

AARP FOUNDATION TAX-AIDE

National Tax Training Committee Workbook

Instructor Guide

Tax Year 2021
Release 2

Table of Contents

Introduction	1
Using the Workbook for Training and Certification	3
Training Exercises	3
Training Exercise Notes.....	7
Andrews – Single Working Taxpayer	7
Baker – Single Working Parent	8
Caldwell – Young Married Couple.....	10
Davenport – Senior Married Couple	13
Evans/Bryant – Inclusive Core Exercise.....	15
Focused Exercises	20
Focused Exercise Notes	21
Adams – Basic Income.....	21
Baldwin – Self Employment.....	21
Chambers – Retirement Income	22
Davis – Investment Income.....	22
Elliott – Itemized Deductions and Education Credits	22
Core and Comprehensive Practice Exercises	23
Core Exercise Notes.....	23
Alvarado Nogales.....	24
Bartlett	24
Carter	24
D’Antonio	24
Elder	25
Ferguson.....	25
Gongsun	25
Huberman	26
Irving.....	26
Jacoby.....	26
Kaczenski	27
Langford	27
Comprehensive Exercise Notes.....	27
Martin	27
Nguyen	28
O’Connor.....	29
Parata.....	29
Quinn.....	30
Romano	30
Sahlberg.....	31
Tham	31
Vincent	32
Wright.....	34
Quizzes	34
Appendix A: Training Schedules for New Volunteers	36
Appendix B: Training Schedules for Returning Counselors	39
Appendix C: Training Exercise Lesson Plan	41
Appendix D: Interview Scripts for Training Exercises	45
Appendix E: Interview Notes for Training Exercises	59

Introduction

This guide provides Instructors with information and suggestions for using the AARP Foundation Tax-Aide National Tax Training Committee Workbook – Tax Year 2021 (“2021 NTTC Workbook”) to support their training programs. The NTTC has received considerable feedback that Instructors, especially new Instructors, are overwhelmed with the significant amount of training materials available on the portal. A common question is “Where do I start?” One answer is “Start here.” Review this guide to understand how the 2021 NTTC Workbook can be used to train volunteers, especially new volunteers.

Exercises

The 2021 NTTC Workbook contains three types of exercises:

Training Exercises – designed for use in the classroom. **

Focused Exercises – designed to reinforce the tax law and TaxSlayer input covered during the Training Exercises. Instructors can assign Focused Exercises to volunteers to complete in the classroom or as homework.

Core and Comprehensive Practice Exercises – for proficiency and certification. Core Exercises are typical of most of the returns seen at the tax sites. Comprehensive Exercises are more complex and contain some tax topics that may not be included in training for new volunteers but are in scope and appropriate for experienced Counselors.

This guide provides essential information and suggestions for using the Training and Focused Exercises to teach tax law and software data entry for volunteers in a classroom setting. Key learning points for each Practice Exercise are also included.

** The exercises were designed for use in a traditional classroom setting. However, training may not always be able to be held in an in-person, classroom setting. The Training Exercises can be used by Instructors conducting training virtually. See the section on **Using the Workbook for Training and Certification** for more information.

Special Note Regarding Law Changes

There are numerous law changes for 2021, some of which are Core and some Comprehensive (see below). All volunteers must be aware of the law provisions so they may identify them as early as possible in the intake interview. Returns that present Comprehensive issues should be assigned to more experienced, and properly trained Counselors. Of particular note for 2021 is Schedule C self-employment income. A basic understanding of self-employment income is needed for the IRS Advanced test. However, the complexities introduced by the 2020 and 2021 COVID-19 legislation have made all self-employment COVID tax law situations Comprehensive. Similarly, some retirement income situations are now classified as Comprehensive. Instructor teams can determine which topics should be presented for awareness only or as detailed training to their volunteers.

Law changes for 2021:

- Economic impact payments (EIP3)/recovery rebate credit (RRC)
- Exclusion of student debt forgiveness

Introduction

- Reduced exclusion of main home debt forgiveness
- Exclusion of higher education emergency financial aid grants
- Exclusion of emergency rental and other home expenses assistance
- 100% deductible business meals at a restaurant
- PMI treated as home mortgage interest extended for 2021
- Charitable contribution addition to standard deduction
- Residential energy credits extended for 2021 only
- Enhanced and fully refundable child tax credit (CTC) (if not eligible, traditional ACTC) and reconciliation of advance CTCs
- Earned income tax credit changes to age qualifications, increased allowed investment income, new separated spouse eligibility, and 2021 look back to **2019**
- Refundable enhanced child and dependent care credit (CDCC) (if not eligible, traditional CDCC)
- Sick leave credit for self-employed individuals with look back to 2020 – round 2
- Family leave credit for self-employed individuals with look back to 2020 – round 2
- More generous premium tax credits (PTC) provisions
- Special rules for PTC for those approved for unemployment compensation
- Payment of SE tax deferred from 2020 for self-employed individuals affected by COVID
- Three-year spread of 2020 coronavirus-related retirement distributions
- Repayment of 2020 coronavirus-related retirement distributions

Almost all of the above have been incorporated into at least one practice exercise. Each state's leadership must determine the extent of their state's conformity or how to include state law changes.

State Tax Issues

Due to the wide variation in state tax return requirements, it is impractical to include state issues beyond state tax withholding in these exercises. Instructors must modify or supplement the exercises as needed to teach volunteers how to prepare state tax returns. For example, Instructors should change state withholding or add local taxes to make it more realistic for a particular state.

For states that do not have state income tax, Instructors should have volunteers disregard state withholding on the tax forms. Instructors may also want to use their own state sales tax instead of the North Carolina rate and adjust their answer sheets accordingly.

Training Schedule Examples (Appendices A and B)

Appendix A and Appendix B contain training schedule examples based on the NTTC Workbook for new and returning volunteers. Schedules are provided for both in-person classroom training and virtual training. They are possible schedules only – actual schedules will be set by the local Instructor teams.

Training Plan Example (Appendix C)

NTTC has received feedback that some Instructors struggle to develop lesson plans. Appendix C presents a possible approach Instructors may use for their classroom lesson using the Tom Andrews Training Exercise as an example. Instructors can modify this plan to suit their needs and can use it as a template to develop plans for the other Training Exercises.

Interview Scripts (Appendix D)

The Training Exercises are not complete in the 2021 NTTC Workbook, some information is missing or is inconsistent. Appendix D contains critical information for each of the five Training Exercises presented as scripts Instructors can use to role play the interview.

Interview Notes (Appendix E)

The additional information from the interview scripts for the Training Exercises are summarized in Appendix E. These notes provide the missing information and serve as a handy checklist for Instructors who choose to not use the Interview Scripts. These notes can be used for a role play exercise as well. Instructors should provide these Interview Notes to volunteers who are unable to attend the role play interview.

Software Note

Instructors should use TaxSlayer 2021 for federal training purposes. TaxSlayer 2021 state modules may or may not be available while the training is conducted. If 2021 state software is not available, using the 2020 TaxSlayer version for state training purposes may suffice. In this case, Instructors are encouraged to conduct a supplemental state tax training session once their 2021 state software is available.

Using the Workbook for Training and Certification

The 2021 NTTC Workbook provides a resource for Instructors to train and certify volunteers to prepare federal tax returns. This first section provides information and suggestions for using the Training Exercises. Information for the Focused Exercises, Practice Exercises, and Quizzes is presented in sections that follow.

Training Exercises

The first four Training Exercises are for training new volunteers by preparing tax returns for four taxpayer scenarios which contain many of the Core tax issues volunteers need to understand in order to pass the IRS Advanced test and prepare the majority of returns seen at our tax sites.

The series consists of:

- Andrews – Single Working Taxpayer
- Baker – Single Working Parent
- Caldwell – Young Married Couple
- Davenport – Senior Married Couple

The fifth Training Exercise is Evans/Bryant – Inclusive Core Exercise. This single exercise contains many of the Core topics normally seen on the IRS Advanced test. It follows the old Form 1040 line-by-line sequence for Instructors who prefer this approach. While it can be used to teach new volunteers, it is more effective for returning Counselors who wish to refresh their knowledge and skills. This exercise contains some comprehensive topics. The see-do-discuss delivery method described below would be a good choice for returning volunteers.

There is a Form 13614-C Intake/Interview & Quality Review Sheet (I/I Sheet) for each Training Exercise. These I/I Sheets, along with the presented taxpayer documents, require volunteers to conduct an interview with the Instructor in order to get additional information needed to prepare the return. Note that the 2021 Form 13614-C was not available when the workbook was created so the 2020 form is used. The purposefully missing additional information needed for the return is provided in the interview scripts/notes.

Preliminary Training. Before presenting the information in the Training Exercises, lessons and/or self-study on the following are recommended:

- Filing Basics – NTTC-modified Pub 4491 Filing Basics section 4-1 and NTTC-modified Pub 4012 Tab A Who Must file.
- Interviewing – Overview of the I/I Sheet and AARP Tax-Aide Intake Booklet. **
- Introduction to Form 1040 and related schedules – Overview of Form 1040 and numbered and lettered schedules (A, B, C, D) to familiarize volunteers with the construction of a federal tax return.

** Instructors should provide all volunteers with a copy of the AARP Tax-Aide Intake Booklet and explain the three consent forms and the supplemental questions. They should explain that TaxSlayer Practice Lab does not have two of the consent forms and the supplemental questions are also not included.

Interviewing. The I/I Sheets and taxpayer documents have missing and inconsistent information requiring an interview to gather the information necessary to prepare the return. Instructors need to facilitate these interviews. Suggestions include:

- Volunteers are directed to review the I/I Sheet and taxpayer documents (this can be assigned as a read ahead for the lesson). Instructor acts as the taxpayer and volunteers ask questions in turn or when called on by the Instructor. Appendix E, *Training Exercise Interview Notes*, has been provided which contains a list of the interview issues which Instructors can use as a checklist to ensure all the issues are identified and resolved.
- Two Instructors acting as Counselor and taxpayer role play the interview while volunteers observe. Interview scripts are provided in Appendix D. Possible options:
 - Instructors could have a volunteer play the role of the Counselor.
 - Small group breakouts where volunteers have the scripts and two volunteers role play the interview. The other volunteers in the group observe and critique.
 - Provide the interview notes to volunteers as a read ahead for the lesson (least effective). This may be necessary for volunteers who are unable to participate in the Instructor-led training.

- Volunteers must be directed to annotate the I/I Sheets in their workbooks with the responses to the interview just as they would at the tax site. The information recorded on the I/I Sheet will be needed to prepare the return.

Presenting the Lesson. Volunteers need to understand the tax law for each tax topic contained in the exercise as well as how to enter the information in TaxSlayer. Instructors can present the material in a classroom setting or virtually. Self-study can be assigned before and/or following the training to supplement the Instructor presentations. This Instructor Guide contains a number of example discussion questions for each Training Exercise, which Instructors can choose to ask volunteers during the lesson. Instructor teams should review these questions and discuss the responses they expect from volunteers. Instructors may need to direct volunteers to the appropriate resource materials such as the NTTC-modified Pub 4012 and NTTC-modified Pub 4491 to find the answer and reinforce their learning. These Instructor discussions can provide Instructors with a good review of the topics and give less experienced Instructors confidence when teaching their assigned lessons. Suggested delivery methods:

- **PowerPoint Presentations.** Basic presentations for the four Training Exercises have been prepared and are posted in the 2021 Workbook folder in the Portal Library. The presentations contain slides drawn from the NTTC training slide decks along with slides that guide volunteers through TaxSlayer entries. An effort has been made to minimize the number of slides.
- **See-Do-Discuss.** In this method, the volunteers review the I/I Sheet and taxpayer documents and conduct the interview. The Instructor then demonstrates TaxSlayer entry for a particular tax topic (e.g., wages – W-2). Following the demonstration, volunteers enter that information in their return. After volunteers have entered the information and the AGI and refund have been confirmed, the Instructor leads a discussion covering tax law and the effect of that entry on the return. Instructors should create a lesson plan to guide them through the lesson. A sample lesson plan for the first Training Exercise – Tom Andrews – Single Working Taxpayer is included in Appendix C. Instructors can use this sample as template for creating lesson plans for the other Training Exercise lessons or develop their own format.
- **Self-study – Instructor Presentation.** This method could be used with either method above. Volunteers would be directed to review the appropriate sections of the NTTC-modified Pub 4491 to familiarize themselves with the tax law for the topics in the exercise. For example, in the Tom Andrews exercise the following would be assigned: wages and interest, unemployment, IRA contributions, student loan interest adjustments, and retirement savings credit.
- **Small Group Discussion Sessions.** These sessions could be incorporated in any of the methods above. Instructors could divide the volunteers into groups and assign them various topics to work on in a small group facilitated by an Instructor/Mentor. Topics could include exercise discussion questions, quiz questions, or working a Focused or Practice Exercise together. The group could later make a presentation to the entire class.

Virtual training note: Conducting training in a classroom setting may not always be possible. Instructors should try to replicate the classroom experience as much as possible. One idea would be to provide an AARP Chromebook to each new volunteer. The volunteer would then logon to the training session using Google Meet on their personal computer to observe the Instructor. When it

comes time for the Instructor to demonstrate a TaxSlayer entry, volunteers would logon to TaxSlayer on their Chromebook and could “mirror” the Instructor as they demonstrate TaxSlayer entries just as they would do in the classroom. Instructors should also schedule ample breaks and make sure it is easy for volunteers to ask questions (raising hands or chat).

NTTC videos: The NTTC has produced a series of videos based on the Evans/Bryant and other exercises that review the tax law and demonstrate TaxSlayer entries. There are also a number of videos for various tax topics. These can be used as homework prior to a training session. A word of caution: the videos cover basic information on the topic and are not all-inclusive. New and returning Counselors should also refer to their resource materials for a more thorough understanding of the material.

Videos are available to all volunteers. A complete list with links to each video can found in the Portal *Tax-Aide: Training and Tax Law > A – Training Resources > Training Videos* Library. Instructors are encouraged to conduct an introductory training session to cover access and use of online resources.

Suggested Training Sequence

The following training sequence can be used for training new volunteers using the first four Training Exercises. The tax topics covered and example discussion questions are contained in the Training Exercise Notes below.

- Instructors should teach the basic tax law associated with the topics listed in the exercise notes. A PowerPoint presentation for each Training Exercise is available in the Portal Library to aid Instructors in teaching this module. The presentation should be modified to meet the individual needs of the District/Instructor.
- The Interview: Instructors should direct the class to examine the I/I Sheet and the taxpayer documents provided and note issues that need to be addressed during the interview. Instructors should then facilitate an interview using one of the methods suggested in the *interviewing* section above. The volunteers must make corrections and annotations to the I/I Sheet during this discussion. Refer to Appendix D Interview Scripts and/or Appendix E Interview Notes to resolve missing or inconsistent information.
- Roving Instructors (classroom) should review the volunteers’ annotated I/I Sheets and provide feedback. It is important that volunteers understand the requirement of a properly completed and annotated I/I Sheet. In Google Meet, volunteers could take turns “presenting” their marked up I/I Sheets for review by the Instructor.
- After completing the interview with the class, direct the volunteers to start a new return for the exercise and enter the basic information from page 1 of the I/I sheet.
- Instructors demonstrate entering information from the taxpayer document while volunteers mirror the Instructor as they enter the information in their return. The class should be directed to review the appropriate sections of the NTTC-modified Pub 4012 as they make entries in TaxSlayer. Slides providing steps to enter data are included in the PowerPoint presentations.
- Roving Instructors should assist the volunteers finding information or navigating TaxSlayer. Virtually, volunteers can raise their hand or ask a chat question if they need

assistance. The session assister (helper to the Instructor) can answer chat questions so the Instructor is not interrupted.

- After the volunteers have completed the entries for a specific taxpayer document, the Instructors can reinforce information taught during this lesson. Example discussion topics are included in the Training Exercise Notes.

- Direct the class to select the TaxSlayer Summary/Print. Review the Form 1040 and Schedules 1-3 with discussion as appropriate.

- Instructors may choose to direct the class to save and exit the return once all tax information has been entered. Instructors may choose to complete the return to the TaxSlayer Ready for Review or have a separate lesson (recommended) on completing the return.

Training Exercise Notes

A summary of the topics covered and a set of example discussion questions is provided for each Training Exercise. Questions are examples only. Instructors can use the questions as desired to reinforce the exercise learning objectives. The size and experience level of the class can influence the selection of the questions.

Andrews – Single Working Taxpayer

Topics covered:

- Intake and interview, single filing status and entering personal information
- Income: wages, interest, unemployment compensation
- Adjustments: IRA contribution, student loan interest
- Deductions: standard deduction with added charitable contribution
- Credits: retirement savings credit

Example discussion questions:

1. Personal Information

- What if Tom did not have his Social Security card?
- Can Tom claim Scott as a dependent? Why/why not? State the reference you used.
- Open the NTTC-modified Pub 4012 to the Filing Status Decision Tree in Tab B. What is his filing status?
- If Tom had been able to claim Scott, what would his filing status be?
- What address should be entered on Tom's return?

2. W-2

- Are wages earned or unearned income. Where is this shown in Pub 4012?
- What does Code DD in Box 12 mean?
- Review the more common box 12 codes listed in Pub 4012.
- When might wages in boxes 3 and 5 be different than box 1?
- How would the W-2 look if the taxpayer made a contribution to a 401(k)?

Training Exercises

- How would an entry in box 7 affect boxes 1-6?
3. Form 1099-INT
 - Is interest earned or unearned income?
 - What entries are out-of-scope on a 1099-INT?
 - How does the early withdrawal penalty affect the return?
 - Where is tax-exempt interest reported?
 - How can tax-exempt interest affect the rest of the return?
 4. Unemployment compensation
 - Is this earned income? Where in Pub 4012 can the answer be found?
 - When might unemployment compensation be out-of-scope?
 5. IRA deduction
 - What limits this deduction?
 - What effect did this have on the return?
 - Was a retirement savings credit generated?
 - What limits the retirement savings credit? What form will be printed for the taxpayer? Find where this is discussed in Pub 4012.
 6. Student loan interest
 - What are the limits on this adjustment?
 - What if his parents made his loan payments last year?
 - What are qualifications for the student?
 7. Charitable contribution add-on to standard deduction (2021 tax law provision)
 - What is the limit on this deduction?
 - What if Tom had donated \$100 of clothing instead of cash?
 8. What is the standard deduction for this taxpayer?
 - Have the class refer to the NTTC-modified Pub 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.

Baker – Single Working Parent

Topics covered:

- Head of household (HoH) filing status
- Qualifying child dependent
- Income: alimony, gambling winnings (W2-G), cancellation of debt (Form 1099-C)
- Credits: child tax credit, child/dependent care credit, earned income credit (EIC) (all 2021 tax law provisions)
- Premium tax credit (PTC) (See notes below)
- Additional practice: wages with 401(k) contribution, interest (no Form 1099-INT), charitable contribution add-on deduction (2021 tax law provision)

Example discussion questions:

1. HoH filing status
 - Direct the class to the NTTC-modified Pub 4012, Tab B, Determination of Filing Status – Interview Tips. The Determination of Filing Status – Decision Tree in the Qualifying Child/Relative Tool (“QC/QR Tri-fold”) may also be used.
 - What if Mary was being claimed by Tiana’s ex-spouse?
 - What if Tiana was separated and not divorced – what probing questions should be asked?
 - What if instead of a daughter, her mother lived with her?
 - What if her mother lived in a nursing home – what probing questions should be asked?
2. Qualifying Child
 - Direct the class to the NTTC-modified Pub 4012, Tab C, Table 1. Have them “walk down” the table or have them use the QC/QR Tri-fold to determine if Mary qualifies as a dependent. If not already discussed in the interview, emphasize the questions in the gray area of the I/I Sheet. Use the Bogart Tool Dependent Qualification Calculator as an alternative.
 - Which support question applies to a Qualifying Child?
 - Direct the class to review the NTTC-modified Pub 4012, Tab C, Table 3 with regard to divorced/separated parents.
3. Alimony
 - Is this taxable? Would the date of the divorce make a difference?
 - Is this earned income for EIC?
 - Where in the NTTC-modified Pub 4012 can you find the answers? (Tab I-1)
 - What if Tiana stated the payments were child support?
4. Gambling winnings
 - How are gambling losses handled?
 - How are gambling winnings entered if they are not reported on a W-2G?
5. Cancellation of debt
 - Is there a Form 1099-C in TaxSlayer?
 - What if it was a car loan? Student loan (2021 tax law provision)? Mortgage debt (2021 tax law provision)?
6. Standard deduction/itemized deductions
 - What is the standard deduction for this taxpayer? Is the standard deduction for your state different?
 - Does Tiana have enough deductions to itemize?
 - Have the class refer to the NTTC-modified Pub 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.
7. Child and dependent care credit (2021 tax law provision)
 - Direct the class to the NTTC-modified Pub 4012, Tab G, child and dependent care credit expenses section. Note the new limits. Have the class examine the screening sheet.

Training Exercises

- What if Tiana paid her mother for day care expenses – what probing questions should be asked?
 - What if Tiana lived just across the border in Canada or Mexico?
 - If Tiana did not have any child care expenses, how would that affect her return (W-2, box 10)?
8. Child tax credit (2021 tax law provision) /credit for other dependents
- Direct the class to the NTTC-modified Pub 4012, Tab G, child tax credit section. The Qualifying Child/Relative Tool (“QC/QR Tri-fold”) may also be used. Have the class “walk down” the steps to verify that Mary qualifies for the child tax credit and to reinforce the requirements discussed in the lesson.
9. Earned income credit (EIC) (2021 tax law provision)
- Direct the class to the NTTC-modified Pub 4012, Tab I. Have the class review the summary of EIC eligibility requirements and “walk down” the steps of EIC general eligibility rules.
 - Is Tiana entitled to EIC? Have the class examine the TaxSlayer Summary/Print to verify.
 - What is the law change provision for 2021 EIC? (look-back to 2019 earned income)
 - What if Mary lived with Tiana’s ex-spouse but Tiana was entitled to claim Mary as a dependent per the divorce decree?
10. Premium Tax Credit
- Note that for this training exercise a very straightforward Form 1095-A with full year coverage is presented to train new volunteers. New volunteers should be trained on how to enter the information in TaxSlayer and to understand how PTC is reconciled on the return. New volunteers should understand that more complicated situations will arise and that they should seek help from their Local Coordinator. Examples include MAGI less than 100% FPL and greater than 400% FPL and people listed on the Form 1095-A who are not on the tax return.

Caldwell – Young Married Couple

Topics covered:

- Married filing jointly status (with discussion of married filing separately and qualified widow(er)). Are there any issues in your state with MFS?
- Qualifying relative dependent
- Income: dividends (Form 1099-DIV), IRA distribution (Form 1099-R), other income (cash award and jury duty pay)
- Adjustments: educator expenses, jury duty pay returned to employer
- Credits: foreign tax credit, education credit, credit for other dependents
- Other taxes: additional tax on IRAs – Form 5329
- Additional practice: wages and charitable contribution add-on deduction (2021 tax law provision)

Topics covered in the supplemental lesson on self-employment:

- Income: self-employment (Form 1099-NEC and Schedule C)

- Adjustments: deductible part of self-employment tax, self-employed health insurance deduction

Example discussion questions:

1. Married filing jointly status
 - Direct the class to the NTTC-modified Pub 4012, Tab B, Determination of Filing Status – Interview Tips or The Determination of Filing Status – Decision Tree in the QC/QR Tri-fold
 - If Ray and Mallory asked if there were any advantages to filing married filing separately what would you tell them?
2. Qualifying relative
 - Direct the class to the NTTC-modified Pub 4012 Tab C, Table 2. Have them “walk down” the table or have them use the QC/QR tri-fold to determine if Mallory’s mother qualifies as a dependent. Use the Bogart Tool Dependent Qualification Calculator as an alternative.
 - If not already discussed in the interview, emphasize the questions in the gray area of the I/I Sheet. Note the difference in the support question between qualifying child and qualifying relative.
3. Dividend/foreign tax credit
 - Is the dividend earned income? Where in the NTTC-modified Pub 4012 can the answer be found? (Tab I-1)
 - Is Schedule D generated because of the entry in box 2a of the Form 1099-DIV?
 - Where are foreign taxes paid shown in the tax return? (Tax and Credits) Direct the class to the NTTC-modified Pub 4012, Tab G.
 - Is Form 1116 in scope? (International certification required)
 - What are the limits for not needing to use Form 1116? What if the limit is exceeded?
 - How do non-dividend distributions affect the return?
4. IRA distribution
 - What does box 7, code 1 mean? (find in NTTC-modified Pub 4012)
 - How does box 7, code 1 affect the return?
 - Direct the class to select the TaxSlayer Summary/Print and note the penalty.
5. Other income
 - Are prizes and jury duty pay taxable?
 - Where in the NTTC-modified Pub 4012 can the answer be found? (Tab D-1)
 - Where is the transfer of jury duty pay to the employer shown in the tax return? (Adjustments to Gross Income)
6. Educator expenses
 - Direct the class to the NTTC-modified Pub 4012, Tab E.
 - What if Ray was a college professor?
7. What is the standard deduction for this taxpayer?
 - Have the class refer to Pub 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.

8. What is the credit for other dependents? Direct class to the NTTC-modified Pub 4012, Tab G
9. Education benefits (Form 1098-T)
 - Direct the class to the NTTC-modified Pub 4012, Tab J.
 - Why is the American opportunity credit (AOC) better than the Lifetime Learning Credit (LLC) for Jason?
 - Under what circumstances would Jason be ineligible for the AOC?
 - What if Jason’s grandmother paid the tuition?
 - Are there any restrictions on buying books for the AOC or LLC? How about computers?
10. Other Taxes
 - Does Ray qualify for an exemption from the 10% early distribution additional tax? Does it matter on what Ray actually spent the distribution (no – tracing the funds is not required)?
 - Direct the class to the NTTC-modified Pub 4012, Tab H, Form 5329 and exception code explanations for early distributions from IRAs or retirement plans.
11. Tax Payments: Enter with self-employment income as part of the Caldwell separate lesson (below).

Caldwell Separate Lesson: Self-Employment

We recommend self-employment income be taught as a separate lesson to supplement this exercise. Instructors can prepare a separate lesson by selecting slides from the NTTC *Business Income* training slide set as appropriate. Following that lesson, direct the volunteers to enter the income and expenses for Mallory’s business provided in the supplemental exercise.

For this Training Exercise the Caldwell’s were not affected by the pandemic. Instructors should present the sick or family leave credits of Form 7202 **for awareness** to new volunteers since they are considered Comprehensive topics. Demonstrate use of the 2021 S-E COVID Worksheet (found on the Portal) to solicit taxpayer’s honest answers.

Example discussion questions:

1. Direct the class to the NTTC-modified Pub 4012, Tab D, Self-Employment Income section.
 - What can cause self-employment to be out of scope?
 - What are examples of non-deductible expenses?
2. What criteria are used to determine it’s a business and not a hobby? (NTTC-modified Pub 4491, Income – Business lesson: An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit and the taxpayer is involved in the activity with continuity and regularity.)
3. What are the rules on deducting mileage?
 - If Mallory traveled out of town for her business are there limits or restrictions on her expenses?
 - What if Mallory drove 100 miles for a storytelling appointment and returned home the same day?
4. Have the class examine the Form 1040 and Schedules 1-3 to see how the self-employment tax is handled.

5. If Mallory had taken a course that would improve her storytelling presentations, where could she deduct that expense?
 - Why might taking the cost of this course as a business expense be more beneficial than an education credit?
6. Mallory is covered under her spouse's employer-sponsored health insurance plan.
 - Is she allowed to claim the self-employed health insurance adjustment?
 - What if she had declined that coverage and purchased her own plan?
 - Note the issue is whether the employer offered coverage that was subsidized – if not, then Mallory can still claim the adjustment.
7. What if Mallory said that she could not work for a few days because she had a serious reaction from the COVID vaccine? (Awareness for Core, Training for Comprehensive) (2021 tax law provision)

Once all self-employment income information has been entered, direct the class to select the TaxSlayer Summary/Print. Review Form 1040 and Schedule C and discuss the changes in the return.

Davenport – Senior Married Couple

Topics covered:

- Identity theft
- Income: public safety officer pension (Form 1099-R), Social Security
- Deductions: itemized deductions
- Additional practice: interest, IRA distribution
- Supplemental lesson: broker statements, Schedule K-1
- Income: interest, dividends, capital gains

Example discussion questions:

1. Married filing jointly status
 - Direct the class to the NTTC-modified Pub 4012, Tab B, Determination of Filing Status – Interview Tips.
 - The Determination of Filing Status – Decision Tree in the NTTC-modified Pub 4012 or the QC/QR Tri-fold.
2. Retirement income – pension
 - How do we know that the simplified method is required?
 - If Michael had not chosen the joint and survivor annuity would his exclusion be more or less than the amount you calculated?
 - If a widow/widower comes in with a similar Form 1099-R and states their spouse died before beginning to draw the pension, how should the exclusion be calculated?
3. IRA distribution
 - How old is Michael and how does this affect his IRA? Is this distribution his RMD?

4. Social Security

- Is any of the Social Security taxable?
- What is the maximum amount of Social Security that can be taxed? (85%)
- The Davenports do not understand why a portion of their Social Security benefits are taxable. What can you show/tell them?

5. Standard deduction/itemized deductions

- What is the standard deduction for this taxpayer?
- Have the class refer to the NTTC-modified Pub 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.
- As the class enters information for Schedule A, the Instructors can encourage the use of the NTTC-modified Pub 4012 in determining qualified deductions for medical expenses, charitable donations, taxes paid, and other deductions.
- Note that all 2% miscellaneous itemized deductions are suspended. Does your state differ?

Davenport Separate Lesson: Broker Statement Capital Gains/Capital Losses, Sch K-1

We suggest teaching investment income as a separate lesson to supplement the Davenport exercise. Instructors can prepare a separate lesson by selecting slides from the NTTC *Income: Interest and Dividends*, *Income: Capital Gains and Losses*, and *Income: Schedule K-1* slide sets. Following that composite lesson, direct the volunteers to enter the Form 1099-B, broker statement, and K-1 provided in the exercise.

A standard broker statement does not exist because each company uses their own format. However, many brokerage firms provide a 1-2 page summary that contains most of the information needed to prepare a federal tax return. Volunteers need to review the entire broker statement. The summary may not contain important information such as dividend income from U.S. obligation funds excludible for state income tax purposes.

Note: some brokerages are using federal money market funds for cash accounts at the brokerage. Some or all of the dividends on the cash account may be state-tax exempt.

Taxpayers may not bring the entire broker statement and therefore the Counselor may not be able to verify that they have all the information needed for the return. The Davenports provide their Sonic broker statement. This full broker statement contains all the supporting information for the taxpayer. This full broker statement follows an actual broker statement format. Instructors should train volunteers to compare the summary statements (pages 1 and 2) to the full broker statement. Instructors should provide additional information that would be needed for the state tax return such as sources of state tax-exempt dividend income from federal mutual funds or in-state (or not in-state) municipal mutual funds.

Example discussion questions:

1. Direct the class to the NTTC-modified Pub 4012, Tab D, Schedule D Capital Gains.
 - What areas might be out of scope for capital gains and capital losses?
 - What sections of the Tax-Aide Scope Manual apply? (Schedule D and Form 8849)
2. What should the Counselor do if the taxpayer did not bring the entire broker statement?
3. How do qualified dividends affect a tax return?

4. What is the difference in taxation of a net short-term versus a long-term gain?
5. If Michael inherited the stock in 2021 and then sold it the next day would the gain/loss be short-term or long-term?
6. How do you know if there is loss carryover for next year's return?
 - Why are there separate short-term and long-term loss carryovers?
 - Does your state differ?
7. What entries on Schedule K-1 are in scope?
 - Verify using the Tax-Aide Scope Manual.
 - Where is the entry for Schedule K-1 long-term gain reported on the tax return?
 - Is the Schedule K-1 investment "all at risk"? Yes

After entering all investment income information, direct the class to select the TaxSlayer *Summary/Print*. Review Form 1040, Schedules 1-3, and Schedule D and discuss the changes in the return.

Evans/Bryant – Inclusive Core Exercise

Topics covered:

This exercise includes almost all the Core topics usually found on the IRS Advanced test in a single exercise return.

Example discussion questions:

1. Filing Status
 - Direct the class to the NTTC-modified Pub 4012, Tab B, Determination of Filing Status – Interview Tips. The Determination of Filing Status – Decision Tree in the QC/QR Tri-fold may also be used.
 - If Carl and Janice asked if there were any advantages to filing married filing separately what would you tell them?
 - What if Carl had died last year, what would be Janice's filing status?
 - What if he died two years ago? Five years ago?
2. Dependents
 - Who, if anyone, is a qualifying child of Carl and Janice?
 - Direct the class to the NTTC-modified Pub 4012, Tab C, Table 1. Have them "walk down" the table or have them use the QC/QR tri-fold. Use the Bogart Tool Dependent Qualification Calculator as an alternative.
 - Which support question on the I/I Sheet applies to a qualifying child? Highlight the difference in the support question between qualifying child and qualifying relative.
 - Direct the class to the NTTC-modified Pub 4012, Tab C, Table 3 with regard to divorced or separated parents.
 - Who, if anyone, is a qualifying relative of Carl and Janice?

Training Exercises

- Direct the class to the NTTC-modified Pub 4012, Tab C, Table 2. Have them “walk down” the table or have them use the QC/QR tri-fold to determine if Janice’s sister qualifies as a dependent. Use the Bogart Tool Dependent Qualification Calculator as an alternative.
- If not already discussed in the interview above, emphasize the questions in the gray area of the I/I Sheet.

3. Wages

- When might W-2, boxes 3 and 4 be zero?
- How does an entry in W-2, box 7, Social Security tips, affect boxes 1-6?
- How does an entry in W-2, box 10, dependent care benefits, affect the return?
- Review the more common W-2, box 12 codes listed in the NTTC-modified Pub 4012, Tab D.
- Which W-2 box reflects a 401(k) or 403(b) contribution?

4. Interest

- Is the payer ID and address required for your state? If not, no need to enter it.
- What entries on a Form 1099-INT are out-of-scope?
- Where is federally tax-exempt interest reported?
- How can tax-exempt interest affect the rest of the federal return?

5. Dividends

- Are dividends earned income?
- Where in the NTTC-modified Pub 4012 can the answer be found? (Tab I-1)
- Is Schedule D generated because of the entry in box 2a, qualified dividends, of Form 1099-DIV?
- Where are foreign taxes paid shown on the tax return? (Schedule 3, nonrefundable credits)
- Direct the class to the NTTC-modified Pub 4012, Tab G.
- Is Form 1116 in scope? (International certification required)
- What are the limits for not needing to use Form 1116? What foreign taxes exceed the limit?
- How do non-dividend distributions effect the return?
- Is the payer ID and address required for your state? If not, no need to enter it.

6. Business Income (*Core*)

- What criteria are used to determine it’s a business and not a hobby? (NTTC-modified Pub 4491, Lesson 9: An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit and the taxpayer is involved in the activity with continuity and regularity.)
- Direct the class to the NTTC-modified Pub 4012, Tab D, Self-Employment Income.
- What causes self-employment to be out of scope?
- What are examples of non-deductible expenses?
- If Janice traveled out of town for her business, are there any limits or restrictions on her expenses?
- What are the rules on deducting mileage? Where in the NTTC-modified Pub 4012 can they be found?

Training Exercises

- Where is the qualified business income deduction calculated? (Form 8995) Where does it appear on Form 1040?
 - Direct the class to select the TaxSlayer Summary/Print. Review the Form 1040 to determine how the self-employment tax is handled on the return.
7. Business Income (*Awareness for Core, Training for Comprehensive*) (refer to the 2021 S-E COVID Worksheet)
- When would a self-employed individual be eligible for a sick leave credit in 2021? What Form would need to be completed?
 - When would a self-employed individual be eligible for a family leave credit in 2021? What Form would need to be completed?
8. Capital gain/loss
- Janice's Form 1099-B has no date acquired or cost basis. What probing questions should be asked?
 - Direct the class to the NTTC-modified Pub 4012, Tab D, Schedule D Capital Gains.
 - What areas might be out of scope for capital gains and losses?
 - What sections of the Tax-Aide Scope Manual apply? (Schedule D and Form 8849)
 - What is the difference in taxation of a net short-term versus a long-term gain?
 - How do you know if there is capital loss carryover for next year's return?
 - Why are there separate short and long term loss carryovers?
9. IRA distributions
- What does box 7, code 1 mean?
 - How does box 7, code 1 affect the return?
 - Direct the class to select the TaxSlayer Summary/Print and note the penalty.
 - Should Carl be penalized?
10. Pensions and annuities
- Carl's pension does not have an amount in box 2a and "Taxable amount not determined" is marked.
 - What probing questions should be asked? (refer to Appendix D or Appendix E)
 - How do we know if the simplified method is required? The Bogart annuity calculator helps get the right answer – especially to compute the age at the annuity start date.
 - If Carl had chosen the joint and survivor annuity, would his exclusion be more or less than the amount you calculated?
 - If a widow/widower comes in with a similar Form 1099-R and states their spouse died before beginning to draw the pension on a joint/survivor basis, how should the exclusion be calculated?
11. Rents/royalties
- What are the requirements for land rents to be in scope?
 - Where is the property tax deducted? What if the taxpayer is not itemizing?
 - If Carl had received cash payments without a Form 1099-MISC, how would the income be entered in TaxSlayer?

12. Unemployment compensation

- Is this earned income?
- Where in the NTTC-modified Pub 4012 can the answer be found? (Tab I-1)

13. Social Security

- Is any of the Social Security taxable?
- What is the maximum amount of Social Security that can be taxed? (85%)
- Carl does not understand why a portion of the Social Security benefits are taxable. What is the explanation?

14. Other Income

- How do you enter gambling winnings if they are not reported on a W-2G?
- How are gambling losses handled?
- Is there a Form 1099-C for cancellation of debt income in TaxSlayer?
- What if the cancelled debt was for a car loan? Student loan (2021 tax law provision)? Mortgage debt (2021 tax law provision)?
- Are prizes and jury duty pay taxable?
- Where can you verify this (NTTC-modified Pub 4012 Tab D-1)?
- Where does repaying jury duty pay to your employer show up on Form 1040?

15. Educator expense

- Direct the class to the NTTC-modified Pub 4012, Tab E.
- What if Janice had been a college professor?

16. Health savings account adjustment (HSA)

- What are the requirements for establishing an HSA?
- What are the annual contribution limits?
- What if Carl's mother contributed \$1,000 to his HSA?
- What are examples of non-qualifying medical expenses?
- If a distribution is used for a non-qualifying expense how does that affect the return (note: tracing of funds is not required)?

17. Deductible part of self-employment tax

- How is the self-employment tax adjustment calculated?

18. Self-employed health insurance deduction

- Does she have a deduction?
- How is this adjustment limited?
- Where is it entered in the software? (Schedule C, General Expenses)

19. Alimony paid

- Direct the class to the NTTC-modified Pub 4012, Tab E. Review the section on alimony requirements.
- What is the difference between alimony and child support?
- Does Carl's ex-spouse have to report alimony received as taxable income?
- If yes, where is it reported?

Training Exercises

- How can the date of the divorce or any modifications affect the return?
- Is alimony earned income for EIC? Is it compensation for IRA contribution purposes?
- Where in the NTTC-modified Pub 4012 can the answer be found? (Tab I-1; IRA: Tab E-9)

20. IRA contribution

- What limits this deduction?
- What is the maximum IRA contribution that Janice and Carl can make? Does Carl's age impact that?
- What effect can an IRA deduction have on the return?
- (*Comprehensive*) What if Carl made a qualified charitable distribution (QCD) from his IRA – does Janice's IRA contribution impact the treatment of the QCD?
- Was a retirement savings contribution credit generated?
- Direct the class to select the TaxSlayer Summary/Print to verify.
- What limits the retirement savings credit?
- What form will be printed for the taxpayer?

21. Student loan interest

- Direct the class to the NTTC-modified Pub 4012, Tab E. Review the section Student Loan Interest Deduction at a Glance.
- What are the requirements to deduct student loan interest?
- What limits this adjustment?

22. Standard deduction/itemized deductions

- What is the standard deduction for this taxpayer?
- Have the class refer to the NTTC-modified Pub 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.
- As the class enters information for Schedule A, the Instructors can encourage the use of the NTTC-modified Pub 4012 (and Pub 17 if needed) in determining qualified deductions for medical expenses, charitable donations, taxes paid, and other deductions.

23. Credit for child and dependent care (2021 tax law provision)

- Direct the class to the NTTC-modified Pub 4012, Tab G, the Child and Dependent Care Credit Expenses. Note the new limits. Have the class examine the screening sheet on the next page.
- What probing questions should be asked?
- What are the limits on this credit for 2021?
- What type of credit is the child tax credit – refundable or non-refundable (2021 tax law provision)?
- Carl states he put Terri in daycare on numerous occasions when he and Janice were working. What if Janice paid her sister for day care instead?

24. Education benefits

- Direct the class to the NTTC-modified Pub 4012, Tab J.
- Why is the AOC better than the LLC for Yvonne? Under what circumstances would she not be eligible for AOC as a junior?
- What if Yvonne's grandmother paid for the tuition?

Focused Exercises

- Are there any restrictions on buying books for the AOC or the LLC?
- What are Janice's options for reporting the expenses for her medical terminology course?
- If asked, Corexel is an accredited institution eligible for federal student aid.
- What is Janice's best option?

25. Child tax credit/credit for other dependents (2021 tax law provision)

- Direct the class to the NTTC-modified Pub 4012, Tab G, Child Tax Credit. Have the class "walk down" the steps or use the QC/QR tri-fold tool to verify that Terri qualifies for the child tax credit.
- What type of credit is the child tax credit – refundable or non-refundable
- What changes have been made to this credit for 2021
- Who qualifies for the credit for other dependents?
- What type of credit is the credit for other dependents – refundable or non-refundable?
- In lieu of the credit for other dependents, what would you see on a 2017 or earlier tax return?

26. Self-employment tax

- How is this tax calculated?
- What could cause self-employment tax to be zero when a person has business (self-employment) income? (net profit less than \$433, notary, statutory employee)
- If a person had self-employment income, but their gross income was under the filing threshold would they be required to file a tax return?
- Where can you verify the filing requirement in the NTTC-modified Pub 4012? (Tab A)

27. Additional tax on IRA, other qualified retirement plans

- Does Carl qualify for an exception to the 10% early withdrawal addition to tax?
- What if Carl had been under age 59½, would he still qualify for an exception?
- Direct the class to the NTTC-modified Pub 4012, Tab H, Form 5329.

28. Earned income credit (EIC)

- After the W-2s have been entered, direct the class to the NTTC-modified Pub 4012, Tab I. Have the class review the Summary of EIC Eligibility Requirements and "walk down" the steps of EIC General Eligibility Rules.
- Are Carl and Janice entitled to EIC?
- What special rule is available for 2021? (2021 tax law provision – look-back to 2019)
- Direct the class to select the TaxSlayer Summary/Print to verify.
- What if Janice was divorced and her ex-spouse was entitled to claim Yvonne as a dependent per the divorce decree?

Focused Exercises

These are a series of five exercises focused on specific tax topics: basic income, self-employment, retirement income, investment income, and itemized deductions/education credit. These short, straightforward exercises provide volunteers with tax returns they can prepare on their own to reinforce the knowledge and skills learned in the Training Exercises.

Focused Exercises are designed to reinforce the material learned during the first four training exercise lessons. They could be completed in the classroom while roving Instructors/Mentors are available to answer questions and provide additional instruction. In the virtual environment, assigning them as self-study would be an effective option. New volunteers should be assigned a Mentor whom they could contact for help. Because these exercises focus on specific tax topics, they should not be assigned as part of the required certification exercises.

Focused Exercise Notes

Below are notes for each of the Focused Exercises with key learning points and other information that may be of interest to Instructors.

Adams – Basic Income

This exercise could be assigned following the *Single Working Taxpayer Lesson* to reinforce the knowledge and skills taught in that lesson.

Key learning points:

- Qualifying Child (disabled adult daughter)
- Retirement savings credit
- Earned income credit
- Tax-exempt interest (state returns)

Baldwin – Self Employment

This exercise could be assigned following the lesson on self-employment with the *Young Married Couple Lesson* to reinforce the knowledge and skills taught in that lesson.

Key learning points:

- Schedule C with Form 1099-NEC
- Deductible mileage
- Adjustment for self-employed health insurance
- Estimated payments for self-employed taxpayers
- Qualified business income (QBI) deduction

Instructor/Mentor notes:

Some volunteers question whether paint is a supply or “cost of goods sold.” Most painters simply quote a price for a paint job. Paint is usually purchased for a particular job so there is no inventory. Paint should be expensed as supplies. The class can discuss the option for cash-basis taxpayers to expense purchases and not account for beginning or ending inventory.

Health insurance premiums should be entered in the health Insurance block on Schedule C, General Expenses. This is **not an expense on Schedule C**, it is entered here so that it will be carried to the worksheet to be computed as an adjustment to gross income. If premiums exceed the adjustment, the software carries the remainder to Schedule A as a medical deduction.

The QBI deduction is computed and Form 8995 is completed by TaxSlayer. Some self-employed taxpayers may be eligible for a sick leave or family leave credit if they were affected by COVID (see the 2021 S-E COVID Worksheet found in the Portal Library).

Chambers – Retirement Income

This exercise could be assigned following the *Senior Married Couple Lesson* to reinforce the knowledge and skills taught in that lesson.

Key learning points:

- Filing status (qualifying widower)
- Military pension (state tax implications)
- Disability pension (income reported on Form 1040 as wages and simplified method not used)

Instructor/Mentor notes:

Karen can use Qualifying Widow as her filing status even though her daughter Amy is not a dependent (Amy's income is too high). Refer volunteers to the NTTC-modified Pub 4012, Tab B, Determining Filing Status – Decision Tree or the NTTC QC/QR tri-fold, to review the requirements. Amy is a qualifying person since the only reason she is not a dependent is the gross income test.

Since Karen's Mayberry Sherriff's Department Pension is a disability pension (Box 7 Code 3), the entire pension amount is taxable as wages because she is below the minimum retirement age for the sheriff's department. She does not begin to recover her contributions until she reaches the minimum retirement age – so the simplified method should not be used.

Davis – Investment Income

This exercise could be assigned following the lesson on investment income with the *Senior Married Couple Lesson* to reinforce the knowledge and skills taught in that lesson.

Key Learning Points:

- Deceased spouse
- Navigating broker summary statement
- Inherited assets

Instructor/Mentor notes:

In most cases Counselors will find all the information necessary for the return on the broker statement summary page(s). However, they should check the entire broker statement to verify that summary contains all they need. Often additional information for the state return will be found on the additional pages.

Elliott – Itemized Deductions and Education Credits

This exercise could be assigned following the four Training Exercise lessons to reinforce knowledge and skills.

Key learning points:

- Entering information on Schedule A
- Understanding the amount necessary to exceed the standard deduction
- Using the NTTC-modified Pub 4012 and Pub 17 for allowable deductions
- American opportunity credit (AOC) rules

Core and Comprehensive Practice Exercises

The Practice Exercises are for volunteers to refresh their skills prior to the tax season. Volunteers should complete a minimum of four Practice Exercises as part of the certification requirements for Counselors (or the number set by the State Coordinator).

The exercises required for certification can be based on the experience level of the volunteers. For example, assign more Core Exercises to new volunteers and assign Comprehensive Exercises to experienced Counselors. Districts may want to choose exercises that contain tax topics they see more often at their tax sites. Instructors can also modify any exercise to better suit their district's training needs, including adding state return issues.

Instructors/Mentors should complete all exercises assigned to the volunteers. Districts will need to specify procedures for evaluating the completed exercises. Answers for the Practice Exercises using 2021 software will be sent directly to Instructors (volunteers with that role). "Just getting the right answer" should be avoided. The Practice Exercise returns should be prepared ready for quality review as though they would be transmitted.

There are two categories of Practice Exercises:

- **Core Exercises** – contain tax topics with which every Counselor should be comfortable. The Core Exercises are more representative of "typical" returns seen at a tax site.
- **Comprehensive Exercises** – contain in-scope tax topics often not taught in a classroom setting to new volunteers and may not be often seen at the tax site. These exercises are generally more complex than the Core Exercises. The issues presented will be more familiar to experienced Counselors.

Core Exercise Notes

Each exercise note contains key learning points and other information that may be of interest to Instructors when assigning and reviewing these exercises for proficiency and certification. As noted in the introduction, Core Exercises may be more appropriate for new volunteers. Experienced volunteers may get more benefit from the Comprehensive Exercises.

Alvarado Nogales

Key learning points:

- Typical tax return for married seniors (65+ years old) with pension, Social Security and interest (not reported on 1099-INT)
- Taxable amount of Social Security
- Charitable contribution add-on deduction (2021 tax law provision)

Instructor/Mentor note: This exercise is typical of a large majority of returns seen at our sites. Seniors with minimal tax documents and low AGI.

Bartlett

Key learning points:

- MFJ with Deceased spouse
- Other income: life insurance proceeds
- Insufficient withholding
- Direct debit for taxes owed
- Charitable contribution add-on deduction (2021 tax law provision)

Instructor/Mentor note: Often when a surviving spouse is confronted with their first tax return as a widow(er), they are unsure of the changes that will affect their taxes going forward. It is often a confusing and emotional time for the taxpayer, so Counselors may need to adjust their interview and completed return discussion. It is not uncommon to see insufficient withholding and the taxpayer has an amount due.

Carter

Key learning points:

- Single senior taxpayer with CSA retirement
- Last year's Tax-Aide tax return carryforward used to verify SSN
- Simple self-employment with mileage and Medicare premiums for SEHI adjustment
- Insufficient withholding - direct debit for taxes owed

D'Antonio

Key learning points:

- Single taxpayer with wages and unemployment
- Non-custodial parent with dependent
- Identity theft
- Advanced child tax credit (AdvCTC) payments (2021 tax law provision)
- Marketplace health insurance (partial year coverage) and unemployment compensation (2021 tax law provision)

Instructor/Mentor note: This is a good exercise to demonstrate the tax benefits available for the non-custodial parent situation. Volunteers need to refer to Pub 4012 for the correct way to enter months in the home for the dependent. Entering zero months is incorrect.

There is a special provision for premium tax credits due to the taxpayer receiving unemployment: Household income in excess of 133% of FPL is not considered for purposes of computing PTC (2021 law provision). Review the printout of F8962 to view the impact of this law change.

Elder

Key learning points:

- Single parent with qualifying child dependent
- Teacher with educator expenses
- Child and dependent care credit with W-2 box 10 benefits (2021 tax law provision)
- Student loan forgiveness (2021 tax law provision)
- Advance CTC payments (2021 tax law provision)
- Charitable contribution add-on deduction (2021 tax law provision)
- Bank information taken from phone

Instructor/Mentor note: This exercise is typical of a single working parent. It contains several 2021 law change provisions: charitable contribution add-on to the standard deduction, increased child and dependent care credit limits, student loan forgiveness (nontaxable), and increased child tax credit limits, and advanced child tax credit payments.

Ferguson

Key learning points:

- MFJ working couple with two dependents
- Straightforward American opportunity credit for dependent
- Early IRA withdrawal
- Charitable contribution add-on deduction (2021 tax law provision)
- Opted out of AdvCTC (2021 tax law provision)
- Refund split between accounts

Instructor/Mentor note: Some volunteers still want to know what the early withdrawal distribution was used for so they can determine if the 10% penalty can be excluded – it does not matter. If qualifying expenses are paid (in this case education expenses), they can be used to reduce or eliminate the penalty.

This exercise also allows volunteers to practice splitting a refund between two accounts which is not often seen.

Gongsun

Key learning points:

- Married Filing Separate filing status (taxpayer lives with spouse)

- Gambling winnings

Instructor/Mentor note: The learning point is how MFS affect Social Security when a taxpayer lives with their spouse. Instructors can highlight this by having volunteers prepare the return as MFJ as well. It is understood that some community property states make MFS out of scope.

Huberman

Key learning points:

- Single senior retired taxpayer
- Investment income (broker statement summary)
- Capital Loss carryover
- Other income: jury duty
- Estimated payment
- Charitable contribution add-on deduction (2021 tax law provision)
- Refund applied to next year's taxes

Instructor/Mentor note: This is a good exercise for districts that see broker statements. It is straightforward and emphasizes looking for capital loss carryover and any estimated payments. It also provides practice applying a refund to next year's taxes which is rarely requested.

Irving

Key learning points:

- Single working taxpayer with qualifying child dependent
- Dependent SSN verified from Social Security statement
- IRA contribution adjustment
- Itemized deductions
- Did not receive EIP3 payment for dependent (2021 tax law provision)

Instructor/Mentor note: With the increase in standard deduction, the number of taxpayers who itemize deductions has decreased. This exercise provides volunteers an opportunity to practice Schedule A.

Jacoby

Key learning points:

- Single self-employed taxpayer with two qualifying child dependents
- Credit card income reported on 1099-K
- Alimony received
- Cancellation of credit card debt
- Advance CTC payments (2021 tax law provision)
- Use of 2019 Earned Income for EIC (2021 tax law provision)

Instructor/Mentor note: A new law change requires that Form 1099-K be issued when total transactions exceed \$600 (previously (\$20,000) so we may see more of these forms for TY 2021.

Very knowledgeable volunteers may note that a rent expense greater than \$600 normally requires the taxpayer to submit a 1099 which would make this return out of scope. However, if rent is paid to a property manager a 1099 is not required to be filed and the return remains in scope.

The EIP2 reported was \$2,400 which is inconsistent for a taxpayer with two dependents. Since EIP2 was based on the taxpayer's 2019 return, there may have been another dependent or perhaps the taxpayer's EIP1 was incorrect. In any event it does not affect the 2021 return and volunteers need to be understand that taxpayer's can report payments that seem incorrect.

Kaczenski

Key learning points:

- Senior MFJ couple with wages and pension
- Other income: medical study stipend (1099-MISC)
- VA disability pension
- Use of 2019 earned income for EIC (2021 tax law provision)
- Bank info from last year's return

Langford

Key learning points:

- Single working taxpayer with disabled parent dependent
- Pays alimony
- Health savings account (HSA) with 1099-SA
- Child and dependent care credit
- Taxpayer and dependent received separate EIP3 payments

Instructor/Mentor note: This exercise provides a straightforward HSA for volunteer practice.

Gloria's mother received her stimulus payment separately. How should Gloria report stimulus payments on her 2021 return?

Comprehensive Exercise Notes

Each exercise note contains key learning points and other information that may be of interest to Instructors when assigning and reviewing these exercises for proficiency and certification. As noted in the introduction, Comprehensive Exercises may be more appropriate for returning volunteers.

Martin

Key learning points:

- MFJ couple with non-dependent child living with them
- Identity theft (IP PIN)
- W-2 with mandatory retirement contribution in box 14 (do not carry to Form 8880)
- IRA distribution with non-deductible IRA contributions
- Alimony paid

- Civil service retirement with simplified method
- IRA distribution with non-deductible contribution (Form 8606)
- Land rental
- Educator expenses (but taxpayer does not meet the adjustment criteria)
- Use of 2019 Earned Income for EIC (2021 tax law provision)

Instructor/Mentor note: Many state and local government employees have mandatory retirement contributions which are reported with various codes in box 14 on a W-2. While entering “other” as the Box 14 code in TaxSlayer is acceptable, the better choice is selecting “Retirement (not in box 12) – Do not carry to Form 8880” from the drop-down menu.

Most IRA distributions we see at our sites are fully taxable because all of the taxpayer’s contributions were deductible. However, it is always important to ask especially for taxpayers with higher AGIs.

Nguyen

Key learning points:

- Single taxpayer with disabled child
- 1099-INT taken from phone
- Pension with public safety officer (PSO) health insurance
- Joint first-time homebuyer credit (FTHBC) with deceased spouse
- Other income (gambling and honorarium)
- Itemized deductions with non-cash charitable contributions over \$500
- 2019 earned income not used for EIC because it is lower than 2021 earned income (2021 tax law provision)
- Taxpayer and dependent received separate EIP3 payments
- Bank information shown on an account information card

Instructor/Mentor note: For districts that see more gambling income, the proper treatment of winnings, the cost of winnings, and losses are presented (see Workbook errata). Previously, IRS/SPEC confirmed that when multiple Forms W-2G are received from the same payer, it is acceptable to combine them into a single W-2G. Expenses associated with gambling can be added to losses if itemizing (TCJA temporary provision through 2025). For districts where gambling income is rarely seen, Instructors may wish to limit the training to a more realistic situation, that is, the taxpayer does not present any information regarding losses. As is true for all deductions, taxpayers should be advised to retain their documentation of losses or expenses in case of an IRS inquiry.

Volunteers should note that when a spouse dies, the surviving spouse is only responsible for paying back their half of the FTHBC.

Since Bayani filed his own return in 2020, he received his stimulus separately. How should Kim report stimulus payments on her 2021 return?

This exercise provides an opportunity practice itemized deductions including non-cash donations over \$500 which is in scope for Tax-Aide.

O'Connor

Key learning points:

- Single taxpayer with dependent parent
- Multiple support declaration (Form 2120)
- Taxpayer's Social Security number (SSN) verified from last year's return (carryforward)
- Head of household filing status (dependent mother zero months in home)
- IRA early withdrawal (Form 5329 exception – medical expense)
- Cancellation of mortgage debt (2021 tax law provision)
- Use of 2019 Earned Income for EIC (2021 tax law provision)
- Marketplace health insurance (PTC calculation affected by unemployment benefits) (2021 tax law provision)
- Bank account information taken from last year's return

Instructor/Mentor note: Shamus took an early withdrawal from his IRA. He can eliminate part of the 10% penalty using the amount he paid for his mother's medical expenses that exceed 7.5% of his AGI. Some volunteers believe there should be a statement that he withdrew the money specifically for the medical expenses. It does not matter when or why he made the withdrawal.

There is a special provision for premium tax credit due to the taxpayer receiving unemployment: household income in excess of 133% of FPL is not considered for purposes of computing PTC (2021 law change).

Since his mother was claimed by his brother on the 2020 return, his brother received the \$1,400 stimulus for the mother. How should Shamus report stimulus payments on his 2021 return?

Parata

Key learning points:

- Single senior self-employed taxpayer with two dependents
- Self-employed with health insurance adjustment (SEHI)
- Business lunch expense (2021-2022 tax law provision)
- Charitable contribution add-on deduction (2021 tax law provision)
- Education Credit
- Estimated payments
- Self-employed sick leave credit (2021 tax law provision)
- 2019 earned income not used for EIC because it is lower than 2021 (2021 tax law provision)
- Split refund between two accounts
- Deferral of part of self-employment tax in 2020 (2020 tax law provision affecting 2021)

Instructor /Mentor note: Maru can use his Medicare premiums to compute SEHI adjustment for his small business. Enter the premiums on Schedule C – General Expenses input page but do not enter again on the Social Security page. Any excess will carry to Schedule A.

Maru elected to defer part of his employer portion of SE tax in 2020. This information is provided for information. The IRS required taxpayers to pay the deferred amount separately and send letters and vouchers for payment. Taxpayers may not have understood this and may need to be advised that their refund could be reduced if the payment was not made.

This exercise highlights the importance of the interview and examining prior year returns, especially in the case of the self-employed because of the 2020 and 2021 tax law changes affecting self-employment.

Quinn

Key learning points:

- Single taxpayer with disabled parent dependent
- Medicaid waiver payments
- 2020 IRA distribution spread over 3-years (2020 tax law provision affecting 2021)
- Use of 2019 Earned Income for EIC (2021 tax law provision)
- Marketplace health insurance with no APTC
- Taxpayer and dependent received separate EIP3 payments

Instructor/Mentor note: Not all states report Medicaid waiver payments on a W-2. Instructors should modify this exercise to reflect their state’s reporting method (e.g. 1099-MISC).

This exercise highlights another provision from the 2020 pandemic tax law changes: the option to spread retirement distributions over three years. It is not known if the 2021 Form 13614-C in the Tax-Aide Intake Booklet will alert the Counselor that the taxpayer elected this option. Additionally, taxpayers who did elect this option may not fully realize the effect on their 2021 return and may have a tax balance due.

This is another case where the taxpayer and dependent received separate stimulus payments, so the Counselor needs to note that when preparing the return.

Romano

Key learning points:

- Senior MFJ couple with deceased spouse
- Non-dependent child
- 1099-INT information on-line from phone
- Lump sum Social Security payment
- 1099-R box 7 Code 6
- Itemized deductions including lodging medical expense

- Nontaxable life insurance proceeds (use for modified AGI (MAGI) for sales tax deduction calculation)
- Bank info from phone
- Refund to be split between direct deposit and applied to next year's taxes

Instructor/Mentor note: Some volunteers incorrectly believe that a 1099-R with box 7 Code 6 is out of scope because they do not aware Tax-Aide scope includes some items that are normally out of scope for the VITA/TCE programs. Refer to the NTTC Scope Manual.

Volunteers should refer to Pub 502 for the limits on lodging expenses for Helen when she went out of town for medical treatments.

Sahlberg

Key learning points:

- Senior MFJ couple with legally blind spouse
- Social Security information provided from on-line accounts at SSA.GOV
- Long term care payment (Form 1099-LTC)
- Broker statement summary with wash sales
- IRA distribution with qualified charitable distribution (QCD)
- Received EIP3 for dependent reported on 2020 return but no longer a dependent
- Bank account information from 2020 tax return

Instructor/Mentor notes: With higher standard deductions, taxpayers may have learned about the benefits of the QCD from friends or advisors. Therefore, this technique may become more popular.

Tham

Key learning points:

- Senior MFJ couple
- Railroad retirement (simplified method required)
- QCD with IRA contribution
- Sale of second home (Form 1099-S)
- Use of 2019 Earned Income for EIC (2021 tax law change)
- Residential Energy Credit (2021 tax law extender)

Instructor/Mentor notes: Volunteers who encounter railroad retirement for the first time may be surprised to see that both the taxpayer and their spouse receive benefits from the railroad retirement system and thus they each receive the RRB forms.

Counselors should note that taxpayers over age 65 with no qualifying children are now eligible for EIC. For 2021, Counselors should be alert to check 2019 earned income to see if it would increase the taxpayer's EIC.

The law change in 2020 requires that a qualified charitable deduction must be reduced by the cumulative amount of any IRA contributions made after 2019. The 2020 software did not do this automatically. The Counselor will need to make this adjustment.

Vincent

Key learning points:

- Taxpayer election to tax some or all of their unrestricted scholarship or grant to enhance the American opportunity credit (“AOC”)
- Maximizing the AOC when the taxpayer is the student
- Maximizing the AOC when the student is a dependent with no other income (Vincent 2)
- Maximizing the AOC when student is a dependent and has other income (Vincent 3)
- Avoiding the kiddie tax, which can make the dependent’s return out of scope

Instructor/Mentor notes: Van qualifies for the AOC, but his grant is more than his total expenses. If we apply all his expenses toward making the grant nontaxable, he will still have to pay tax on \$400 of the grant ($\$4,000 - 2,900 - 200 - 500$), and there are no unused expenses to apply to the AOC. See table below for the AGI, taxable income, tax, EIC and refund.

If he chooses to pay tax on all of his grant, then he can use his education expenses toward the AOC. The nonrefundable portion of the credit will cover all the tax. See table below for the AGI, taxable income, tax, AOC, EIC and refund.

We decide to use Jeff Bogart’s education calculator to see if there is a point where the refund is maximized. The calculator calls for applying \$1,999 toward the AOC and paying tax on \$2,399 of the grant. See table below for the AGI, taxable income, tax, AOC, EIC and refund.

VINCENT 1	Taxable Grant	AOC expenses	AGI	Taxable Income	Tax	EIC	Refund-able AOC	Total Refund
Apply all expenses toward making scholarship tax-free	400	0	32,400	13,600	1,363	1,555	0	3,092
Apply all expenses to AOC	4,000	3,600	36,000	17,200	1,783	980	960	4,340
Use Education Calculator to maximize refund	2,399	1,999	34,399	15,599	1,585	1,244	800	\$4,444

Supplemental Exercise – Vincent 2

Larry is willing to declare his grant as taxable and the AOC will go to Van. Since the taxable grant stays on the student’s tax return, it does not affect Van’s AGI or EIC. Since Larry has no other income, adding \$1,100 to his tax return will not create a filing requirement because the grant is considered earned income for determining filing requirement. The Van and Larry agree to put the entire unrestricted grant on Larry’s return, and claim all remaining \$700 of expenses toward AOC on Van’s return.

Note: the parent and student should be apprised that FAFSA grants or other assistance may or may not be impacted by Larry’s now taxable income.

VINCENT 2	Taxable Grant	AOC Expenses	AGI	Taxable Income	Tax	EIC	Refund-able AOC	Total Refund
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Apply all expenses toward making scholarship tax-free	400	0	32,000	13,200	1,323	1,619	0	3,196
Apply all expenses to AOC	1,100	700	32,000	13,200	1,323	1,619	280	3,896
Use Education Calculator to maximize refund	1,100	700	32,000	13,200	1,323	1,619	280	3,896

Supplemental Exercise – Vincent 3

Larry is 18 years old, so special rules apply for the AOC. First, the full-time student criterion does not apply (it applies to those age 19-23). Then, Larry must not provide more than half of his own support. This happens because he saved most of his income so Van satisfies the support test, meets the other dependent tests to be, and Van will claim him

Next, we need to determine if the kiddie tax might apply to Larry. Since he is 18 years old, the test for kiddie tax is whether Larry's **earned** income is more than $\frac{1}{2}$ of his support – he does not need to actually use it for his support, just that it be at least $\frac{1}{2}$ of the total. For this purpose, taxable scholarship income is unearned, so look at just his W-2 income. If the kiddie tax is not applicable, Larry can have as much unearned income as he wishes.

Larry has wages of \$9,000 – that's \$750 per month. At a tax site, the Counselor might ask Van to complete the support worksheet (NTTC-modified Pub 4012, Tab C) to confirm whether Larry's wages are more than $\frac{1}{2}$ of his support, even if he saved it all and used none for his support. For our purposes here, we will assume that Larry's support is more than \$1,500 per month so his wages are **less** than $\frac{1}{2}$ the total and the kiddie tax is in play. Note that applying all the expenses to AOC increases Larry's income such that the kiddie tax comes into play and his return is out of scope. The Education Calculator tells us the optimum is \$3,546 of taxable scholarship for Larry and Van using \$3,146 of education expenses for AOC. Van and Larry choose the last option to avoid the kiddie tax.

VINCENT 3	Van/Larry	Taxable Grant	AOC Expenses	AGI	Taxable Income	Tax	EIC	Refund-able AOC	Total Refund
Apply all expenses to make scholarship tax-free	V		0	32,000	13,200	1,323	1,619	0	3,196
	L	400		9,400	0	0	0	0	0
Apply all expenses to AOC	V		3,600	32,000	13,200	1,323	1,619	960	4,979
	L	4,000		13,000	450	OOS			
Use Education Calculator to maximize refund	V		3,146	32,000	13,200	1,323	1,619	915	4,934
	L	3,546		12,546	-4	0			

In the “to think about” question, Larry can contribute to a traditional IRA. In the Bogart Education Calculator, we can enter alternative AGI amounts for Larry (reducing it for the IRA deduction) and click to optimize the combined results. The maximum benefit that Van can claim is \$45, for the refundable AOC. To get that \$45, Larry would need to contribute \$450 to an IRA (AGI of \$8,550).

Instructors may wish to expand the discussion:

Quizzes

If instead the Counselor concludes that Larry's wages were more than $\frac{1}{2}$ of his support, they would make one change in the Education Calculator: on the Taxpayer Information tab we mark the "No" button for the question, "Was the student's earned income **less than** one-half of their support?" The optimizer would then show that Larry's taxable scholarship at \$3,594 (\$48 more than under the optimized Vincent 3) and Van should claim \$3,594 for the AOC. This is less than the maximum because Van's income is not that high. At most, he might get \$45 more in refundable AOC (that calculation is 25% of expenses times 40%, or 10% of expenses). Larry's tax rate is also 10% so the benefit is negligible. The additional \$48 of income to Larry costs him \$4 and Van gets an additional \$5 of refundable AOC.

Wright

Key learning points:

- A Form 8889 is required for each health savings account (HSA) – in this case one for Andrew and a second one for Jane.
- Manual entries or adjustments are necessary to produce correct Forms 8889 when both spouses have HSAs.

Instructor/Mentor notes: The Wright exercise provides the volunteer practice in handling the HSA deduction for a married couple where at least one has family high deductible health plan (HDHP) coverage. The NTTC has produced a series of four HSA videos that volunteers should view. These guide the preparer through the step-by-step TaxSlayer entries needed for married individuals, each with their own HSA and family health coverage. The NTTC-modified Pub 4012, Tab E, also includes guidance for entries to the two Forms 8889 in TaxSlayer.

Volunteers should check Form 1040, Schedule 1 Adjustments to Gross Income, to confirm the Wrights have maximized their HSA deduction – \$8,200 for 2021. There should be no additional tax on the distributions from the HSAs because they were offset by qualified medical expenses.

In the TaxSlayer printout, the Forms 8889 should indicate the potential family contribution allowed on line 3 (\$7,200), the split of the maximum allowed deduction selected by the taxpayer and spouse on line 6, and the amount of catch-up contribution on line 7. The Wrights had no employer contribution to either HSA.

Quizzes

The Tax Law Changes Quizzes 2021 are designed to cover almost all of the 2021 tax law provision changes. The General Quizzes include both Core and Comprehensive quiz questions for almost every tax topic. Quizzes can be useful in evaluating volunteer knowledge and generating discussion. Suggestions for using quizzes include:

- Following a Training Exercise lesson, assign several questions for self-study. For example, following the Tom Andrews – Single Working Taxpayer lesson, questions from the wages and interest quizzes could be assigned. Answers can be discussed at the beginning of the next training session.
- Volunteers could be assigned to self-study a particular tax topic in the NTTC-modified Pub 4491 prior to attending class (classroom or virtual) and be prepared to answer specific quiz questions. Alternatively, Instructors could divide the class into small groups (breakout

Quizzes

groups in virtual setting) and assign each group a few questions to research. The groups could then present their answers to the entire class. This would be especially effective for returning volunteers to refresh their tax law knowledge.

- Following a lesson or self-study on a particular topic, the Instructor could call on volunteers to present the answer to the class or have them raise their hand. In a virtual session, the entire class could be asked a quiz question and respond via chat, a poll, or Google Form. This would work especially well with true/false or yes/no quiz answers.
- Instructors/Mentors could require volunteers to answer several quiz questions in Google Forms. Instructors could review the answers to see which questions gave volunteers the most trouble. These could then be discussed during a subsequent training session. (Some districts require formal training sessions for all volunteers – new and returning.) The filing status and dependency quizzes would be particularly good candidates for this approach.

Appendix A: Training Schedules for New Volunteers

In-person Classroom Training Schedule

This schedule is an example how the Core Training Exercise series might be used for training new volunteers. Instructor teams will need to make adjustments to fit the needs of their district. The schedule does not include state return training issues. The schedule shows only the material to be covered and estimated times. Instructors need to schedule breaks as appropriate.

Day 1

- Welcome/Introductions (30 min) (Note 1)
- Lesson: Intake and Interview (1 hr.)
- Lesson: Filing Basics (45 min)
- Lesson: Single Working Taxpayer (2½ hrs.)
- Practice: Focused Exercise – Adams (20 min) (Note 2)
- Lesson: Single Working Parent (2½ hrs.)

Day 2

- Review/Q&A Day 1 (30 min) (Note 3)
- Lesson: Young Married Couple (2½ hrs.)
- Lesson: Business Income/Self-employment (90 min)
- Practice: Focused Exercise – Baldwin (1 hr.)
- Start Required Exercises (Note 4)

Day 3

- Review/Q&A Day 2 (30 min)
- Lesson: Senior Married Couple (2½ hrs.)
- Practice: Focused Exercise – Chambers (1 hr.)
- Lesson: Capital Gain/Loss (90 min)
- Practice: Focused Exercise – Davis (1 hr.)
- Continue working on Required Exercises

Day 4

- Review/Q&A Day 3
- Practice: Focused Exercise – Elliott (1 hr.)
- Lesson: Healthcare: Marketplace coverage (1hr)
- Lesson: Finishing the Return (1 ½ hrs.) (Note 5)
- Wrap up/Review Test procedures

Day 5

- Lesson: Policies and Procedures (1 hr.)
- Complete Required Exercises

Virtual Training Schedule

Virtual training will require a different approach to scheduling. Rather than a daily schedule that most districts use for in-person classes, a suggestion for virtual training is to divide the training into sessions. Instructors should limit sessions to no more than 4 hours as keeping volunteers engaged is much harder than in a classroom setting. Sample sessions are shown below. These sessions require a mix of self-study and Instructor lead on-line meetings. These sessions can be spread over several days to allow time for the self-study. A Monday-Wednesday-Friday sequence might work well. Mentors should be assigned for each new volunteer to answer questions and follow the volunteer's progress.

Session 1

- Read ahead: NTTC-modified Pub 4491 Lesson 8 (wages and interest), Lesson 13 (unemployment), Lesson 17 (IRA contribution and student loan adjustments) and Lesson 25 (retirement savings credit)
- Lesson: intake and interview (45 min)

Session 4

- Read ahead: NTTC-modified Pub 4491 Lesson 9 (business income)
- Lesson: self-employment (90 min)
- Break (15 min)
- Lesson: enter self-employment for Caldwell exercise

Appendix A: Training Schedules for New Volunteers

- Lesson: filing basics (45 min)
- Break (15 min)
- Lesson: Andrews – Single Working Taxpayer (2 hrs.)
- Self-study assignment: complete Adams Focused Exercise

Session 2

- Read ahead: NTTC-modified Pub 4491 Lesson 4 (filing status – head of household only), Lesson 6 (dependents – qualifying child only), and Lesson 15 (other income – gambling winnings and cancellation of credit card debt only); NTTC-modified Pub 4012, Tab G (child care and child tax credits) and Tab I, EIC
- Review: Q&A on Adams Focused Exercise (20 min)
- Lesson: Baker – Single Working Parent (2 hrs. – 15 min break at 1 hr. point)
- Lesson: Marketplace insurance – enter Form 1095-A in exercise (30 min)
- Self-study assignment: start the four required certification exercises (personal information)

Session 3

- Read ahead: NTTC-modified Pub 4491 Lesson 4 (filing status – MFJ, MFS, and QW), Lesson 6 (qualifying relative), Lesson 8 (dividends), and Lesson 11 (IRA only); NTTC-modified Pub 4012, Tab J (education benefits), Tab G (foreign tax credit), and Tab H (Form 5329)
- Review: Q&A from Session 2 (20 min)
- Lesson: Caldwell – Young Married Couple (2 hrs.) (15 min break at 1 hr. point)
- Self-study assignment: enter basic income for the four required certification exercises

Appendix A Notes:

1. This sample schedule assumes that new volunteers attended an orientation session prior to the week-long training class. Districts should determine what is covered during the orientation. Suggested topics include:
 - Overview of AARP Foundation Tax-Aide including the certification requirements
 - Completion of the Standards of Conduct and Intake/Interview and Quality Review Tests

- Self-study assignment: Baldwin Focused Exercise

Session 5

- Read ahead: NTTC-modified Pub 4491 Lesson 11 (pensions), Lesson 14 (Social Security), and Lesson 20 (itemized deductions)
- Review: Q&A session 4 and Baldwin Exercise (20 min)
- Lesson: Davenport – Senior Married Couple (2 hrs. – 15 min break at 1 hr. point)
- Self-study assignment: Chambers Focused Exercise

Session 6

- Read ahead: NTTC-modified Pub 4491 Lesson 10 (capital gains)
- Review: Q&A Session 5 and Chambers Exercise (20 min)
- Lesson: investment income and broker statements (1 hr.)
- Break (15 min)
- Lesson: enter investment income for Davenport Exercise (90 min)
- Self-study assignment: Davis and Elliott Focused Exercises

Session 7

- Read ahead: view Tax-Aide Policy and Procedures Video
- Review: Q&A all sessions and Davis and Elliott Focused Exercises (45 min)
- Lesson: Tax-Aide and District policy and procedures (30 min)
- Break (15 min)
- Lesson: finishing the return (1 hr.)
- Lesson: taking the exam on Link and Learn and completing the required certification exercises (20 min)

Appendix A: Training Schedules for New Volunteers

- “Day in the life” of a Counselor
- Form 1040 overview including numbered schedules and Schedules A, B, C, and D
- Introduction to TaxSlayer including Practice Lab login information – each volunteer should be ready to login and start a return when training begins
- Course overview and review of the schedule
- Learner and Instructor expectations

Consider providing new volunteers the training materials and instructions on how to access Link and Learn (L&L) prior to orientation. They should be able to arrive at orientation with their Volunteer Agreements printed from L&L showing they passed the Standards of Conduct and The Intake/Interview & Quality Review Tests

2. Focused exercises allow the class to practice what they just learned in class or as self-study at home.
3. Each day can start with a quick review of the previous day’s training. The volunteers may have questions and discussion could enhance learning of all in the class. Instructors can also use the time to have the class research and answer selected quiz questions from the 2021 NTTC Workbook on tax topics covered so far.
4. By the end of Day 2, the volunteers will have enough information to get started on the exercises assigned for certification (NTTC recommends a minimum of four practice exercises). Instructors can direct the class to start new returns and enter the personal information for these exercises and perhaps enter just the basic income (wages and interest).

We recommend that the District Coordinator conduct a meeting with all the Local Coordinators to discuss a common set of guidelines for finishing a tax return (i.e., starting with the E-File section in TaxSlayer and continuing through to when the taxpayer leaves the site with a copy of their return). This way Instructors will be prepared to teach the volunteers how to finish the return no matter which site they work at during the season.

Appendix B: Training Schedules for Returning Counselors

In-person Classroom Training Schedule

Day 1

- Overview of tax law and scope changes (1 hr.)
- Policies and procedures
- Interview and quality review (1 hr.) (Note 1)
- Evans/Bryant – Inclusive Core Exercise (4 hrs.) (Note 2)
- Start required exercises

Day 2

- General Q&A
- All-in-One Exercise(s) (Note 3)
- Advanced tax topics (Note 4)
- Work on required exercises

Day 3

- Complete required exercises and required tests on Link & Learn

Virtual Training Schedule

Virtual training should be much easier to conduct for those returning volunteers who wish to participate in some Instructor-led training. As with the new volunteers, the training can be broken into Instructor-led sessions with a combination of self-study and live instruction depending on the needs of the volunteers and the district. Some sample sessions are shown below. The NTTC has produced several videos which can be viewed as self-study or be presented during the virtual sessions.

Session 1 (Note 1)

- Read ahead: view Tax-Aide Policy and Procedures video
- Lesson: Tax-Aide and District policy and procedures (30 min)
- Lesson: overview of tax law/TaxSlayer/scope changes (videos available) (90 min)

Session 2

- Lesson: Evans/Bryant – Inclusive Core Exercise (tax law and skill refresher) (4-5 hrs.) (Note 2)
- Instructors could use the See-Do-Discuss delivery method discussed in the Using the Workbook for Training and Certification section to lead returning volunteers through this exercise. Instructors can prompt discussion after each entry is made. Suggested discussion questions are included in the Instructor Guide for this exercise. NTTC has a series of videos based on this exercise that volunteers can use to refresh their TaxSlayer skills.

Session 3 (Note 3)

- Read ahead: Review Pub 4491 Lesson 4 (Filing Status) and Lesson 11 (Retirement income)
- Lesson: Exploring Filing Status All-in-One Exercise (1 hr.)
- Break (15 min)
- Lesson: Exploring Form 1099-R All-in-one Exercise (1 hr.)

Session 4 (Note 3)

- Read Ahead: Pub 4491 Lesson 22 (Education Credits) and Pub 4012 Tab J (Education Benefits)
- Lesson: Exploring Education Benefits All-in-One Exercise (1 hr.)
- Break (15 min)
- Lesson: Exploring Investment Income All-in-One Exercise

Session 5 (Note 4)

- Read ahead: TBD by Instructors
- Lesson: Advanced tax topics discussion and demonstration

Appendix B Notes:

1. This training should be more than the basic training required for new volunteers. It should focus on improving interview and quality review (QR) performance, QR methods including use of the QR print set, and proper use of the Intake/Interview and Quality Review Sheet (I/I Sheet). It can conclude by having the class conduct the interview for the Evans/Bryant Inclusive Core Exercise.
2. This exercise allows returning volunteers to refresh their tax law knowledge and TaxSlayer skills while proceeding through a Comprehensive tax return. Instructors should not need to prepare individual lessons for each tax topic, but rather should be prepared to briefly discuss the topics using the Instructor Guide and responding to questions from the returning volunteers as they enter each tax document.
3. Instructors can use selected All-in-One Exercises to reinforce tax topics and how they can affect the tax return. The four All-in-One Exercises are available in the Portal Library.
4. Instructors can lead a discussion on selected in-scope tax topics that are not taught to new volunteers but that are encountered during the season. Examples include: new tax laws and how to apply them, health savings accounts, non-deductible IRA contributions, amended returns, injured spouse, ineligibility for premium tax credit, lump-sum Social Security, etc.

Appendix C: Training Exercise Lesson Plan

Below is an example of a lesson plan for training new volunteers using a Training Exercise. This example uses the first Training Exercise, Tom Andrews – Single Working Taxpayer. Instructors can prepare lessons for the remaining three exercises of the series. By preparing the lesson plan, the Instructor will become more familiar with the tax topics involved and better prepared to lead the discussions. The following lesson format is used:

The first step is the interview required to obtain missing information or inconsistencies found in the I/I Sheet and taxpayer documents.

Interview options:

- Volunteers can conduct the interview by asking the Instructor questions. Volunteers can raise their hands or the Instructor can call on volunteers.
- The interview can be conducted in a role playing manner using the interview script in Appendix D of this 2021 NTTC Workbook Instructor Guide or the Appendix E: Interview Notes for Training Exercises. Two Instructors can play the roles or the Instructor can provide the script to a volunteer and ask them to respond as the taxpayer.

After the interview is completed and all volunteers have recorded the required information by annotating the I/I Sheets in their workbooks, each tax topic is presented in the following format:

- **Demonstration:** The volunteers are instructed to review the tax document presented in the workbook Training Exercise or refer to their notes recorded on the I/I Sheet. The Instructor then opens TaxSlayer and enters the information while the volunteers observe. (Note: In a traditional classroom environment, volunteers can shadow the Instructor and enter the information as they observe the Instructor's action. If there are enough Chromebooks available, the Instructor could share their screen using Google Meet. This approach may be better than viewing images on a projection at the front of the room in some classroom settings. In a virtual environment, this can be accomplished if the volunteers observe the demonstration on one computer while entering the information on second computer, such as an AARP Chromebook. Of course, a second computer is not needed if the volunteer has two screens.)
- **Activity:** Following the demonstration, volunteers open the return and enter the information. Volunteers can be directed to the appropriate tab in the NTTC-modified Pub 4012 to aid in entering information. They record the AGI, total tax, and refund.
- **Discussion:** After all volunteers have completed entering the information for the particular tax document/tax issue, the Instructor leads a discussion for that tax topic. Discussion questions can be found in the individual Exercise Instructor Guides. Instructors can copy and paste the questions into their lesson plan and can add more questions including state return questions as desired.

Instructors could prepare a simple PowerPoint presentation to help guide the volunteers through the lesson if desired. For example, the presentation could include the table described below with values filled in after each tax topic is entered and the discussion questions could be presented on a slide.

Lesson Plan for Tom Andrew – Single Working Taxpayer (example)

Objective: Train new volunteers on basic income using a single working taxpayer tax return.

This lesson contains the following tax topics:

- Intake and interview, single filing status and entering personal information
- Income: wages, interest, unemployment compensation
- Adjustments: IRA contribution, student loan interest
- Deductions: standard deduction and charitable contribution (2021 tax law provision)
- Credits: retirement savings credit

Prerequisites: Prior to this lesson, Instructors should conduct training on filing basics, interviewing, and an introduction to Form 1040/Schedules 1-3.

Instructors can assign self-study before the lesson such as review of applicable sections of the NTTC-modified Pub 4491 and have the volunteers review the Training Exercise intake sheet and tax documents so that they are prepared to conduct the interview when the lesson begins.

Activity: Interview with the taxpayer. Direct volunteers to review the I/I Sheet and tax documents for the Single Working Taxpayer Training Exercise in the 2021 NTTC Workbook. They should note any missing or inconsistent information. They will also need to ask questions to determine whether Tom’s friend Scott can be claimed as a dependent. As the interview progresses, instruct the volunteers to mark up the I/I Sheet to document the information they learn.

Discussion: Following the interview, lead a discussion regarding personal information. Volunteers can raise their hands or the Instructor can call on volunteers to join the discussion. (Note for Google Meet sessions: volunteers can also type answers using the chat feature or in some cases Instructors could create a poll, or use Google Forms).

- What if Tom did not have his Social Security card?
- Can Tom claim Scott as a dependent? Why/why not? State the reference you used.
- Open the NTTC-modified Pub 4012 to the Filing Status Decision Tree (Tab B). What is Tom’s filing status?
- If Tom had been able to claim Scott, what would his filing status be?
- What address should be entered on Tom’s return?

Activity: Direct volunteers to open TaxSlayer and start a new return for Tom Andrews. Enter his personal information. (Note: If this has not already been covered, you may need to demonstrate starting a return. Otherwise, it is recommended that you already have Tom’s return started so that you can proceed with the next demonstration when the class is ready).

Either volunteers create the following table or Instructors provide it ahead of time as a handout.

Topic	AGI	Total Tax	Refund
Wages			
Interest			
Unemployment			
IRA deduction			
Student loan interest			
Charitable contribution			

Demonstration: Wages – Have volunteers review Tom’s W-2. Open Tom’s return and demonstrate entering Tom’s W-2.

Activity: Have volunteers enter the W-2 and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion: Refer to Tom’s W-2 and have volunteers review Form W-2 Instructions in the NTTC-modified Pub 4012, Tab D

- Are wages earned or unearned income. Where is this shown in the NTTC-modified Pub 4012?
- What does Code DD in Box 12 mean?
- Review the more common box 12 codes listed in the NTTC-modified Pub 4012.
- When might boxes 3 and 4 be different than box 1?
- How would the W-2 look if the taxpayer made a contribution to a 401(k)?
- How would an entry in box 7 affect boxes 1-6?

Demonstration: Interest – Have volunteers review Tom’s 1099-INT. Open Tom’s return and demonstrate entering Tom’s interest.

Activity: Have volunteers enter the 1099-INT and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion: Refer to Tom’s 1099-INT – have volunteers review interest income in the NTTC-modified Pub 4012, Tab D

- Is interest earned or unearned income?
- What entries are out-of-scope on a 1099-INT?
- How does the early withdrawal penalty affect the return?
- Where is tax-exempt interest reported?
- How can tax-exempt interest affect the rest of the return?

Demonstration: Unemployment – Have volunteers refer to the notes that they recorded on Tom’s I/I Sheet. Open Tom’s return and demonstrate entering the unemployment information.

Activity: Have volunteers enter the unemployment information and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion:

- Is this earned income? Where in the NTTC-modified Pub 4012 can the answer be found?
- When might unemployment compensation be out-of-scope?

Demonstration: IRA contribution – Have volunteers refer to the notes that they recorded on Tom’s I/I Sheet. Open Tom’s return and demonstrate entering his IRA Contribution.

Activity: Have volunteers enter the IRA contribution and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion: Have volunteers review IRA Deduction in the NTTC-modified Pub 4012, Tab E

- What limits this deduction?
- What effect did this have on the return?
- Was a retirement savings credit generated?
- What limits the retirement savings credit? What form will be printed for the taxpayer? Find where this is discussed in the NTTC-modified Pub 4012.

Demonstration: Student loan interest – Have volunteers review Tom’s 1098-E. Open Tom’s return and demonstrate entering Tom’s student loan interest.

Activity: Have volunteers enter the student loan interest and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion: Refer to Tom’s 1098-E and have volunteers review Student Loan Interest Deduction at a Glance in the NTTC-modified Pub 4012, Tab E.

- What are the limits on this adjustment?
- What if his parents made his loan payments last year? Does the answer depend on whether the parents are also liable on the loan? (yes)
- What are qualifications for the student?

Demonstration: Charitable contribution addition to the standard deduction. Open Tom’s return and demonstrate entering Tom’s \$100 contribution noted on his I/I Sheet during the interview.

Activity: Have volunteers enter the charitable contribution and record the AGI, Total Tax, and Refund in their table. Do all volunteers have same values?

Discussion: This is a tax law provision for 2021 only.

- What are the limits on this deduction?
- What if Tom had donated \$100 worth of clothing instead of cash?

Discussion: Have the volunteers review the Summary/Print screens and note the various entries. What is Tom’s Standard Deduction? Ask the volunteers if they have any questions.

Following this lesson, Instructors can direct volunteers to prepare the Adams Focused Exercise to reinforce the knowledge from this lesson.

Appendix D: Interview Scripts for Training Exercises

The Training Exercises are designed for use in an Instructor-led session and require the volunteers to review the I/I Sheet and interview the Instructor to obtain the information required to complete the exercise return. Instructors should instruct volunteers to annotate the I/I Sheet based on these interviews just as they would at the tax site. Instructors/Mentors could review the sheets and provide feedback.

Below are Training Exercise interview scripts for the five training exercises. These scripts can be used in a variety of ways to reinforce interview training. Some suggestions:

- Instructors can use these as role playing presentations in the classroom or virtually. The roles of Counselor and taxpayer could be played by two Instructors or an Instructor could play the role of the taxpayer and select a volunteer to be the Counselor. The latter could be a good way of helping a new volunteer become comfortable with the interview process. Volunteers observing the interview will annotate the Training Exercise I/I Sheet in the workbook with the taxpayer's responses.
- Instructors can add "stop and discuss" points to the scripts and pose questions to the class to reinforce learning points. For example, if the volunteer notes that a taxpayer lists a potential dependent, they could stop the interview after the shaded area of the I/I Sheet has been completed and ask the class to refer to the NTTC-modified Pub 4012 to determine if the person was a qualifying child, a qualifying relative, or neither. Similarly, if the volunteer notes that a teacher paid for classroom supplies, they could stop the interview and ask the class to look up and state the requirements for being able to take this adjustment.
- Instructors can distribute the interview scripts (Appendix D) or the interview notes (Appendix E) to those volunteers who are unable to attend training. The volunteers would review the interview, annotate the I/I Sheet, and then complete the exercise. Alternatively, Instructors could instruct the volunteers to review the I/I Sheet and mark any omissions or inconsistencies and then send them the script or notes to see how many they identified as they review the interview. This could also be effective during virtual training by having the participating volunteers do this ahead of time and then role play the interview during the virtual instruction.
- Instructors can modify the interview scripts to add appropriate questions necessary to gather information for state returns.

Tom Andrews – Single Working Taxpayer

Counselor (C): Welcome to our tax site. My name is Sue and I will be working with you to prepare your tax return.

Taxpayer (T): Thank you, I'm Tom. This is my first time using this great service and I am not sure if I have filled out everything correctly.

C: I will take a look at what you have provided and will be asking you some questions so that I can make sure we have everything we need to complete your return. You should understand that this tax return is your responsibility. I am here to prepare it for you. After I'm finished, another

Counselor will review everything I've done and may ask more questions. When we are finished, we will review it with you. We'll print out a copy for you and have you sign where you need to sign. Ok?

T: So, we'll be all done today?

C: Yes, assuming we have everything. Let's get started.

C: I note that the address on the Intake Sheet does not match your driver license or tax documents.

T: Yes, I recently moved to the new address and have not had a chance to update my license.

C: I understand. We'll use the new address on your return. You did not mark whether you have been a victim of identity theft.

T: Last year someone stole my credit card and used it to make several purchases and I had to cancel the card and get a new one.

C: So, it was just your credit card? Do you know if they also had access to your Social Security number or did you receive any notifications from the IRS?

T: No, it was just my credit card and I had no further issues.

C: Thank you. It does not appear that you were a victim of tax-related identity theft. I see you listed Scott Andrews as a person who lived with you last year. What can you tell me about your relationship? Did he live with you all year and are you supporting him?

T: Scott is my brother. He and I have lived together for the past few years. He has his own room and shares household expenses including the rent. He has a full-time job and supports himself. I listed him because it asked to list everyone who lived with me.

C: You were right to list him. There are cases where he might qualify as your dependent, but that is not the case here. I will make a note. Just to confirm, are you supporting anyone whether they live with you or not, such as your parent?

T: No.

C: I note that you marked YES for receiving unemployment compensation, but I do not see a tax document from the unemployment office.

T: I was laid off for two months and received benefits but did not receive a tax document. It might have been sent to my previous address. I do have the information on-line which I can show you on my phone. (You note the following on his phone: State Unemployment Office located at 23 Main St, YC, YS, YZIP, and EIN is 13-5XXXXXX. It shows he received \$675 with \$70 of federal withholding.)

C: Great, I have written that information down on your Intake Sheet. I see you marked UNSURE about rental property income. What can you tell me about this?

T: I wasn't sure about this. Scott pays me \$300 per month for his share of rent and then I send in one check to our landlord. Both our names are on the rental agreement. I wasn't sure if I needed to report that.

C: You do not have to report that. It is not income since you are merely sharing expenses. I will change that to a NO on your Intake Sheet. I see you marked YES for other income and wrote "Travel Expenses". What can you tell me about this?

Appendix D: Interview Scripts for Training Exercises

T: I was sent out of town to do some computer repairs for one of our clients and the company paid me almost \$250 to reimburse me for my hotel and meals I had on my expense report.

C: I understand. Since they were reimbursing you for your actual travel expenses, that income is not taxable. I will make a note on the Intake Sheet. I see that you also marked YES for contributions to a retirement account. I don't see any indication of this on your W-2. Are you doing that separately?

T: Yes, I have set up an automatic transfer of \$100 per month from my checking account to my IRA.

C: Is this a traditional IRA or a Roth IRA?

T: My advisor said it is the one that I can take off on my taxes. I think he called it a traditional IRA.

C: Thank you. I will note that you made a \$1,200 contribution to your traditional IRA. You can contribute up to \$6,000 if you wish.

T: Yes, I know I can put more in. But for right now, that's all I can afford.

C: Ok, no problem; just wanted to be sure you knew. You marked YES for having college expenses. Are you going to school?

T: No, but I am paying off my student loan and I thought that was included.

C: No problem, I understand the confusion. I will change that to NO. And I see that you did check that you are paying student loan interest. You also indicated that you made charitable contributions. Do you have records for that?

T: Yes, I donated \$100 to United Way last year by check during our office's fund drive.

C: Any other income or things you think might be deductible?

T: No, that's it.

C: One last item, did you receive an economic impact payment? It is often referred to as a stimulus payment.

T: No, I did not. If it was a check, it may have gone to my previous address. I had not really thought about it

C: It could have been by check, by direct deposit if the IRS had your banking information, or by a prepaid debit card. Just to confirm, you didn't get any of those... the amount should have been \$1,400.

T: No, I wish I had. Could have used it.

C: Did you get the stimulus payments last year – the ones for 2020 and how you got them – check, direct deposit, or debit card?

T: Yes I did. I got debit cards.

C: May I suggest you look up on [irs.gov](https://www.irs.gov) whether they sent you the 2021 stimulus by debit card. If we ask for the stimulus on your 2021 return and the IRS says they already sent it to you, you won't get another one and it could hold up processing of your return.

T: Ok. I just did on my phone and sure enough, they say they sent a debit card.

C: You should call Metabank for replacement. We won't ask for it on your return.

C: Thank you for all this information. I think we have everything we need to prepare your return. Now I'll start the computer work and get everything entered. Bear with me as this may take a few minutes.

Tiana Baker – Single Working Parent

Counselor (C): Welcome to our tax site. My name is Walt and I will be working with you to prepare your tax return.

Taxpayer (T): Thank you, I'm Tiana. I really appreciate this service.

C: You are welcome and thank you for using our service. I will take a look at what you have provided and will be asking you some questions so that I can make sure we have everything we need to complete your return. You should understand that this tax return is your responsibility; I am here to prepare it for you. After I'm finished, another Counselor will do what we call a Quality Review to double check everything. They may ask more questions. When we are finished, we will review it with you. We'll print out a copy for you and have you sign a form granting us permission to electronically file your return. Let's get started.

C: You did not mark the box indicating whether or not you are legally blind.

T: I'm sorry, I just missed that. I am not blind.

C: No problem, I'll update that. I see you indicated you are divorced and you listed your daughter as living with you. Are there any special provisions in your divorce decree regarding support for your daughter or claiming your daughter as a dependent?

T: The divorce decree does not have any special provisions for claiming my daughter as a dependent. I have full custody; she lives with me and I provide all of her support.

C: Great. Just wanted to make sure no one else could claim her as a dependent. You marked yes for having interest or dividends but I do not see a tax document for this.

T: I did not receive any thing from my bank. I received just a small amount of interest. Let me look up my account on my phone. Here we go, my end of year statement shows I received \$8.96 interest for the year

C: Thank you I will note that here on your intake sheet. I note that you receive alimony. Can you tell me how much you receive?

T: Yes, I receive \$150 per month.

C: I will note that on your Intake Sheet. I see you had a nice lottery winning.

T: Yes, finally had a winner after around \$1,300 in losing tickets. Someone told me I could subtract losses from that winning ticket so how do we report that?

C: You are allowed to deduct losses from gambling winnings but only if you itemize your deductions. In your case, it looks like the standard deduction is going to be far better for you than itemizing since you don't have mortgage interest, property tax and other significant deductions. I can show you this when we review your return.

T: OK, thank you for explaining that.

Appendix D: Interview Scripts for Training Exercises

C: You are welcome. You marked no for contributions to a retirement account, but the W-2 from the medical center shows you are participating in a retirement plan.

T: Yes, they automatically deduct that from my pay each month. That was my mistake, sorry.

C: No problem, I will update your form. I see that you had medical expenses and donations to charity. Can you tell me about them?

T: I paid \$1,067 for dental insurance, prescription co-pays of \$128.17, and \$200 for my deductible. I donated \$750 to various charities.

C: Thank you, I will note these on your Intake Sheet. As I mentioned earlier, your standard deduction will exceed what you would be able to claim as itemized deductions for federal purposes. However, there was a special law change due to the pandemic that allows you up to a \$300 deduction for the charity. Do you have records for those donations?

T: Yes all my donations were made by check.

C: Excellent. I note that the receipt for daycare expenses has Mary's last name as Baker.

T: I know, the after school program mistakenly used my last name for Mary.

C: That's OK. You marked UNSURE about having earned income or other credits disallowed in a prior year. Did you ever receive any IRS correspondence about disallowance of any credits and having your refund reduced?

T: I really did not understand the question. I have never received any correspondence from the IRS and I was not sure what those credits were.

C: I understand. Many taxpayers do not understand this question. The computer software we use automatically computes the available credits and I will go over any credits that apply when we review your return.

C: I note that you marked no for having purchased health insurance from the Marketplace but you did receive Form 1095-A which indicates that you had Marketplace insurance.

T: I'm sorry, I think I misunderstood that question.

C: No problem I will change that answer to yes. I see you marked you received an economic impact payment. Do you recall the amount or kept the letter that came from the IRS separately?

T: Yes, I received \$2,800. Deposited right into my checking account.

C: That would be the right amount – \$1,400 for you and an additional \$1,400 for Mary. One last question, did you receive any advanced child tax credit payments for Mary?

T: Yes I received monthly payments totaling \$1,500 and I have a letter here from the IRS verifying that amount.

C: Great, I will note that on your intake sheet. I am so glad you brought that letter with you. Did you have any other income or other expenses you think might be deductible?

T: No, that's it.

C: Thank you for all this information. I think we have everything we need to prepare your return. Now I'll start the computer work and get everything entered. Bear with me as this may take a few minutes.

Ray and Mallory Caldwell – Young Married Couple

Counselor (C): Welcome to our tax site. My name is Deborah and I will be working with you to prepare your tax return.

Taxpayer (T): Thank you. I'm Ray and this is my wife Mallory. We really appreciate this service.

C: Nice to meet both of you. Let's look at what you have provided and I will see if I have any questions. Just a reminder, this tax return is your responsibility; I am here to prepare it for you. Let's see what you have. Mallory, I see you wrote your last name as Caldwell on the Intake Sheet; however, your last name is shown as Hughes on your Social Security card.

T: I kept my maiden name when we got married, but I often use Caldwell. I'm sorry, I should have remembered that we have to use the name on my Social Security card for the tax return.

C: You listed your son Jason, but he only lived with you for four months. Are you supporting him?

T: Jason is away at college. He is in his second year pursuing a degree in Construction Management. He lives in a dorm and comes home to live for four months during the summer break. We provide all his support.

C: Oh, I see. Even though he only comes home for four months, that is considered a temporary absence so we report 12 months on your return. I'll note that on the Intake Sheet. Did he earn any money last year?

T: He earned about \$2,000 last summer doing some odd jobs.

C: Jason should make an appointment with us (or a site near him if he is at school). He may need to file a tax return for 2021. I have a few more questions about his education expenses. I see from the form the college sent him that they received \$10,200 for his tuition and related expenses and he received a scholarship. Do you know if that scholarship was restricted to tuition or could it be used for anything, like room and board?

T: The scholarship is only for tuition.

C: Did he have any other college expenses?

T: Yes, we have them written down. There was \$7,300 for room and board, an athletic fee of \$100 for priority seating in the stadium, and he purchased text books on-line for \$275.

C: I know this will sound strange, but has he ever been convicted of a crime?

T: Heavens no. He is great kid, we adopted him when he was 14 and he has never been in any kind of trouble.

C: That's great. We have to ask that question because it can impact the education credits you may be entitled to. I am going to note those expenses on your Intake Sheet.

C: Tell me about your mother. Are you supporting her and does she have any income?

T: My mom moved in with us in February. She did withdraw \$2,500 from her IRA last year to buy some furniture for her room, but other than that we provided the rest of her support.

Appendix D: Interview Scripts for Training Exercises

C: You indicated that you received a state income tax refund, do you know how much it was and did you itemize deductions on your 2020 return?

T: It was about \$450. We were not sure if we need to include that for this year's return. We did not itemize deductions last year.

C: Since you did not itemize deductions, your refund does not affect this year's return. Ray, I see you took some money out of your IRA. Did you make any non-deductible contributions to the IRA?

T: No, we have always deducted the IRA contributions on our taxes.

C: You marked UNSURE for other income. Do you have questions about some income you received?

T: (Ray) Yes. I received a \$1,000 prize for being selected as the county's Teacher of the Quarter last year but we were unsure if that needed to be reported on our tax return. I also served on a jury last year and received \$300, but because the jury duty lasted ten days, I was required to pay one-half of it to the school district.

C: Thank you. We will need to report those items on your return. I will record both of these on the Intake Sheet so I don't forget them and it will help the Counselor who does the quality review later.

C: You indicated you had medical expenses and charitable contributions. How much were they?

T: We had out-of-pocket medical expenses totaling about \$1,700 and we donated \$4,500 to our church. I have the letter our church sent us with that amount.

C: I will note those two items as well on your Intake Sheet. How about mortgage interest or property taxes. Do you own your home or a car that you pay taxes on?

T: No, we rent now and walk or use the bus as much as we can. The car is pretty old and the total registration isn't very much. Maybe \$20.

C: I also see that UNSURE was marked for supplies used as an educator. Ray, did you spend any money for supplies for your classroom?

T: I was not sure what the rules were for that. I spent over \$700 for various supplies during the year.

C: What do you teach and did you teach all year – more than 900 hours?

T: I teach 10th grade science at our local high school and I taught all year both on-line and some in the classroom when we were allowed to return. A lot more than 900 hours for sure.

C: Great, let me make a note of that. I see you have a health savings account and your employer made a contribution. Is it a self-only or family plan? Did you contribute any funds to the account? Also, I do not see a form reporting any distributions, did you take any distributions to pay for medical expenses?

T: It is family coverage. I did not make any personal contributions. I could not find the tax form for the distributions, but I can access it on my phone. Just a moment, here it is. I had a distribution of \$2,250.61.

C: Can you tell me what you used the money for?

T: Yes. The HSA bank gave me a debit card and I used it at my dentist for two crowns and for prescription co-pays.

C: Thank you I will note that amount on your intake form. I see you marked YES – you received an economic impact payment. Do you recall how much and how you got it?

T: Yes, \$4,200 was deposited in our checking account.

C: Great, that sounds about right for your family. Do you know if your mother received a payment?

T: Yes, she received \$1,400.

C: One last question, did you receive monthly payments for Advanced Child Tax Credit?

T: No, should we have?

C: No. Jason is over the age of 17. That credit is only for children 17 or younger. I just wanted to make sure.

C: Thank you I will note that on the intake sheet. Did you have any other income or expenses that you think might be deductible?

T: No, that is everything.

C: Thank you for all this information. I think we have everything we need to prepare your return. Now I'll start the computer work and get everything entered and then have a second Counselor review everything. Once they finish, I'll print a copy for you and we will review it. After you approve it and sign where needed, you can be on your way.

Michael and Sophia Davenport – Senior Married Couple

Counselor (C): Welcome to our tax site. My name is Chuck and I will be working with you to prepare your tax return.

Taxpayer (T): Glad to meet you, I'm Michael. My wife and I just heard about this service. It will take a big load off our minds. We are long time AARP members. Thank you so much for this.

C: You are welcome. But we help anyone with their taxes so long as there's nothing too complicated in the return; you don't have to be an AARP member to use our service. Is your wife going to join us?

T: No, she is legally blind and has a lot of difficulty reviewing documents, so it's just me.

C: I understand. Let's see what you brought. I will be asking you some questions. I'll make sure we have everything we need, then I'll prepare your return. After that, another Counselor will review it to make sure it is ready to go. When they finish their review, I will print a copy for you and we will review it together. You will need to take it home and discuss it with your wife. Assuming you are both ok with it, both of you will need to sign the e-file authorization form and all the applicable consent forms. Bring everything back to the site to let us see everything has been approved – we cannot file your return until you both have approved it. I will show you all the forms and where to sign.

T: OK, I can do that.

C: I see you have your Social Security statements, some pension and IRA distribution forms, and it looks like several expenses for itemized deductions. Does that sound like all the forms you received?

T: Yes, pretty much just like every year.

C: Good, let's take a look at your Intake Sheet. I see you marked you were a victim of identity theft. What is that all about?

T: Yes, two years ago our tax return was rejected because someone had submitted a return with my wife's name and Social Security number. We contacted the IRS and they issued her a special PIN.

C: Did you receive a letter from the IRS with that number for this year?

T: Oh yes, here it is. It has an IP PIN of 697329 for Sophia.

C: Thank you, I'll enter that in the return when I get to that point. I see that you are retired from the sheriff's department. I need to ask you some questions about your pension so we can determine how much is taxable. When did you start receiving this pension and did you elect the joint and survivor feature so that a pension would continue for your wife after your death?

T: I retired as the Deputy Chief of the sheriff's department and received my first check on May 1, 2014. I did make the joint and survivor election. I also have this letter from the pension office that says \$1,500 of my pension pays for a supplemental health insurance policy. They said I should show that to my tax preparer because it can save me some money.

C: Thank you for showing me that. I am going to make some notes on your Intake Sheet so I have this information for the return. It will also help the Counselor who does the review.

C: I see you have a very nice summary of expenses for itemizing deductions. That makes it very easy for us and we appreciate that. You understand that you may need to show receipts or other documents verifying some of these expenses if you were ever questioned by the IRS.

T: I understand. We have receipts for everything.

C: Do you live in an area that was declared a federal disaster area?

T: Oh yeah. Our county experienced several significant wildfires. Luckily our home was not affected.

C: That's good news, I will note that. You indicated you would like direct deposit if you receive a refund. Do you have a check with you so I can enter your bank information in the return?

T: I do not have a check. I can access the information from Vystar Credit Union on my phone. Just a minute. Here it is.

C: Great. I have written that down on your Intake Sheet. Let me verify it with you: the routing number is 263079276 and account number is 10000004578.

T: That is correct.

C: One last item, you indicated you received an economic impact payment.

T: Yes, we received \$2,800.

C: That is the right amount for you and your wife. Did you have any other income or other expenses that you think might be deductible?

T: No, that's it.

C: Thank you for all this information. I think I have everything we need to prepare your return. Now I'll start the computer work and get everything entered. Bear with me as this may take a few minutes. When I am finished and it has been reviewed by another Counselor, I will print a copy for

you and we will review it together. Then I will place your return on hold while you take it home and discuss it with Sophia. Both of you need to sign all the forms that I will show you and bring everything back so we can file your return.

Instructor note: There is a supplemental lesson on capital gain/loss and broker statements for this lesson. The following interview is required to support that lesson; which can be conducted with the above interview or separately as desired:

C: I note that you marked UNSURE if you had a capital loss carryover.

T: I'm not sure what that means.

C: If you had more than \$3,000 in losses from your investments in a prior year, you are allowed to carry that excess loss over to the following year's returns. By chance, do you have a copy of your return from last year with you?

T: I do have last year's return which we paid to have prepared. Here it is.

C: Looking at your return, I do see a short term loss carryover of \$1,309 on the worksheet. I will write that down on your Intake Sheet. I also see you sold some IBM shares in 2020 but the form does not provide all the information I need. Do you know when you bought these shares and how much you paid for them?

T: I did not buy them. I inherited the shares from my uncle in 2014. His broker told me they had a value per share of \$105 at the time of my uncle's death. I thought I would hold on to them for a while.

C: Thank you. I will record this information on your Intake Sheet and will use it when I enter your capital gain information. It will also help the other Counselor when they review the entries.

Janice Evans and Carl Bryant – Inclusive Core Exercise

Counselor (C): Welcome to our tax site. My name is Lawanda and I will be working with you to prepare your tax return.

Taxpayer (T): Thank you, I'm Janice and this is my husband Carl. This is our first time using your service and I'm not sure if we have filled out everything correctly.

C: I will take a look at what you have provided and will be asking you some questions so that I can make sure we have everything we need to complete your return. You should understand that this tax return is your responsibility; I am here to prepare it for you. After I'm finished, another Counselor will review everything I've done and may ask more questions. When we are finished, we will review it together. We'll print out a copy for you and have you sign where you need to sign. Ok?

T: So, we'll be all done today?

C: Yes, assuming we have everything. Let's get started.

C: I see you marked that you were a victim of identity theft. What is that all about?

T: (Janice) Yes, two years ago our tax return was rejected because someone had submitted a return with Carl's name and Social Security number. We contacted the IRS and they issued him a special PIN.

C: Did you receive a letter from the IRS with that number for this year?

Appendix D: Interview Scripts for Training Exercises

T: Oh yes, here it is. It has an IP PIN of 796932.

C: Thank you, that'll go in the return. Let's talk about the three people you have listed on your Intake Sheet. So, Yvonne is your daughter. Is Terri her son?

T: Yes, Yvonne is his mother and they moved in with us two years ago so that Yvonne could go to school.

C: Does Yvonne work or have any income? Do you provide all her support?

T: She had no income. We provide all of her support. She has her hands full with school.

C: So, you also provided all the support for Terri? And what about Terri's father. Any chance he could claim Terri?

T: No way. He's out of the picture and we provide all the support for both Yvonne and Terri.

C: What can you tell me about your sister Penny?

T: Penny had a medical issue requiring major surgery last February and we moved her in to live with us. She receives a small amount of Social Security disability income. We paid all of Penny's medical bills that were not covered by Medicare. We provide over one-half of her support.

C: After her surgery was she determined to be totally and permanently disabled?

T: No, she just needs to complete physical therapy to get back to 100%

C: I see you listed your grandchild as Terri and your sister as Penny. I assume those are their nicknames since they do not match the Social Security cards.

T: Yes, we always call them Terri and Penny.

C: No problem, but I will need to use the names on their cards for the return.

C: You marked UNSURE for question number 3 scholarships.

T: We brought in the 1098-T Form from Yvonne's university, which shows that there is a scholarship but we are unsure what we are supposed do with that.

C: OK I understand. We will talk about this in minute. I am going to mark this NO since the scholarship would not be income for you.

C: I also see you sold some ABC shares last year but the form does not provide all the information I need. Do you know when you bought these shares and how much you paid for them?

T: I did not buy them. I inherited the shares from my uncle in 2015. His broker told me they had a value per share of \$105 at the time of my uncle's death. I thought I would hold on to them for a while.

C: Thank you. I will record this information on your Intake Sheet and will use it when I enter your capital gain information. It will also help the other Counselor when they review the entries.

C: I see you are receiving retirement income from Alpine. I need to ask you some questions about your pension so we can determine how much is taxable. When did you start receiving this pension and did you elect the joint and survivor feature so that a pension would continue for your wife after your death?

T: I received my first check on May 1, 2014. I did not choose the joint and survivor election.

C: Thanks, I am going to make some notes on your Intake Sheet so I have this information for the return. It will also help the Counselor who does the review.

C: I see you received some rental income. We are limited in what we are allowed to do when someone has rental income so I will need to determine if we can do this. What exactly are you renting?

T: My wife and I own a small lot near our home and we rent it to a local beekeeper for his hives.

C: Is this just land – are there any buildings or other improvements? Do you have any expenses related to this property?

T: It is just land, nothing on it and our only expense is property tax. I put it on my list.

C: I am going to note that this is land only on your Intake Sheet. The second Counselor will probably also ask you about the rental property.

C: Janice, I see you have your own business. Thank you so much for the nice summary you brought! There is a law change for 2021 that provides a special tax credit if you are unable to work due COVID. Were you affected at all last year?

T: I did have a reaction to my second COVID vaccination and was unable pick-up and complete a few transcriptions, would that qualify?

C: Yes. Here is a handy worksheet. Please read through it and answer the questions.

T: Ok. All done.

C: Ok, so you lost 5 workdays in September (16-17 September and 20-22 September). I will put the worksheet with your papers and note that on your intake sheet.

C: I am looking at your daughter's form from the university. Let's talk about her education expenses. Is this the first time she's going to college and what year is she in?

T: Yes, we finally convinced her to get a degree. She worked for a while after high school before she decided what she wanted to do. She picked nursing. This is her first time in school and she is in her third year.

C: I see from the form the college sent her that they received \$7,750 for her tuition and related expenses and that she received a scholarship? Do you know if that scholarship was restricted to tuition or could it be used for anything, like room and board?

T: The scholarship is only for tuition.

C: So, none was from a Pell grant?

T: No. It's a state scholarship for tuition.

C: Did she have any other college expenses?

T: Yes, we purchased her text books on-line for \$500.

C: I know this will sound strange, but has she ever been convicted of a drug crime?

T: Absolutely not! That seems like an odd question.

C: Yes I know, but we have to ask that question because it can impact the education credits you may be entitled to. I am going to note those expenses on your Intake Sheet.

C: I see you indicated you purchased a little over \$200 of supplies for your classroom. What grade do you teach and were you able to keep teaching during the pandemic?

T: I teach eighth grade at a local charter school and we were able to return to the classroom in addition to some on-line teaching. I put in more hours than normal to support both in-person and virtual, plus a lot of weekend work. I was putting in at least 50 hours a week sometimes more.

C: I'll bet teaching on-line was a real challenge. So, you think you put in more than 900 hours during the year?

T: For sure. A lot more than that.

C: I see you marked UNSURE for health savings account. An HSA is like an IRA for healthcare expenses. You and your employer can make contributions to it and it can grow in value. Distributions are tax free as long as they are used to reimburse yourself for qualified medical expenses. With an HSA, there is often a code W in box 12 here on the W-2 and I see there is a W on Carl's W-2.

T: (Janice) Yes, Carl has an HSA. I was unsure if the plan I had at school was considered a health saving account. In that plan, I could put part of my pay into an account for out-of-pocket medical expenses and I didn't have to pay taxes on that money. The downside is that I had to use the entire amount or it was forfeited at the end of the year.

C: It sounds like you had a flexible spending account and there is a notation in box 14 on your W-2 for \$480. Does that sound right?

T: Yes, I had \$40 per month pretax deducted from my pay for this. Sorry I misunderstood.

C: No problem. The two accounts do seem very similar. Carl, I see that you did have a distribution from your Health Savings Account. Is this a self-only or family plan? Did you use the distribution for qualified medical expenses?

T: It is family coverage and yes they were qualified medical expenses. I have a debit card and used it for prescriptions and dental co-pays.

C: You marked yes for paying student loan interest, but I do not see a tax form for this.

T: (Janice) I could not find the form, but I can access my account on my phone. Here it is, I paid \$650 in interest in 2021.

C: You marked UNSURE about having earned income or other credits disallowed in a prior year. Did you ever receive any IRS correspondence about disallowance of any credits and having your refund reduced?

T: We really did not understand the question. We didn't get any disallowance from the IRS and I was not sure what those credits are.

C: I understand. Many taxpayers do not understand this question. Our computer software helps us figure out all the credits you're eligible for and I will go over any credits that apply when we review your return. I also see that you made estimated tax payments. How much were these payments and when did you send them?

T: When I started my small business in September I wanted to be "safe" so I sent in an estimated payment of \$400 on September 6th.

Appendix D: Interview Scripts for Training Exercises

C: That was a good idea. I will note that on your Intake Sheet so I don't forget to add it to your return. I note you marked UNSURE if you had a capital loss carryover.

T: We were not sure. Where would we find that?

C: It would show on last year's return. Did you bring a copy of your return from last year with you?

T: We do have last year's return. It was done by a paid preparer. Here it is.

C: Looking at your return, I do see a long-term loss carryover of \$1,689. I will write that down on your Intake Sheet.

C: Did you have any other income or other expenses you think might be deductible?

T: (Carl) I was medically discharged from the Navy and receive \$250 in disability per month from the VA. I didn't mark that because I know it is not taxed.

C: You are correct. However, it can help boost your sales tax deduction so I will note that on the sheet. I did note you are paying alimony, was that divorce prior to 2019?

T: Yes, 1996.

C: You marked you got an economic impact payment. Do you recall how much?

T: Yes, we received a check for \$5,600.

C: Good, that's the right amount for you, \$1,400 for both of you and your daughter and grandchild. Do you know if your sister received a payment?

T: Yes she received \$1,400.

C: One last item, did you receive monthly payments for the advanced child tax credit?

T: Yes, we received \$1,800 in total payments. Here's the letter I received from the IRS.

C: Thank you for all this information. I think we have everything we need to prepare your return. Now I'll start the computer work and get everything entered and then have a second Counselor review everything. Once they finish I'll print a copy for you and we will review it and you can be on your way.

Appendix E: Interview Notes for Training Exercises

This document provides a list of issues for each Training Exercise that need to be resolved during the interview with the taxpayer. It is for Instructors who want to facilitate the interview by acting as the taxpayer and having the volunteers ask the questions in the role of the Counselor. Instructors can check off the items below as the questions are addressed. It is recommended that these notes should be for Instructor use only. If a volunteer is unable to participate in training and needs the information for the exercises, they should be given a copy of these notes. Alternatively, give them the interview scripts in Appendix D above as the scripts may better reinforce interviewing principles.

The notes can be used to create a role-player exercise. Instructors/Mentors meet with volunteers in small groups. Volunteers in the group are the tax counselors. They take turns asking Instructors/Mentors who play the roles of the taxpayer. This allows for group interaction and discussion. The following directions are given to the Instructors/Mentors.

Taxpayer Role Play Guidelines for Instructors

1. You will be provided notes to assist you in your role play.
2. Do not take the lead. The volunteer is interviewing you.
3. You may step out of the taxpayer role when there is a teachable moment. However, in most cases if the volunteer misses something, don't help them. Instead make notes of what to share in the feedback session.
4. The feedback session should be a positive experience for the volunteer. This is easier said than done. The desire to be perfect on the part of many of us means that many volunteers will not see making a mistake as an opportunity for learning but as something terrible. The use of humor and sharing your own mistakes can go a long way in reducing the volunteer's anxiety. I know this will be hard for those of you who are perfect and never make mistakes.
5. Start the feedback session by sharing something positive about what the volunteer did. For example, if they did well in engaging you as the taxpayer, tell them.
6. In addition to sharing what is positive and what the volunteer missed, it is important to share areas for improvement. These areas include but are not limited to:
 - a. Did the volunteer greet you by name?
 - b. Did they make eye contact?
 - c. Did they have an engaging manner?
 - d. Did they talk too fast?
 - e. Did they use a lot of fillers such as "You know" Um", etc.?

Andrews – Single Working Taxpayer

These are issues to address during the mock interview – Instructors may add to these, especially if there are state issues:

1. Tom's address on the I/I Sheet does not match his driver's license or tax documents.
 - Tom explains that he just moved to the new address in January.
2. Tom marked Yes that he had been a victim of identity theft.
 - Tom explains that last year someone stole his credit card and used it to make several purchases. What probing questions should be asked?

Appendix E: Interview Notes for Training Exercises

- Instructor note: Identity theft has different meanings to different taxpayers. The theft of a credit card is a common one. The Counselor’s objective is to determine if there is any reason to believe the tax return would be affected. Was the taxpayer’s SSN compromised? Did they correspond with the IRS? Did they receive an IP PIN, etc.?
3. Tom listed Scott Andrews as a person who lived with him last year.
 - Tom explains Scott is his brother. Scott lives in a separate room in the house and shares household expenses. Scott is a full-time employee at a local business.
 4. Tom marked YES for receiving unemployment compensation, but there is not a Form 1099-G tax document.
 - Tom explains he was laid off for two months and received benefits but did not receive a tax document.
 - Discuss the possible solutions.
 - Tom was able to access his account on his phone and provide the information. (Address: 23 Main St, YC, YS, YZip – EIN: 13-5XXXXXX) and was told he received \$675 of unemployment compensation with \$70 of federal withholding.
 5. Tom marked UNSURE about rental property income.
 - Tom explains that Scott provides \$300 per month to Tom for his share of the rent.
 - Is this rental income?
 - Instructor note: Since the I/I Sheet asks the taxpayer to list anyone who lived with them, it reasonable to expect that a roommate would be listed. The Counselor’s objective is to understand this person’s relationship to the taxpayer. The questions in the gray area on the I/I Sheet can determine if the person is a dependent. In the case of rent, it needs to be determined if the taxpayer is actually renting space in the home to that person or are they simply sharing expenses as is the case in this exercise.
 6. Tom marked YES for other income and wrote “Travel Expenses.”
 - Tom explains his employer paid him about \$250 to reimburse him for actual out of pocket expenses when sent out of town to do computer repairs.
 7. Tom marked YES for contributions to a retirement account.
 - Tom explains that he transferred \$100 per month from his checking account into his personal IRA.
 - Was this a Roth IRA? – No, a traditional IRA.
 8. Tom marked YES to College or post-secondary expenses because he misunderstood the question thinking that included paying his student loan.
 9. Tom donated \$100 to United Way last year.
 10. Tom did not receive an economic impact payment (EIP), but it was because he moved. He checked on IRS.gov and it says they sent him a debit card.

Baker – Single Working Parent

These are issues to address during the mock interview – Instructors may add to these, especially if there are state issues:

Appendix E: Interview Notes for Training Exercises

1. Tiana did not mark an answer for “legally blind” (6c).
 - Tiana is not legally blind.
2. Tiana indicated she is divorced.
 - The question of whether the person is a qualifying child of another person becomes very important since the divorce decree could state that Tiana’s ex-spouse could be allowed to claim their daughter on their tax return. The question of support is also important. In this case, Tiana claims the child and provides all of Mary’s support.
 - What is the importance of the date of the final decree of divorce?
 - OPTION: After the return is completed, the Instructor may choose to have the class change the status of Mary to non-dependent to show the effect on the return.
3. Tiana marked Yes for Interest/dividends. She did not receive a 1099-INT but has her year-end statement from the Medical Center Credit Union on her phone showing she received \$8.96 in interest on her savings account.
4. Tiana indicated she receives alimony.
 - Tiana explains she receives alimony (\$150 per month).
5. Tiana had \$1,300 in gambling losses. Tiana heard she was able to subtract the losses from her gambling winnings.
 - What do you tell her? (Ask the volunteers where they will find the answer to this question.)
6. Tiana marked NO for “contributions to a retirement account.”
 - Tiana’s W-2, box 12a shows her contributions to a 401(k).
7. Tiana paid medical expenses (dental insurance \$1,067, prescription co-pays \$128.17, and a \$200 deductible). Tiana donated \$750 (all paid by check) to various charities.
8. The receipt for daycare expenses has Mary’s last name as Baker.
 - Tiana explains the after-school program mistakenly used Tiana’s last name for Mary.
9. Tiana marked UNSURE for having EIC disallowed in a prior year because she does not understand the question.
 - How would you explain this?
 - After discussion, Tiana explains she has never had EIC disallowed.
 - Option: Instructor may want to discuss what would be required if she said yes.
 - Instructor note: This question can be confusing to taxpayers. It is often answered no even when they have had EIC disallowed in the past. They should have received correspondence from the IRS, but even then they may not understand it. Counselors might ask if they have had issues with their tax return in the past. There may also be carryforward notes in TaxSlayer indicating if this was a problem in prior years.
10. Health Insurance: Tiana marked no for having purchased health Insurance from the Marketplace, however she has Form 1095-A. She explains she did not understand the question.
 - The shared responsibility payment (SRP) was set to zero in TY2019. The only remaining Affordable Care Act (ACA) issue we will need to deal with is reconciling any APTC when there is Marketplace coverage.

- Instructor may want to conduct a separate lesson on health insurance and then come back to have the volunteers enter the Form 1095-A information.

11. Tiana received a \$2,800 economic impact payment (EIP3). Her 2019 earned income was \$30,758.

Caldwell – Young Married Couple

These are issues to address during the mock interview – Instructors may add to these, especially if there are state issues:

1. Mallory wrote her last name as Caldwell on the I/I Sheet, however her last name is shown as Hughes on her Social Security card.
 - Mallory explains she kept her maiden name when she married, but often refers to herself as Mrs. Caldwell.
2. Jason is a full-time student in his sophomore year in college pursuing a degree in construction management.
 - He lives in a dorm on campus during the school year and lives at home for about four months during the summer and winter breaks. Note that the Caldwells marked that he lived with them for 4 months.
 - Discuss temporary absences.
 - He earned about \$2,000 last summer doing odd jobs.
 - He has never been convicted of a crime.
 - Instructors should note that full-time student status is required for a person over age 18 to be treated as a Qualifying Child for dependent considerations; but, only half-time student status is required for the American Opportunity Credit (AOC).
3. The Caldwells adopted Jason in 2014 when he was 14 years old.
4. Mallory's mother Nancy moved in with them in February.
 - Nancy withdrew \$2,500 from her IRA last year as her only income.
 - Ray and Mallory provide more than 50% of her support.
5. The Caldwells received a state income tax refund of about \$450, but they did not itemize deductions on their 2020 return.
6. The Caldwells marked UNSURE for other income.
 - Ray explained he received a \$1,000 prize for being selected as the county's Teacher of the Quarter last year but was unsure if that needed to be reported on the tax return.
 - Ray explained he served on a jury last year and received \$300. Because the jury duty lasted more than five days, he was required to pay one-half of his jury duty pay to the school district.
7. The Caldwells are paying for Jason's college education.
 - What probing questions should be asked?
 - During the interview, they state that the scholarship is restricted to tuition.
 - Additionally, they report the following additional expenses:
 - Room and board – \$7,300

Appendix E: Interview Notes for Training Exercises

- Athletic fee (voluntary fee for priority seating in stadium) – \$100
 - Text books purchased online – \$275
 - Instructor note: Counselors need to determine which Education Credit (if any) the taxpayers may be entitled to receive on their return. Questions pertaining to the requirements for the American Opportunity Credit need to be asked (TaxSlayer has these questions). Additionally, qualifying expenses need to be identified. If a scholarship has been awarded, is it restricted or not? If unrestricted there may be ways to optimize the tax return for the taxpayer (an advanced topic requiring additional training and expertise).
8. Ray has a Health Savings Account (family coverage) and a W-2 with code W in box 12. He did not bring his 1099-SA form but can access it on his phone. He had a distribution of \$2,250.61 which was used for qualified medical expenses.
9. Deductions:
- The Caldwells had out-of-pocket medical expenses totaling \$1,700.
 - They donated \$4,500 (paid by check) to their church and various charities.
 - Instructors should ask volunteers to compare the standard deduction for the Caldwells and compare that to the deductions reported above to determine if entries need to be made for Schedule A. Volunteers should be made aware of the Compare Deductions found in TaxSlayer.
10. Ray marked UNSURE for supplies used as an educator because he was unsure what that entailed.
- What probing questions should be asked? Direct the class to Pub 4012, Tab E.
 - Ray explains he is a 10th grade biology teacher. Except for jury duty, he worked every day of the school year plus several weekends preparing lessons. He spent over \$700 for supplies for his classroom and students.
11. They received a \$4,200 EIP. Mallory's mother also received \$1,400. Their 2019 earned income was \$35,600.

Davenport – Senior Married Couple

These are issues to address during the mock interview – Instructors may add to these, especially if there are state issues:

1. Only Michael's driver license is presented because he came alone to get their taxes prepared. His wife is legally blind and has difficulty reviewing documents.
2. Michael states that Sophia was a victim of identity theft.
 - What probing questions do you ask?
 - Michael provides the IRS letter showing the IP PIN 697329 for Sophia.
3. Michael's pension indicates the taxable amount has not been determined.
 - He states he retired as the Deputy Chief of the sheriff's department on May 1, 2013 and elected a joint and survivor pension.
 - He has a letter from the sheriff's department indicating that \$1,500 of his pension pays for a supplemental health insurance policy.

4. Michael provides Form 1098 for the mortgage and property tax for the home they bought when he retired. He provides a summary of additional expenses for possible itemized deductions
5. They live in an area that experienced several significant wildfires. Their home was not affected.
6. Michael indicates they would like direct deposit if they receive a refund.
 - He does not have a check.
 - He shows you his bank account information using his mobile banking app on his phone: Vystar Credit Union, routing number: 263079276, account number: 10000004578.
7. They received a \$2,800 EIP.

Davenport Interview notes for the separate lesson on capital gain/loss:

8. Michael is unsure if they had a capital loss carryover. He brought a copy of last year's return prepared by a paid preparer. Upon examination you note a short term loss carryover of \$1,309.
9. Michael provides a Form 1099-B from Lincoln Investment Services.
 - What probing questions should be asked?
 - Michael's Form 1099-B for the IBM shares has no acquisition date or cost basis.
 - Michael states he inherited the IBM shares from his uncle in 2014 and the value per share was \$105 at the time of his uncle's death.

Evans/Bryant – Inclusive Core Exercise

These are issues to address during the mock interview – Instructors may add to these, especially if there are state issues:

1. They state they have been a victim of identity theft.
 - Carl provides the IRS CPO1A letter showing an IP PIN of 796932 for Janice.
2. The following information is for the people listed on the I/I Sheet, Part II, section 2:
 - Yvonne is Carl and Janice's daughter. She is a junior pursuing a nursing degree at Northern Kentucky University. Carl and Janice provide all of her support.
 - Terri is Yvonne's son. He and Yvonne moved in with Carl and Janice two years ago. Carl and Janice provide all of her support.
 - Penny is Janice's sister. She had a medical issue requiring major surgery last year. Penny receives a small amount of Social Security income only. Carl and Janice paid all of Penny's medical bills that were not covered by Medicare. Penny moved in with Carl and Janice to recover after her surgery. They provide more than 50% of Penny's support. She is not totally and permanently disabled.
 - Terri and Penny are nicknames. Their given names are on the Social Security cards.
3. They marked UNSURE for scholarships (Part III, 3) because the scholarship was for their daughter and not for them.
4. Janice's Form 1099-B has no date acquired or cost basis.
 - Janice states that she inherited the stock from her uncle when he died in 2015.
 - The value on the date of death was \$105 per share.

Appendix E: Interview Notes for Training Exercises

5. Carl marked NO for disability income. However, when asked about other income he stated that he receives \$250 per month from the VA as disability compensation from his three-year enlisted service in the Navy.
6. Carl's pension does not have an amount in box 2a and "Taxable amount not determined" is marked.
 - Carl states he started receiving his pension on May 1, 2014. He did not select the joint and survivor option.
7. Carl was laid off from his inspector job and received one month of unemployment benefits before he was rehired to work part time.
8. Carl presented a Form 1099-MISC for rent.
 - Carl reports they own a small piece of land that they rent to a local beekeeper.
9. When discussing her business, Janice mentions she lost 5 work days due to a reaction to the COVID vaccine which she received on September 15. Her lost work days were 16-17 September and 20-22 September.
10. Education expenses – Carl and Janice state that Yvonne is a full-time student pursuing a nursing degree in her junior year. She has not received four years of the AOC. Yvonne has never been convicted of a crime. Carl and Janice paid \$2,750 for tuition and Yvonne purchased text books online for \$500. The scholarship is restricted to tuition and fees.
11. Alimony paid. Carl's divorce was in 1996.
12. Educator expenses – Janice worked over 1,000 hours as an eighth grade teacher.
13. Janice marked UNSURE for health savings account. (Carl does have an HSA family coverage.)
 - Janice says she was able to put money into an account for out-of-pocket medical expenses but had to use the entire amount or forfeit it at the end of the year.
 - Note: Janice's account is a flexible spending account not a health savings account. She put \$480 in it last year (W-2 Box 14).
14. Janice paid \$650 in student loan interest. She accessed her account on her phone.
15. They marked UNSURE for having the earned income credit (EIC) disallowed since they did not know what that means.
 - What should you tell them?
 - If they did have EIC disallowed in a previous year, how would that affect the return?
16. They marked UNSURE for "capital loss carryover."
 - They have last year's return with them that shows a long term loss carryover of \$1,689.
17. They indicated they made estimated payments last year.
 - Janice tells you when she started her small business she wanted to be "safe" so she sent in an estimated payment of \$400 on September 6, 2021.
18. They received a \$5,600 EIP and Penny also received \$1,400.
19. They received \$1,800 in advanced child tax credit payments.