

VITA 2020-2021 Advanced Level Certification Resource Guide



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Advanced Level Exam Items #1–#12

The review of the Advanced Scenarios #1–#5 conducted in Session A and Session B of the Virtual VITA Certification Prep Sessions offered by FPP/FL TON, in partnership with a number of VITA Programs in Florida and beyond, is sufficient to correctly respond to these first twelve (12) Advanced level exam items. No changes to the content or the software impact these items.

As always, Volunteers are strongly encouraged to capture detailed notes when engaging in the four virtual Sessions to adequately prepare to complete the “open book/notes” Advanced level exam.

Direct Deposit Feature

The Direct Deposit feature is now available in the TaxSlayer Practice Lab. It is located by first selecting the E-File option from the left side navigation bar, then selecting “E-File: Direct Deposit” from the Federal Return Type dropdown box.



The screenshot shows the TaxSlayer Practice Lab interface. On the left is a navigation menu with options: Enter the form number..., Basic Information, Federal Section, Health Insurance, State Section, Summary/Print, Summary, Print Results, E-file (highlighted), 2020 Amended Return, and Your Office. The main area displays the '2020 Tax Return Summary' for 'Harris Franklin'. It includes buttons for 'LAST CHECKPOINT', 'VIEW/PRINT RETURN', 'BACK', and 'CONTINUE'. Below these are page numbers (1, 2, 3, 4) and links for 'Prior Year Comparison' and 'Summary View'. The bottom section shows the '1040 U.S. Individual Income Tax Return' form with fields for Filing Status, Name, Age, Social Security Number, Address, and State.

Economic Impact Payment (EIP) and Recovery Rebate Credit



Entering the Economic Impact Payment (EIP) Amount Received in the Recovery Rebate Credit Screen

Advanced Scenarios #6, #7 and #8 require the tax preparer to enter the Economic Impact Payment (EIP) amount received by the taxpayer into the Recovery Rebate Credit screen. This screen is now available in the TaxSlayer Practice Lab, visible from the left side navigation bar under the Basic Information link. No search keyword has been identified that locates this screen from the Form Finder search field.

A screenshot of the TaxSlayer Practice Lab interface. The left sidebar shows a navigation menu with "Recovery Rebate Credit" highlighted. The main content area is titled "Recovery Rebate Credit" and includes a "NOTE" box stating that the information is used to ensure the full amount is received. Below the note, there are three radio button options for stimulus payments. The first option, "My spouse and I received stimulus payment(s) during the first round of payments," is selected. A text input field next to it contains "\$ 2900", with a yellow arrow pointing to it. The input field is labeled "Total amount received during the first round of payments * May be reported on Notice 1444". At the bottom of the screen are "CANCEL" and "CONTINUE" buttons.

Please enter a "0" in the second EIP field, noted by the Notice 1444-B. This entry generates a change in the refund amount for the taxpayers. Completing this screen generates the Recovery Rebate Credit Worksheet in the PDF printable version of the taxpayer's tax return.

Advanced Exam Item Details for #17 and #18



Advanced Exam Item #17

As Volunteers complete the Advanced level exam, please pay close attention to the note that is visible within the Link and Learn Certification portal for item #17. The exam screen essentially provides the correct answer for Volunteers to enter into the exam, acknowledging an error in the original calculation of the Franklin's Net Premium Tax Credit in Advanced Scenario #6. The note reads: *"In the initial release of the Practice Lab, last year's Federal Poverty Line amount is used to calculate Form 8962, Premium Tax Credit. Enter **1646** as the correct answer."*

Advanced Exam Item #18

The correct answer for exam item #18 may be verified by referring to the Recovery Rebate Credit Worksheet, appearing in the PDF printable version of the tax return. Refer to line 17 on this worksheet. As well, the correct answer appears on line 30 of the Franklin household 1040 of the completed tax return.

Please note that as of early January 2021, the TaxSlayer Practice Lab has been updated to include the EIP calculations from the most recently passed legislation at the end of calendar 2020. Therefore, the total amount that appears in the Worksheet and on the 1040 may not align with the exam answer expected. Please read the note on the screen closely when taking the exam in Link and Learn Certification to ensure a correct answer entry for this exam item.

Advanced Exam Item Details for #27 and #28



Advanced Exam Item #27

As of Friday, January 8, 2021, the TaxSlayer Practice Lab has incorporated the updated EIP calculations generated by the recently passed legislation, thereby changing the expected correct answer from \$4385 to \$5585 for this exam item. This change in the Total Payments is generated when entering “0” in the 1444-B field in the Recovery Rebate Credit screen, signifying that the taxpayer had not received their second round of EIP stimulus payment. Therefore, the taxpayer would receive their allotted EIP amount in their refund. The IRS has provided a note in Link and Learn Certification to guide exam-takers to enter the correct answer for this exam item.

Please read the screen carefully when answering exam item #27 for any additional guidance.

Advanced Exam Item #28

Per the Internal Revenue Service, the correct answer for exam item #28 regarding the Required Minimum Distribution (RMD) is option B, “By December 31, 2021, because the RMD was waived for tax year 2020.”

To learn more, please refer to IRS Publication 590-B, located at <https://www.irs.gov/pub/irs-pdf/p590b.pdf>. An internet search using the search keywords of *Required Minimum Distribution 2020* or *RMD 2020* are also helpful.

The 1099-NEC Form Screen Is Now Available for Entry



Entering the 1099-NEC for Self-Employed Taxpayers Who Perform “Subcontract” Work for Other Employers as a Compensated Non-Employee

The 1099-NEC form screen, representing Non-Employee Compensation received by a taxpayer likely required to complete a Schedule C for self-employment as part of their tax return, is now available for entry in the TaxSlayer Practice Lab. Tax preparers are no longer guided to use the 1099-MISC as a substitute for this type of entry, as the fields of the two forms and the two TaxSlayer screens do not align well.

A screenshot of the TaxSlayer Practice Lab interface. The left sidebar is titled "Practice Lab" and contains a "Form Finder" section with a "Go to Form 1099-NEC now" button. Below this is a "Basic Information" section and a "Federal Section" with an "Income" sub-section. The "Income" sub-section lists several form types: W-2 Wage Statement, Retirement Income, Unemployment Compensation, Form 1099-NEC, Schedule C, and Form 1099C. Three yellow arrows point from the left towards the "Go to Form 1099-NEC now" button, the "Form 1099-NEC" item in the list, and the "1099-NEC" item in the main content area. The main content area is titled "Income" and lists several form types with corresponding buttons: W-2 (Most Common Form) with an EDIT button, Form 1099-G Box 2 with a BEGIN button, 1099-DIV, INT, OID with a BEGIN button, 1099-R, RRB-1099, RRB-1099-R, SSA-1099 with an EDIT button, Form 1099-G Box 1 with an EDIT button, 1099-MISC with a BEGIN button, and 1099-NEC with an EDIT button.

Details Regarding the 1099-R/Form 5329 Exemptions for Coronavirus



Tax Exemption for Early Distributions from a Traditional IRA or SIMPLE IRA Due to Coronavirus-Related Relief

Taxpayers who receive a 1099-R for a retirement plan distribution for reasons related to Coronavirus relief may be exempt from the additional 10% or 25% tax penalty levied by the Internal Revenue Service. Use search keyword *Traditional IRA* in the IRS Publication 4012 to learn more about this possible exemption.

Tax preparers will use Form 5329 to account for this exemption. As of the time of the creation of this resource, a proper identifying exemption does not appear in the dropdown box titled, “Select the reason for exemption.” Select Other as the option for this exemption until a more descriptive option appears in the dropdown box in the TaxSlayer Practice Lab.

A screenshot of the TaxSlayer Practice Lab interface for Form 5329. The interface is divided into a left sidebar and a main content area. The sidebar, titled "Practice Lab", contains a menu with categories: "Basic Information", "Go to Form 5329 now" (highlighted with a yellow arrow), "Income" (with sub-items: W-2 Wage Statement, Retirement Income, Unemployment Compensation, Form 1099-NEC, Schedule C, Form 1099C), "Deductions", and "Other Taxes" (with sub-item: Tax on Early Distribution, highlighted with a yellow arrow). The main content area is titled "Form 5329" and includes a "2020" header, "Help & Support", and user information "Richard Roosevelt". Below the title are "CANCEL" and "CONTINUE" buttons. The main section is "Part I - Additional Tax on Early Distributions". It contains the text "Form belongs to Taxpayer" and "SIMPLE Retirement Distributions that are not subject to 25% Tax" with a "\$" input field. Below that is "Early Distributions that are not subject to 10% tax" with a "\$ 1000" input field. At the bottom, there is a dropdown menu labeled "Select the reason for exemption" with "Other" selected (highlighted with a yellow arrow).

Details Regarding the 1099-C Exemptions for Coronavirus



Tax Exemption for Certain Types of Canceled Debt Due to Coronavirus-Related Relief

Taxpayers who receive a 1099-C for canceled debt for reasons related to Coronavirus relief may be exempt from the requirement to claim the canceled debt amount as part of their total income.

The IRS Publication 4012 states:

“Taxpayers may exclude from income certain debt forgiven or canceled debt on their principal residence. This exclusion is applicable to the discharge of ‘qualified principal residence indebtedness.’”

Use search keyword *1099-C* or *principal residence* in the IRS Publication 4012 to learn more about this possible exemption.

This exemption does not impact the manner in which the 1099-C is entered for the Roosevelt household tax return.

A screenshot of the TaxSlayer Pro software interface. The left sidebar shows a "Form Finder" menu with "Go to Form Cancellation of Debt now" highlighted by a yellow arrow. The main content area is titled "Cancellation of Debts" for the year 2020. It lists three items: "Cancellation of Debt (Form 1099-C)" with an "EDIT" button, "Exclusions (Form 982)" with a "BEGIN" button (highlighted by a yellow arrow), and "Protective Section 108(i) Election" with a "BEGIN" button. A "CONTINUE" button is at the bottom right. The top right of the interface shows "2020", "Help & Support", "Richard Roosevelt", and "Save & Exit".

Advanced Exam Item #35 Details Regarding Self-Employment SS Tax Deferral



Deferral of the Employer Portion of the Self-Employment Social Security Tax Related to the Completion of a Schedule C

Carefully read each of the answer options for Advanced level exam item #35, as this question has created confusion for some Volunteers.

Use the search keyword *Social Security Tax* in the IRS Publication 4012 to learn more about this option available to those taxpayers required to complete a Schedule C for their self-employment.

As of January 12, 2021, the Internal Revenue Service has provided this update in a VITA Volunteer Tax Alert:

New and more specific information has been released regarding the deferral for certain Schedules H and SE filers. Taxpayers cannot defer amounts they have already paid, which includes:

- *Federal income taxes withheld*
- *Estimated taxes*
- *Amounts paid with request for extension to file*
- *Excess social security and tier 1 RRTA taxes withheld*

This information changes an answer:

Advanced Scenario 8, Test Question 35. - Which of the following statements is true? Answer: D. Richard does not have the option to defer half of his share or the employer share of Social Security tax.

Advanced Exam Item #35 Details Regarding Self-Employment SS Tax Deferral



Deferral of the Employer Portion of the Self-Employment Social Security Tax Related to the Completion of a Schedule C

The search keyword in the TaxSlayer Practice Lab Form Finder is Self-Employment. After landing upon the Schedule SE Self-Employment Tax menu screen, scroll down to the Social Security Deferral (Optional) option. Select the checkbox titled “I would like to defer a portion of my Social Security tax.” to allow the other deferral amount fields to appear on the screen.

The screenshot shows the "Social Security Deferral (Optional)" screen in the TaxSlayer Practice Lab. On the left is a "Form Finder" sidebar with a search bar containing "self-empl" and two options: "Go to Form Self-Employment Health Insurance now" and "Go to Form Self-Employment Tax now". Below this are categories for "Income" (W-2 Wage Statement, Retirement Income, Unemployment Compensation, Form 1099-NEC, Schedule C, Form 1099C) and "Deductions". The main content area is titled "Social Security Deferral (Optional)" and contains the following text: "According to the CARES Act, you may be eligible to defer a portion of your Social Security tax payment. Half of the deferred taxes must be paid back by Dec. 31, 2021, and the other half must be paid back by Dec. 31, 2022." Below this is a checked checkbox: "I would like to defer a portion of my Social Security tax." A note states: "Note: Selecting Continue will take you to enter your preferred deferral amount". There are two input fields for earnings: "Deferrable self-employed net earnings (Max=3861). Enter earnings from 03/27/2020 - 12/31/2020" and "Deferrable church employee income earnings for self-employment tax (Max=0). Enter earnings from 03/27/2020 - 12/31/2020". At the bottom are "CANCEL" and "CONTINUE" buttons. Yellow arrows point to the checkbox and the first earnings input field.

AGI and Refund Amount/Amount Due for Advanced Scenarios #6, #7 and #8



Verifying Advanced Scenario Tax Return AGIs and Refund/Amount Due Totals

Advanced Scenario #6—Franklin Household

Adjusted Gross Income (AGI) = \$48,645

Refund/Amount Due = \$10,769

Advanced Scenario #7—Kennedy Household

Adjusted Gross Income (AGI) = \$30,944

Refund/Amount Due = \$5585

Advanced Scenario #8—Roosevelt Household

Adjusted Gross Income (AGI) = \$52,813

Refund/Amount Due = \$1766