

Corrections and Clarifications for NTTC Modified Pub 4012 Release 1

NTTC Modified Pub 4012 Release 2 will incorporate all changes below plus additional changes including updates for the recent tax law changes.

The list below is divided by type of revisions. The ERRORS and LAW CHANGE are important changes that must be included in your file. It is suggested to place sticky notes in your file for at least these corrections. Enhancements and Clarifications are additions that will also be included in Release 2 and may help you in preparing returns. You can delay entering them and wait for Release 2 which will be released prior to the start of the tax season. Not all law changes are included because we are still studying how to incorporate changes in both this document and TaxSlayer.

If you are using a hardcopy of the file, the notes below may be edited right into the file by hand. Please do not print out a paper version for these changes.

TAB	ERROR DESCRIPTION	CORRECTION	Type of Revision
9	Page 9. K-1 says, "Not in scope for: • Other income, deductions, and credits not listed above". Box 16 codes P and Q are in scope.	Add note: Taxpayers who have foreign tax paid reported on Sschedule K-1 and can elect to report foreign tax credits subject to Form 1116 limitations.	CLARIFICATION
11	Scope section needs to show that rent is OOS--at the 1099-Misc entry	1099-Misc Box 1 Added Note after Box1: Tax-Aide: in scope for land rental with no expenses.	CLARIFICATION
11	Scope Clarification Code D	Added note to notes adds to Not in scope bullets: 1)"Code D if taxable amount is not shown (General Rule applies)" 2) Box 7 code D if Box 2b is checked or both Boxes 2a and 5 are blank and the distribution is from a commercial annuity.	CLARIFICATION

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TAB	ERROR DESCRIPTION	CORRECTION	Type of Revision
D-9/D-12	Would help to have a note about what to do if the form has nothing but PAB interest	Note: If there is nothing in box 1, 3, or 8, the 1099 cannot be completed in TaxSlayer. If the PAB is the only thing on the form, it must be entered directly on form 6251. If Box 9 does not accept an amount, enter directly on Form 6251 Key 6251 and Pg D-12 If Box 12 does not accept an amount, enter directly on Form 6251 Key 6251	CLARIFICATION
D-11	Pub 4012 is silent on dividend reinvestments. Add Pub 17 (pg 64) language on page D-11 to help counselors explain the need to include reinvested dividends to taxpayers.	Add at bottom of page, "A dividend reinvestment plan (DRIP) is when the cash dividend is automatically used to buy more shares. The dividend is income and included on 1099-DIV. The payer/broker will keep track of the new purchase."	CLARIFICATION
D-19	Under the note at the top of the page it states Note: The following expenses are Out of Scope... Health Insurance is included on the list, implying that the SEHI adjustment is out of scope	Note placed at end of Note on top of page. "Note: Health Insurance in scope for Self-employment Health Insurance deduction only"	CLARIFICATION
D-21	Including "employees" on this page may be misleading, since these expenses are no longer deductible for employees.	Note added below page title: "The chart may be used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form." Delete "Most employees and" from top of chart.	CLARIFICATION

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D-21	Employee mileage it appears the original comment was correct in that employees cannot deduct mileage on Schedule C. The mileage deduction for the specific cases, e.g. performing artists etc. applies to Schedule 1 not Schedule C. These expenses if applicable, would be reported on Form 2106 (Only allowed item in scope is Reservist expenses if Military Certified).	Deductions for expenses that are deductible in determining adjusted gross income are not suspended. For example, Armed Forces reservists, qualified performing artists, and fee-basis state or local government officials are allowed to deduct unreimbursed employee travel expenses as an adjustment to total income on Schedule 1 (Form 1040), line 24. Standard mileage rate.	CLARIFICATION
D-21.1	Pub 4012 used to include information about travel expenses, but this was apparently dropped when the miscellaneous deductions subject to 2% of AGI on Schedule A disappeared. See attached from 2017 Pub 4012. However, these rules essentially still apply to self-employed taxpayers. While our pg. D-21.1 includes some information, should we include an updated version of the attached or at least a link to this tax topic (https://www.irs.gov/taxtopics/tc511)	Note added to bottom of Chart: "Travel expenses are the ordinary and necessary expenses of traveling away from home for your business, profession, or job. For additional information for deductible expense see Tax Topic No. 511 Business Travel Expenses." Added an external link https://www.irs.gov/taxtopics/tc511 labelled "Tax Topic No. 511 Business Travel Expenses"	CLARIFICATION
D-33	Consider a better explanation of check box for 8880	Change Link from "See Tab G" to "See Page G-14"	CLARIFICATION
D-33	Clarifications required for General Rule and Scope	Revised Shaded Note: Add after 4th sentence, "Simplified Method cannot be used for Code "D" or other Non-Qualified Plan distributions."	CLARIFICATION
D-33	Clarifications required for General Rule and Scope	Add note under title: See the Box 7 Distribution Codes on Pages D-39 and D-40 for scope limitation.	CLARIFICATION
D-40	Code D clarifications required for commercial purchased (after tax) annuities	Add note in D box: Code D is out-of-scope if taxable amount is not shown on 1099-R Box 2a (General Rule applies). Exception 12/27/2019: if Box 5 is greater or equal to the distribution (Box 1) the taxable amount is \$0 and in scope.	CLARIFICATION

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TAB	ERROR DESCRIPTION	CORRECTION	Type of Revision
D-41	Confusion on bottom line "appendix to the revenue procedure"	Last line: change link description to read "Revenue Procedure 2016-47"	CLARIFICATION
D-51	Is Jury Duty "earned income" for EIC	Note added after Jury Duty in shaded box at top of page. "(Not Earned Income for EIC)"	CLARIFICATION
D-51	When do we check earned income box in other income.	Note Added at top of page, "See Page I-1 for examples of other income that may be earned income."	CLARIFICATION
E-4	Make the LTC Limits more visible.	Added limits to Page E-4 by entry box. LTC premiums limited by age for 2019: Under 41 \$420; 41-50 \$790; 51-60 \$1,580; 61-70 \$4,220; Over 70 \$5,270	CLARIFICATION
E-6	Clarifications needed	3 Notes added: 1) Noted added under Coverage Box "Box below appears when family coverage is selected." 2) Under Check box for spouses each have HSA "Check the box for BOTH spouses when each has a separate HAS" 3) at end of bottom shaded box (you were eligible on December 1st)".	CLARIFICATION
F-8.1	Add Insurance Proceeds to Sales Tax Worksheet.	Add note to Footnote ***: Including Insurance proceeds (Accident, Casualty, Health, Life)	CLARIFICATION
H-5	08 IRA distributions made for qualified higher education expenses	Revised Description: 08 IRA distributions up to the amount you paid for qualified higher education expenses during the year, unless paid with tax-free education aid or Pell grant.	CLARIFICATION
H-5	09 Distributions made for purchase of a first home, up to \$10,000	Revised Description: 09 Distributions made for purchase of a first home, up to \$10,000 per taxpayer and paid within 120 days of distribution	CLARIFICATION

Corrections and Clarifications for NTTC Modified Pub 4012 Release 1

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H-11	Self employment Insurance Deduction for should not be income reduction for PTC. Out of scope.	Scope Note: Calculations with Premium Tax Credit are Out of Scope if a self-employed health insurance deduction is taken.	CLARIFICATION
P-5	Addresses on P-5 don't match on line information	Add note and link on page E-5 first line. For latest address information See Where to File on-line.	CLARIFICATION
D-57	Form 1099-PATR needs explanation and index entry.	ADD NOTE at bottom: Add note bottom of page: NEW SCOPE ITEM: <ul style="list-style-type: none"> • Form 1099-PATR Box 1 when receipts in box 1 are for personal use only. No other box or use is in scope. • Amount is non-taxable and is not entered into TaxSlayer. Enter note on intake sheet and tax form noting it is for personal use only. 	ENHANCEMENT
F-6	Added LTC Limits for convenience. TaxSlayer Handles correctly.	Long-Term Care Premiums Limit 2019 Attained Age Before Close of Taxable Year Limit Under 41 \$420; 41-50 \$790; 51-60 \$1,580; 61-70 \$4,220; Over 70 \$5,270	ENHANCEMENT
F-11	Unrecovered employee contributions for Pension plan	Revise Notes to clarify. Note add: "as a Schedule A Deduction for tax year of death." Add new Note: Unrecovered Investment in pension = Total Employee Contribution less amount recovered using simplified method prior to death.	ENHANCEMENT

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H-6	Explanation needed for new screen shot if Marketplace Coverage is selected.	Added Screen shot and the following note: NOTE: NEVER OVERRDE THE CALCULATED TAX FAMILY SIZE. SELECT CONTINUE for next screen.	ENHANCEMENT				
R-11	need index entry for new note	Add D-57 to 1099-PATR index entry + link	ENHANCEMENT				
R-6	Index does not include "care giver income" or anything similar	Add index entry "Care Giver Income--See Medicaid Waiver Payments" Added Link	ENHANCEMENT				
R9	The word "Exception" is not an index entry	Add Index Entry "Exceptions to Additional Tax on Early Withdrawals--H-4"	ENHANCEMENT				
R-9	The word "Exception" is not an index entry	Add Index Entry "Exceptions to additional tax on HSA withdrawals--E-7"	ENHANCEMENT				
10	Scope section (page 10) says Form 1095-A is in scope. It generally is, but not for Allocation of Policy Amounts or Alternative Calculation for Year of Marriage.	Add Out of Scope info to page 10:	ERROR				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">F-1095-A</td> <td style="width: 5%; text-align: center;">☐</td> <td style="width: 10%;">Yes</td> <td style="width: 70%;"> <p>Health Insurance Marketplace Statement</p> <p>Out-of-scope for:</p> <ul style="list-style-type: none"> • Allocation of Policy Amounts • Alternative Calculation for Year of Marriage </td> </tr> </table>				F-1095-A	☐	Yes	<p>Health Insurance Marketplace Statement</p> <p>Out-of-scope for:</p> <ul style="list-style-type: none"> • Allocation of Policy Amounts • Alternative Calculation for Year of Marriage
F-1095-A	☐	Yes	<p>Health Insurance Marketplace Statement</p> <p>Out-of-scope for:</p> <ul style="list-style-type: none"> • Allocation of Policy Amounts • Alternative Calculation for Year of Marriage 				
15	Scope section shows 8995 OOS and 8995-A in scope. Should be the other way around.	Change 8995-A to 8995 (about 2" from bottom of page 15) and added note 8995-A is out of scope.	ERROR				
D-6	Page D-6, W-2 codes. Code "E" should be 403(b)--not 401(k)	Change "401(k)" to "403(b)"	ERROR				
D-9	Our TaxSlayer TIP: Make a note on the paper form 1099", as shown below <i>[There is nothing shown below.]</i>	Delete the quote mark and the words "as shown below" Add _INT after 1099	ERROR				

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D-9	TaxSlayer Change: PAB interest now carries from 1099-INT and 1099-DIV	Delete "NOT" in shaded note and Delete note "Do not enter in box 9. Enter: Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax"	ERROR
D-11	The RED "Out of Scope" statement shown on the "Unrecaptured Section 1250 Gain (Box 2b)" appears to be misplaced. Since 1250 gains are in scope for Tax-Aide per the NTTC 4491, Rel 1, this statement should be placed on top of the "Section 1202 Gain (Box 2c)" which is OOS per NTTC 4491, Rel 1.	Verify and correct	ERROR
D-11, D12	The NTTC Pub 4012 has an error on page D-11 and D-12. The 4012 does not agree with the scope manual, the 4012 incorrectly shows box 2b as out-of-scope and box 2c as in-scope. Boxes 2a and 2b should be in-scope and boxes 2c and 2d should be out-of-scope	Delete OOS in Box 2b on D-11. Add Out of Scope to Box 2c on page D-12	ERROR
D-12	TaxSlayer Change: PAB interest now carries from Forms 1099-INT and 1099-DIV	Delete "See Note" in Box 12. Delete note "Do not enter in box 12. Enter: Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax"	ERROR
D-39	1099-R code 6. TaxSlayer no longer includes the box 1 amount in the MAGI for sales tax, so it is not necessary (or correct) to reduce the MAGI.	This code is in scope for Tax-Aide. The amount is not taxable but must be reported. Enter -0- in Box 2a DELETE and if itemizing reduce the MAGI in the sales tax calculation by the amount in Box 1.	ERROR
D-39	TaxSlayer Change: Code 6 adjustment for MAGI is no longer necessary in TaxSlayer	Delete: and if itemizing reduce the MAGI in the sales tax calculation by the amount in Box 1.	ERROR

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TAB	ERROR DESCRIPTION	CORRECTION	Type of Revision
E-4.1	SEHI and itemizing: need to check both ways (as SEHI and medical deduction) and see which is better for the taxpayer. (e.g., Bryant/Evans)	Added to bottom of page: Warning: If taxpayer is eligible to itemize, prepare the return as above and compare to a Schedule A deduction. Use the method most beneficial to the taxpayer. Either method may result in a better result.	ERROR
E-7	Adjustment Notes needed revision to prevent calculation errors	Added to note for first adjustment box: "If both taxpayer and spouse had an HSA for the whole year, enter \$7,000 in 1st adjustment box." Deleted last sentence of second adjustment box Deleted "If this account is a self-only but spouse has a family account, then enter the difference between \$3,500 and the limitation amount for this account here".	ERROR
E-7	Note a. What's new is obsolete	Change "What's new" to "Page F-6" Link is now correct.	ERROR
E-7, E-7.1	Married possible errors to resolve	I e-mailed proposed new E-6 to E-7.1 today, 11/15/2019 dwf [and put a copy in this folder]	ERROR

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E-7.1	Corrections needed especially to notes for Married with each having a HSA	<p>Substitutue New Wording for: Married with two HSAs:</p> <p>--If both were self-only plans for the entire year, make no adjustments in TaxSlayer.</p> <p>--If coverage changed during the year, use this form to calculate the total limitation for the family (Line A below).</p> <p>--If both were self-only plans, complete this form for each plan, and enter the amount from Line C below into TaxSlayer's 1st adjustment box.</p> <p>--If at least one policy was a family plan, the limitation amount from Line A can be split between the two HSAs any way the taxpayers choose. Enter the chosen limitation amount for each account in TaxSlayer's 1st adjustment box for that account</p>	ERROR
E-7.1	Corrections to notes for Unmarried or only one HSA	<p>Insert on line 4 "below" after use chart. Change last line of note "2nd" to "1st."</p>	ERROR
E-9	Incorrect IRA contribution limits in TaxSlayer Screen shots. No statement of the correct amounts in the book anywhere.	<p>Added Note at top or screen shot: Maximum IRA contribution for TY2019 to \$6,000 (\$7,000 if age 50 or older). Delete limits in screen shot.</p>	ERROR
F-12	Update QBI limits to TY2019 (was 2018)	<p>Add Note at top of page: If taxable income (before the QBI deduction) exceeds \$157,500 (\$315,000 if MFJ)</p>	ERROR

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F-11	Repayments >\$3000 is out of scope per 10/17 meeting	<p>Revised note to: Repayment of income (including unemployment benefits) taxed in a prior year if over \$3,000:</p> <p>Instead of an itemized deduction for a repayment of previously taxed income, a credit can be claimed in the current year equal to the tax difference in the prior year had the income not been included. If that credit is more advantageous, the return is out of scope because TaxSlayer does not allow an entry on the right line of the return.</p>	ERROR					
G-04	Dependents who are residents of Canada or Mexico do not qualify for either the Child Tax Credit or the Credit for Other Dependents.	<p>Revised Caution: Dependents who are residents of Canada or Mexico "but who are not U.S. Citizens or U.S. nationals" do not qualify for either the Child Tax Credit or the Credit for Other Dependents.</p>	ERROR					
G-13	On the bottom of page G-13 Mod NTTC Pub 4012, the 2nd NOTE and NTTC notes in red refer to lines 4 and 5. Please clarify as the entry boxes in Taxslayer are not numbered as such.	<p>Added to Shaded note: If you are a surviving spouse and you did not remarry, add \$3,000.00 (\$6,000.00 if you have more than one qualify child).Delete last sentence of bottom IRS note and all of NTTC added to that note.</p>	ERROR					
H-04	There is a circular situation for a child age 19 in the chart on p. H-3. Step 4 should lead to Step 5, not step 4	<p>Change 4 to 5 in Step 4.</p>	ERROR					
O-6	TaxSlayer Change	Delete as unnecessary	ERROR					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">1099-INT Box 9, Specified Private Activity Bond Interest (PAB)</td> <td style="width: 10%;">6251</td> <td style="width: 15%;">N/A or OOS</td> <td style="width: 40%;">Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax</td> <td style="width: 10%; text-align: center;">D-9</td> </tr> </table>	1099-INT Box 9, Specified Private Activity Bond Interest (PAB)	6251	N/A or OOS	Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax	D-9		
1099-INT Box 9, Specified Private Activity Bond Interest (PAB)	6251	N/A or OOS	Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax	D-9				

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O-6	TaxSlayer Change	Delete as unnecessary	ERROR					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">1099-DIV Box 12, Private Activity Bond Interest (PAB)</td> <td style="width: 10%;">6251</td> <td style="width: 10%;">N/A or OOS</td> <td style="width: 45%;">Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax</td> <td style="width: 10%; text-align: center;"> D-9 11 </td> </tr> </table>	1099-DIV Box 12, Private Activity Bond Interest (PAB)	6251	N/A or OOS	Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax	D-9 11		
1099-DIV Box 12, Private Activity Bond Interest (PAB)	6251	N/A or OOS	Other Taxes and Payments>Alternate Minimum Tax>Interest from specified private activity bonds exempt from the regular tax	D-9 11				
R-17	In first column, Private Activity Bonds and Prizes are run together with the prior index entry.	Prisoner earned income, D-3, D-51, D-57, O-9 Private activity bond (PAB) interest, 11, D-9, D-12, O-6 Prizes and awards, D-15, O-11	ERROR					
D-58	Medicare Waiver Payments need significant revisions	Add at top of page: This section is under review due to recent Tax Court Rulings Release 2 will update.	Law Change					
EXT-1	Extenders Passed	Added note to top: Late tax law change extended provisions in this Tab. See Release 2 and Pub 4491X for additional details.	Law Change					
F-06	Medical Expenses now 7.5% not 10% after new tax law change.	Add note to top: Taxpayers can deduct only the amount of unreimbursed medical and dental expenses that exceeds 7.5% of their Adjusted Gross Income (AGI).	Law Change					
H-2	Kiddie Tax Changes repealed.	Add Note midway down page: WARNING: Late changes were made for Kiddie Tax. Changes will be detailed in Release 2 of this Publication. Scope may be changed as a result. Verify current law and scope before completing any affected return	Law Change					
H-4.1	Medical Expenses now 7.5% not 10% after new tax law change.	Changed 10% to 7.5% for Code 05. Add Note above example: "Example below is based on old 10% exclusion for Medical (now 7.5%). Adjust accordingly"	Law Change					
J-2	Registered Apprenticeship fees and student loan repayment added to Qualified Expenses	Add Note to Qualified Tuition Program (QTP) Column "Late Tax Law Changes added qualified expenses. Details to follow."	Law Change					