

# VITA Volunteer Tax Training



# 2024 Tax Law Changes

- Tax Deadline is April 15, 2025
- Form 1040 Changes (no major changes from 2023)
  - Form W-2, Wage and Tax Statement, includes a new box 12 code II for Medicaid waiver payments excluded from income under Notice 2014-7
  - Line 6c has a check box for lump-sum election for Social Security benefits
  - Form 1040, Schedule 1 includes an entry field for taxpayers who had amounts reported on a Form 1099-K in error or for personal items sold at a loss
  - Taxpayers will receive Form 1099-K when reportable proceeds exceed \$5,000 for 2024, although they may receive the form at a lower amount

# Who Must File

A-3

Filing Status	Age at end of 2024	Gross Income
Single	Under 65	\$14,600
	65 or Older	\$16,550
Married Filing Jointly	Both under 65	\$29,200
	One under 65 and one over	\$30,750
	Both over 65	\$32,300
Married Filing Separately	Age does not matter	\$5
Head of Household	Under 65	\$21,900
	65 or Older	\$23,850
Qualifying Surviving Spouse (QSS)	Under 65	\$29,200
	65 or Older	\$30,750

# Who Must File Chart C A-5

- **Taxpayer Owes Special Taxes** – even if **gross income falls below the filing thresholds**, a return **must** be filed if any of the following apply:
  - Net earnings from self-employment  $\geq$  \$400
  - Taxpayer received non-qualified distributions from a retirement plan and owes tax on the distribution.
  - Taxpayer owes money related to the recapture of certain credits including education credits and repayment of the first-time homebuyer credit.
  - **Taxpayer receives an advanced premium tax credit to pay for health insurance.**

# Who Should File Chart D A-6

- Taxpayers who do not meet the gross income threshold should file in the following circumstances:
  - File for a refund of federal income tax withheld or paid during the year
  - Taxpayer received Form 1099-B or Form 1099-S
  - If a taxpayer's income or filing status makes him/her eligible for the certain refundable credits or payments, including but not limited to:
    - Earned income credit (EIC)
    - Additional child tax credit
    - Refundable American Opportunity Credit
    - Eligible for the Recovery Rebate Credit
    - Senior citizens who are eligible to receive the PA Property Tax or Rent Rebate

# Mailing Address on Returns

- Be sure that the income tax return reflects the ***current*** mailing address for the client.
- This address may be different from the prior year or the address shown on government documents.
- Additional information may be needed for local earned income returns.

# Dependents

C-3

- **Claiming a Dependent**
  - A taxpayer cannot claim any dependents if he, or his spouse if filing jointly, **could** be claimed as a dependent by another taxpayer.
  - The person claimed as a dependent must be:
    - Unmarried (or if married, does not file a joint return).
    - A U.S. citizen, U.S. resident alien or U.S. national or a resident of Canada or Mexico.
      - Special exceptions apply for adoption cases
    - Either a ***qualifying child*** or a ***qualifying relative***.

# Qualifying Child

C-3

- The person must:
  - Be the taxpayer's child, stepchild, brother, sister, half brother, half sister, stepbrother, stepsister or descendant of any of them (i.e., niece, nephew, grandchild).
    - Adopted child
    - Eligible foster child
  - Be
    - Younger than taxpayer (or spouse) and either under age 19 or a full-time student under age 24 or
    - Any age if totally and permanently disabled.
  - Live with the taxpayer more than half the year.
  - Not provide more than half of his or her own support.
  - Not file a joint return (unless filed only to claim a refund).
  - Not be a qualifying child of another taxpayer with higher priority under the tie-breaker rules.



# Qualifying Child Tie Breaker Rules

C-4

<b>IF a child is the QC of more than one individual and:</b>	<b>THEN, the child is the QC of:</b>
Only one of the individuals is the child's parent,	The parent.
Both parents (who do not file MFJ) claim the child as a QC,	The parent with whom the child lived the greater portion of the year.
Both parents (who do not file MFJ) claim the child as their QC and the child lived with each parent for the same amount of time,	The parent who had the higher AGI.
No parent can claim the child as a QC,	The individual who had the highest AGI.
A parent can claim the child as a QC but no parent does so,	The individual with the highest AGI, but only if that person's AGI is higher than the highest AGI of either of the child's parents. *For this test, if the parents file MFJ, each is treated as having half of the joint AGI.

# Special Rule for Non-Custodial Parents C-8

- Person claiming qualifying child is eligible for all of the following tax benefits:

Credit for other dependents	Child Tax Credit
Head of Household status	Earned Income Credit
Credit for Child and Dependent Care Expenses	Exclusion from income for Dependent Care Benefits (Box 10 on W-2)

- Noncustodial parent may be granted dependency of child on return
  - Signed Form 8332 or
  - Divorce decree before 2008 which states child can be claimed
- Noncustodial parent can claim Child Tax Credit and education benefits
- Custodial parent is still eligible for the EIC, Child and Dependent Care Credit and Exclusion from income for care benefits and HOH

# Qualifying Relative

C-6

- The person must:
  - Not be the taxpayer's or anyone else's qualifying child.
  - Either
    - Live with the taxpayer all year as a member of the household or
    - Be related to the taxpayer
      - Child, stepchild, eligible foster child, grandchild or great grandchild, brother, sister, half-brother, half-sister, stepbrother or stepsister, father, mother, grandparent or other direct ancestor (but not foster parent), stepfather or stepmother, niece or nephew, aunt or uncle or brother-in-law, sister-in-law, father-in-law, mother-in-law, son in-law or daughter-in-law.
  - Have gross income less than \$5,050.
- The taxpayer must provide more than 50% of the person's total support for the year

# Filing Status

**B-13 and B-14**

- 5 Filing Status
  - Single
  - Married Filing Jointly
  - Married Filing Separately
  - Head of Household
  - Qualifying Surviving Spouse

# Single

- Your filing status is single if, **on the last day of the year**, you are unmarried or legally separated from your spouse under a divorce or separate maintenance decree, and you do not qualify for another filing status.
- **Widow(er)** whose spouse died before 2024 is single unless he/she meets the tests for qualifying surviving spouse.

# Married Filing Jointly

- Taxpayers **may** file jointly if on the last day of the year they are:
  - Married and living together
  - Married and living apart, but not legally separated or divorced
  - Separated under an interlocutory (not final) divorce decree
  - Living in a recognized common-law marriage
- If **Spouse died in 2024** then the survivor can file jointly with the decedent if one of the 4 tests above is met

# Married Filing Jointly

- **Same Sex Couples** can file jointly if they were legally married in a jurisdiction that recognizes their marriage.
- They do not need to live in a state that recognizes same-sex marriage to qualify for married filing jointly status.
- This status applies only for recognized marriages ***and not*** registered domestic partnerships, civil unions or other relationships under state law.

# Married Filing Separately

- Taxpayers married at the end of the year **may** file separately
- **Reasons to file separately**
  - No joint liability
  - In ***limited*** circumstances, couples may pay less tax



# Married Filing Separately (continued)

- **Negative Effects**
  - **Lost or Limited Credits** including EIC, Credit for the Elderly, Child Care Credit, Adoption Credit and Education Credits
  - **Lost Education Benefits** including student loan interest, tuition and fees deduction and savings bond interest exclusion
  - **Lost Standard Deduction** – if one spouse itemizes then other spouse must also itemize
  - **Social Security** - greater % taxed
  - **Other Limits** - IRA deductions/contributions, Capital Loss deductions, Sale of Home gain exclusion, Passive Loss allowances and the AMT exemption

# Head of Household

B-15

- To qualify, the taxpayer **must meet all** of these tests:
  - Taxpayer is a US citizen or resident for the entire year
  - Not married at year end or is considered unmarried
  - Paid more than 50% of the cost of keeping a home
  - Home was principal residence for more than  $\frac{1}{2}$  of the year for either:
    - Qualifying Child (see exceptions)
    - Qualifying Relative (see exceptions)

# Head of Household (continued)

- **Considered Unmarried if:**
  - Taxpayer files separate return
  - Taxpayer paid more than 50% of the cost of keeping up his/her home for the tax year
  - The spouse did not live in the home during the last 6 months of the tax year
  - Taxpayer's home was the main home for more than  $\frac{1}{2}$  of the year for his/her child, stepchild, adopted or foster child. (**Grandchildren do not qualify for this test**)
    - Child must be a dependent or could be claimed as a dependent except the parent released the exemption to the noncustodial parent

# Cost of Keeping a Home

B-16

- Cost includes:
  - Property taxes
  - Mortgage interest expense
  - Rent
  - Utilities
  - Repairs and Maintenance
  - Property insurance
  - Food consumed in the home
  - Other household expenses
- Cost does not include:
  - Clothing
  - Education
  - Medical expenses
  - Vacations
  - Life insurance
  - Transportation



# Cost of Keeping a Home

B-16

Home Expenses	Amount You Paid	Total Cost
Property taxes	\$	\$
Mortgage interest expenses	\$	\$
Rent	\$	\$
Utility charges	\$	\$
Property insurance	\$	\$
Food consumed on premises	\$	\$
Other household expenses	\$	\$
TOTALS	\$	\$

Total amount in Amount You Paid must be 50% or more of Total Cost

# Qualifying Surviving Spouse

- **All** of the following must be met:
  - Taxpayer's spouse died in 2022 or 2023
  - Taxpayer was entitled to file a joint return in the year the spouse died
  - Taxpayer did not remarry before 1/1/2025
  - Taxpayer paid more than 50% of the cost of keeping his or her home
  - Taxpayer's home was the ***main home for the entire year of the taxpayer's dependent child or stepchild***
    - Does **not** include grandchildren or foster children

# Unique Filing Situations

- Resident vs. non-resident alien
  - Determination of filing status
  - Apply dependency rules
- Taxpayers in the U.S. on an F, J, M or Q visa
  - Out of scope for Lancaster VITA

# Resident vs. Nonresident Aliens

- Resident aliens are treated similar to U.S. citizens
  - Filing status and dependency rules
  - Taxation on worldwide income
- Nonresident aliens
  - File Form 1040 NR
  - Typically refugees, students, teachers, trainers or undocumented immigrants
  - Out of scope for Lancaster VITA



# Resident Alien Tests L-6

- Green Card Test
  - Individual who are lawful permanent residents of U.S. at any time during the year
  - Have a valid alien registration card (no longer green in color)
- Substantial Presence Test
  - Based on number of days and years an individual is physically present in the U.S.
  - Chart is available in Pub. 4012 (L-3)
  - Count days in current tax year and prior 2 years
  - Out of scope if it is first year in U.S.

# Tax Identification Numbers

- Each person listed on an individual income tax return must have:
  - SSN (Social Security Number)
  - ITIN (Individual Tax Identification Number)
  - ATIN (Adoption Taxpayer Identification Number)
- Taxpayers with ITINs may have a Form W-2 with a different SSN
  - Use ITIN for primary number and enter Form W-2 information exactly as prepared
  - Taxpayer is not eligible for Earned Income Credit
    - If Social Security card says VALID FOR WORK ONLY WITH INS OR DHS AUTHORIZATION, then may claim EIC if otherwise qualify
  - Dependents with ITIN not eligible for Child Tax Credit