

TAX-AIDE SCOPE TY21

■ Tax-Aide Policy

- Counselors may prepare returns that:

- Are in Tax-Aide scope

AND

- Are tax topics included in their training*

AND

- They feel comfortable to prepare

- State/District/Site can opt out of a specific in-scope tax topic

- May NOT Opt In an Out-of-Scope item

*LOA Volunteers

Pacific Region Policy for Community Property States

For Tax Year 2021, the following will be allowed:

State/ Split State	MFS or Head of Household married but living apart <i>full year</i>	HoH living apart only part year
AZ	Yes, follow criteria below	No

The taxpayer and spouse lived apart the entire year

The taxpayer and spouse have not communicated about, or agreed to, an allocation of any community income.

If taxpayer has earned income, taxpayer and spouse have not transferred, directly or indirectly, any of this earned income before the end of the year (do not consider transfers satisfying child support obligations or transfers of under \$100). Taxpayer reports all of this earned income on his/her MFS or Head of Household return.

The taxpayer reports all his/her social security payments in full.

The taxpayer reports all his/her 1099R payments in full.

The taxpayer is willing to report, and does report, all separate and community property interest, dividends, and capital gains on his/her return, with nothing allocated to spouse.

■ AARP Resource

- AZ Tax Aide
 - Administration > Site Management > Manuals & Guides
 - Scope Manual TY21
 - Scope Summary TY21
- Scope Manual TY21
 - Complete Scope for AARP – also in Portal Library
 - Precedes Pub's 4012 and 4491
- Scope Summary TY21
 - Summarizes differences in Tax Aide scope to 4012

■ Tax-Aide Scope Manual

Scope Manual

Tax Year 2021

Release 1

No Scope changes for 2021

Scope Manual reflects 2021 Forms/Schedules

Pay attention to Col. 4 – Notes (limits scope)

■ Scope Manual – IRS Form Changes

- Lots of Form changes
 - Sch 1, 2, 3; Sch 8812; F7202; F2441; and more
- Scope Manual includes known form changes
- If a form/schedule is not listed, it is Out of Scope



■ Tax-Aide Scope Manual

F(orm) S(chedule) #	L(ine) B(ox) #	IN SCOPE Yes No	Column 3: Yes = The form, line or box is in scope for sites having at least two volunteers certified at the appropriate level. No = The form, line or box is out of scope. Column 4: = Limitations or expansion of each scope topic including certification levels which may be in/out of scope.
S 1	17	Yes	❗ Self-employed health insurance deduction Not in scope for: <ul style="list-style-type: none"> • Taxpayer is eligible for Premium Tax Credit and the Marketplace premiums are to be used for this deduction—see <i>Schedule C Guidelines</i> in the Portal library



Sample for Schedule 1 (S)

17 reflects line 17 on Schedule 1 – In Scope “Yes”

Col. 4 – Defines Not in Scope issues – S-E with Marketplace insurance & eligible for PTC

■ Discharge of Student Debt – In Scope

- Generally, not taxable for years 2021-2025
- Form 1099-C should not be issued
- Refer to IR 2020-11 – Safe Harbor for Student Loans
- Generally, relief is provided to taxpayers who took out federal and private student loans to finance attendance at nonprofit or other for-profit schools



■ Scope – Virtual Currencies

- Holding Virtual Currency is Out of Scope
- Tax-Aide scope has not changed
- **Any** virtual currency ownership or transaction makes the entire return out of scope for AARP Tax-Aide

Any virtual currency ownership or transaction makes the entire return OOS

Intake/Interview & Quality Review Sheet

Part III 8. Cash/Check/virtual currency payments.....not reported on Forms W-2 or 1099?

Part III 15 Other Income? (.....virtual currency.....)

TSO [Basic Information][Personal Information]

Taxpayer has received, sold, sent, exchanged, or otherwise acquired financial interest in virtual currency during the current tax year.

Include all crypto transactions

- 1) Selling (Converting) crypt to US Dollars
- 2) Trading 1 crypto for another
- 3) Spending crypto directly for goods and services
- 4) Lending crypto and receiving payment in crypto or dollars
- 5) Getting paid incrypto

Items 1, 2, and 3 require that each and every transaction be reported separately on the return

■ Identify Scope Issues Early

- Client Facilitators must be trained in scope
 - spot issues early in the process
 - LC must be notified of all scope issues
- Family & Friends means:
 - Family is a related taxpayer or self
 - Friend is a taxpayer that is well known to volunteer

■ **Reminder: we can NOT Prepare**

- **Schedule C: with employees, Losses, Depreciation, Business Use of home, or expenses exceeding \$35,000**
- **Complicated Capital Gains /Losses (futures, options)**
- **Complicated K-1**
- **Rental Income – can do Land only rental or home rental less than 15 days**
- **Royalty Income with expenses**

■ **Reminder: More we can NOT Prepare**

- **Farm income or expenses**
- **Moving expenses (military)**
- **Investment income or Itemized deductions for which we are not trained**
- **AMT, Additional Medicare Tax, Net Investment Income tax**
- **Foreign Assets**
- **Cryptocurrency – regardless if no transactions**

How AARP Foundation Tax-Aide Can Help You Today

We can prepare most returns with:

- Wages, interest, dividends, capital gains/losses, unemployment compensation, pensions and other retirement income, Social Security benefits.
- Self-employment income, with limits.
- Most income reported on Form 1099-MISC. or Form 1099-NEC.
- Schedule K-1 that includes only interest, dividends, capital gains/losses or royalties.
- Charitable cash contributions
- Qualified Business Income deduction.
- Economic Impact Payments (aka Stimulus Payments)
- Itemized deductions, including noncash contributions to charity that total no more than \$5,000.
- Cancellation of nonbusiness credit card debt.
- IRA contributions — deductible or not.
- Most credits, such as earned income credit, education credits, child/additional child credit and credit for other dependents, child/dependent care credit, premium tax credit, simplified method foreign tax credit, self-employed sick leave or family leave credit, and retirement savings credit.
- Repayment of first-time homebuyer credit.
- Estimated tax payments.
- Injured spouse allocation, depending on state.
- Health Savings Accounts (HSA).
- Amendments to filed returns.
- Prior three tax years' returns.

We can't prepare returns with:

- Self-employment if there are employees, losses, expenses that exceed \$35,000, depreciation, business use of home, 1099 filing requirements or other complicating factors.
- Hobby income or other activities not for profit
- Complicated capital gains/losses, such as futures or options.
- Complicated Schedule K-1.
- Rental income, except land-only rentals or rentals of personal residence less than 15 days.*
- Royalty income with expenses if not from self-employment.
- Tax on a Child's Investment and Other Unearned Income (Kiddie Tax).
- Farm income or expenses.
- Moving expenses.*
- Some investment income or itemized deductions that are not included in our training.
- Alternative Minimum Tax, Additional Medicare Tax, or Net Investment Income Tax.
- Foreign financial asset reporting requirements.
- Any virtual currency investment or transaction.

* **Rental or moving:** A volunteer can prepare returns for active duty military personnel only when the preparing volunteer is certified in the military module and another volunteer is certified to review military returns.

AARP Foundation Tax-Aide is offered in conjunction with the IRS.

■ Friends & Family or My Return?

- Can include Out of Scope items
- Must be E-filed (unless Fed/St requirement to file paper)
- Must add a TAG as Friend & Family in TaxSlayer
- Can NOT use Personal Computer – AARP Chromebook
 - Can complete at home if network is secured
- Must be Quality Reviewed at a site

■ Volunteer Protection Act of 1997

- Volunteer not liable for his/her act or omission if:
 - Received IRS/AARP training
 - Harm not wilful
 - Acting within scope of training
 - Following AARP Policies and Procedures

■ Consequences for Going Out of Scope

- Personal liability for any taxpayer action
- Program liability for any taxpayer action
- Counselors removed from program
- Site shut down
- Program grant in jeopardy

■ Scope

DO NOT EXCEED SCOPE - even if done in a prior year

Going out-of-scope is

Contrary to the IRS & AARP policies accepted in the
Volunteer Agreement

Loss of protection of the Volunteer Act of 1997

Jeopardize the AARP Foundation

National has a process to open discussion on adding to Scope

■ Scope Questions

Questions?



Comments...