

Scenario #1 - Smith

Purpose: Reinforce principles, practice data entry and use resources (e.g., Pub 4012) regarding filing status, personal information, dependent and exemptions, wages and interest.

Interview notes:

- David Smith (DoB 2/1/1986) is single
- SSN: 456-00-XXXX
- Address: 150 Main St, Your City, Your Zip code
- Employed as a manager at Walmart

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| W-2: Walmart 702 SW 8 th Street Bentonville AR 72716 EIN: 45-6000000 |
| Box 1 = \$31,200 Box 2 = \$4100 Box 3 = \$31,200 Box 5 = \$31,200 Box 12a = Code DD and \$2600 Box 13 = Retirement Plan checked |

- David's Federal Credit Union statement shows \$9.42 in dividends credited last year.

Instruction:

- Start a new return for David. Complete the "Basic Information" section then enter his income to the "Federal Section". Review the Form 1040.

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| What options do you have for looking at the 1040? | |
| What do you need to do with data TaxSlayer fills in on the W-2 (after you enter EIN and Box 1) | |
| If David had contributed \$1000 to his 401K plan, how would his W-2 change? What affect would it have on his tax return? | |

NH Tax-Aide: Self-Study Practice Scenarios

- Fill in this table with David's refund, noting changes on his tax return as you change filing status and dependents. (Note: You will see tax benefits you have not studied yet.)

| Filing Status | Refund | What changed on the return? |
|-----------------------------|--------|-----------------------------|
| Single | | |
| MFS | | |
| MFS with dependent child | | |
| Single with dependent child | | |
| HoH | | |
| QW | | |

- Change David's filing status to MFS
- Add a dependent daughter Mary Smith: DoB 4/5/2007, SSN 567-00-XXXX, lived with him all year, full-time student, not disabled. Note: Say 'no' to TaxSlayer's question, but look at the message and Pub 4012, Tab B.
- Change David's filing status back to single.
- Change David's filing status to HoH.
- Change David's filing status to QW.

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| Which filing statuses require a dependent? | |
| If David is single and not a widower, what would be his best filing status with a dependent? Where in Pub 4012 helps determine if he qualifies? | |
| Would the answer change if he was still legally married? What probing questions do you ask? | |

- Change David's filing status back to single, and Mary from daughter to mother, DoB 4/5/1951, not a student, widow who only receives Social Security and a small amount of interest on her savings. Review the Form 1040.

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| What changed and why? | |
| What probing questions would you ask if David listed his mother on the I&I Sheet? | |
| What is David's eligible filing status? | |
| What if his mother did not live with him? | |

Scenario #2 – Smith (continued)

Purpose: Reinforce principles, practice data entry and use resources (e.g., Pub 4012) regarding pensions, IRAs and social security.

Interview notes:

- For this exercise assume that David suffered an injury on the job and was unable to work.

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| <p>1099-R: Walmart Pension Plan 1 Main St Kyle TX 78640 EIN 45-6000003</p> |
| <p>Box 1 = \$22,000 Box 2 = \$22,000 Box 4 = \$2200 Box 7 = Code 2</p> |

Instruction:

- Find his return in the “Client Search”. Change his W-2 Box 1 to \$5,000 and Box 2 to \$700 and enter his 1099-R. Review the Form 1040.

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| What changed and why? | |
| What does code 2 in Box 7 mean? | |
| What would code 3 in Box 7 indicate? What probing questions should be asked and what do you need to indicate on TaxSlayer? | |
| What if Box 7 was code 1? What probing questions should be asked? | |

- David started receiving Social Security disability last year and provides a Form SSA-1099 with \$4,200 in Box 5. Update his return and look at his 1040.

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| What would you do if there was an amount in Box 3 of Form SSA-1099? | |
| How much of his Social Security is taxable? | |
| If David wants an explanation of the taxable amount what would you review with him? | |