

# Module 12: WHAT'S NEW FOR RETURNING VOLUNTEERS?

*Special thanks to: Barbara DelBene for her contribution to content provided in this module.*

## By the end of this module...

*...you will be prepared for the new issues that are included in the IRS Basic and Advanced tests for VITA Volunteer Tax Preparers, including:*

- Revisions to IRS forms.
- Modifications to the types of returns prepared at VITA tax sites.
- Revised numerical rates and limits.
- Tax law changes that apply to Basic level tax returns.
- Tax law changes that apply to Advanced level tax returns.
- Where to find more information about what's new for filing season 2020.

*Advanced preparers must read all of the information – Basic and Advanced – to learn all the changes for filing season 2020.*

# In this module...

- [Changes to IRS Tax Forms](#)
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# Changes to IRS Tax Forms

# CHANGES TO IRS TAX FORMS

Schedule C-EZ, Net Profit from Business (Sole Proprietorship) is now **obsolete**.

Form 8965, Health Coverage Exemptions, is now **obsolete**.

There are two **new qualified business income deduction forms**:

- Form 8995, Qualified Business Income Deduction Simplified Computation
- Form 8995-A, Qualified Business Income Deduction

Taxpayers whose taxable income is not more than \$160,700 (\$160,725 if married filing separately or \$321,400 if married filing jointly), can use Form 8995 - the simplified form.

*All draft forms can be accessed [online](#).*

# CHANGES TO IRS TAX FORMS

Form 1040 has gone through another redesign for tax year 2019.

Here's what's changed:

- The Form 1040 is bigger than last year's "postcard" size.
- The income has been moved back to page 1.
- Tax, credit, and signature sections are on page 2.
- The new forms (Schedules 1 – 6) from last year have been reduced to three forms (Schedules 1, 2, and 3).
- The box that indicated full year health care coverage has been eliminated.

*All draft forms can be accessed [online](#).*



# CHANGES TO IRS TAX FORMS

The six new forms from last year (Schedules 1 – 6) have been revised and combined into three forms (Schedules 1 – 3).

- **1 - Additional Income and Adjustments To Income** is pretty much the same. Some lines have been renumbered.
- **2 – Tax** is now **Additional Taxes**. It is a combination of last year's Schedules 2 (Tax) and 4 (Other Taxes).
- **3 - Nonrefundable Credits** is now called **Additional Credits and Payments**. It is a combination of last year's Schedules 3 and 5. It contains nonrefundable credits, payments, and refundable credits.
- **4 - Other Taxes** This information was added to Schedule 2. Schedule 4 is now **obsolete**.
- **5 - Other Payments and Refundable Credits** This information was added to Schedule 3. Schedule 5 is now **obsolete**.
- **6 - Foreign Address and Third Party Designee** information was added to Form 1040. Schedule 6 is now **obsolete**.

*All draft forms can be accessed [online](#).*



# CHANGES TO IRS TAX FORMS

Starting with tax year 2019, there is a new 1040.

## Form 1040-SR, U.S. Income Tax Return for Seniors

Based on the draft form dated 09-11-19:

- The taxpayer must be age 65 or older to use this form. On a joint return, at least one taxpayer must meet the age requirement.
- Form 1040-SR fills the entire pages 1 and 2 of the usual 8.5" by 11" form.
- Form 1040-SR uses a larger font than the Form 1040.
- The taxpayer(s) can take the standard deduction or itemize.
- There is a standard deduction chart at the bottom of page 1 of the Form 1040-SR to help determine the standard deduction for taxpayer(s) who were born before January 2, 1955.

*Note: Taxpayers age 65 or older are not required to use the new form. It is just an optional alternative.*



All draft forms can be accessed [online](#).

# CHANGES TO IRS TAX FORMS

This gives you an idea of what the draft 1040-SR looks like:

**1040-SR** U.S. Tax Return for Seniors **2019**

**Filing Status:**  Single  Married filing jointly  Married filing separately (MFS)

**Qualifying widow(er) (QW)**  **Head of household (HOH)**  **Qualifying widow(er) (QW)**  **Married filing jointly (MFS)**  **Married filing separately (MFS)**

**Standard Deduction:**  **Someone can claim:**  You as a dependent  Your spouse as a dependent  Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness:** **You:**  Were born before January 2, 1955  Are blind **Spouse:**  Was born before January 2, 1955  Is blind

**Dependents:** (See instructions.) (1) First name (Last name) (2) Social security number (3) Relationship to you (4) If a child, enter child's date of birth (5) Child's other dependents

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a	Tax-exempt interest	2a
3a	Qualified dividends	3a
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6	Social security benefits	6
7a	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7a
7b	Other income from Schedule 1, line 9	7b
7c	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your <b>total income</b>	7c
7d	Adjustments to income from Schedule 1, line 22	7d
7e	Subtract line 7d from line 7c. This is your <b>adjusted gross income</b>	7e
9	Standard deduction or itemized deductions (from Schedule A)	9
10	Qualified business income deduction. Attach Form 8895 or Form 8995-A	10
11a	Add lines 9 and 10	11a
11b	Taxable income. Subtract line 11a from line 7e. If zero or less, enter -0-	11b

**Standard Deduction Chart**

If your filing status is...	AND the number of boxes checked is...	THEN your standard deduction is...	
		If your filing status is...	AND the number of boxes checked is...
Single	0	\$12,000	0
	1	13,800	1
Married filing jointly	0	15,500	2
	1	24,400	0
Married filing separately	1	25,700	1
	2	27,000	2
Qualifying widow(er)	3	28,300	3
	4	29,600	4

**Form 1040-SR 2019** Page **2**

**12a Tax** (See instructions). Check if any from:  Form(s) 9814  Form 4972  Form 3

**12b Add Schedule 2, line 3, and line 12a and enter the total** **12b**

**13a Child tax credit or credit for other dependents** **13a**

**13b Add Schedule 3, line 7, and line 13a and enter the total** **13b**

**14 Subtract line 13b from line 12b. If zero or less, enter -0-** **14**

**15 Other taxes, including self-employment tax, from Schedule 2, line 10** **15**

**16 Add lines 14 and 15. This is your total tax** **16**

**17 Federal income tax withheld from Forms W-2 and 1099** **17**

**18 Other payments and refundable credits:**

**a** Earned income credit (EIC) **18a**

**b** Additional child tax credit. Attach Schedule 8812 **18b**

**c** American opportunity credit from Form 8863, line 8 **18c**

**d** Schedule 3, line 14 **18d**

**e** Add lines 18a through 18d. These are your total other payments and refundable credits **18e**

**19 Add lines 17 and 18e. These are your total payments** **19**

**Refund** **20** If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid **20**

**21a Amount of line 20 you want refunded to you.** If Form 8888 is attached, check here **21a**

**21b Routing number** **c** Type:  Checking  Savings

**22 Account number**

**22 Amount of line 20 you want applied to your 2020 estimated tax** **22**

**23 Amount you owe.** Subtract line 19 from line 16. For details on how to pay, see instructions **23**

**24 Estimated tax penalty (see instructions)** **24**

**Third Party Designee** (2 or more designees) Designee name Phone no. Personal identification number (PIN)

**Sign Here** Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation If the IRS sent you an identity protection PIN, enter it here (see instructions)

Spouse's signature, if a joint return, both must sign Date Spouse's occupation If the IRS sent your spouse an identity protection PIN, enter it here (see instructions)

Preparer's name Preparer's signature Date PTIN Check it  31 Fed. Reg. 101-106  31 Fed. Reg. 101-106

File 1040-SR (2019)

All draft forms can be accessed [online](https://www.irs.gov/efile).

# CHANGES TO IRS TAX FORMS

Confused about the 1040?

To clarify, let's review recent 1040 history:

tax year 2017 – There were three 1040s.

- Form 1040-EZ
- Form 1040-A
- Form 1040

tax year 2018 – There was just one 1040.

- Form 1040  
(plus Schedules 1 – 6)

tax year 2019 – There are two 1040s.

- Form 1040
- Form 1040-SR  
(plus Schedules 1-3)



# CHANGES TO IRS TAX FORMS

## **Form W-4, Employee's Withholding Allowance Certificate**

This form has changed substantially. The concept of withholding allowances no longer applies. See the Tax Prep Dispatch, “What’s Going on with Form W-4?” for more information. Only taxpayers starting a new job after December 31, 2019, or who want to revise their withholding, are required to use the new W-4.

## **Form W-2, Wage and Tax Statement**

The IRS is ending the W-2 pilot program that used verification codes to authenticate W-2 data. Because of the January 31 deadline for employers to file W-2 forms, IRS can more quickly coordinate W-2 data with e-filed returns and the codes are no longer needed.

## **Form 1099-MISC, Miscellaneous Income**

There is no change for tax year 2019. But beginning with tax year 2020, nonemployee compensation (now box 7) will no longer be reported on Form 1099-MISC. A new **Form 1099-NEC, Nonemployee Compensation**, will be used instead.

*All draft forms can be accessed [online](#).*



# Changes to Intake, Interview & Quality Review

# CHANGES TO IRS FORMS – FORM 13614-C

Not much has changed on [Form 13614-C, Intake, Interview & Quality Review](#)

- The big change: Part VI – Health Care Coverage has been eliminated. Because the individual shared responsibility payment was reduced to zero, taxpayers are no longer required to report if they had health insurance coverage during the tax year.
  
- A new question has been added to Part V, Life Events:  
*(Last year, did you or your spouse) Have health coverage through the Marketplace (Exchange)? [Provide Form 1095-A]*  
Taxpayers who had insurance through the Marketplace are still required to reconcile their Premium Tax Credit (Form 8962).
  
- Two questions were moved from Part V, Life Events, to the Additional Information section on page 3:
  5. *Live in an area that was declared a Federal disaster area? Yes No If yes, where?*
  6. *Did you, or your spouse if filing jointly, receive a letter from the IRS? Yes No*

# CHANGES TO IRS FORMS – FORM 13614-C

New questions regarding the taxpayer's race and ethnicity have been added to the Additional Information questions on page 3. Taxpayers are not required to provide this information and may choose, "Prefer not to answer" for any or all of these questions.

11. Your race?

American Indian or Alaska Native     Asian     Black or African American     Native Hawaiian or other Pacific Islander     White     Prefer not to answer

12. Your spouse's race?

American Indian or Alaska Native     Asian     Black or African American     Native Hawaiian or other Pacific Islander     White     Prefer not to answer

13. Your ethnicity?

Hispanic or Latino     Not Hispanic or Latino     Prefer not to answer

14. Your spouse's ethnicity?

Hispanic or Latino     Not Hispanic or Latino     Prefer not to answer

# CHANGES TO IRS FORMS – FORM 13614-C

Here's what *hasn't* changed about Form 13614-C:

- It must be completed for every tax return prepared.
- Every question must be answered.
- The shaded areas must be completed by the preparer.
- The preparer must review the form with the taxpayer.
- Any question that is answered, “unsure,” or where the information is unclear, must be discussed with the taxpayer.
- The completed Form 13614-C must be made available to the quality reviewer.

*Remember, Form 13614-C is the preparer's friend and is a key element in preparing a correct and complete return!*







# Returns Prepared by VITA

# Returns Prepared by VITA

- IRS provides strict guidelines as to the types of tax returns that VITA tax sites can prepare.
- The tax issues that can be handled by VITA preparers are said to be “in scope.”
- The return issues that are in scope are designated as Basic or Advanced. For some additional issues, Military, International, or Health Savings Account certification is required.
- A detailed Scope of Service chart is included in Publication 4012, [Volunteer Resource Guide](#).



# 4012

VITA/TCE Volunteer Resource Guide **2019 RETURNS**  
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)



Take your VITA/TCE training online at [www.irs.gov](http://www.irs.gov) (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



Publication 4012 (Rev. 10-2019) Catalog Number 34183E Department of the Treasury Internal Revenue Service [www.irs.gov](http://www.irs.gov)

# Returns Prepared by VITA - Basic

The following items were added to **Basic** scope for filing season 2020.

- Form 1099-INT, Interest Income – These items have been added to scope:
  - ❖ Box 10 - market discount
  - ❖ Box 11- bond premium
  - ❖ Box 12 - bond premium on Treasury obligations
  - ❖ Box 13 - bond premium on tax exempt bonds

Several more unusual items that are not in scope may appear on Form 1099-INT. When you see something unfamiliar, check the Scope of Service chart in Publication 4012.

- Form 1099-OID, Original Issue Discount – These items have been added to scope:
  - ❖ Box 5 – market discount
  - ❖ Box10 – bond premium

*Note: Enter the information just as it appears on the 1099 and the software will complete the calculations. For example, a taxpayer had bond interest income of \$550 reported in box 1 of Form 1099-INT and \$50 bond premium reported in box 11. The software will put \$450 - the correct amount of taxable interest - on Form 1040, line 2.*

# Returns Prepared by VITA - Advanced

The following item was also added to **Advanced** scope for filing season 2020.

- Form 1099-PATR, Taxable Distributions Received from Cooperatives
  - ❖ There are limitations. If the taxpayer confirms that the dividends in box 1 were solely paid on items bought for personal use – not for a business, the amount of the dividend is not reported and is not included in income. No entry is required.
  - ❖ If there are any entries on Form 1099-PATR other than box 1 or if the dividends in box 1 are related to a business, then the return is out of scope.
  
- The qualified business income deduction (QBID) is still in scope for Advanced preparers. But a new tax preparation issue for tax year 2019, **QBID loss carryforward**, is out of scope for VITA.
  - ❖ IRS requires that the taxpayer report prior year qualified loss carryforwards on line 3 of Form 8995, Qualified Business Income Deduction Simplified Computation, even if the taxpayer is no longer in business.
  - ❖ If the taxpayer has a QBID loss carryforward (line 16 of the 2018 Qualified Business Income Deduction—Simplified Worksheet), then the 2019 return is out of scope. Generally, you would encounter this when the taxpayer had a loss on a Schedule C for the prior year.

# Returns Prepared by VITA



- Do not prepare a tax return with any tax issue that is out of scope.
- If you encounter an issue that is in scope but you don't understand it or it wasn't covered in your training, ask an experienced preparer or site coordinator. If they don't know, don't do the return. .

*When you can't prepare a return because of an out of scope or difficult issue, apologize and advise the taxpayer to find another tax preparer.*



# New Numbers

# NEW NUMBERS - EITC

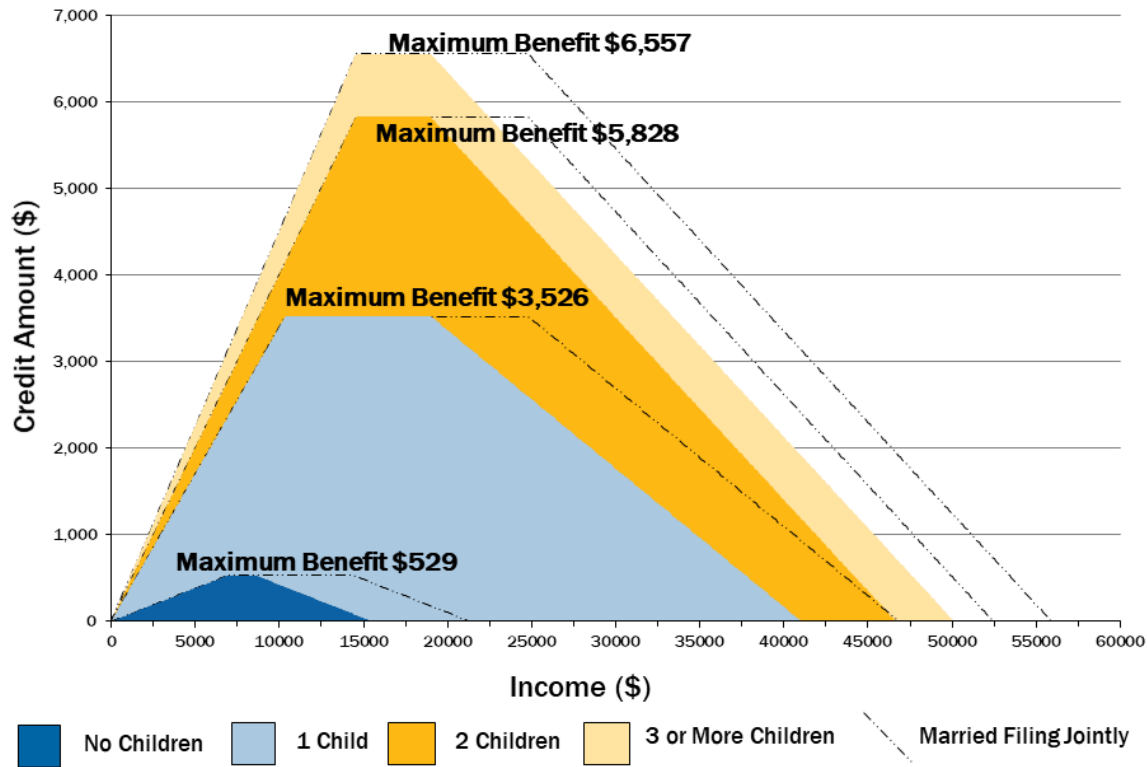
As usual, income and credit amounts for the earned income tax credit have been adjusted for tax year 2019.

	<u>2019</u>	<u>2018</u>
<b>EARNED INCOME TAX CREDIT</b>		
<b><u>Maximum income - Single / Head of Household / QW</u></b>		
No children	\$15,570	\$15,270
One qualifying child	\$41,094	\$40,320
Two qualifying children	\$46,703	\$45,802
Three qualifying children	\$50,162	\$49,194
<b><u>Maximum Income - Married Filing Jointly</u></b>		
No children	\$21,370	\$20,950
One qualifying child	\$46,884	\$46,010
Two qualifying children	\$52,493	\$51,492
Three qualifying children	\$55,952	\$54,884
<b><u>Investment Income Maximum</u></b>	\$3,600	\$3,500
<b><u>Maximum EITC</u></b>		
No children	\$529	\$519
One qualifying child	\$3,526	\$3,461
Two qualifying children	\$5,828	\$5,716
Three qualifying children	\$6,557	\$6,431

# NEW NUMBERS – EITC

Here's a graphic representation of the tax year 2019 parameters. Thanks to the Center on Budget and Policy Priorities for developing and sharing this graph.

## The Federal EITC in Tax Year 2019





# NEW NUMBERS – STANDARD DEDUCTION

The standard deduction amounts and the gross income test for a qualifying relative have increased. The exemption amount remains zero.

<b>STANDARD DEDUCTION</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Single/Married Separate	\$12,200	\$12,000
Married Jointly / QW	\$24,400	\$24,000
Head of Household	\$18,350	\$18,000
Additional std. ded. for over 65 - single/HOH	\$1,650	\$1,600
Additional std. ded. for over 65 - married/QW ( each taxpayer)	\$1,300	\$1,300
<b>EXEMPTION</b>	<b>\$0</b>	<b>\$0</b>
<b>GROSS INCOME TEST</b>	<b>\$4,200</b>	<b>\$4,150</b>

# NEW NUMBERS – MILEAGE RATES

Most of the standard mileage rates have increased for tax year 2019.



<b>MILEAGE RATE</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Business</b>	<b>58¢</b>	<b>54.5¢</b>
<b>Medical/moving</b>	<b>20¢</b>	<b>18¢</b>
<b>Charitable</b>	<b>14¢</b>	<b>14¢</b>

# NEW NUMBERS – CHILD TAX CREDIT & COD

The amounts for the child tax credit and credit for other dependents have *not* changed.

<b>CHILD TAX CREDIT</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Maximum credit per child</b>	<b>\$2,000</b>	<b>\$2,000</b>
<b>Refundable credit earning threshold</b>	<b>\$2,500</b>	<b>\$2,500</b>
<b>Maximum refundable child tax credit</b>	<b>\$1,400</b>	<b>\$1,400</b>
<b>Nonrefundable Credit for Other Dependents</b>	<b>\$500</b>	<b>\$500</b>



# Basic Tax Law Changes

# BASIC TAX LAW CHANGES

Really, there is no new law. But one item that was part of the Tax Cut and Jobs Act didn't go into effect until tax year 2019.

## Alimony Income and Alimony Adjustments

For any divorce decree (or separate maintenance agreement) executed or modified after December 31, 2018:

- The alimony payments are no longer included in income by the recipient of the payments.
- The alimony payments are no longer deductible by the taxpayer who paid the alimony.

*In other words, for taxpayers who got divorced (or modified their divorce) during 2019, the alimony is not reported on the return of either ex-spouse. All other divorced taxpayers receiving or paying alimony report it the same way they always have.*

# BASIC TAX LAW CHANGES

*Example:* Tootsie and Trudy have been best friends for over 30 years and they do everything together. In fact, they both got divorces last winter and they both are getting \$18,000 alimony each year. Tootsie's divorce was finalized just before Thanksgiving 2018 and Trudy's was finalized January 4, 2019.



Tootsie will have to report her alimony income on her 2019 1040. Trudy is not required to report any of her alimony income.

# BASIC TAX LAW CHANGES

One aspect of the Affordable Care Act has changed.

The **Individual Shared Responsibility Payment is zero** for tax year 2019.

Sounds simple, but what does it mean?

- No more penalty for not having health insurance.
- Preparers don't need to know whether the taxpayer and family members had insurance.
- The whole ACA chart at the top of page 3 of the Form 13614-C is gone.
- No more trying to figure out health insurance exemptions for Form 8965, Health Coverage Exemptions.

Note: Tax preparers still need to ask if taxpayers had insurance through the Marketplace and if they did, Form 1095-A is needed for reconciliation of the Premium Tax Credit on Form 8962, Premium Tax Credit. This is an Advanced issue and remember, a return with a shared policy allocation is out of scope.

# BASIC TAX LAW CHANGES

*Example:* Clayton is already 28 years old and he still hasn't gotten any health insurance. Last year when he filed his tax return, he had to pay a \$695 penalty.



Clayton does not need to report anything about health insurance on his 2019 return.



# BASIC TAX LAW CHANGES

Remember the **extenders**? Extenders are items of tax law that expired. They are called extenders because in the past, such items were usually extended by Congress to delay expiration. But in recent years, the extenders haven't been extended.



The Bipartisan Budget Act of 2019 extended the following tax breaks only through December 31, 2017. They were not available for tax year 2018 and will not be available for tax year 2019.

- Deduction for qualified **tuition & fees**
- Credit for nonbusiness energy property (**residential energy credit**)

Volunteers will be notified if Congress passes some last-minute legislation to change this.

# BASIC TAX LAW CHANGES

Not much has changed from last year. But last year there were important changes to the **child tax credit** and there is now the new **credit for other dependents**. It would be wise for volunteers to go back and review the training material on these topics.

***We're still here!***





# Advanced Tax Law Changes

# ADVANCED TAX LAW CHANGES

Not much has changed from last year. But the new QBID (**qualified business income deduction**) was a doozy. It works the same for tax year 2019, but it would be wise for advanced volunteers to go back and review the training material.



Like last year, most of the complications regarding QBID – like type of business and wages paid – only apply to high income taxpayers.

# ADVANCED TAX LAW CHANGES

For taxpayers who itemize, the **medical expense** deduction threshold for tax year 2019 is 10% of adjusted gross income. The lower 7.5% AGI threshold has expired.

**Extenders:** The Bipartisan Budget Act of 2019 extended the following provisions only through December 31, 2017. They are expired for tax year 2019.

- Exclusion from gross income of qualified **principal residence indebtedness**
- **Mortgage insurance premiums** deductible on Schedule A as qualified residence interest



# Resources and Summary

# RESOURCES

- [Draft IRS Forms](#)
- [Final IRS Forms](#)
- [Form 13614-C, Intake, Interview & Quality Review Sheet](#)
- [Publication 4012, Volunteer Resource Guide](#)
- [Site Coordinator Corner](#)
- [Publication 4491, VITA/TCE Training Guide](#)
- [Form 6744, VITA/TCE Volunteer Assistor's Test/Retest](#)

# SUMMARY

- There are two notable form changes.
  - Form 1040 has been reorganized again. Schedules 1 – 6 are now just Schedules 1 – 3.
  - The ACA section has been removed from Form 13614-C. Otherwise, it just has slight changes.
- There have been minor changes to IRS scope.
  - Some obscure Items on Forms 1099-INT and 1099-OID have been added to scope for Basic.
  - Limited items on Form 1099-PATR have been added to scope for Advanced.
- There are the usual minimal changes to numerical limits.
- There are few tax law changes for tax year 2019.
  - The new treatment of alimony income from The Tax Cut and Job Act goes into affect for tax year 2019.
  - The ACA Individual Shared Responsibility Payment has been reduced to zero. No more penalty for not having health insurance.
- Because there is not much new for tax year 2019, preparers are urged to review the major changes that went into effect for tax year 2018 – particularly child tax credit, credit for other dependents, and the qualified business income deduction.
- There are lots of [resources](#) available for further information.



Thank you for taking this training!

Thank  
YOU!

Thanks for being a VITA volunteer!