

National Tax Training Committee Workbook

Instructor Guide

Tax Year 2022

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Introduction

This guide provides Instructors with information and suggestions for using the AARP Foundation Tax-Aide National Tax Training Committee Workbook – TY22 (“2022 NTTC Workbook”) to support their training programs. The National Tax Training Committee (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 2022 NTTC Workbook can be used to train volunteers, especially new volunteers.

Exercises

The 2022 NTTC Workbook contains four types of exercises:

Core and Comprehensive Exercises – for proficiency and certification. Core Exercises contain those basic tax issues most often seen in the returns at our 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. It is understood that many of these exercises will not look like those typically seen at our tax sites. They provide tax issues that are in-scope for training and volunteer practice. NTTC recommends at least four exercises be assigned for certification. Core exercises are best suited as certification exercises for most volunteers, especially new volunteers. Key learning points for each Core and Comprehensive Exercise are included in this guide.

The Core and Comprehensive Exercises were moved to precede the Training and Focused Exercises in the workbook based on feedback from the Tax-Aide End-of-Season Survey, as some volunteers who started with the first exercises were confused when some of the information to complete the return was missing requiring an interview with an Instructor.

Training Exercises – designed for use in a traditional classroom setting. However, training may not always 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.

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.

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 an Instructor-led setting. Volunteers who are unable to attend Instructor-led sessions should be directed by Instructors to the NTTC Self-Study Program available on the portal.

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. Instructors may need to change state withholding or add local taxes to make it more realistic for a particular state.

Using the Workbook for Training and Certification

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 Plan Examples (Appendices A and B)

[Appendix A](#) and [Appendix B](#) contain training plan 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 example schedules only – actual schedules will be set by the local Instructor teams.

Training Exercise Lesson Plan Example (Appendix C)

NTTC has received feedback that some Instructors struggle to develop lesson plans. [Appendix C](#) presents a possible approach Instructors might 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 Notes (Appendix D)

The additional information needed to conduct interviews for the Andrews – Single Working Taxpayer and Caldwell – Young Married Couple Training Exercises is provided in [Appendix D](#). These notes can be used as a checklist for Instructors who choose to conduct interviews for their class. These notes can be used for a role play exercise as well. Instructors can provide these Interview Notes to volunteers who are unable to attend the role play interview.

Software Note

Instructors should use TaxSlayer 2022 for federal training purposes. TaxSlayer 2022 state modules may or may not be available while the training is conducted. If 2022 state software is not available, using the 2021 TaxSlayer version for state training purposes may suffice. In this case, Instructors are encouraged to conduct a supplemental state tax training session once their 2022 state software is available.

Navigation Note

Windows TIP: After clicking on a link within this document, you can return to the most recent page by holding the Alt key and pressing the left arrow key in Windows. You can use the bookmarks panel on the left side on all computers.

Using the Workbook for Training and Certification

The 2022 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, Core and Comprehensive Exercises, and Quizzes is presented in sections that follow. [Pub 4491 NTTC Modified TY22 \(NTTC 4491\)](#) and [Pub 4012 NTTC Modified TY22 \(NTTC 4012\)](#) are primary training resources and are referred to through this guide.

Training Exercises

The first four Training Exercises are for training new volunteers by preparing tax returns for four taxpayer scenarios which contain most of the Core tax issues volunteers need to understand to pass the IRS Advanced test and prepare the majority of returns seen at our tax sites. They are designed to provide tax law and TaxSlayer training in “bite size” pieces while also providing the volunteers the satisfaction of completing practice returns early in their training. Example training schedules using these four exercises are included in [Appendix A](#). The estimated time for a lesson based on each of these exercises is 2 ½ hours with an additional hour for the supplemental lessons.

The series consists of:

- Andrews – Single Working Taxpayer
- Baker – Single Working Parent
- Caldwell – Young Married Couple (with supplemental lesson on self-employment)
- Davenport – Senior Married Couple (with a supplemental lesson on capital gain/loss)

The fifth Training Exercise is Evans/Bryant – Inclusive Core Exercise. This single exercise contains most 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 not recommended. 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. Example training schedules using this exercise are included in [Appendix B](#).

The following information focuses on training new volunteers using the first four Training Exercises. However, some of the information can be effectively used for returning volunteers as well, especially those that prefer to refresh their knowledge in an Instructor-led environment.

Instructors can download the [Training Exercise Read-me](#) file and additional training resources for the Training Exercises from the Portal at *Libraries > Red Folder > Training Resources > Workbook > Training Exercise Presentations* and see the discussion below.

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

- Filing Basics –NTTC 4491 lesson 3 and NTTC 4012 Tab A Who Must file.
- Interviewing – Overview of the Form 13614-C Intake/Interview & Quality Review Sheet (I/I Sheet) and AARP Tax-Aide Intake Booklet. ** (Volunteers should have completed the Intake/Interview and Quality Review training in IRS Publication 5101 and passed the Intake/Quality Review test).
- Introduction to Form 1040 and related schedules – Overview of Form 1040 and numbered and lettered schedules to familiarize volunteers with the construction of a federal tax return.

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NTTC has videos for these topics which can be used by the Instructor in class or can be viewed by new volunteers prior to the class. A list of the new volunteer videos can be found [here](#).

** Instructors should provide all volunteers with an 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 or the supplemental questions.

Interviewing. The first three pages of the I/I Sheet are included for each Training Exercise. For the Andrews – Single Working Taxpayer and Caldwell – Young Married Couple Training Exercises, the I/I Sheets and taxpayer documents have missing and inconsistent information to provide Instructors the opportunity to train volunteers on conducting an intake interview with the taxpayer. An interview is required to gather the information necessary to prepare the return. [Appendix D](#) contains the Interview Notes that provide the missing/inconsistent information. Instructors need to determine the best way to present this information for interview training. Suggestions include:

- Demonstrating an interview for the Andrews – Single Working Taxpayer Exercise can be an effective way to train new volunteers. Two Instructors acting as Counselor and taxpayer can role play the interview while volunteers observe. An NTTC video of the Andrews interview is also available for Instructor use if desired (Also the videos found in the Library *Libraries>Red Folder>Training Resources>Training Videos*). Appendix D contains the interview notes for this exercise.
- The Caldwell – Young Married Couple Exercise can provide the volunteers an opportunity to practice interviewing. Possible approaches:
 - Volunteers can be directed to review the I/I Sheet and taxpayer documents (this can be assigned as a read ahead for the lesson). The Instructor acts as the taxpayer and volunteers ask questions in turn or when called on by the Instructor. Appendix D, *Training Exercise Interview Notes*, contains a list of the interview issues which Instructors can use as a checklist to ensure all the issues are identified and resolved.
 - Volunteers can be divided into small groups where volunteers have the interview notes and two volunteers role play the interview. The other volunteers in the group observe and critique.
 - Instructors can 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.
- Instructors should direct volunteers 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. This should be required for all of the Training Exercises including those which do not require an actual interview (e.g. the Baker, Davenport and Evans/Bryant exercises). In a classroom setting, roving Instructors/mentors can spot check the I/I sheets and provide feedback. An annotated I/I sheet for the Andrews exercise will be available in the Training Exercise Presentations folder in the Library for use as a handout.

Presenting the Lesson. Volunteers need to understand the tax law for each tax topic contained in the exercise and know how to enter the information in TaxSlayer. Instructors can present the

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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 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 linked below and posted in the *Training Exercise Presentations folder* in the Library. The presentations contain slides that present the tax law and 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, conduct the interview (Andrews and Caldwell exercises), and annotate the I/I Sheet in the workbook. 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 (alternatively, volunteers can “mirror” the Instructor as they enter the information). After volunteers have entered the information and the AGI and refund have been confirmed, the Instructor leads a discussion covering tax law and the effects of that entry on the return. Instructors can 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.** Volunteers would be directed to review the appropriate sections of the NTTC 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 (parts of Lesson 8), unemployment (Lesson 13), IRA contributions (part of Lesson 17), student loan interest (part of Lesson 17) adjustments, and retirement savings credit (part of Lesson 25). The Instructor can then lead the discussion using either method above. This delivery method would work well in virtual training setting.
- **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. This method can be very effective if a district has only very small group of new volunteers to train.

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

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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. Alternatively, volunteers could open a separate tab on their Chromebook and switch back and forth between tabs showing the Google meet and their Practice Lab entry. 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 that review the tax law and demonstrate TaxSlayer entries. There are also several videos for other 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. In addition to the [videos for new volunteers](#), there is a list with links to videos in the Portal Libraries>Red Folder>A – Training Resources>[Training Videos](#). Instructors are encouraged to conduct an introductory training session to cover access and use of online resources.

Example 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 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 Library to aid Instructors in teaching this module. The presentation should be modified to meet the individual needs of the District/Instructor.
- The Interview (Andrews and Caldwell Exercises): Instructors 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 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 Notes to resolve missing or inconsistent information.
- Roving Instructors (classroom) 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 documents while volunteers mirror the Instructor as they enter the information in their return. The class is directed to review the appropriate sections of the NTTC 4012 as they make entries in TaxSlayer. Slides providing steps to enter data are included in the PowerPoint presentations.

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- Roving Instructors assist the volunteers in 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 below.
- 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 have volunteers 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. See the [Training Exercises Read-me](#) file.

Andrews – Single Working Taxpayer

Links to [Interview notes](#), [PowerPoint presentation](#), and [NTTC Video](#)

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
- 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 4012 to the Filing Status Decision Tree in Tab B or the last page of the Qualifying Child or Relative Resource Tool (QC/QR Tool), in the Portal at *Libraries>Red Folder>B – Tax Return Reference Materials>Return Preparation Resources>Qualifying Child or Relative Resources Tool*. 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 NTTC 4012?

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- What does Code DD in Box 12 mean?
 - Review the more common box 12 codes listed in NTTC 4012.
 - When might wages in boxes 3 and 5 be different than box 1?
 - How would the W-2 look if the taxpayer had made a contribution to a 401(k)?
 - 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? What are your state's rules?
 - How can tax-exempt interest affect the rest of the return?
4. Unemployment compensation
- Is this earned income? Where in NTTC 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 NTTC 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. What is the standard deduction for this taxpayer?
- Have the class refer to the NTTC 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.

Baker – Single Working Parent

Link to [PowerPoint presentation](#)

Topics covered:

- Head of household (HoH) filing status
- Qualifying child dependent
- Income: alimony, gambling winnings (W-2G), cancellation of debt (Form 1099-C)
- Credits: child tax credit, child/dependent care credit, earned income credit (EIC)
- Premium tax credit (PTC) (See notes below)
- Additional practice: wages with 401(k) contribution and interest (no Form 1099-INT)

Example discussion questions:

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1. HoH filing status

- Direct the class to the NTTC 4012, Tab B, Determination of Filing Status – Interview Tips. The Determination of Filing Status – Decision Tree in the QC/QR Tool 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 disabled sister 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 4012, Tab C, Table 1. Have them “walk down” the table or have them use the QC/QR Tool 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 4012, Tab C, Table 3 regarding 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 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?

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? How about for your state?
- Have the class refer to the NTTC 4012 and verify the deduction in TaxSlayer by navigating to the Federal Section | Deductions | Compare Deductions.

7. Child and dependent care credit

- Direct the class to the NTTC 4012, Tab G, child and dependent care credit expenses section. Have the class examine the screening sheet.
- What if Tiana paid her mother for day care expenses – what probing questions should be asked?
- If Tiana did not have any childcare expenses, how would that affect her return (W-2, box 10)?

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8. Child tax credit/credit for other dependents

- Direct the class to the NTTC 4012, Tab G, child tax credit section. The QC/QR Tool 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)

- Direct the class to the NTTC 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 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, large amount of excess Advance PTC, and people listed on the Form 1095-A who are not on the tax return.

Caldwell – Young Married Couple

Links to [Interview Notes](#) and [PowerPoint presentation](#)

Topics covered:

- Married filing jointly status (with discussion of married filing separately and qualifying surviving spouse (QSS)). 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

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 4012, Tab B, Determination of Filing Status – Interview Tips or The Determination of Filing Status – Decision Tree in the QC/QR Tool

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- If Ray and Mallory asked if there were any advantages to married filing separately, what would you tell them?
2. Qualifying relative
 - Direct the class to the NTTC 4012 Tab C, Table 2. Have them “walk down” the table or have them use the QC/QR Tool 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 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 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 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 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 4012, Tab E.
 - What if Ray was a college professor?
 7. What is the standard deduction for this taxpayer?
 - Have the class refer to NTTC 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 NTTC 4012, Tab G.
 9. Education benefits (Form 1098-T)
 - Direct the class to the NTTC 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?

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- 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 exception to the 10% early distribution additional tax? Does it matter how Ray actually spent the distribution? (no – tracing the funds is not required)
- Direct the class to the NTTC 4012, Tab H, Form 5329 and exception code explanations for early distributions from IRAs or retirement plans.

11. Estimated Tax Payments: Enter with self-employment income as part of the Caldwell supplemental lesson (below).

Caldwell Supplemental Lesson: Self-Employment

We recommend that self-employment income be taught as a separate lesson. Following that lesson, direct the volunteers to enter the income and expenses for Mallory's business provided in the supplemental exercise.

Instructor Notes: Many taxpayers with a small business can receive payments via credit cards. Starting in 2022, entities that process credit or debit cards payments on behalf of third parties are required to issue Form 1099-K to anyone for whom they process more than \$600 in *reportable* payment transactions during the year, regardless of the number of transactions involved. This change was due to a provision in the American Rescue Plan Act of 2021. The previous reporting threshold for third party transactions was payments exceeding \$20,000 resulting from more than 200 transactions. This is a significant decrease in the reporting threshold so Counselors may see an increase in the number of Form 1099-Ks for self-employed taxpayers.

Instructors should cover Form 1099-K in their self-employment training. Note there is no Form 1099-K in TaxSlayer. The income is reported in the gross income section on Schedule C. See the NTTC tax law paper [Schedule C Guidelines](#) for more information in the Portal *Libraries>Red Folder>C – Tax Law>Tax Law Papers*.

Example discussion questions:

1. Direct the class to the NTTC 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? (Pub 4491 NTTC Modified TY22, 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. If Mallory had received some payments via credit card what tax form might she receive? (1099-K) How would this income be recorded in TaxSlayer?
4. What are the rules on deducting mileage?
 - If Mallory traveled out of town for her business are there limits or restrictions on her expenses?

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- What if Mallory drove 100 miles for a storytelling appointment and returned home the same day?
- 5. Have the class examine the Form 1040 and Schedules 1-3 to see how the self-employment tax is handled.
- 6. 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?
- 7. 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.

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

Link to [PowerPoint presentation](#)

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
 - Income: interest, dividends, capital gains

Instructor Notes: Michael's 1099-R has an entry in box 5 for his supplemental health insurance premiums which can reduce the taxable amount of his pension (up to \$3,000) as a retired Public Safety Officer (PSO). Note that Michael has list these premiums as a medical expense on schedule A. Volunteers should understand that only PSO health insurance premiums in excess of \$3,000 can be deducted on Schedule A.

Example discussion questions:

1. Married filing jointly status
 - Direct the class to the NTTC 4012, Tab B, Determination of Filing Status – Interview Tips.
 - The Determination of Filing Status – Decision Tree in the NTTC 4012 or the QC/QR Tool.
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?

Training Exercises

- 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 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 4012 in determining qualified deductions for medical expenses, charitable donations, taxes paid, mortgage interest, 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

We recommend that investment income be taught as a separate lesson to supplement the Davenport exercise. Following that composite lesson, direct the volunteers to enter the Form 1099-B and broker statement, provided in the exercise.

Instructor Notes: 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 or municipal bond interest income taxable or not taxable in your state.

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

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 4012, Tab D, Schedule D Capital Gains.

Training Exercises

- 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 8949) Find the Scope Manual in the Portal at *Libraries>Red Folder>C Tax Law>Scope*
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 2022 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?

After entering all investment income information, direct the class to select the TaxSlayer *Summary/Print*. Review Form 1040, Schedules 1-3, Form 8949 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.

Instructor Notes: This exercise can be used in an Instructor led environment for returning volunteers to refresh their tax law knowledge and TaxSlayer entry skills. The instructor can lead the class through the return by having the volunteers enter the tax information in sequence starting with wages. After the particular tax topic has been entered, volunteers can record the AGI and Refund Monitor values and the Instructor can check to see if all volunteers agree before going on to the next topic. If volunteers disagree, this should be resolved before proceeding. After the TaxSlayer entry has been made, the Instructor can lead a discussion using some of the questions below.

Example discussion questions:

1. Filing Status
 - Direct the class to the NTTC 4012, Tab B, Determination of Filing Status – Interview Tips. The Determination of Filing Status – Decision Tree in the QC/QR Tool may also be used.
 - If Carl and Janice asked if there were any advantages to 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 4012, Tab C, Table 1. Have them "walk down" the table or have them use the QC/QR Tool. Use the Bogart Tool Dependent Qualification Calculator as an alternative.

Training Exercises

- 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 4012, Tab C, Table 3 regarding divorced or separated parents.
- Who, if anyone, is a qualifying relative of Carl and Janice?
- Direct the class to the NTTC 4012, Tab C, Table 2. Have them “walk down” the table or have them use the QC/QR Tool 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 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 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 4012, Tab G.
- Is Form 1116 in scope? (International certification required)
- What are the limits for not needing to use Form 1116? What if 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 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 4012, Tab D, Self-Employment Income.
- What causes self-employment to be out of scope?

Training Exercises

- 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 4012 can they be found?
- 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. 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 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 8949)
- 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?

8. 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?

9. 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?
- How do we know if the simplified method is required? The Bogart Tool 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?

10. 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?

11. Unemployment compensation

- Is this earned income?

Training Exercises

- Where in the NTTC 4012 can the answer be found? (Tab I-1)

12. 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?

13. Other Income

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

14. Educator expense

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

15. Health savings account (HSA) adjustment

- 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 not offset by qualifying expense how does that affect the return (note: tracing of funds is not required)?
- Is there a time limit for applying qualified medical expenses against an HSA distribution? (No, but can consider expenses incurred after the HSA was established only)

16. Deductible part of self-employment tax

- How is the self-employment tax adjustment calculated?

17. 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)

18. Alimony paid

- Direct the class to the NTTC 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?
- 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 4012 can the answer be found? (Tab I; IRA: Tab E)

Training Exercises

19. 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 retirement savings credit?

20. Student loan interest

- Direct the class to the NTTC 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?

21. Standard deduction/itemized deductions

- What is the standard deduction for this taxpayer?
- Have the class refer to the NTTC 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 4012 (and NTTC 4491 if needed) in determining qualified deductions for medical expenses, charitable donations, taxes paid, and other deductions.

22. Credit for child and dependent care

- Direct the class to NTTC 4012, Tab G, the Child and Dependent Care Credit Expenses. 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 2022?
- What type of credit is the child tax credit – refundable or non-refundable
- 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?

23. Education benefits

- Direct the class to the NTTC 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?
- Are there any restrictions on buying books for the AOC? For 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?

Focused Exercises

24. Child tax credit/credit for other dependents

- Direct the class to the NTTC 4012, Tab G, Child Tax Credit. Have the class “walk down” the steps or use the QC/QR Tool to verify that Terri qualifies for the child tax credit.
- What type of credit is the child tax credit – refundable or non-refundable
- Who qualifies for the credit for other dependents?
- What type of credit is the credit for other dependents – refundable or non-refundable?

25. 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 NTTC 4012? (Tab A)

26. 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 NTTC 4012, Tab H, Form 5329.

27. Earned income credit (EIC)

- After the W-2s have been entered, direct the class to NTTC 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?
- 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. Because these exercises focus on specific tax topics, they should not be assigned as part of the required certification 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. Training schedules incorporating these exercises are included in Appendices A and B.

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 can be assigned following the Andrews - *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 can be assigned following the lesson on self-employment with the Caldwell - 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.

Chambers – Retirement Income

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

Key learning points:

- Filing status (qualifying surviving spouse (QSS))

Core and Comprehensive Exercises

- 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 QSS as her filing status even though her daughter Amy is not a dependent (Amy's income is too high). Refer volunteers to the NTTC 4012, Tab B, Determining Filing Status – Decision Tree or the QC/QR Tool, 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 can be assigned following the lesson on investment income with the Davenport - 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 can be assigned following the first 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 4012 for allowable deductions
- American opportunity credit (AOC) rules

Core and Comprehensive Exercises

These 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).

Core and Comprehensive Exercises

The exercises required for certification can be based on the experience level of the volunteers. Core Exercises are ideal to be assigned for certification as they contain the tax topics most seen at the tax sites. Comprehensive Exercises are best suited for experienced Counselors who wish to refresh their knowledge and skills on more complex tax issues. 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 2022 software will be sent directly to Instructors (volunteers with that role). "Just getting the right answer" should be avoided when evaluating the volunteer's completed exercise returns. 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 and are best suited for being assigned as required "certification exercises".
- **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. It is understood that these exercises do not represent tax returns seen at our sites and are for practice on less common in-scope tax issues. Many experienced Counselors enjoy the challenge of these more complex returns.

Most exercises contain a *To think about* question at the end of the exercise. These questions focus on the Counselor's role in responding to taxpayer questions that may arise during discussion of the return with the taxpayer. A discussion of these questions is included in the exercise notes for each exercise below.

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.

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

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. While many of our seniors have no taxable Social Security income many others do and sometimes this can cause them to have an amount due.

To think about: Jose asks "why is part of our Social Security taxable?" What do you tell them? Is there a form that could help you explain this?

Core and Comprehensive Exercises

Discussion: This is a common question by taxpayers. A portion (up to 85%) of Social Security benefits is taxable if total income exceeds a certain threshold. TaxSlayer will automatically calculate the amount taxable. TaxSlayer completes the Social Security Benefits Worksheet which can be printed for the taxpayer that details how this calculation is made. Many districts include this worksheet as a separate print package for this purpose

Bartlett

Key learning points:

- MFJ with Deceased spouse
- Other income: life insurance proceeds
- Insufficient withholding
- Direct debit for taxes owed

Instructor/Mentor note: Often when a surviving spouse is confronted with their first tax return as a surviving spouse, they are unsure of the changes that will affect their taxes going forward. It can be 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 resulting in the taxpayer having an amount due.

To think about: Jane says this tax return process is very overwhelming. She asks what will be different next year and what can she do to avoid having to owe taxes?

Discussion: While volunteers should be careful offering financial advice, they should be able to discuss how Jane's income will change in general terms and suggest where she can turn to for additional help. Her filing status will be single and the standard deduction on her return will be one-half of that of MFJ. As far as income is concerned Jane's husband's income will cease due to his death. Jane will continue to receive Social Security. It appears as though her Social Security benefit is comparable to her late husband's benefit so it will increase slightly with a cost of living adjustment. She will continue to receive a pension through the military survivor benefit program. Since she received that benefit for six months in 2022, it can be estimated that she will receive about twice those benefits in 2023 and they will be subject to cost of living adjustments. She will continue to be required to take the RMD from her IRA. She can contact Social Security and the Defense Finance and Accounting Service (DFAS) for more information concerning those benefits. She will receive a statement each year from Social Security explaining her benefits for the coming year. Her IRA administrator should inform her of her required minimum distribution and coordinate that distribution.

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 health insurance premiums for SEHI adjustment
- Insufficient withholding - direct debit for taxes owed
- Bank account information taken from last year's return

Core and Comprehensive Exercises

Instructor/Mentor note: Fewer than 7% of Tax-Aide's returns for TY2021 contained a Schedule C. However, while rare, Counselors should be able to prepare returns with straightforward self-employment. Also, taxpayers who have self-employment income for the first time are often surprised by self-employment tax. NTTC has prepared a [Self-Employed Sch C Worksheet](#) which volunteers can provide to taxpayers with a small business to help them organize and summarize their income and expenses. The worksheet is available on the Portal, at *Libraries>Red Folder>B – Tax Return Reference Materials>Return Preparation Resources*. NTTC has also prepared a [Schedule C Guidelines](#) document with valuable information, found at *Libraries>Red Folder>C – Tax Law>Tax Law Papers*.

To think about: Mr. Carter tells you that he is going to start receiving Social Security benefits this year and he heard that his self-employment income could affect the taxation of his Social Security benefits and wants to know if that is true. What do you tell him?

Discussion: The amount of his Social Security subject to tax will be affected by total income which is affected by how much additional income he earns through self-employment. The more he earns will increase the amount of taxable Social Security up to a maximum of 85%.

D'Antonio

Key learning points:

- Single taxpayer with wages and unemployment
- Non-custodial parent with dependent
- Identity theft
- Marketplace health insurance (partial year coverage)

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 NTTC 4012 for the correct way to enter months in the home for the dependent. Entering zero months is incorrect.

To think about: He asks how not claiming James in 2023 (as provided in his divorce decree) will affect his tax return next year?

Discussion: Most of his return will be unaffected, but he will lose the child tax credit which will increase his total tax.

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
- Student loan forgiveness (2022 tax law provision)
- Bank information taken from phone

Instructor/Mentor note: This exercise is typical of a single working parent with childcare expenses. It should be noted that some key tax law changes for TY2021 (Increased Child Tax Credit and enhanced Child Care Benefits) have expired which would affect this taxpayer when

Core and Comprehensive Exercises

compared to last year's return. It contains one 2022 law change provisions for student loan forgiveness (nontaxable) which is available through 2025.

To think about: Ms Elder tells you that she just enrolled in a Master's of Education degree program at the local college and that her father will pay her tuition that is not covered by her scholarship. She asks how that would affect next year's tax return.

Discussion: Ms. Elder will be eligible for the lifetime learning education credit which can reduce her total tax. She should note the amount of tuition paid by her father and keep track of all of her qualified education expenses and bring that information with her next year. She will need to provide Form 1098-T issued by the college. Counselors should review NTTC 4012 Tab J for more information. Note the requirements for purchasing textbooks or other course materials.

Ferguson/Adams

Key learning points:

- MFJ working couple with two dependents
- Straightforward American opportunity credit for dependent
- Early IRA withdrawal
- 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.

To think about: Their daughter Shannon will have a paid internship this summer. Susan and Cindy heard that could affect their ability to claim her as a dependent next year. What do you tell them?

Discussion: If Shannon remains in college, she can still be a Qualifying Child Dependent. Counselors should review NTTC 4012 to note the support test requirement for a qualifying child so that they can explain that to the taxpayers.

Gongsun

Key learning points:

- MFJ retired couple with blind disabled spouse (not present at site)
- Cancellation of credit card debt

Instructor/Mentor note: We often see MFJ returns where only one spouse comes to the tax site. Instructors should note that the Local Coordinators usually specify the procedure to be followed for obtaining the necessary signatures for both Form 8879 and the consent forms including setting the proper Return Stage and entering information in the Site Activity Log.

To think about: You explain to the taxpayer that he must take the return home and have his wife sign the Form 8879 and return with the signature before you transmit the return to the IRS. Mr. Gongsun states that his wife's blindness and disability prevent her from signing. What can

Core and Comprehensive Exercises

you do? Mr. Gongsun asks you if in the future it would be easier if he just filed Married Filing Separately (MFS) since his wife only has Social Security income. What do you tell him?

Discussion: If the spouse is unable sign due to injury or illness their spouse may sign for them per the procedure in [Pub 17](#) in the *Filing a Joint Return* section of the *Filing Status* chapter. With regard to filing MFS, Mr Gongsun should be advised that the return's standard deduction would be cut in half and, because he and his spouse live together, 85% of his Social Security would be taxable so this would not be advisable.

Huberman

Key learning points:

- Single senior retired taxpayer
- Investment income (broker statement summary)
- Capital Loss carryover
- Other income: jury duty
- Estimated payment
- 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. For brevity and because broker statement formats vary considerably between financial institutions, a summary page is presented instead of the full broker statement. Instructors need to emphasize that Counselors must thoroughly examine the entire broker statement to ensure the summary page contains all the information they need for the federal and state return. Taxpayers often don't bring all the pages of their statement so additional interview questions may be needed to determine if additional relevant tax information is needed. It also provides practice applying a refund to next year's taxes which is rarely requested. It should also be noted that other income such as jury duty pay does not get reported on any IRS tax form so self-reporting by the taxpayer is required and may not be revealed until the Counselors asks "did you receive any other income last year".

To think about: Mr Huberman says that he was thinking about adding virtual currency to his investment portfolio and asks you how that might affect his return? What do you tell him?

Discussion: Requirements for evaluating and reporting virtual currency transactions can be complicated and for that reason it would most likely make his return out of scope for Tax-Aide and he would need to seek the services of a professional tax preparer.

Irving

Key learning points:

- Single working taxpayer with qualifying child dependent
- Dependent SSN verified from Social Security statement
- IRA contribution adjustment
- Itemized deductions with medical mileage subject to two different rates (2022 change)

Core and Comprehensive Exercises

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. NTTC has created an [Itemized Deductions Worksheet](#) which can be provided to taxpayers to help them organize and summarize their deductible expenses. This exercise contains a completed worksheet. The worksheet is available in the Library, at *Libraries>Red Folder>B – Tax Return Reference Materials>Return Preparation Resources*. Sites usually have a supply on hand for taxpayers.

To think about: Timothy's return was rejected by the IRS because a previously accepted return exists with Martin's name and Social Security as the primary taxpayer. Martin did not submit a tax return. Timothy returns to your site to resolve this issue. What are the options? What can the site do to help Timothy resolve this identity theft issue? Are there any forms you could provide?

Discussion: The return will require an Identity Protection Personal Identification Number (IP PIN) for Martin. This will be difficult to obtain for the timely submission of the return so a paper return can be prepared for the taxpayer to mail to the IRS. Timothy can be provided with the IRS Identity Theft phone number (800-908-4490 found on the last page of Pub 4012) to get more information. [Form 14039 Identity Theft Affidavit](#) can be printed and provided to Timothy.

Jacoby

Key learning points:

- Single self-employed taxpayer with two qualifying child dependents
- Credit card income reported on 1099-K
- Child Support payments (Alimony received checked yes on I/I Sheet)
- Cancellation of credit card debt

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 2022. Note that the 1099-K in this exercise reports income for Sarah's business so it is very straightforward. There is no 1099-K in TaxSlayer so the income is reported in the Gross Receipts section on Schedule C. It can be helpful for the Quality Reviewer if the Counselor adds 1099-K as a description when entering this income.

While this 1099-K is straightforward, it is possible for taxpayers to receive a 1099-K from such on-line companies like eBay, Venmo, PayPal, Cash App, etc. that report income from sales of used household goods which would not be taxable. NTTC has prepared a [Form 1099-K Payments](#) tax law paper to assist Counselors dealing with 1099-Ks. It is available on the portal, at *Libraries>Red Folder>C – Tax Law>Tax Law Papers*.

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.

To think about: Sarah says that she and her husband are having the separation agreement modified to allow Ronald to claim his son Jason as a dependent on his return. How will that affect their tax returns next year? What form must she sign to allow Ronald to claim Jason?

Core and Comprehensive Exercises

Discussion: Ronald would then receive the child tax credit for Jason while Sarah would still receive EIC and child/dependent care credit. Sarah would need to sign Form 8332, Release/Revocation of Release of Claim to Exemption to Child by Custodial Parent. Review NTTC 4012 Tab C for more information.

Kaczenski

Key learning points:

- Senior MFJ couple with wages and pension
- Other income: medical study stipend (1099-MISC)
- VA disability pension
- IRA Contribution
- Bank info from last year's return

Instructor/Mentor note: This exercise is also typical of those seen at our sites as more seniors are taking part-time jobs to supplement their retirement income. The taxpayer received Form 1099-MISC for participating in a medical trial. The income was reported in box 3 Other Income. Sometimes income from medical studies is incorrectly reported in box 6 Medical and Health Care Payments which is out-of-scope so the income would need to be entered as other income in TaxSlayer.

To think about: The Kaczenskis tell you that they have decided to downsize and move into a retirement community. A developer has offered them \$970,000 to acquire their two-acre property. They bought the home in 1985 for \$142,000 and have made a few improvements (about \$50,000). They ask you how the sale would affect next year's tax return. What do you tell them?

Discussion: Sale of a home is rarely encountered at our tax sites and often when taxpayers sell their primary residence the sale is not reported on Form 1099-S and the gain from the sale is less than the exclusion. In this case, it appears that the taxpayers would have a taxable gain. They can be advised that filing MFJ, they are entitled to exclude \$500,000 if they meet certain tests (refer to NTTC 4012 Tab D Capital Gains or Losses Sale of Main Home). They would need to determine their gain by subtracting their basis from the sales price. They would need to determine any adjustments to their basis such as qualifying home improvements. Publication 523 - Selling Your Home is available at irs.gov to help them. There is a sale of home worksheet in TaxSlayer, but the taxpayers would need to do the research and provide the data. Just based on the rough information they provided, they would have a taxable gain of about \$278,000. They may want to seek professional financial/tax assistance.

Comprehensive Exercise Notes

Notes for each exercise contain 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. Note that a few seldom seen comprehensive tax topics (e.g. non-deductible IRA contributions (Form 8606), lump sum Social Security, and sale of a home) have been removed from the exercises and added as a supplement for those volunteers who want to refresh their knowledge/skills of these topics.

Langford

Key learning points:

- Single working taxpayer with disabled parent dependent
- Pays alimony
- Student loan interest (account on phone)
- Early withdrawal from IRA (Form 5329?)
- Health savings account (HSA) with 1099-SA and taxpayer contributions
- Dependent identity theft

Instructor/Mentor note: This exercise provides a straightforward HSA for volunteer practice. The taxpayer can eliminate **part** of the 10% penalty for early withdrawal because of her mother's medical expense.

To think about: While reviewing the tax return with Gloria, she notes that she did not receive the retirement savings credit this year and asks why since she has always received it in the past. What do you tell her?

Discussion: Gloria took a distribution from her IRA which exceeded her 401K contribution and prevents her from receiving the credit for 2022 and the next two years because of the lookback provision. You can show her Form 8880 from the return which shows this interaction.

Martin/Mendoza

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 (does not carry to Form 8880)
- Alimony paid
- Civil service retirement with simplified method
- IRA distribution with nondeductible contribution (Form 8606)
- Land rental
- Educator expenses (but taxpayer does not meet the deduction criteria)

Supplemental exercise: IRA distribution with nondeductible IRA contributions

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.

The exercise requires that the simplified method be used to determine the taxable amount of Anthony's pension. IRS Advanced test results consistently show the simplified method as a weakness. The Bogart Pension Exclusion Calculator is an excellent tool for performing the simplified method. Many Instructors also encourage Counselors to also use the TaxSlayer simplified method calculator to confirm the results. Also, when the TaxSlayer calculator is used to populate the Form 1099-R, it will provide carryforward data for the exclusion.

Core and Comprehensive Exercises

Supplemental exercise: Basis in an IRA was removed from the exercise and is included as a supplement for those districts who want their more experienced volunteers to refresh on this tax issue. Most IRA distributions we see at our sites are fully taxable because all the taxpayer's contributions were deductible. However, it is always important to ask, especially for taxpayers with higher AGIs. Note that the taxpayer is required to provide the additional information for completing Form 8606. Also note that TaxSlayer currently does not automatically carry the taxable amount from Form 8606 to the return so the Counselor must make this adjustment manually.

To think about: Anthony states that he and his ex-wife modified the divorce agreement on 25 January 2023 to lower the alimony to \$200 per month. He asks how that will affect his 2023 tax return?

Discussion: It will depend on the language of the modification. If the modification expressly states the repeal of the deduction for alimony payments applies to the modification, then Anthony will no longer be able to deduct alimony payments (adjustment) and his ex-spouse will no longer report alimony received as income.

Nguyen

Key learning points:

- Single taxpayer with disabled child
- 1099-INT taken from phone
- Disability pension with public safety officer (PSO) health insurance
- Joint first-time homebuyer credit (FTHBC) with deceased spouse
- Other income (honorarium)
- Itemized deductions with non-cash charitable contributions over \$500 (Form 8283)
- Bank information shown on an account information card

Instructor/Mentor note: Volunteers should be directed to review the section on public safety officer health insurance in NTTC 4012 Tab D. The TaxSlayer option for entering the excluded insurance should be used, as that will automatically check the box in the nontaxable distribution section and cause the Form 1040 to be properly annotated.

The FTHBC repayment is still with us for 2022 and though it is seldom seen, volunteers should be aware of how to report it on the return. Taxpayers may not note it on the I/I sheet and it is sometimes discovered by a review of last year's return. Volunteers should note that when a spouse dies (or divorces), the surviving spouse is only responsible for paying back their half of the FTHBC.

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

To think about: Kim was disabled in the line of duty because her police cruiser was in an accident with a truck being driven by a drunk driver. She says that she sued the trucking company and they have reached a settlement which she will receive soon. She asks how that settlement will affect her 2023 tax return. What do you tell her? What information would you need?

Core and Comprehensive Exercises

Discussion: The taxation of income from settlement can be complicated. The law provides “*that gross income does not include damages received on account of personal physical injuries and physical injuries.*” However, punitive damages are included in gross income so it would be important to fully understand the provisions of the settlement. As this could be a significant amount of money, it would be best for the taxpayer to seek the services of an attorney or other advisor experienced with such payments and the necessary documentation.

O’Connor

Key learning points:

- Single taxpayer with non-dependent parent
- Taxpayer’s Social Security number (SSN) verified from last year’s return (carryforward)
- IRA early withdrawal (Form 5329 exception?)
- Cancellation of mortgage debt (extended through 2025)
- Lifetime learning credit (some expenses not allowed)
- Marketplace health insurance
- Bank account information taken from last year’s return

Instructor/Mentor note: Shamus took an early withdrawal from his IRA. He can eliminate the 10% additional tax using the amount he paid for education. Some volunteers believe there should be a statement that he withdrew the money specifically for the education expenses. It does not matter when or why he made the withdrawal. The exception is a disability withdrawal where disability must begin before the withdrawal.

Instructors should direct volunteers to review NTTC 4012 Tab J to review the requirements for the lifetime learning credit and compare them to the American opportunity credit.

To think about: Shamus has two brothers. They are going to share the cost of their mother’s support with Shamus and allow him to claim her as a dependent next year. How will that affect his return and what will be needed to prepare his return in 2023?

Discussion: Next year Shamus would not be able to file as head of household. The Multiple Support Declaration (Form 2120) would need to be filed with his return to claim the credit for other dependents. Volunteers should review NTTC 4012 Tab C-5 for the requirements for the form. Shamus must provide at least 10% of his mother’s support. Personal information from the brothers is required for the form – review the form on [irs.gov](https://www.irs.gov) and note the required information.

Parata

Key learning points:

- Single senior self-employed taxpayer with two dependents
- Self-employed with health insurance adjustment (SEHI)
- Business lunch expense (2022 tax law provision)
- Business miles subject to two rates (2022 change)
- Deferral of part of self-employment tax in 2021 (2020 tax law provision affecting 2022)
- Education Credit

Core and Comprehensive Exercises

- Estimated payments
- Split refund between two accounts

Instructor /Mentor note: This exercise provides an opportunity to practice a return for a self-employed taxpayer. The TY22 Tax-Aide [Self-Employed Sch C Worksheet](#) is used. Maru can use his health insurance premiums to compute SEHI adjustment for his small business. Enter the Medicare 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. Instructors can also refer volunteers to NTTC Tax Law paper [Schedule C Guidelines](#) available on the Portal, at *Libraries>Red Folder>C – Tax Law>Tax Law Papers*, for more information.

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 sent letters and vouchers for payment.

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. Many of those law changes were for one year only so taxpayers may be confused when their return looks different this year.

To think about: Maru tells you that his business is growing and he is considering hiring a couple of workers to help him meet the needs of the additional customers. He wants to know how that would affect his return next year.

Discussion: This would require Maru to report payments to his workers, most likely as employees. That would make his tax return out of scope for Tax-Aide. He should seek the services of an accountant with small business expertise. This would be a good opportunity for volunteers to review the scope requirements for small business taxpayers.

Quinn

Key learning points:

- Single taxpayer with disabled parent dependent
- Medicaid waiver payments (W-2 with no entry in Box 1)
- 2020 IRA distribution spread over 3-years (2020 tax law provision affecting 2022)
- Marketplace health insurance with no APTC

Instructor/Mentor note: This return provides an opportunity to practice a return with Medicaid waiver payments for those states/districts that encounter these more frequently. Not all states report Medicaid waiver payments on a W-2. Instructors can modify this exercise to reflect their state's reporting method (e.g. 1099-MISC or 1099-NEC).

This exercise highlights another provision from the 2020 pandemic tax law changes: the option to spread coronavirus-related retirement distributions over three years. The 2022 Form 13614-C in the Tax-Aide Intake Booklet does not alert the Counselor that the taxpayer elected this option so a review of the prior year return may be the way it is discovered. If the 2020 and 2021 returns were prepared at the site, TaxSlayer may carryforward the deferred income amount.

Core and Comprehensive Exercises

Additionally, taxpayers who did elect this option may not fully realize the effect on their 2022 return and may have a tax balance due.

Romano

Key learning points:

- Senior MFJ couple with deceased spouse
- Non-dependent child
- 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

Supplemental exercise: lump sum Social Security payment

Instructor/Mentor note: This exercise provides an opportunity for volunteers to prepare a return with itemized deductions. The TY22 Tax-Aide Itemized Deductions Worksheet is provided as an example of this useful form for taxpayers. Volunteers should refer to the Form 1040, Schedule A Instructions or Pub 502 for the limits on lodging expenses for Helen when she went out of town for medical treatments. Volunteers often forget to use the life insurance proceeds to adjust MAGI for the sales tax deduction.

Some volunteers incorrectly believe that a 1099-R with box 7 Code 6 is out of scope because they are not aware Tax-Aide scope includes some items that are normally out of scope for the VITA/TCE programs. Refer to the [Tax-Aide Scope Manual](#), at *Libraries>Red Folder>C – Tax Law>Scope*.

Supplemental exercise: Lump sum Social Security was removed from the exercise and is included as a supplement for those districts who want their more experienced volunteers to refresh on this tax issue. Volunteers should note that the most difficult issue is obtaining the information necessary for the TaxSlayer entries. Most taxpayers will probably not come to the site with the prior year returns needed for the information. Counselors may be able to review the returns in TaxSlayer if the taxpayers are returning to your site.

Sahlberg/Mason Sahlberg

Key learning points:

- Senior MFJ couple with legally blind spouse
- Social Security information provided from online accounts at SSA.GOV
- Long term care payment (Form 1099-LTC)
- Broker statement summary with wash sales
- IRA distribution with qualified charitable distribution (QCD)
- Bank account information from 2021 tax return

Core and Comprehensive Exercises

Supplemental exercise: Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer

Instructor/Mentor notes: This exercise contains a few of the rarer tax issues seen at our sites (1099-LTC, wash sales, and QCD). With higher standard deductions, taxpayers may have learned about the benefits of the QCD and become more prevalent, even for smaller donations.

Supplemental exercise: It is rare for a third party to come to our sites to prepare a return for deceased taxpayers. When this occurs it usually requires a quick review of what is required. This supplement provides an opportunity to add Form 1310 to the return.

To think about: The Sahlbergs are worried about the cost of future care for Maryanne. They ask you if she is confined to a nursing home or rehab facility after her long-term care benefits run out, will any of her expenses be deductible as medical expenses?

Discussion: You can include in medical expenses amounts paid for qualified long-term care services and certain amounts of premiums paid for qualified long-term care insurance contracts. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services that are:

1. Required by a chronically ill individual, and
2. Provided pursuant to a plan of care prescribed by a licensed health care practitioner. (Key requirement).

Volunteers should refer to IRS [Pub 502](#) for the definition of a chronically ill individual and what are considered maintenance and personal care services.

Tham/Swanson

Key learning points:

- Senior MFJ couple
- Railroad retirement (simplified method required)
- QCD with IRA contribution
- Residential energy credit

Supplemental Exercise: Sale of second home (Form 1099-S)

Instructor/Mentor notes: This exercise provides an opportunity to prepare a return with railroad retirement for those districts that see railroad retirees each year. 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.

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 software does not apply this reduction automatically so the Counselor will need to make this adjustment. In this case no reduction is required because the QCD was made from the taxpayer's IRA while the IRA contribution was made to the spouse's IRA.

The residential energy credit has been extended. Note that many items provided by taxpayers do not qualify for the credit because they do not meet the energy standards even though the

Core and Comprehensive Exercises

vendors told the taxpayer they would. Some research may be required to ensure the materials and/or equipment meets the standards.

Supplemental exercise: Sale of a home was removed from the exercise and is included as a supplement for those districts who want their more experienced volunteers to practice this tax issue. Volunteers should note that the most difficult issue is obtaining the information for establishing the taxpayer's basis in the property. TaxSlayer has a sale of the home worksheet, but the taxpayer needs to provide all the needed information. Note that often the home sold is the taxpayer's primary residence and often they do not receive a form 1099-S. In the case of the primary residence, it is usually relatively simple to determine that the taxpayer's have a loss or a gain that is covered by the exclusion (\$250,000 or \$500,000 for MFJ and some surviving spouses) and the sale does not need to be reported on the return if no 1099-S was received.

Vincent and Wright Exercises

These two Comprehensive Exercises provide volunteers to explore the more complicated aspects of education benefits (Vincent) and Health Savings Accounts (Wright). They are designed for those districts that encounter larger numbers of taxpayers with these two tax issues. They should not be assigned as required certification exercises as they are for the district's "Master" Counselors.

Vincent

Key learning points:

- Taxpayer election to tax some or all 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: This exercise presents a more complex scenario and variations for the American opportunity credit. The NTTC has produced a series of three education benefits videos that volunteers should view.

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 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 Benefits 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.

Core and Comprehensive Exercises

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 (the taxable grant is considered earned income for determining filing requirement). Therefore, 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 be impacted by Larry’s now taxable income.

VINCENT 2	Taxable Grant	AOC Expenses	AGI	Taxable Income	Tax	EIC	Refund-able AOC	Total Refund
Apply all expenses toward making scholarship tax-free	400	0	32,000	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). Larry must not provide more than half of his own support. He satisfies the support test because he saved most of his income, and he meets the other dependent tests for Van to 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 ½ of his support – he does not need to actually use it for his support, just that it be at least half 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’s unearned income is not a factor.

Core and Comprehensive Exercises

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 4012, Tab C) to confirm whether Larry’s wages are more than half 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 half 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. Bogart’s 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	Refundable 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			

To think about: 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: If, instead, the Counselor concludes that Larry’s wages were more than half his support, we 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.

Quizzes

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 videos¹ 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. NTTC 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 – \$8,300 for 2022. 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 (\$7,300), 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 General Quizzes include both Core and Comprehensive quiz questions for most tax topics encountered at our sites. 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 NTTC 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 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.

¹ [HSA Contributions](#), [HSA Distributions](#), [HSA Married](#), and [HSA Part-Year](#).

Quizzes

- 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: Example Training Plan 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. Lesson information and resources are provided below.

Day 1

- Welcome/Introductions (30 min) (Note 1)
- Lesson 1: Intake and Interview (1 hr.)
- Lesson 2: Filing Basics (45 min)
- Lesson 3: Andrews - Single Working Taxpayer (2½ hrs.)
- Practice: Focused Exercise – Adams (20 min) (Note 2)
- Lesson 4: Baker - Single Working Parent (2½ hrs.)

Day 2

- Review/Q&A Day 1 (30 min) (Note 3)
- Lesson 5: Caldwell - Young Married Couple (2½ hrs.)
- Lesson 6: 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 7: Davenport - Senior Married Couple (2½ hrs.)
- Practice: Focused Exercise – Chambers (1 hr.)
- Lesson 8: 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 9: Finishing the Return (1 ½ hrs.) (Note 5)
- Wrap up/Review Test procedures

Day 5

- Complete Required Exercises and Advanced Exam

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 led online 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.

Appendix A: Example Training Plan for New Volunteers

Session 1

- Read ahead: NTTC 4491 Lesson 8 (wages and interest), Lesson 13 (unemployment), Lesson 17 (IRA contribution and student loan adjustments) and Lesson 25 (retirement savings credit)
- Lesson 1: intake and interview (45 min)
- Lesson 2: filing basics (45 min)
- Break (15 min)
- Lesson 3: Andrews – Single Working Taxpayer (2 hrs.)
- Self-study assignment: complete Adams Focused Exercise

Session 2

- Read ahead: NTTC 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 4012, Tab G (child care and child tax credits) and Tab I, EIC
- Review: Q&A on Adams Focused Exercise (20 min)
- Lesson 4: Baker – Single Working Parent (2 hrs. – 15 min break at 1 hr. point)
- Self-study assignment: start the four required certification exercises (personal information)

Session 3

- Read ahead: NTTC 4491 Lesson 4 (filing status – MFJ, MFS, and QSS), Lesson 6 (qualifying relative), Lesson 8 (dividends), and Lesson 11 (IRA only); NTTC 4012, Tab J (education benefits), Tab G (foreign tax credit), and Tab H (Form 5329)
- Review: Q&A from Session 2 (20 min)
- Lesson 5: 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

Session 4

- Read ahead: NTTC 4491 Lesson 9 (business income)
- Lesson 6: Business income/self-employment (90 min)
- Break (15 min)
- Enter self-employment for Caldwell exercise
- Self-study assignment: Baldwin Focused Exercise

Session 5

- Read ahead: NTTC 4491 Lesson 11 (pensions), Lesson 14 (Social Security), and Lesson 20 (itemized deductions)
- Review: Q&A session 4 and Baldwin Exercise (20 min)
- Lesson 7: Davenport – Senior Married Couple (2 hrs. – 15 min break at 1 hr. point)
- Self-study assignment: Chambers Focused Exercise

Session 6

- Read ahead: NTTC 4491 Lesson 10 (capital gains)
- Review: Q&A Session 5 and Chambers Exercise (20 min)
- Lesson 8: Capital Gain/Loss (1 hr.)
- Break (15 min)
- Enter investment income for Davenport Exercise (90 min)
- Self-study assignment: Davis and Elliott Focused Exercises

Session 7

- Review: Q&A all sessions and Davis and Elliott Focused Exercises (45 min)
- Break (15 min)
- Lesson 9: finishing the return (1 hr.)
- Review taking the exam on Link and Learn and completing the required certification exercises (20 min) Volunteers complete these on their own

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*
 - “Day in the life” of a Counselor
 - Form 1040 overview including numbered schedules and Schedules A, B, C, and D. There is an NTTC video [Intro to Federal Income Tax Law](#) available.
 - 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. This can be very effective because it shows that the prospective Counselors can follow directions, demonstrate basic computer skills, demonstrate capacity for self-study, and have already established their “account” on Link & Learn.
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 2022 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).
5. District Coordinators may wish to conduct a meeting with all the Local Coordinators and Instructors 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.

Lesson Information and Resources

The following provides information and resources for Instructors preparing lessons for the new volunteer training. Lessons 3, 4, 5, and 7 use the first four Training Exercises to teach the tax topics listed in the Training Exercise Notes starting on [page 7](#) of this guide. Instructors can

Appendix A: Example Training Plan for New Volunteers

present to lessons using any of the delivery methods discussed on pages 4 and 5 of this guide or any other method using the resources shown below.

Lesson 1: Intake and interview. New volunteers should have completed review of IRS Pub 5101 Intake/Interview and Quality Review Training and passed the related IRS exam prior to coming to class. Instructors should review the importance of a thorough intake interview including the use of the Tax-Aide Intake Booklet. An interview demonstration can be included in this lesson or as part of Lesson 3 using the Tom Andrews exercise.

Resources:

[IRS Pub 5101](#) Intake/Interview and Quality Review Training

Form 13614-C Job Aid for Volunteers in Tab B of NTTC 4012

NTTC Videos: [Taxpayer Interview – Andrews](#), [Intake Screening](#), Taxpayer Forms [Income](#) and [Expense](#)

Lesson 2: Filing basics. This lesson should include “*who must file*” and entering basic taxpayer information. Note filing status and dependents are taught separately in other lessons:

Resources:

Tax Law: NTTC 4491 Lesson 3 Filing Basics

NTTC 4012 Tab A – Who Must File

NTTC 4012 B-12-B15 Entering Basic Information

2022 NTTC Workbook General Quizzes: Core - Who Must File

NTTC Videos: [Filing Requirements](#), [Alvarado Nogales – Basic Information](#)

Lesson 3: Single working taxpayer. This lesson uses the Andrews Training Exercise and provides training on basic income topics with a few straightforward adjustments. The lesson requires an interview with the taxpayer which can be conducted during Lesson 1 or during this lesson. Interview notes are provided in [Appendix D](#). Volunteers should be directed to annotate the I/I Sheet in the workbook as information is obtained.

Resources:

- Tax Law: Pub 4491 NTTC Modified TY22, Lesson 8 (wages and interest), Lesson 13 (unemployment), Lesson 17 (IRA contribution and student loan adjustments), and Lesson 25 (retirement savings credit)
- NTTC 4012 Tab D Income and Tab E Adjustments
- Tom Andrews – Single Working Taxpayer Lesson PowerPoint Presentation or Tom Andrews – Single Working Taxpayer Lesson Plan (Appendix C)
- 2022 NTTC Workbook General Quizzes: Core - Wages and Interest
- NTTC Video: Wages

Lesson 4: Single working parent. This lesson uses the Baker Training Exercise and introduces the qualifying child dependent and HoH filing status, some other income topics (gambling winnings and cancellation of debt), and important credits (child care and EIC). The exercise also contains a straightforward Form 1095-A for Marketplace health insurance coverage.

Appendix A: Example Training Plan for New Volunteers

Resources:

- Tax Law: NTTC 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 4012 Tab C Dependents (Qualifying Child Only), Tab D income, Tab G Non-refundable Credits, and Tab I Earned Income Credit (EIC)
- Qualifying Child or Relative Resource Tool
- Tiana Baker - Single Working Parent Lesson PowerPoint Presentation or Tiana Baker Lesson plan created by Instructor using [Appendix C](#) as a template.
- 2022 NTTC Workbook General Quizzes: Core - Earned Income Credit
- NTTC Video: [Marketplace Insurance](#)

Lesson 5: Young married couple. This lesson uses the Caldwell Training Exercise and introduces the qualifying relative dependent, the MFJ, MFS, and QSS filing statuses, additional income topics (dividends and Form 1099-R (early IRA distribution)), and education credit. The lesson requires an interview with the taxpayer. Interview notes are provided in [Appendix D](#). Instructors can have volunteers in the class act as Counselors and interview the Instructor. Volunteers should be directed to annotate the I/I Sheet in the workbook as information is obtained.

Resources:

- Tax Law: NTTC 4491 Lesson 4 (filing status – MFJ, MFS, and QSS), Lesson 6 (dependents – qualifying relative only), Lesson 8 (dividends), Lesson 11 (IRA section only), Lesson 17 (educator expenses), Lesson 22 Education Benefits, Lesson 23 Foreign Tax Credit, and Lesson 24 (Credit for other dependents).
- NTTC 4012 Tab C Dependents (Qualifying Relative Only), Tab D Income (dividends and retirement income IRA), Tab G (foreign tax credit), Tab H Payments (Form 5329 exceptions), and Tab J Education Benefits
- QC/QR Tool
- Caldwell – Young Married Couple Lesson PowerPoint Presentation or Caldwell Lesson plan created by Instructor using [Appendix C](#) as a template.
- 2022 NTTC Workbook General Quizzes: Core – Dividends
- NTTC Video: [Education Credit Basics](#)

Lesson 6: Business income/self-employment. This lesson is a supplement to Lesson 5. For new volunteers, Instructors should prepare a lesson which covers a basic small sole proprietor business with income (sources: 1099-NEC, 1099-K, and cash) and qualified expenses. Suggestion: assign NTTC 4491 Lesson 9 – Business for homework after Day 1.

Resources:

- Tax Law: Pub 4491 NTTC Modified TY22, Lesson 9
- NTTC 4012, Tab D (Schedule C Self-employment)
- NTTC Tax Law Papers: Schedule C Guidelines, Form 1099-K Payments
- [NTTC Schedule C Worksheet](#)
- 2022 NTTC Workbook General Quizzes: Core – Self-employment
- NTTC Videos: [Schedule C with Health Insurance](#)

Appendix A: Example Training Plan for New Volunteers

Lesson 7: Senior Married Couple. This lesson uses the Davenport Training Exercise and introduces retirement income (Form 1099-R – pensions including the simplified method and Social Security) and itemized deductions.

Resources:

- Tax Law: Pub 4491 NTTC Modified TY22, Lesson 11 (pensions), Lesson 14 (Social Security), and Lesson 20 (itemized deductions)
- NTTC 4012, Tab D (Form 1099-R and SSA-1099), Tab F Deductions
- Davenport – Senior Married Couple lesson PowerPoint presentation or Davenport lesson plan created by the Instructor using [Appendix C](#) as a template.
- [Bogart Annuity Calculator](#)
- [NTTC Itemized Deduction Worksheet](#)
- 2022 NTTC Workbook General Quizzes: Core – Retirement, Core – Standard and Itemized Deductions
- NTTC Videos: [SSA-1099](#), 1099-R Basic, and [Schedule A](#)

Lesson 8: Capital gain/loss. This lesson is a supplement to Lesson 7. For new volunteers, Instructors should prepare a lesson which covers basic capital gain/loss with a general discussion of broker statements noting that there is no standard statement format. Note that interest and dividends have been covered in lessons 3 and 5 so that learning can be reinforced using the Sonic broker statement provided in the supplement to the Davenport Training Exercise. Suggestion: Assign Pub 4491 NTTC Modified TY22, Lesson 10 – Capital Gain or Loss, for homework after Day 2.

Resources:

- Pub 4491 NTTC Modified TY22, Lesson 10 – Capital Gain or Loss
- NTTC 4012, Tab D (Capital Gains and Losses)
- 2022 NTTC Workbook General Quizzes: Capital Gains or Losses (questions 1-6)
- NTTC Videos: [Schedule D Broker Statements](#), [Schedule D Carryforward and Inherited](#)

Lesson 9: Finishing the return. This lesson covers the final steps needed for the return to be ready for quality review. It focuses on the e-file section of TaxSlayer. Procedures for completing a return can vary greatly between districts and even down to the site level where the Local Coordinator may have specific procedures that they would like followed. Note that the e-file section in TaxSlayer Practice Lab is not as extensive as what volunteers will see in the production version at their site so Instructors will need to explain what additional entries will be required (i.e. consent forms, custom questions, etc.). Instructors can demonstrate the steps in finishing the return using the Baker Training Exercise which requires entering bank information and then direct volunteers to “finish” the other returns they have prepared in class.

Resources:

- NTTC 4012, Tab K (Completing the e-File Section)
- TaxSlayer Video Section 5 Electronic Filing – Creating the e-File

Appendix B: Example Training Plan for Returning Counselors

In-person Classroom Training Schedule

Day 1

- Overview of tax law and scope changes (1 hr.)
- Lesson 1: Intake/Interview and Quality Review (2 hr.)
- Lesson 2: Evans/Bryant – Inclusive Core Exercise (4 hrs.)
- Start required exercises

Day 2

- General Q&A
- All-in-One Exercise(s) (Note 1)
- Lesson 3: Advanced tax topics
- Work on required exercises

Day 3

- Complete required exercises and required tests on Link & Learn (in classroom or on their own)

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

- Overview of tax law/TaxSlayer/scope changes (30 min)
- Lesson 1: Intake/Interview and Quality Review (2 hr.)

Session 2

- Lesson 2: Evans/Bryant – Inclusive Core Exercise (tax law and skill refresher) (4-5 hrs.)

Session 3 (Note 1)

- Read ahead: Review Pub 4491 NTTC Modified TY22, Lesson 4 (Filing Status) and Lesson 11 (Retirement income)
- Exploring Filing Status All-in-One Exercise (1 hr.)
- Break (15 min)
- Exploring Form 1099-R All-in-one Exercise (1 hr.)

Session 4 (Note 1)

- Read Ahead: Pub 4491 NTTC Modified TY22, Lesson 22 (Education Credits) and NTTC 4012, Tab J (Education Benefits)
- Exploring Education Benefits All-in-One Exercise (1 hr.)
- Break (15 min)
- Exploring Investment Income All-in-One Exercise

Session 5

- Read ahead: Advanced topics TBD by Instructors
- Lesson 3: Advanced tax topics discussion and demonstration

Appendix B Notes:

Note 1: Instructors can use selected All-in-One Exercises to reinforce tax topics and how they can affect the tax return. The All-in-One Exercises are available in the Portal Library.

Lesson Information and Resources

The following provides information and resources for Instructors preparing lessons for the returning volunteer training.

Lesson 1: Intake and interview and quality review. 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 I/I Sheet. Returning volunteers should mark up the I/I Sheet in the workbook based on their review of the Evans/Bryant Interview Notes including completing the gray section on page 1.

Resources:

- [IRS Pub 5101](#) Intake/Interview and Quality Review Training
- Form 13614-C Job Aid for Volunteers in Tab B of NTTC 4012

Lesson 2: Evans/Bryant – inclusive core exercise. This lesson uses the Evans/Bryant Training Exercise which includes most of the basic tax topics volunteers will encounter at the tax site. 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. 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.

Resources:

- NTTC 4012
- NTTC Tax Law Papers: [Schedule C Guidelines](#), [Form 1099-K Payments](#)
- NTTC [Schedule C Worksheet](#) and [Itemized Deduction Worksheet](#)
- 2022 NTTC Workbook General Quizzes
- NTTC Videos: Various tax topics

Lesson 3: Advanced tax topics discussion and demonstration. 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. Instructors may wish to provide read ahead topics for this session.

Appendix C: Training Exercise Lesson Plan

Below is an example of a lesson plan for training new volunteers using the first Training Exercise, Andrews – Single Working Taxpayer. Instructors can use this as a “template” to 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 (Andrews and Caldwell only).

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 notes in [Appendix D](#). Two Instructors can play the roles or the Instructor can provide the notes 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 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 and have been included in the plan below. Instructors can delete questions and/or 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 Andrews – 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
- 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 4491 and have the volunteers review the Training Exercise I/I 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 Andrews - Single Working Taxpayer Training Exercise. 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. Alternative: Volunteers observe a role play interview live in class or by NTTC video. 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 4012 to the Filing Status Decision Tree (Tab B) or use the QC/QR Tool. 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			

Appendix C: Training Exercise Lesson Plan

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 4012, Tab D

- Are wages earned or unearned income. Where is this shown in the NTTC 4012?
- What does Code DD in Box 12 mean?
- Review the more common box 12 codes listed in the NTTC 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 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 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 4012, Tab E

- What limits this deduction?
- What effect did this have on the return?

Appendix C: Training Exercise Lesson Plan

- 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 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 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?

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 Notes for Training Exercises

This document provides a list of issues for the Andrews and Caldwell Training Exercises 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.

The notes can be used to create a role-play 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 Suggestions for Instructors

1. The notes are 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 D: 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: State Unemployment Commission, 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.
 - 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.

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.

Appendix D: Interview Notes for Training Exercises

- 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 if necessary.
 - He earned about \$2,000 last summer doing odd jobs.
 - He has never been convicted of a crime.
 - Instructor note: 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
 - Athletic fee (voluntary fee for priority seating in stadium) – \$100
 - Textbooks 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 offset by qualified medical expenses.

Appendix D: Interview Notes for Training Exercises

9. Deductions:

- The Caldwell's had out-of-pocket medical expenses totaling \$1,700.
- They donated \$4,500 (paid by check) to their church and various charities.
- Instructor note: You can ask volunteers to compare the standard deduction for the Caldwell's 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 NTTC 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.