NH DP-10 Practice Return: *Complete using 2019 Practice Lab and following instructions in the NTTC Workbook page 3 except where details (i.e., state information) are provided here. For training consult the NH DP-10 Training or NH DP-10 Pub 4012 Insert. Also helpful: NH tax forms and instructions, which can be found at* www.revenue.nh.gov

Objectives

- Identify when a NH Return needs to be completed
- Know when a return is required to be filed, even if there is no tax liability and why
- Know how to identify and process interest and dividends that are not taxed by NH
- Know how to identify and process annuities that are taxed by NH
- Know what the NH Educational Credit is and why you will probably never see one
- Know the two TSO tricks to successfully prepare an e-filable NH return

Note: This practice return is based on 2019 tax law and software, and 2019 tax forms and Intake Sheet are used. Significant changes are not expected for 2020, but if changes impact this practice problem it will be updated.

Interview Notes

Brad and Janet are retired. They both had Medicare all year. The Majors moved to NH a few years ago and were surprised that they had to pay taxes in NH. They would like vouchers for next year's NH estimated payments. Brad still owns a municipal bond fund designed to avoid taxes when they lived in MA (all income from this fund is from MA municipal bonds). Janet says her retirement payments are not a pension, but from an annuity she purchased years ago.

Driver's License (Tax Training Only)
License No. 20191024104136
Name and Address
MAJORS, BRADLEY A

1 MAIN STREET
YC, NH YZIP

Birth Date 01/01/1950
Issue Date 12/12/2018 Expiration Date 12/12/2023

Driver's License (Tax Training Only)
License No. 20191024104123
Name and Address
MAJORS, JANET W

1 MAIN STREET
YC, NH YZIP

Birth Date 02/02/1950
Issue Date 01/13/2019 Expiration Date 01/13/2024

Social Security

343-00-XXXX

THIS NUMBER HAS BEEN ESTABLISHED FOR

BRADLEY A MAJORS

For Tax Training Purposes Only

Social Security

342-00-XXXX

THIS NUMBER HAS BEEN ESTABLISHED FOR

JANET W MAJORS

For Tax Training Purposes Only

BRADLEY A MAJORS
JANET W MAJORS
1 MAIN STREET
YC, NH YZIP

1234

PAY TO THE ORDER OF ______ $ ______

______ DOLLARS

Your Bank
Address
City, State ZIP

For ______ ______

325070760 987123654 **1234**

Form **13614-C** (October 2019)

Department of the Treasury - Internal Revenue Service

Intake/Interview & Quality Review Sheet

OMB Number 1545-1964

You will need:
- **Tax Information such as Forms W-2, 1099, 1098, 1095.**
- **Social security cards or ITIN letters for all persons on your tax return.**
- **Picture ID (such as valid driver's license) for you and your spouse.**

- **Please complete pages 1-4 of this form.**
- **You are responsible for the information on your return. Please provide complete and accurate information.**
- **If you have questions, please ask the IRS-certified volunteer preparer.**

Volunteers are trained to provide high quality service and uphold the highest ethical standards.
To report unethical behavior to the IRS, email us at wi.voltax@irs.gov

Part I – Your Personal Information *(If you are filing a joint return, enter your names in the same order as last year's return)*

1. Your first name: Bradley | M.I.: A | Last name: Majors | Daytime telephone number: 603-123-4567 | Are you a U.S. citizen? ☒ Yes ☐ No

2. Your spouse's first name: Janet | M.I.: W | Last name: Majors | Daytime telephone number: same | Is your spouse a U.S. citizen? ☒ Yes ☐ No

3. Mailing address: 1 Main Street | Apt # | City: YourCity | State: NH | ZIP code: YZIP

4. Your Date of Birth: 1/1/1950
5. Your job title: retired
6. Last year, were you: a. Full-time student ☐ Yes ☒ No; b. Totally and permanently disabled ☐ Yes ☒ No; c. Legally blind ☐ Yes ☒ No

7. Your spouse's Date of Birth: 2/2/1950
8. Your spouse's job title: retired
9. Last year, was your spouse: a. Full-time student ☐ Yes ☒ No; b. Totally and permanently disabled ☐ Yes ☒ No; c. Legally blind ☐ Yes ☒ No

10. Can anyone claim you or your spouse as a dependent? ☐ Yes ☒ No ☐ Unsure

11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? ☐ Yes ☒ No

Part II – Marital Status and Household Information

1. As of December 31, 2019, what was your marital status? (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)
   - ☐ Never Married
   - ☒ Married
     - a. If Yes, Did you get married in 2019? ☐ Yes ☒ No
     - b. Did you live with your spouse during any part of the last six months of 2019? ☒ Yes ☐ No
   - ☐ Divorced — Date of final decree ________
   - ☐ Legally Separated — Date of separate maintenance decree ________
   - ☐ Widowed — Year of spouse's death ________

2. List the names below of:
   - **everyone** who lived with you last year *(other than your spouse)*
   - **anyone** you supported but did not live with you last year

If additional space is needed check here ☐ and list on page 3

Name *(first, last)* Do not enter your name or spouse's name below (a)	Date of Birth *(mm/dd/yy)* (b)	Relationship to you *(for example: son, daughter, parent, none, etc)* (c)	Number of months lived in your home last year (d)	US Citizen *(yes/no)* (e)	Resident of US, Canada, or Mexico last year *(yes/no)* (f)	Single or Married as of 12/31/19 *(S/M)* (g)	Full-time Student last year *(yes/no)* (h)	Totally and Permanently Disabled *(yes/no)* (i)	**To be completed by a Certified Volunteer Preparer** Is this person a qualifying child/relative of any other person? *(yes/no)*	Did this person provide more than 50% of his/ her own support? *(yes/no)*	Did this person have less than $4,200 of income? *(yes/no)*	Did the taxpayer(s) provide more than 50% of support for this person? *(yes/no/N/A)*	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? *(yes/no)*

Catalog Number 52121E   www.irs.gov   Form **13614-C** (Rev. 10-2019)

Check appropriate box for each question in each section

Yes	No	Unsure	Part III – Income – Last Year, Did You *(or Your Spouse)* Receive
☐	☒	☐	1. (B) Wages or Salary? (Form W-2) **If yes, how many jobs did you have last year?** ______
☐	☒	☐	2. (A) Tip Income?
☐	☒	☐	3. (B) Scholarships? (Forms W-2, 1098-T)
☒	☐	☐	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
☐	☒	☐	5. (B) Refund of state/local income taxes? (Form 1099-G)
☐	☒	☐	6. (B) Alimony income or separate maintenance payments?
☐	☒	☐	7. (A) Self-Employment income? (Form 1099-MISC, cash)
☐	☒	☐	8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099?
☐	☒	☐	9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B)
☐	☒	☐	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
☒	☐	☐	11. (A) Retirement income or payments from Pensions, Annuities, and or IRA? (Form 1099-R)
☐	☒	☐	12. (B) Unemployment Compensation? (Form 1099G)
☒	☐	☐	13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)
☐	☒	☐	14. (M) Income (or loss) from Rental Property?
☐	☒	☐	15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify ______

Yes	No	Unsure	Part IV – Expenses – Last Year, Did You *(or Your Spouse)* Pay
☐	☒	☐	1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? ☐ Yes ☐ No
☐	☒	☐	2. Contributions to a retirement account? ☐ IRA (A) ☐ 401K (B) ☐ Roth IRA (B) ☐ Other
☐	☒	☐	3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
☒	☐	☐	4. (A) Any of the following? ☒ Medical & Dental (including insurance premiums) ☐ Mortgage Interest (Form 1098) ☒ Taxes (State, Real Estate, Personal Property, Sales) ☐ Charitable Contributions
☐	☒	☐	5. (B) Child or dependent care expenses such as daycare?
☐	☒	☐	6. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?
☐	☒	☐	7. (A) Expenses related to self-employment income or any other income you received?
☐	☒	☐	8. (B) Student loan interest? (Form 1098-E)

Yes	No	Unsure	Part V – Life Events – Last Year, Did You *(or Your Spouse)*
☐	☒	☐	1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
☐	☒	☐	2. (A) Have credit card or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A)
☐	☒	☐	3. (A) Adopt a child?
☐	☒	☐	4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes, for which tax year? ______
☐	☒	☐	5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)
☐	☒	☐	6. (A) Receive the First Time Homebuyers Credit in 2008? For NH only paid $20 on
☒	☐	☐	7. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? 4/15, 6/15, 9/15 + 1/15
☐	☒	☐	8. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?
☐	☒	☐	9. (A) Have health coverage through the Marketplace (Exchange)? [Provide Form 1095-A]

Catalog Number 52121E www.irs.gov Form **13614-C** (Rev. 10-2019)

Additional Information and Questions Related to the Preparation of Your Return

1. Provide an email address *(optional) (this email address will not be used for contacts from the Internal Revenue Service)* ____________

2. Presidential Election Campaign Fund *(If you check a box, your tax or refund will not change)*

   Check here if you, or your spouse if filing jointly, want $3 to go to this fund ☐ You ☐ Spouse

3. If you are due a refund, would you like: a. Direct deposit ☒ Yes ☐ No b. To purchase U.S. Savings Bonds ☐ Yes ☒ No c. To split your refund between different accounts ☐ Yes ☒ No

4. If you have a balance due, would you like to make a payment directly from your bank account? ☐ Yes ☒ No

5. Live in an area that was declared a Federal disaster area? ☐ Yes ☒ No If yes, where? ____________

6. Did you, or your spouse if filing jointly, receive a letter from the IRS? ☐ Yes ☒ No

Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the following questions may be used by this site to apply for these grants or to support continued receipt of financial funding . Your answer will be used only for statistical purposes. These questions are optional.

7. Would you say you can carry on a conversation in English, both understanding & speaking? ☒ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer

8. Would you say you can read a newspaper or book in English? ☒ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer

9. Do you or any member of your household have a disability? ☐ Yes ☒ No ☐ Prefer not to answer

10. Are you or your spouse a Veteran from the U.S. Armed Forces? ☐ Yes ☒ No ☐ Prefer not to answer

11. Your race?

☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or other Pacific Islander ☒ White ☐ Prefer not to answer

12. Your spouse's race?

☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or other Pacific Islander ☒ White ☐ Prefer not to answer

13. Your ethnicity? ☐ Hispanic or Latino ☒ Not Hispanic or Latino ☐ Prefer not to answer

14. Your spouse's ethnicity? ☐ Hispanic or Latino ☒ Not Hispanic or Latino ☐ Prefer not to answer

Additional comments

Please provide vouchers for NH estimates

Privacy Act and Paperwork Reduction Act Notice

☐ CORRECTED (if checked)

PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. LITTLE CREDIT UNION 111 MAIN STREET YCITY, NH YZIP	Payer's RTN (optional)	OMB No. 1545-0112 2019 Form 1099-INT	**Interest Income**
	1 Interest income $2,400.00		
	2 Early withdrawal penalty		**Copy B** **For Recipient**
PAYER'S TIN: 63-100XXXX RECIPIENT'S TIN: 343-00-XXXX	3 Interest on US Savings Bonds and Treas. obligations $99.00		
RECIPIENT'S name Street address (including apt.no.) City or town, state or province, country, ZIP or foreign postal code BRADLEY MAJORS 1 MAIN STREET YCITY, NH YZIP	4 Federal income tax withheld	5 Investment expenses	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported
	6 Foreign Tax Paid	7 Foreign Country or US possession	
	8 Tax exempt interest $50.00	9 Specified private activity bond interest	
FATCA filing requirment ☐	10 Market Discount	11 Bond Premium	
	12 Bond premium on Treasury obligations	13 Bond Premium on tax-exempt bond	
Account number (see instructions)	14 Tax-exempt and tax credit bond CUSIP no.	15 State / 16 State Identification no.	17 State tax withheld

Form **1099-INT**

☐ CORRECTED (if checked)

PAYER'S name Street address City or town, state or province, country, ZIP or foreign postal code Telephone no. HUGE FUND COMPANY MASSACHUSETTS MUNICIPAL BOND FUND 100 FEDERAL STREET BOSTON, MA 02110	1 Total Ordinary Dividends	OMB No. 1545--0110 2019 Form 1099-DIV	**Dividends and Distributions**
	1b Qualified Dividends		**Copy B** **For Recipient**
	2a Total capital gain distr.	2b Unrecap. Sec. 1250 gain	
PAYER'S TIN: 68-700XXXX RECIPIENT'S TIN: 343-00-XXXX	2c Section 1202 gain	2d Collectables (28%) gain	
RECIPIENT'S name Street address (including apt.no.) City or town, state or province, country, ZIP or foreign postal code BRADLEY A MAJORS 1 MAIN ST YCITY, NH YZIP	3 Nondividend distributions	4 Federal income tax withheld	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
	5 Section 199A dividends	6 Investment expenses	
	7 Foreign Tax Paid	8 Foreign Country or US possession	
FATCA filing requirment ☐	9 Cash liquidation distributions	10 Noncash liquidation distribution	
	11 Exempt-Interest dividends $600.00	12 Specified private activity bond interest dividends	
Account number (see instructions)	13 State / 14 State Identification no.	15 State tax withheld	

Form **1099-DIV**

CORRECTED (if checked)

Dividends and Distributions

OMB No. 1545--0110

2019

Form 1099-DIV

Copy B For Recipient

PAYER'S name
Street address
City or town, state or province, country, ZIP or foreign postal code
Telephone no.

HUGE FUND COMPANY
BIG GROWTH FUND
100 FEDERAL STREET
BOSTON, MA 02110

1 Total Ordinary Dividends	$200.00
1b Qualified Dividends	$100.00
2a Total capital gain distr.	$70.00
2b Unrecap. Sec. 1250 gain	
2c Section 1202 gain	
2d Collectables (28%) gain	
3 Nondividend distributions	
4 Federal income tax withheld	
5 Section 199A dividends	
6 Investment expenses	
7 Foreign Tax Paid	
8 Foreign Country or US possession	
9 Cash liquidation distributions	
10 Noncash liquidation distribution	
11 Exempt-Interest dividends	
12 Specified private activity bond interest dividends	
13 State	
14 State Identification no.	
15 State tax withheld	

PAYER'S TIN	RECIPIENT'S TIN
68-700XXXX	343-00-XXXX

RECIPIENT'S name
Street address (including apt.no.)
City or town, state or province, country, ZIP or foreign postal code

BRADLEY A MAJORS
1 MAIN ST
YCITY, NH YZIP

FATCA filing requirment

Account number (see instructions)

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form **1099-DIV**

CORRECTED (if checked)

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

2019

Form 1099-R

Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.

This information is being furnished to the IRS

PAYER'S name
Street address
City or town, state or province, country, ZIP or foreign postal code
Telephone no.

HARRIS INSURANCE CO
PO BOX 1389
FAIRVIEW, KY 42221

1 Gross distribution	$10,000.00
2a Taxable amount	$8,000.00
2b Taxable amount not determined.	
Total Distribution	
3 Capital gain (included in box 2a).	
4 Federal income tax withheld	
5 Employee contributions/ Designated Roth contributions or	
6 Net unrealized appreciation in employer's securities	
7 Distribution Code(s)	7D
IRA/ SEP/ SIMPLE	
8 Other	%
9a Your percentage of total distribution	%
9b Total Employee Contributions	
10 Amount allocable to IRR within 5 years	
11 1st year of desig. Roth contrib.	
FATCA filing requirment	
12 State tax withheld	
13 State/Payer's state no.	
14 State distribution	
15 Local tax withheld	
16 Name of locality	
17 Local distribution	

PAYER'S TIN	RECIPIENT'S TIN
63-200XXXX	342-00-XXXX

RECIPIENT'S name
Street address (including apt.no.)
City or town, state or province, country, ZIP or foreign postal

JANET WEISS MAJORS
1 MAIN STREET
YC, NH YZIP

Account number (see instructions)

Date of payment

Form **1099-R**

FORM SSA-1099 - SOCIAL SECURITY BENEFIT STATEMENT

2019
- PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
- SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name BRADLEY A MAJORS		Box 2. Beneficiary's Social Security 343-00-XXXX
Box 3. Benefits Paid in 2019 $13,000.00	Box 4. Benefits Repaid to SSA in 2019	Box 5. Net Benefits Paid for 2019 (Box 3 minus Box 4) $13,000.00

DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
Paid by check or direct deposit	$10,944.00	
Medicare Part B premiums deducted from your benefits	$1,626.00	
Medicare Prescription Drug premiums (Part D) deducted from your benefits	$430.00	
Total Additions	$2,056.00	Box 6. Voluntary Federal Income Tax Withheld
Benefits for 2019	$13,000.00	
		Box 7. Address
Benefits for 2018		
Benefits for 2017		
Benefits for 2016		Box 8. Claim Number (use this number if you need to contact SSA) 343-00-XXXXA

Form **SSA-1099-SM**

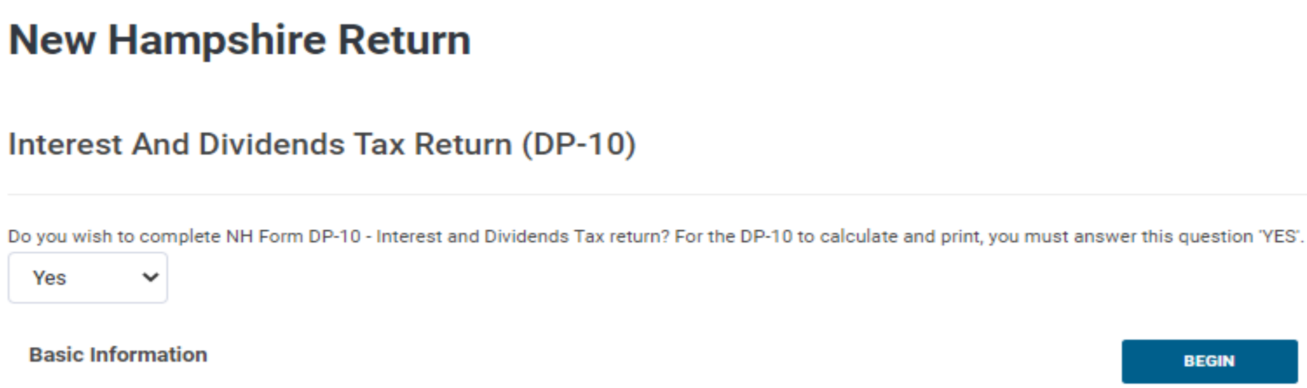
DP-10 Quiz

1) Can Brad and Janet get a refund from NH direct deposited?
2) Can Brad and Janet make a direct debit to NH if they owe taxes?
3) Brad's MA municipal interest is exempt on the federal return, but taxed by NH. How should it be accurately reported on the DP-10?
4) Does the DP-10 need to be filed if there is no tax due?
5) Is bond interest from FNMA or GNMA obligations taxable on the DP-10?
6) When are taxpayers required to pay estimated taxes to NH?
7) Is there a penalty for underpaying estimated taxes to NH?
   a) Is it in scope?
8) If a taxpayer has a Schedule C will they also have business filing requirements with NH?
   a) Is it in scope?
9) If the client had an education credit on their federal 1040 what amount, if any, can they use on DP-10 line 11?
10) Why is Janet's retirement income taxable in NH?
11) What are the two TSO tricks for ensuring a NH return can be e-filed?

<u>DP-10 Quiz Answers</u> (see NH DP-10 Training for all answers unless otherwise indicated)

1) Yes. At one time this was a problem with TSO, but it now works.
2) No. It is possible on TSO, but **Out of Scope** because clients have experienced numerous problems with direct debits (e.g., debits processed same day as filing instead of when scheduled, or not processed at all). Request that a check will be mailed so a voucher prints; NH does offer an electronic payment option on their website that clients can use if they do not want to mail a check. If a taxpayer insists on direct debit: NH Tax-Aide policy requires that you note on their Intake/Interview form that the taxpayer was informed of the risks and of their responsibility to ensure the funds are properly withdrawn/paid to the State of NH. Have the client(s) initial this note, and add a dated "note" on TSO regarding this matter in case the client blames Tax-Aide for any problems.
3) TSO does not carry Nontaxable Interest and Dividends to DP-10 Line 4; you must make the necessary entry in the "Nontaxable Interest and Dividends" section.
4) It might. If the taxpayer received > 2400/4800 in gross interest and dividends - see Line 3 **- a return is required even if exemptions or exclusions result in no tax liability**. If a DP-10 is not filed NH DRA will bill the client for taxes based on income information they receive from the IRS. If a return is not filed the state cannot know exemptions or non-taxable amounts that apply to the client.
5) (NH DRA Interest and Dividends Tax Return Quick Checklist) Yes.
6) Estimated tax payments are required if taxes due exceed $500. TSO will not recognize this; you must review the client's DP-10 and generate vouchers when required.
7) Yes, and it is important that you calculate them for the client.
   a) Yes - Only the **federal** penalties are out of scope; NH Tax-Aide policy is that you follow state form instructions regarding penalties and interest. If the client fails to pay penalties due when filing DP-10 the state will bill the client; possibly for even higher amounts calculated at a later date.
8) They might. There are several filing requirements for businesses in NH, but it is rare that our clients meet filing requirements due to their income levels

   a) Per NH Tax-Aide policy the NH business returns are out-of-scope. You can provide the client with general requirements and DRA website/contact information so they can follow up. They will need their federal Schedule C to prepare NH business returns, and a copy may be needed for filing.
9) Nothing. The NH education credit is completely different from the federal education tax credits: It allows a credit for donations made to approved scholarship organizations that grant scholarships to children to attend private schools. For details, see www.revenue.nh.gov/assistance/education-tax-credit
10) Because the income is from a nonqualified annuity, as indicated by a code "D" in 1099-R box 7. Typical codes in box 7 that indicate taxable NH income include 1D, 4D and 7D.
11) Say "yes" you want to file a NH return twice (say "yes", click "continue", then say "yes" again):



And for any entries for Lines 2 and 4 remember to input the EIN (it does not carry over and the number there is just an example):

If these entries are not made the return will reject when your ERO tries to e-file.

Line-by-line answer for the Majors federal 1040 return:

L2a	650	L2b	2499
L3a	100	L3b	200
L4c	10000	L4d	8000
L5a	13000	L5b	0
		L6	70
		L7	10769
		L9	27000
		L11b	0

Line-by-line answer for the Majors DP-10:

page 2	L1a	2499
	L1b	200
	L1c	650
	L1d	3349
	L2 IV	8000
	L2	8000
	L3	11349
	L4 IV	99
	L4a	99
	L4c	99
page 3	L4	99
	L5	11250
	L6	4800
	L7	6450
	L8	2400
	L9	4050
Page 4	L10	203

	L12	203
	L13b	80
	L13d	80
	L14	123
	L17	123