ Checking ☐ Savings

d Account number XXXXXXXXXXXXXXXXXXXX

21 Amount of line 19 you want applied to your 2019 estimated tax 0 **21** 0

22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions 0 **22** 0

23 Estimated tax penalty (see instructions) 0 **23** 0

KIA Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2018)

- Wages are now Line 1
- Interest, Dividends, Retirement/Annuities, and Social Security remain on the 1040.
- All other income (including SGI) are now on Schedule 1

The “New” 1040 Form

Form 1040 (2018) Miriam Maisel		012-34-5678		Page 2	
1 Wages, salaries, tips, etc. Attach Form W-2				1	12,630

Line 1: Wages

Line 1 is the sum of all gross wages of all individuals listed on the return. The 1040 does not identify whose W-2 income is listed.

Current Iowa LIHEAP policy allows the applicant to either submit the 1040 or the W-2 statement(s).

The “New” 1040 Form

Form 1040 (2018) Miriam	Maisel	012-34-5678	Page 2
1 Wages, salaries, tips, etc. Attach Form W-2		1	12,630

Line 1: Wages

Note: wages on Box 1 of the W-2 may be different than Box 3 and 5 if pre-tax deductions were taken.

For purposes of LIHEAP, use Box 1 to calculate the gross wages.

1 Wages, tips, other compensation		2 Federal income tax withheld	
\$21,035.83		\$1,940.00	
3 Social security wages		4 Social security tax withheld	
\$21,422.12		\$1,328.17	
5 Medicare wages and tips		6 Medicare tax withheld	
\$21,422.12		\$310.62	
7 Social security tips		8 Allocated tips	
\$0.00		\$0.00	
9		10 Dependent care benefits	
		\$0.00	
11 Nonqualified plans		12a	
\$0.00		\$386.29	
13 Statutory employee Retirement plan Third-party sick pay		12b	
<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		\$0.00	
14 Other		12c	
\$0.00		\$0.00	
\$0.00		12d	
\$0.00		\$0.00	
\$0.00			

The “New” 1040 Form

2a Tax-exempt interest	2a	0	b Taxable interest	2b	68
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Line 2a and 2b: Interest Income

Interest income is not counted for LIHEAP. This is still a valuable line to review as it may indicate a person has/had a large amount in a savings or interest-bearing account.

Financial Institutions issue a 1099-INT if the individual earned \$10 or more in interest on regular interest-bearing accounts.

The “New” 1040 Form

2a Tax-exempt interest	2a	0	b Taxable interest	2b	68
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Line 2a and 2b: Interest Income

***Example:** Tom has \$15,000 in a standard savings account. If he does not make any withdrawals and has an average interest rate of 2.2%, he will accrue about \$34 in interest for the year. If the interest rate is 1.1%, the annual interest is about \$18.*

The interest line includes savings, CD's, savings bonds and other interest-bearing accounts, all which have different interest rates so one cannot make an accurate assessment of a person's asset value.

The “New” 1040 Form

3a Qualified dividends	3a	0	b Ordinary dividends	3b	0
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Line 3a and 3b: Dividends

Dividend income is reported on two lines. Line 3b lists the total Dividend amount. Line 3a separates out the portion of Line 3b that is qualified which may result in a different tax rate.

9a Ordinary dividends. Attach Schedule B if required	9a	950	00
b Qualified dividends	9b	400	00

The new 1040 has a both a line and letter change for dividends but the location of ordinary and qualified remains the same.

The “New” 1040 Form

3a Qualified dividends	3a	0	b Ordinary dividends	3b	0
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Line 3a and 3b: Dividends

Only look at Line 3b for LIHEAP.

Only include the dividends in the income calculation if the total is **\$120** or more.

The “New” 1040 Form

3a Qualified dividends	3a	0	b Ordinary dividends	3b	0
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Line 3a and 3b: Dividends

The 1099-DIV is issued to report dividends.

Box 1a is the total dividend amount, transferred to 1040, Line **3b**. Box 1b is the portion of 1a that is qualified and transferred to 1040, Line 3a

1a Total ordinary dividends <div style="border: 2px solid red; padding: 2px; display: inline-block;">\$ 1,709</div>		<div style="font-size: 1.2em;">OMB No. 1545-0110</div> <div style="font-size: 2em; font-weight: bold;">2018</div> <div>Form 1099-DIV</div>	<div style="font-weight: bold;">Dividends and Distributions</div>
1b Qualified dividends \$ 1,104			
2a Total capital gain distr. \$	2b Unrecap. Sec. 1250 gain \$	<div style="font-weight: bold;">Copy B For Recipient</div>	
2c Section 1202 gain \$	2d Collectibles (28%) gain \$		
3 Nondividend distributions \$	4 Federal income tax withheld \$ 26		
This is important tax information and is			

The “New” 1040 Form

4a IRAs, pensions, and annuities .		b Taxable amount	
4a	0	4b	0

Line 4a and 4b: IRAs, Pensions and Annuities

The new 1040 combines these into a single line vs. the old 1040, where IRAs were on its own line.

15a IRA distributions .	15a		b Taxable amount	15b	
16a Pensions and annuities	16a		b Taxable amount	16b	

These income types are still separated into Total distribution amount (4a) and the taxable amount of the distribution (4b).

The “New” 1040 Form

4a IRAs, pensions, and annuities .		b Taxable amount	
4a	0	4b	0

Line 4a and 4b: IRAs, Pensions and Annuities

IRA Distributions are reported on the 1099-R and are not always taxable.

Use **Line 4b** for LIHEAP calculations.

The “New” 1040 Form

4a IRAs, pensions, and annuities		b Taxable amount	
4a	0	4b	0

Line 4a and 4b: IRAs, Pensions and Annuities

Pensions and Annuities are not always taxable.

Line 4a lists the total amount received for the tax year as reported on a 1099-R. The taxable portion from 4a is reported on 4b.

Use **Line 4b** for LIHEAP calculations.

The “New” 1040 Form

5a Social security benefits	5a	b Taxable amount	5b
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Line 5a and 5b: Social Security Benefits

Social Security benefits received are reported on the 1099-SSA.

SS benefits were on Line 20a/b on the old 1040.

20a Social security benefits	20a	b Taxable amount	20b
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Use **Line 5a** (total gross SS payments) for LIHEAP (or other verification statements from SSA).

The “New” 1040 Form

6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	8,293	6	20,991
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Line 6: Schedule 1 Income

Line 6 has two parts: the Schedule 1 income and the total of Lines 1 – 5 plus Schedule 1 total.

If there is any dollar amount (positive or negative), the Schedule 1 must be reviewed.

Schedule 1 is a near duplicate of lines 10 – 22 on the old 1040 form.

Business schedules including C, E, F have not changed.

The “New” 1040 Form

6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 8,293 6 20,991

Line 6: Schedule 1 Income

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Name(s) shown on Form 1040

Miriam Maisel

Additional Income and Adjustments to Income

▶ Attach to Form 1040.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Additional Income 1-9b Reserved

10	Taxable refunds, credits, or offsets of state and local income taxes	10	Taxable refunds, credits, or offsets of state and local income taxes
11	Alimony received	11	Alimony received
12	Business income or (loss). Attach Schedule C or C-EZ	12	Business income or (loss). Attach Schedule C or C-EZ
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>
14	Other gains or (losses). Attach Form 4797	14	Other gains or (losses). Attach Form 4797
15a	Reserved	15a	IRA distributions <u>18,575</u> <u>00</u> b Taxable amount
16a	Reserved	16a	Pensions and annuities b Taxable amount
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18	Farm income or (loss). Attach Schedule F	18	Farm income or (loss). Attach Schedule F
19	Unemployment compensation	19	Unemployment compensation
20a	Reserved	20a	Social security benefits 20a b Taxable amount
21	Other income. List type and amount ▶ <u>GAMBLING</u>	21	Other income. List type and amount <u>N.O.L.</u>
22	Combine the amounts in the far right column. If you have a net loss from any business or profession, enter here and include on Form 1040, line 6.	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶

Old 1040



1040: Schedule 1

11	Alimony received	11	
----	----------------------------	----	--

Line 11: Alimony

There is no tax form produced to for Alimony (no 1099 form). Alimony/Maintenance is taxable.

Note: Alimony is not considered a fixed income source for LIHEAP.

1040: Schedule 1

12	Business income or (loss). Attach Schedule C or C-EZ	12	7,093
----	----------------------------------------------------------------	----	-------

Line 12: Sole Proprietorship Business Income (SGI)

Regular business income/expenses are reported on the Schedule C-EZ and Schedule C.

The total net amount from these schedules is reported on Line 12.

LIHEAP uses the net income listed on Line 12.

1040: Schedule 1

12	Business income or (loss). Attach Schedule C or C-EZ	12	7,093
----	----------------------------------------------------------------	----	-------

Line 12: Sole Proprietorship Business Income (SGI)

Line 31 from the Schedule C (or line 3 from the C-EZ) is transferred to Line 12 on the 1040 Schedule 1.

If there is more than one Schedule C, the totals from all line 31s on the schedules are entered on Line 12 of Schedule 1.

Net profit or (loss). Subtract line 30 from line 29.

- If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.
- If a loss, you must go to line 32.

}

31	21,675	00
----	--------	----

1040: Schedule 1

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 13

Line 13: Personal Capital Gains

Personal Capital Gains usually recorded on the Schedule D and transferred to Line 13 on Schedule 1. They come from a variety of sources including sale of stocks, real estate and other investments.

Often a business owner will shift Business Capital Gains from the 4797 form to the Schedule D.

Capital Gains are not counted for LIHEAP

1040: Schedule 1

14 Other gains or (losses). Attach Form 4797

14

Line 14: Business Capital Gains

Business Capital Gains are recorded on Form 4797 and transferred to Line 14 on Schedule 1.

Business Capital Gains/losses come from the sale of business property such as cows or the loss of property (tractor is junked).

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: Schedule E Income

LIHEAP uses just Line 17 for all sources of income from the Schedule E. Income sources include:

Part I: Rental and Royalty Income

Part II: Partnerships & S-Corporations

Part III: Estates and Trusts

Part IV: Real Estate Mortgage Investment Conduits

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: Rental and Royalty Income

Rental income for Sole Proprietorships is listed in Part I of the Schedule E. There may be multiple properties for Schedule E.

Royalty Income are payments made to an owner for use of intellectual property.

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

Line 17: Rental and Royalty Income

SCHEDULE E (Form 1040) <small>Department of the Treasury Internal Revenue Service (99)</small>		Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.			OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2018</div> <small>Attachment Sequence No. 13</small>	
Name(s) shown on return Drew Scott					Your social security number 001-06-0001	
Part I Income or Loss From Rental Real Estate and Royalties						
<small>Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.</small>						
A Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No						
B If "Yes," did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No						
1a Physical address of each property (street, city, state, ZIP code)						
A						
B 422 E main Anytown WI 54444						
C 1701 Washington St Anytown WI 54444						
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV	
A	6		A 0	0		
B	1		B 344	0		
C	1		C 365	0		
Type of Property: 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)						
Income:		Properties:	A	B	C	
3 Rents received		3		16,500	16,800	
4 Royalties received		4	12,000	0	0	

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

Line 17: Rental and Royalty Income

SCHEDULE E
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss
(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)
▶ Attach to Form 1040, 1040NR, or Form 1041.
▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

OMB No. 1545-0074
2018
Attachment Sequence No. **13**

Name(s) shown on return
Drew Scott

Your social security number
001-06-0001

Part I **Income or Loss From Rental Real Estate and Royalties** Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

B If "Yes," did you or will you file all required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property	24	Income. Add positive amounts shown on line 21. Do not include any losses	24	11,046
A		25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here.	25	(9,248)
B	422 E main Anyt				
C	1701 Washington				
		26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	1,798

Worksheet Att.

For Paperwork Reduction Act Notice, see the separate instructions.

Schedule E (Form 1040) 2018

If Line 26 matches Line 17 on Schedule 1, there is no other income sources on Part II – IV.

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: Partnerships and S Corporations – Sched E, II

Partnerships and S Corporations are reported on Part II of the Schedule E. You can identify the type of business by the code on the Schedule E.

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A	T & J Construction	P	<input type="checkbox"/>	39-0123456	<input type="checkbox"/>	<input type="checkbox"/>

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

Line 17: Partnerships

Partnerships file an Information-Only Tax Return, the 1065. A K-1 is issued that reports the partner's share of the business income.

The K-1 information is then transferred to the Schedule E, Part II and other parts of the 1040 and corresponding Schedules.

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: Partnerships

The income from the 1040 is transferred to Part II on the Schedule E.

	for S corporation	partnership	number	is required	not at risk
A T & J Construction	P		39-0123456		
B Guaranteed Payments	P		39-0123456		
C					
D					

Passive Income and Loss		Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A			422	13,466
B				8,000
C				
D				
29a Totals	0			21,466
b Totals	0	0	422	
30 Add columns (h) and (k) of line 29a				30 21,466
31 Add columns (g), (i), and (j) of line 29b				31 (422)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31.				32 21,044

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

Line 17: S-Corporations

S-Corporations file an Information Only Tax Return, the 1065. A K-1 is issued that reports the shareholder's share of the business income.

The K-1 information is then transferred to the Schedule E, Part II and other parts of the 1040.

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: S-Corporations

On the K-1, income from Box 1, 2, 3, and 4 may be reported the Schedule E. Other boxes are reported elsewhere on the 1040 and related schedules.

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2018

For calendar year 2018, or tax year

beginning / / 2018 ending / /

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
36-2000001

B Corporation's name, address, city, state, and ZIP code
Tyco Station
333 Star Ln
Anytown WI 54444

671117
OMB No. 1545-0123

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits
	3,376.00		
2	Net rental real estate income (loss)		
	-1,499.00		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		

The 1040 Form

17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	6,200	00
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Line 17: S-Corporations

The income from the K-1 is transferred to Part II on the Schedule E.

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A	Komputing Koncepts	S	<input type="checkbox"/>	39-9876543	<input type="checkbox"/>
B			<input type="checkbox"/>		<input type="checkbox"/>
C			<input type="checkbox"/>		<input type="checkbox"/>
D			<input type="checkbox"/>		<input type="checkbox"/>

Passive Income and Loss				Nonpassive Income and Loss					
(f) Passive loss allowed (attach Form 8582 if required)		(g) Passive income from Schedule K-1		(h) Nonpassive loss from Schedule K-1		(i) Section 179 expense deduction from Form 4562		(j) Nonpassive income from Schedule K-1	
A								16,812	00
B									
C									
D									
29a	Totals							16,812	00
b	Totals								

30	Add columns (g) and (j) of line 29a	30	16,812	00
31	Add columns (f), (h), and (i) of line 29b	31	()
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below	32	16,812	00

1040: Schedule 1

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |

Line 17: Trusts

Trusts are separate entities with an informational tax return filed and a K-1 issued to the beneficiaries.

The assigned income/loss is then transferred to Part III on the Schedule E, Part III.

Payments from trust funds that make **regular** payments to the beneficiary are counted for LIHEAP.

1040: Schedule 1

18	Farm income or (loss). Attach Schedule F	18	0
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Line 18: Farm Income

Sole Proprietorship farms report business activity on the Schedule F.

The net income on Line 34 is transferred to Line 18 on the 1040.

33	Total expenses. Add lines 10 through 32. If line 32 is negative, see instructions	33	89,511	00
34	Net farm profit or (loss). Subtract line 33 from line 9 If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.	34	19,104	00
35	Did you receive an applicable subsidy in 2013? (see instructions)	<input type="checkbox"/> Yes <input type="checkbox"/> No		
36	Check the box that describes your investment in this activity and see instructions for where to report your loss.			
a	<input type="checkbox"/> All investment is at risk.	b	<input type="checkbox"/> Some investment is not at risk.	

1040: Schedule 1

19	Unemployment compensation	19
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Line 19: Unemployment Compensation

Unemployment Insurance Benefits are subject to Federal and State income tax. A 1099-G is issued by the state where UIB was collected.

Note: A person can receive a maximum 26 weeks of Unemployment in a year. In Iowa, some people are eligible for the Training Extension Benefits to receive an additional 26 weeks.

1040: Schedule 1

21	Other income. List type and amount ▶ <u>GAMBLING</u>	21	1,200
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Line 21: Other Income

There are many different sources of income that can be reported on Line 21.

When income is reported on this line, the filer must describe the income on Line 21.

1040: Schedule 1

21 Other income. List type and amount ► GAMBLING

21

1,200

Line 21: Other Income

Cancelled Debt:

Cancelled Debt is reported on the 1099-C. This is issued when a debt is forgiven such as in a bankruptcy or a creditor decides to wipe out the debt.

The value of the debt is treated similar to a gift, which must be taxed. It is not though “real” income.

1040: Schedule 1

21	Other income. List type and amount ▶ <u>GAMBLING</u>	21	1,200
----	------------------------------------------------------	----	-------

Line 21: Other Income

Gambling Winnings:

This is reported on a W-2G form.

LIHEAP counts any taxable gambling winnings (as reported on the 1040 form or other verification).

1040: Schedule 1

21	Other income. List type and amount ▶ GAMBLING	21	1,200
----	-----------------------------------------------	----	-------

Line 21: Other Income

Jury Duty Pay:

People who are on a jury receive pay from the court. This can be a reimbursement for expenses, or it can be an actual stipend. In some situations, this can be taxable so would be reported on Line 21.

1040: Schedule 1

21	Other income. List type and amount ▶ <u>GAMBLING</u>	21	1,200
----	------------------------------------------------------	----	-------

Line 21: Other Income

Prizes and Awards:

This is reported on the 1099-MISC if there is any monetary value to the prize/award.

1040: Schedule 1

21 Other income. List type and amount ► GAMBLING

21

1,200

Line 21: Other Income

Net Operating Loss:

Individuals are able to carry over business losses from a previous tax year if the total loss was more than what would reduce taxable income to zero.

This is used solely to reduce tax liability. The NOL should not be considered as a genuine loss for the year – it is essentially a tax credit.

1040: Schedule 1

21 Other income. List type and amount ► GAMBLING

21

1,200

1099-MISC for Independent Contractors

Individuals who work for other people or businesses are either classified as independent contractors or employees.

For individuals who are operating a business, they will include the 1099-MISC on their Schedule C or C-EZ form, but some people will just report the earnings on Line 21 of the Schedule 1 of the 1040 because they have no expenses to report (such as a newspaper delivery person).

Tips on Reading Tax Forms

Always ask if a new business/rental started after the tax year that is not reflected on the tax form(s).

1. Wages reported on Line 1 of the 1040.
2. SEI is reported on Lines 12, 17 and 18 of Schedule 1 of the 1040.
3. Check the names on the Schedules to see if there is a joint owner.
4. Check the address of the business to see if it is operated out of the home.

Tips on Reading Tax Forms

5. Determine when the business started. If the business started during the tax year of the tax form being viewed, the income listed is likely not representative of a full 12 months of income.
6. Identify if wages were paid to the person out of the SEI (generally for Schedule C and S-Corps).

Exercises

We will go through the following exercises together. You can break into teams or work individually.

It is not important if we finish all the exercises today. This is the time to ask questions and discuss as we go through these examples.

Answers will be posted on the website after the training.