

## NH TAX-AIDE: FORM DP-10 TRAINING

NH DRA issued TIR 2020-001 on 3/30/2020 providing COVID-19 Pandemic Relief for 2019 taxes and returns. When this document was created DRA had not provided information regarding further relief for 2020 taxes or returns. Consult [www.revenue.nh.gov](http://www.revenue.nh.gov) for any updates.

This document provides information about the NH state interest and dividend tax return (Form DP-10) and how to prepare it on TaxSlayer (“TSO”). Relevant NH Tax-Aide policies are also stated. Review of this training and completion of the “NH DP-10 Practice Return and Quiz” meets Tax-Aide’s state training requirement for volunteers preparing the DP-10. A shorter NH Tax-Aide “Form DP-10 Pub 4012 Insert” is also available. These documents were prepared before 2020 state tax forms or software was available; changes are not expected, but materials will be revised if necessary. Escalate concerns to [bbeemuz@hotmail.com](mailto:bbeemuz@hotmail.com).

Self-employed individuals, including nonresidents doing business in NH, may have other filing requirements. These forms are not addressed here or in other materials (e.g., modified Pub 4012), rarely apply to our clients, and per NH Tax-Aide policy are **out-of-scope**.

NH DRA website has tax forms, instructions, the Interest and Dividends “Quick Checklist” (what is/isn’t taxable by NH), etc. at [www.revenue.nh.gov](http://www.revenue.nh.gov). There is an “E-file” section (called Granite Tax Connect) on this site and fillable PDF forms, but Tax-Aide policy requires volunteers to use TSO to prepare returns. Note that clients can make electronic tax payments on this website.

### **NH INTEREST AND DIVIDEND TAX OVERVIEW**

- The NH Interest and Dividends return is called **Form DP-10**. This form is filed by residents and part-year residents. There is no requirement for nonresidents.
- Residents and part-year residents must file DP-10 if **gross interest and dividends** from all sources (DP-10 line 3 or Form 1040 lines 2a + 2b + 3b + taxed 1099-R distributions) exceed \$2,400/4,800. Clients not required to file a federal return may still need to file DP-10. Clients may need to file DP-10, but not incur any tax.
- NH receives resident income information (as reported on 1099-INT, -DIV and -Rs) and bills residents who do not file based on gross interest and dividends. **It is critical that a DP-10 is filed when required** to prevent clients from paying higher tax bills, penalties or interest.
- NH taxes interest and dividends, except those earned from NH state/municipal securities and “certain” direct US obligations. NH also does not tax capital gains (which may be reported with taxable dividends) or interest and dividends distributed by qualified retirement plans (e.g., 401K, IRA, most employer pensions), but **does tax distributions from unqualified plans** (indicated by code “D” on Form 1099-R, and considered pension/annuity income on the federal return).
- All taxpayers (including part-year residents) are entitled to the \$2,400/4,800 income exemption. There are additional exemptions of 1,200 for individuals who are blind, 65 or older or disabled. *For example, a married couple both over 65 earning \$7,200 in NH taxable interest and dividends would meet the filing requirement (>\$4,800) but not incur any tax because of their exemptions.*

- NH has a rarely-used education tax credit. It is not for education expenses (as on the 1040), but for contributions made to previously DRA-approved organizations that grant scholarships to children attending private schools.
- To amend a DP-10 complete a new form and check the “Amended Return” box in step 2. If the IRS notifies a client that they have adjusted their federal return, NH requires form DP-87.
- NH does not withhold taxes
- NH has penalties for failure to file or pay taxes on time and underpayment of estimated taxes. A 7-month extension to file can be obtained to avoid late filing penalties if all taxes are paid on time.
- Prior year returns - The DP-10 changes little from year to year. This document can be used, but be wary of prior year TSO glitches. Carefully review returns.

### GENERAL INFORMATION ABOUT STATE RETURNS ON TSO

- TaxSlayer provides little state tax return guidance. In addition to Tax-Aide materials (e.g., the NTTC Pub 4012, this document) volunteers should use state form instructions AND take care to identify necessary state entries during the interview.

### GENERAL INFORMATION ABOUT DP-10 ON TSO

- The DP-10 does not work the way other state returns do on TSO. Some data is **not** carried from the federal section to the DP-10 (even “state” entries), many calculations are not done, and some data is not carried from one NH form to another. There are also some software glitches.
- Likewise, the modified NTTC Pub 4012 has state content, but it often does not apply to the DP-10. You may want to add a general note referring to **this document or the “NH DP-10 4012 Insert”** or comments to some pages: D-1, D-9, 11 and 12 (state fields referenced do not work for the DP-10); D-25; D-41 (code “D” in box 7 = NH taxable income); D-48 – 49; H-7; K-1; K-2 & 19 (direct debit is out-of-scope for DP-10); K-12; K-23; M-2 and M-4, (NH extensions are filed via form DP-59-A, which is not e-filed); O-4; O-6, 7, 10, 11.
- TSO carries only the following amounts to the DP-10 automatically: 1040 lines 2a, 2b and 3b AND state estimated tax payments/amount applied from prior year refund. TSO also carries some taxpayer data (name, SSNs, address, DOBs, blindness) and return filing/payment/refund information from the E-file Section.
- Say “yes” when TSO asks if you want to complete the DP-10 (it does this **just after** you select the DP-10 to complete) and enter payor EINs at Lines 2 and 4 (it looks like it carried over, but TSO puts “123..” in the field).

**STEP BY STEP INSTRUCTIONS TO PREPARE FORM DP-10 ON TSO****1. Complete Interview/Intake**

Review tax documents and talk to the client to identify income taxed/not taxed by NH, determine if there is a NH filing requirement, ensure the client has all necessary documents and ensure the return is in scope. You may need to make taxpayers aware of the NH interest and dividends tax.

- Use the NH DRA “Quick Checklist” to identify income treated differently on the DP-10 vs the 1040. This will help determine necessary TSO entries. Note that not all US government income can be excluded.
- Be careful with Form 1099-R with Box 7 coded “D”: Unqualified or non-ERISA annuity distributions are treated as pension or annuity income on the federal return but NH considers it taxable dividend income. If the client disagrees, or thinks code “D” is incorrectly used on their 1099-R they need to follow up with the issuer for a corrected form, advice about the nature of their distribution or additional detail if income sources are exempt from tax (i.e., NH or US government but this is unlikely).
- Be careful with 1099-DIVs from mutual funds: Any portion of dividends that is from NH tax-exempt securities or nontaxed US obligations, or that is capital gains (a return of capital, not income) is not taxed by NH. Year-end statements often break out income and provide the level of detail needed to identify these amounts.
- Be careful with K-1s. Interest and dividends flow to the DP-10 and capital gains do not, but review carefully for any nontaxed income that should be entered at Line 2.

**2. Prepare Federal return on TSO**

The only NH entries to make here are any NH refund applied from last year and estimated tax payments. Enter amounts to the appropriate fields at Payments and Estimates>State Estimated Payments and select “New Hampshire” for the state. These amounts will carry to DP-10 line 13.

- TSO GLITCH: If you erroneously enter state estimates **do not** use the delete/trash can icon to delete them; TSO will not update line 13. The edit function works (you can delete your entries/enter 0’s or other amounts and updates carry to line 13).
- TSO GLITCH: As you enter interest and dividends in the Federal Section you will see fields where “state” return entries can be made. Ignore them, these fields **do not flow to the DP-10**. You must make the necessary entries in the State Section.

- When you enter a Form 1099-R coded “D” in the Federal Section you will not see any entry field regarding taxation of this income by NH, and TSO will **not** recognize a “D” code as taxable income in NH or carry any 1099-R data to DP-10 line 2. You must make the necessary entries in the State Section.
- The state income and state withholding fields on the 1099R entry screen do not carry to the DP-10, but these boxes should be blank as NH does not withhold taxes.

### 3. Make DP-10 Entries to State Section on TSO

- To start a DP-10 first “Add State Return(s)”
- Then at “Select Your State Return” select “New Hampshire” from the dropdown list, *ignoring the comment here that NH does not have an individual income tax return.*
- Then choose “Resident” or “Part Year” return type (“Nonresident” is an option on TSO, but NH does not require nonresidents to file DP-10).
- Then click “Begin” the “Interest and Dividends Tax Return (DP-10)” and you will see the screen below. *Note the “Proprietor Business Profits Tax Return” is the out-of-scope NH business returns that may apply to some self-employed clients.*

The screenshot shows the 'Practice Lab' interface for the year 2017. On the left is a navigation menu with options like 'Basic Information', 'Federal Section', 'Health Insurance', 'State Section', 'Summary/Print', 'e-File', '2017 Amended Return', 'Save & Exit Return', 'Help & Support', and another 'Save & Exit Return'. The main area is titled 'New Hampshire Return' and 'Interest And Dividends Tax Return (DP-10)'. It features a dropdown menu asking 'Do you wish to complete NH Form DP-10 - Interest and Dividends Tax return?' with a '--Select--' option. Below this are several sections, each with a 'BEGIN' button: 'Basic Information', 'Taxable Distributions', 'Non-Taxable Interest and Dividends', 'Payments', 'Additions to Tax', and 'Miscellaneous Forms'. At the bottom, there are 'CANCEL' and 'SAVE' buttons.

1) **Select “Yes” for the first question!** An odd step, as you *just* selected the DP-10 to complete,

but say “yes” to confirm. Failure to do so will cause your return to reject when your ERO tries to e-file it.

## New Hampshire Return

### Interest And Dividends Tax Return (DP-10)

Do you wish to complete NH Form DP-10 - Interest and Dividends Tax return? For the DP-10 to calculate and print, you must answer this question 'YES'.

Basic Information

BEGIN

2) “Begin” and complete each applicable section:

- **Basic Information** – Answers here cause a box on the DP- 10 to be checked. TSO assumes the answer is “no” unless you say “yes”. *Note: For part-year returns TSO does not use dates entered here to calculate nontaxed income for the period when the client was not a NH resident; you must calculate this manually (addressed below).*
- **Taxable Distribution** – Click “Begin” to enter NH-taxed income not reported on 1040 lines 2a, 2b or 3b and which needs to be entered at DP-10, line 2. The only in-scope entry here is distributions reported in box 2a of a 1099-R coded “D”.  
*TSO does not carry ANY data you entered for the 1099-R in the federal section to Line 2!*  
*Be careful: TSO puts “123..” in the EIN box as an example; enter the ACTUAL payor EIN or the DP-10 will not e-file (i.e., when your ERO tries to e-file the return it will be rejected). See screenshot on next page.*

## New Hampshire Return

### Taxable Distribution

Entity Code

Name of Payor

Payors ID Number (do not enter dashes)

Distribution Amount

- Non-Taxable Interest and Dividends** – Click “Begin” to enter nontaxable income for DP-10, line 4. Examples = interest from NH and certain US obligations, capital gains reported as dividends, portion of income earned when not a NH resident for part-year returns (see the form instructions for the manual calculation of this amount).  
TSO does not carry ANY amounts entered as ‘state’ entries in the federal section to Line 4!  
Be careful: TSO puts “123..” in the EIN box as an example; you need to enter the ACTUAL payor EIN or the DP-10 will not e-file (i.e., when your ERO tries to e-file the return it will reject). The entry screen is similar to the above screenshot for Line 2.
- Payments** - You already entered any prior year refund applied from last year and estimated tax payments in the Federal Section. Click “Begin” here and enter the following as applicable:

  - “Tax paid with Application for Extension” for DP-10 Line 13(a)
  - “Credit carryover from prior tax period” for DP-10 Line 13(c)
  - “Paid with original return (Amended returns)” for DP-10 Line 13(d)
  - “Amount of refund to apply to 20XX (next year) estimated tax” for DP-10 Line 19(a)
- Additions to Tax** – If a taxpayer has a balance due of \$500 or more they will be liable for NH interest and penalties. TSO will not recognize if ANY interest or penalty applies to the client, provides little guidance and does few calculations for you. Calculation of state penalties is out of scope.
- Miscellaneous Forms** – Click “Begin” here to create vouchers for next year’s estimated tax payments or to file an extension. You need to generate DP-10 ES vouchers 1) if the client wants them, 2) if NH requires estimates because taxes this year exceeded \$500 or 3) if you are filing an extension for DP-10 using form DP-59-A.  
TSO will not recognize estimates are required or generate DP-10 ES for you.

For vouchers for next year: At “Do you want to complete Form DP-10-ES” Say “yes” and then “SAVE”. TSO will prepare the DP-10-ES and vouchers.

Note the comment on the DP-10-ES and vouchers “TO MAKE YOUR PAYMENTS ONLINE ACCESS OUR WEBSITE” – The client can either mail a check with the voucher OR pay electronically on the DRA site.

To pay this year’s taxes AND apply for an extension by mail (NH only allows an extension if all taxes are paid and this form cannot be e-filed): At “Payment Form and Application for 7-Month Extension of Time, Form DP-59-A” Click “Begin. Then say “yes” you want to complete the DP-59-A and click “Begin” again.

There are just two fields: One for any credit carried over from prior year and total estimated tax payments (**TSO does NOT carry entries** made in the Federal Section, you need to add these payments together and enter the total here) and one for any electronic payment the client has made or will make on the DRA site.

Note: TSO will include the DP-10, DP-59-A and any other NH forms you created in the print package. To omit forms you do not want to print (typically any besides the DP-59-A) go back to the very first question for each form that asked if you “wish to complete” and select “no”.

**OPTION:** Instead of mailing DP-59-A with a check, clients can just pay all taxes due on the DRA website **electronically** before the filing deadline. DRA will automatically grant a 7-month extension and Form DP-59-A is not required.

#### **4. Complete E-File Section on TSO**

In the E-File Section, State Return(s) you need to indicate the “Return Type”. The DP-10 can be e-filed unless 1) a DP-59-A is being filed for an extension to file (in which case see comments above re: how to ensure unwanted forms are not included in the print package), or 2) a schedule needs to be attached showing the annualized income penalty calculation.

For refunds: Select the applicable option, and if direct deposit is wanted enter client bank account information the same as you would for a federal return (i.e., from a check or other bank-issued documentation. Follow Tax-Aide policy for a client who insists on direct deposit from other sources and document accordingly).

For taxes due: Select only “E-file: Mail Payment” or “Paper Return”. You will see a direct debit option on TSO, but per NH Tax-Aide policy **direct debit is out-of-scope** because clients

have had problems (debits processed when return filed instead of when scheduled or not processed at all.)

A voucher will print, but note the boxed comment on the payment voucher to “Save a stamp!”. Clients can actually either mail a check **or** pay electronically on the DRA website. DP-10 line 16(b) provides a place to enter electronic payments, but there is no way to enter them on TSO and it is not necessary to make this entry. Just print the voucher; the client can either mail a check with it or pay electronically as they wish.

**Tax-Aide NH Policy for clients who want direct debit:** Counsel that payment of taxes on time is solely their responsibility and direct debit with TSO is error-prone. If they do not want to mail a check the electronic payment option on the DRA site is strongly recommended. If they insist on direct debit on TSO you must make a note in TSO AND on their Intake sheet that they were counseled regarding problems with the process and their responsibility to ensure their taxes are paid on time. The client(s) must initial the note on their Intake sheet to evidence they understand the risks and their responsibility.