

by HowardSoft®

Tax Preparer®

Tax Forms Guide 2024 Edition

(for preparing tax year 2023 Form 1040 tax returns
and tax planning for 2024 and beyond)

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** Included only in Standard and Premium Level software.

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Introduction

Tax Forms Guide vs. User's Guide
Paperwork Reduction Act Notice

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Tax Forms Guide vs. User's Guide

Tax Forms Guide for timely information. Because the tax forms and their instructions are changed annually by the IRS, *this Tax Forms Guide is revised annually*, based on the information we receive annually from the IRS:

Chapter 1. Highlights of Changes. A review of the important tax law changes for the year and how they affect the software.

Chapter 2. Form by Form Details. A detailed reference for every tax form in the software. This is the bulk of the guide, and contains details on nearly every line of each form and schedule that it covers.

Chapter 3. Laser and Windows Graphic Printing. Instructions for the graphic printing of forms for both Windows and non-Windows printers.

Chapter 4. Electronic Filing (e-file). Instructions for generating files for electronic filing and submitting them for transmission to the IRS using Standard Level or Premium Level versions of *Tax Preparer*.

When you get an update each year, you will be able to install an on-screen version of the updated *Tax Forms Guide* for the new tax year (identified by an edition year, not the tax year). You should always use the *Tax Forms Guide* for the appropriate year whenever you need help preparing a return for that year because the IRS makes significant changes in both forms and instructions every year. Accordingly, you should retain your *Tax Forms Guides* for prior years for later help in producing records for an audit or preparing an amended return. (Note that you can purchase paper versions of current or prior *Tax Forms Guides* along with grey stitched binders and black slipcases to hold them.)

User's Guide for other information. Unlike the tax forms, the structure and operation of the software are stable, and change little from year to year. As a result, *the separate User's Guide is revised only once every few years* as needed. You will use this guide for years to come for help with general operating procedures. First-time users can benefit from the tutorial on how to prepare and print a return. But the rest of the guide is an important reference for everyone. It includes keyboard charts, trouble-shooting hints, and complete details on translating prior-year returns into current-year returns, printing a graphic return for filing, program setup, and custom settings. *The current version of the User's Guide is Rev. January, 2016. The last revision updated the guide by adding information that relates to 64-bit Windows and applies to Windows XP through Windows 10, and removing information that applies only to operating systems with which Tax Preparer is no longer compatible (prior to Windows XP).*

Paperwork Reduction Act Notice

Legal requirement. The IRS requires that computer-generated forms contain the phrase "For Paperwork Reduction Act Notice, see instructions" and that we provide you with a copy of the notice. The following quote does not reduce paper, but it does meet the IRS requirements:

The Privacy Act of 1974 and Paperwork Reduction Act of 1980 say that when we ask you for information, we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

This notice applies to all papers you file with us, including this tax return. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code 6001, 6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and papers. You must fill in all parts of the tax form that apply to you. But you do not have to check boxes for the Presidential Election Campaign Fund.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

We ask for tax return information to carry out the tax laws of the United States. We need it to figure and collect the right amount of tax.

We may give the information to the Department of Justice and to other Federal agencies, as provided by law. We may also give it to states, the District of Columbia, and U. S. commonwealths or possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Please keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

Chapter 1

Highlights of Changes

Overview
IRS Forms Built into Software
Printouts and Form 1040 Tab Settings
Form by Form Changes
Recommended IRS Publications

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Overview

IRS redesigns several forms in response to recent legislation. The most extreme changes are found in credit forms that are affected by the *Inflation Reduction Act of 2022*, which was designed to spur more domestic production and new technologies for car manufacturers and a wide range of other industrial facilities. The most affected forms are Forms 3468, 3800, 5695, and 8936, all of which have undergone major redesigns, expanding to as much as 10 pages!

Built-in forms, schedules, and worksheets. See Tables 1-1, 1-2, and 1-3 for the current list of supported forms and schedules, HowardSoft-designed worksheets, and IRS-designed worksheets for the current software. (The Economy Level supports the most essential forms, the Standard Level has about a dozen more, and the Premium Level has double the forms of the Economy Level.)

Table 1-1. IRS Forms in 1040 Edition

Forms marked with a single asterisk () are included only in the Premium Level software (not Economy nor Standard).*
*Forms marked with a double asterisk (**) are included only in the Standard and Premium Level software (not Economy).*

Form 1040	- U.S. Individual Income Tax Return
Form 1040-V	- Payment Voucher <i>(printed when tax due, not visible on screen)</i>
Schedule 1	- Additional Income and Adjustments to Income
Schedule 2	- Additional Taxes
Schedule 3	- Additional Credits and Payments
Schedule A	- Itemized Deductions
Schedule B	- Interest and Dividend Income
Schedule C	- Profit or Loss From Business <i>(5 copies: one for each business)</i>
Schedule D	- Capital Gains and Losses <i>(supports unlimited number of transactions)</i>
Schedule E	- Supplemental Income and Loss <i>(supports unlimited number of activities)</i>
Schedule EIC	- Earned Income Credit
Schedule F	- Profit or Loss from Farming <i>(5 copies: one for each farm)</i>
Schedule H	- Household Employment Taxes <i>(2 copies: one for each spouse)</i>
Schedule R	- Credit for the Elderly or the Disabled
Schedule SE	- Self-Employment Tax <i>(2 copies: one for each spouse)</i>
**Form 1116	- Foreign Tax Credit <i>(10 copies: one for each category of income)</i>
*Form 1310	- Statement of Person Claiming Refund Due a Deceased Taxpayer <i>(2 copies: one for each)</i>
Form 2106	- Employee Business Expenses <i>(5 copies: one for each employer)</i>
*Form 2120	- Multiple Support Declaration <i>(5 copies: one for each supported person)</i>
Form 2210/2210-F	- Underpayment of Estimated Tax
*Form 2350	- Application for Extension of Time to File <i>(for certain taxpayers abroad)</i>
Form 2441	- Child and Dependent Care Expenses
*Form 2555	- Foreign Earned Income <i>(2 copies: one for each spouse)</i>
*Form 2848	- Power of Attorney & Declaration of Representative
Form 3468	- Computation of Investment Credit
Form 3800	- General Business Credit
Form 3903	- Moving Expenses <i>(3 copies: one for each move)</i>
*Form 4136	- Credit for Federal Tax Paid on Fuels
*Form 4137	- Social Security & Medicare Tax on Unreported Tip Income <i>(2 copies: one for each spouse)</i>
*Form 4255	- Recapture of Investment Credit
Form 4562	- Depreciation and Amortization <i>(20 copies: one for each supported form or schedule, plus two unattached copies)</i>
Form 4684	- Casualties and Thefts
Form 4797	- Sales of Business Property <i>(supports unlimited number of transactions)</i>
Form 4835	- Farm Rental Income and Expenses
Form 4868	- Automatic Extension of Time to File
**Form 4952	- Investment Interest Expense Deduction
*Form 4972	- Tax on Lump-Sum Distributions <i>(2 copies: one for each spouse)</i>
Form 5329	- Additional Tax on Qualified Plans(IRAs), etc. <i>(2 copies: one for each spouse)</i>
**Form 5405	- Repayment of the First-Time Homebuyer Credit
**Form 5695	- Residential Energy Credits
*Form 5884	- Work Opportunity Credit

Highlights of Changes (2024 Edition)

**Form 6198	- At-Risk Limitations (10 copies: 1 for each activity)
Form 6251	- Alternative Minimum Tax
Form 6252	- Installment Sale Income (5 copies: one for each sale)
*Form 6478	- Credit for Alcohol Used as Fuel
*Form 6765	- Credit for Increasing Research Activities
*Form 6781	- Gains/Losses from Sec. 1256 Contracts & Straddles
Form 8283	- Noncash Charitable Contributions
*Form 8332	- Release of Claim to Exemption for Child (5 copies: one for each custodial parent)
*Form 8379	- Injured Spouse Allocation
*Form 8396	- Mortgage Interest Credit
Form 8582	- Passive Activity Loss Limitations
*Form 8586	- Low-Income Housing Credit
*Form 8594	- Asset Acquisition Statement under Section 1060
Form 8606	- Nondeductible IRA Contributions, etc. (2 copies: one for each spouse)
*Form 8611	- Recapture of Low-Income Housing Credit (5 copies: one for building)
Form 8615	- Tax for Children Under Age 18
*Form 8801	- Credit for Prior Year Minimum Tax
Sch. 8812	- Additional Child Tax Credit
Form 8814	- Election to Report Child Interest and Dividends (15 copies: one for each child)
*Form 8815	- Exclusion of Interest from EE/I US Savings Bonds
*Form 8822/8822-B	- Change of Address/Change of Address or Responsible Party - Business
*Form 8824	- Like-Kind Exchanges (5 copies: one for each property)
*Form 8828	- Recapture of Federal Mortgage Subsidy
Form 8829	- Expenses for Business Use of Your Home (5 copies: one for each schedule C supported)
*Form 8839	- Qualified Adoption Expenses
*Form 8846	- Credit for Employer Social Security and Medicare Tax Paid on Certain Employee Tips
*Form 8853	- Archer MSAs & Long-Term Care Insurance Contracts
*Form 8862	- Info to Claim EarnedInc.Credit After Disallowance
Form 8863	- Education Credits (American and Lifetime Learning)
Form 8867	- Paid Preparer's Due Diligence Checklist
Form 8880	- Qualified Retirement Savings Contributions Credit
*Form 8889	- Health Savings Accounts (HSAs) (2 copies: one for each spouse)
**Form 8936	- Clean Vehicle Credits
**Form 8936,	Schedule A - Clean Vehicle Credit Amount (5 copies: one for each vehicle)
**Form 8941	- Credit for Small Employer Health Insurance Premiums
**Form 8948	- Preparer Explanation for Not Filing Electronically
Form 8949	- Sales and Other Dispositions of Capital Assets
**Form 8959	- Additional Medicare Tax
**Form 8960	- Net Investment Income Tax
**Form 8962	- Premium Tax Credit (PTC)
**Form 8995	- Qualified Business Income Deduction
Form 1040X	- Amended Income Tax Return
Form 1040-ES	- Estimated Tax for Individuals
*e-file	- U.S. Individual Electronic Filing
<i>Forms not built into the software are available for download from the IRS website at www.irs.gov/forms-instructions-and-publications.</i>	
<i>*Included in Premium Level program only.</i>	
<i>**Included in Standard and Premium Level programs only.</i>	

Table 1-2. Custom Worksheets for Supporting Data Entry

TYPE OF WORKSHEET	LINE(S) FROM WHICH ACCESSIBLE
Optional Text for Letters	Control Form, 2 lines on screen 4: More cover letter lns(itemize) More billing ltr lns (itemize)
Dependents'	Form 1040, screen 4
Form W-2	Form 1040, screen 5 (you, spouse)
Form 1099-R	Form 1040, screen 7 (for 4a & 4c)
Form W-2G	Sch 1, component of line 8
Sales Tax worksheet	Sch A, screen 3: Local tax from worksheet
Mortgage Interest	Sch A, above line 8b: Other home int(NOT on 1098)
Seller-Financed Mortgage	Sch B, above line 1: Seller-financed mortgage
1099-INT (Interest income)	Sch B, line 1; Form 8814, screen 2
1099-DIV (Dividend income)	Sch B, line 5; Form 8814, screen 3
Vehicle Info w/s for Sch C	Sch C, above line 43: ITEMIZE HERE if 2 or more
Short-term Gain/Loss	Sch D, line 1b,2,3 (for Form 8949)
Sch K-1 Short-tm Gain/Loss	Sch D, line 5
Long-term Gain/Loss	Sch D, lines 8b,9,10 (for Form 8949)
Sch K-1 Long-tm Gain/Loss	Sch D, line 12
Rental/Royalty	Sch E, lines 3 and 4
Partnerships and S Corps	Sch E, line 28, screens 5 to 8: Farm & nonfarm for you & spouse
Estates and Trusts	Sch E, line 34a
REMICs	Sch E, line 38
State Fund Contributions	Sch H, line 17
Foreign Source	**Form 1116, line 1a (screen 4)
Alternative Basis for Compensation Source	**Form 1116, for line 1b (screen 5)
Vehicle Expense Worksheet	Form 2106, line 12
Eligible Person Worksheet	*Form 2120 (bottom of screen 1)
Care Provider Worksheet	Form 2441, line 1
Qualifying Person Worksheet	Form 2441, line 2
Prior-yr Qualifying Person	Form 2441, line 9b
Revoked Exclusions	*Form 2555, line 6d
Tax Home Worksheet	*Form 2555, line 9
U.S. Income Worksheet	*Form 2555, line 14
U.S. Home Maintained	*Form 2555, line 15e
Travel Abroad Worksheet	*Form 2555, line 18
Partnership Foreign Earned	*Form 2555, line 20b
Lessor Worksheet	Form 3468, line 4
Carryforward/Carryback	Form 3800, Part I, screen 5
Fuel Use Worksheet	*Form 4136, lines 1c,2b,3a,4a,4e,4f, 5c,5d,8d,8e,11a,11b,11c,11d,11e, 11f,11g,11h,14a
Fuel Sale Worksheet	*Form 4136, lines 6a and 7a
Biodiesel Certificate	*Form 4136, line 10
Unreported Tips Worksheet	*Form 4137, line 1
ITC Recapture Worksheet	*Form 4255, line 6
Section 179	Form 4562, line 6
Section 168(f)(1)	Form 4562, line 15
Depreciation	Form 4562, line 16
MACRS/ACRS	Form 4562, lns 16,17,19a-i,20a-c,22
Listed Property	Form 4562, lines 26 and 27
Vehicle Info w/s for 4562	Form 4562, lines 30 through 36
Amortization Worksheet	Form 4562, lines 42 and 43

Highlights of Changes (2024 Edition)

Personal Casualty and Theft	Form 4684, lines 4 and 10
Business Casualty and Theft	Form 4684, lines 22 and 28
Casualty & Theft Summary	Form 4684, lines 29 and 34
Section 1231 Gain/Loss	Form 4797, line 2(g)
Sch K-1 Sec 1231 Gain/Loss	Form 4797, line 2(g)
Ordinary Gain/Loss	Form 4797, line 10(g)
Sch K-1 Ordinary Gain/Loss	Form 4797, line 10(g)
Ordinary Gain from 6252	Form 4797, line 10g
Gain/Recapture	Form 4797, ln 25,26,27,28,29 for sec 1245,1250,1252,1254,1255 property
Foreign Currency Contracts	*Form 6781 (screen 1)
Section 1256 Contracts	*Form 6781, line 1
Straddle Components	*Form 6781, Part II
Losses From Straddles	*Form 6781, line 10
Contracts for Straddles	*Form 6781, below lines 11b and 13b: Itemize contracts in 11a&b Itemize contracts in 13a&b
Gains From Straddles	*Form 6781, line 12
Unrecognized Gains	*Form 6781, line 14
Section A Donated Property	Form 8283, line 1
Section B Donated Property	Form 8283, line 5
Allocation worksheet	Form 8379, ITEMIZE alloc'n for 13b
Passive Activity worksheet	Form 8582, screens 3 and 7
Worksheets 1,2,4,5,6,7	Form 8582, screens 10 to 12
Form 8606 Roth worksheet	Form 8606, Part III, screens 5 & 6
Line 2 worksheet for 8611	*Form 8611, line 2
1099-INT (Interest income)	Form 8814, screen 2
1099-DIV (Dividend income)	Form 8814, screen 3
Student worksheet	*Form 8815, line 1
Share Paid to QSML Lender	*Form 8828, line 12
MACRS/ACRS for Form 8829	Form 8829, above line 42
Adoption Expenses	*Form 8839, line 1
Long-term Care worksheet	*Form 8853, Section C, above line 17
CTC/ACTC 8862 worksheet	*Form 8862, Part III, above line 14
ODC 8862 worksheet	*Form 8862, Part III, above line 14
AOTC 8862 workkeet	*Form 8862, Part IV
Address where Lived w/Child	*Form 8862, Part V
Education Credit worksheet	Form 8863, screen 1
Clean Vehicle Credit	**Form 8936, Part I, line 1
Health Insurance worksheet	**Form 8941, screen 1
Interest	
Disposition worksheet	**Form 8960, line 15c
Shared Policy Allocation	**Form 8962, Part IV
QBI Income/Loss worksheet	**Form 8995, line 1
<i>**Standard & Premium Level only</i>	
<i>*Premium Level only.</i>	

Table 1-3. IRS Worksheets Built into Calculations
(Only those common to Economy, Standard, and Premium Levels shown)

NAME OF IRS WORKSHEET	FORM/LINE(S) SUPPORTED
Social Security Benefits worksheet(*)	Form 1040, lines 6a & 6b
Self-Employed Health Insurance Deduction	Schedule 1, line 17
IRA Deduction Worksheet(*)	Schedule 1, line 20
Student Loan Interest Deduction Worksheet(**)	Schedule 1, line 21
Standard Deduction Worksheet	Form 1040, line 12
Foreign Earned Income Tax Worksheet	Form 1040, line 16
Qualified Dividends & Capital Gain Tax Worksheet to See If You Should Fill In 6251	Form 1040, line 16
Child Tax Credit and Credit for Other Dependents Worksheet	Schedule 2, line 1
Earned Income Credit Worksheets A & B (plus Steps 1 through 6 for Line 27--Earned Income Credit (EIC), including worksheets for figuring earned and investment income)(***)	Form 1040, line 19
State & Local General Sales Tax Deduction Worksheet - Line 5a	Form 1040, line 27
Capital Loss Carryover Worksheet	Schedule A, line 5a
28% Rate Gain Worksheet	Schedule D, lines 6 & 14
Unrecaptured Section 1250 Gain Worksheet	Schedule D, line 18
Schedule D Tax Worksheet	Schedule D, line 19
Credit Limit Worksheet	Schedule D, above line 20
Worksheet for Home Mortgage Interest-Line 4a Worksheet for Line 18 (worldwide Qualified Dividends and Capital Gains)	Schedule R, line 21
Worksheet for Special Depreciation Allowance Worksheet for Form 2210, Part IV, Section B	Form 1116, line 4a
Credit Limit Worksheet	Form 1116, line 18
Worksheet for Lines 1, 2, and 3	Form 2106, line 31
Contribution Credit worksheets	Form 2210, line 27
Excess Contributions Worksheets Residential Energy	Form 2441, line 10
Efficient Property Credit Limit Worksheet	Form 4562, lines 1 to 3
Lifetime Limitation Worksheet	Form 5329, line 10,19,27
Windows Expense Worksheet	Form 5329, line 15,23,31
Exemption worksheet	Form 5695, line 14
Foreign Earned Income Tax Worksheet	Form 5695, line 18
Credit Limit worksheet	Form 5695, line 19f
Maximum Roth IRA Contribution Worksheet	Form 6251, line 5
Basis in Reg. Roth IRA Contributions	Form 6251, line 7
Basis in Roth IRA Conversions & Rollovers from Qlfd. Retirement Plans to Roth IRAs	Form 8396, line 8
Unearned Income Worksheet	Form 8606, above line 22
Alternate worksheet for line 1 of Form 8615 (in IRS Pub. 929)	Form 8606, line 22
Line 7 Tax Computation Worksheet	Form 8615, line 1
	Form 8615, line 1
	Form 8615, line 7

Highlights of Changes (2024 Edition)

Schedule D Tax worksheet for Line 7 Tax	Form 8615, line 7
2023 Line 5 worksheets #1, #2, and #3	Form 8615, line 5
Earned Income worksheet	Schedule 8812, scrn 1&2
Worksheet for figuring holding period %	Form 8828, line 20
Line 3 Limitation Chart and Worksheet	Form 8853, line 3
Additional 50% Tax Worksheet—Line 13b	Form 8853, line 13b
Credit Limit worksheet	Form 8863, line 19
Line 3 Limitation Chart and Worksheet	Form 8889, line 3
Worksheet 1. Info to Complete Line 1 and worksheets 2 and 3	Form 8941, line 1
Worksheet 2. Full-Time Equivalent Employees	Form 8941, line 2
Worksheet 3. Average Annual Wages	Form 8941, line 3
Worksheet 4. Info to Complete Lines 4, 5, 13 and worksheet 7	Form 8941, 4, 5, 7
Worksheet 5. FTE Limitation	Form 8941, line 8
Worksheet 6. Average Annual Wage Limitation	Form 8941, line 9
Worksheet 7. FTEs Enrolled in Coverage	Form 8941, line 14
Estimated Tax worksheet	Form 1040-ES, lines 1-15
Footnotes:	
* plus special worksheets in IRS Pub. 590-A	
** plus special worksheets in IRS Pub. 970	
*** plus special worksheets in IRS Pub. 596	
<i>Also see Table 1-2 for worksheets that require data entry and are completed separately for each separate event, transaction, person, etc.</i>	

Form by Form Changes

Control Form. The inflation rate that will be used by the IRS to index tables and ceilings from tax year 2023 to tax year 2024 is 5.40%. As a result, the entry on the Control Form for "Indexing % used for plans" is fixed at 5.40 for the current software, and is used for the computation of estimated taxes on Form 1040-ES and for tax planning for tax years after 2023.

Most forms reflect only indexing with inflation from 2022 to 2023. Changes in most forms reflect only indexing of thresholds and benefits with the 7.08% inflation from 2022 to 2023. Typical of these are the changes in the standard deduction and tax rate schedules shown in the following tables (Tables 1-4 and 1-5) along with the new amounts for 2024. In addition, some forms reflect changes in standard mileage rates, which are, for 2023, 65.5 cents a mile for business mileage and 22 cents for medical care (and moving expenses for a restricted group of professions). (For 2024, those rates change to 67 cents a mile for business mileage and 21 cents a mile for medical care.) *But a few forms have massive changes that deviate greatly from designs of the past, most noticeably Forms 3468, 3800, 5695, and 8936, all of which were greatly affected by the Inflation Reduction Act of 2022, as summarized in the following paragraphs.*

Table 1-4. Standard Deduction Schedules

	2023 TAX YEAR		2024 TAX YEAR	
	Base amount	+ blind or 65&up	Base amount	+ blind or 65&up
Single	\$13,850	\$1,850	\$14,600	\$1,950
Married filing joint	\$27,700	\$1,500	\$29,200	\$1,550
Married filing separately	\$13,850	\$1,500	\$14,600	\$1,550
Head of household	\$20,800	\$1,850	\$21,900	\$1,950
Qualifying surviving spouse	\$27,700	\$1,500	\$29,200	\$1,550
If claimed as a dependent on another return:				
	greater of \$1,250 and \$400 + earned income up to above		greater of \$1,300 and \$450 + earned income up to above	

Table 1-5. Tax Rate Schedules

TAX RATE	TAXABLE INCOME ABOVE WHICH TAX RATE STARTS	single	mj & qss	mfs	h of h
FOR TAX YEAR 2023:					
10%		\$ 0	0	0	0
12%		11,000	22,000	11,000	15,700
22%		44,725	89,450	44,725	59,850
24%		95,375	190,750	95,375	95,350
32%		182,100	364,200	182,100	182,100
35%		231,250	462,500	231,250	231,250
37%		578,125	693,750	346,875	578,100
FOR TAX YEAR 2024:					
10%		\$ 0	0	0	0
12%		11,600	23,200	11,600	16,550
22%		47,150	94,300	47,150	63,100
24%		100,525	201,050	100,525	100,500
32%		191,950	383,900	191,950	191,950
35%		243,725	487,450	243,725	243,700
37%		609,350	731,200	365,600	609,350

Form 3468 (Investment Credit). This form has grown from 3 pages to 10 pages with the addition of numerous new investment credits to spur investment in domestic manufacturing and efficient energy production. Details for these changes are reflected in the instructions for Form 3468, later.

Form 3800 (General Business Credit). This form, through which most business credits are claimed, has been completely redesigned and expanded from 3 pages to 8 pages with 6 dense multi-column tables for reported credits claimed on numerous forms for all kinds of activities and carryovers. Details for these changes are reflected in the instructions for Form 3800, later.

Form 5695 (Residential Energy Credits). This form, which provides credit for installation alternative and energy efficient equipment in your home, has grown from 2 pages to 3 pages. While Part I (for clean energy sources) is mostly untouched, Part II (for energy efficient improvements) has been totally revamped, with additional energy sources covered and former restrictions removed or reduced. All credits are now 30% of costs, subject to fixed dollar limits on each that are higher than prior years, and new credits are added for additional energy sources. Furthermore, the overall limit on the sum of credits in Part II is raised to \$1,200 except for the new credits for heat pump and biomass sources, the sum of which is limited to \$2,000, and the former extreme \$500 lifetime limitation for all credits for all years combined is completely removed. Details for these changes are reflected in the instructions for Form 5695, later.

Form 8936 (Clean Vehicle Credits). This form is now supported by a Schedule A (8936) for reporting vehicle details on 2 pages for each vehicle claimed, and reflects a major expansion of the credit with new qualifying vehicles, new emphasis on domestic production, and new ways to claim the credits. Details for these changes are reflected in the instructions for Form 8936, later. (Note that Form 8910, *Alternative Motor Vehicle Credit*, most recently used only to claim a now-expired credit for fuel cell vehicles, is now obsolete. However, a new credit for fuel cell vehicles is claimed on the newly revised Form 8936.)

Printouts and Form 1040 Tab Settings

Graphic printing of Form 1040 through Windows. Windows-graphic printing of tax forms is possible with virtually any Windows printer. You just need to make sure that your program settings for graphic printouts appear as

for 64-bit system: **Special (1 = HP(FILE),2 = Windows): 2**

for 32-bit system: **Special (1 = HPLaser, 2 = Windows): 2**

This is the default setting for all Windows systems because it ensures that your *Tax Preparer* software will take full advantage of the printer control that is built into Windows.

Graphic printing of Form 1040 through DOS. *(For 32-bit operating systems only)* Laser-graphic printing is an older technology for those who do not have a Windows printer. It requires that you use a printer that emulates the legacy HP LaserJet printer, that you have a compatible tax font cartridge or downloadable tax soft-font, and that you can print through DOS to an LPT or COM port. These requirements are very rarely met by currently sold printers and computers, but if your printer is not capable of Windows graphic printing, and you have the proper equipment and tax fonts, you can still produce high-quality graphic printouts of tax forms. The proper program setting for graphic printouts in this case is

Special (1 = HPLaser,2 = Windows): 1

***CAUTION:** If you do not have the required equipment, this setting can result in illegible printouts or software malfunction, so you should use it only when you are confident of your printer's capabilities. (For 64-bit operating systems, this setting results in printing to a disk file rather than the printer.)*

Tab adjustment no longer allowed for Form 1040. The software is delivered with all tabs set for the graphic Form 1040 that is printed by the software, which follows the latest IRS guidelines for a computer-generated Form 1040.

FORM 1040 TABS

No changes to tabs are allowed
1040 tabs are preset for
HowardSoft graphic forms.

0

0
Tabs cannot be adjusted to conform to pre-printed forms from other sources, which do not always conform to the standard 10 characters per inch horizontally and 66 lines per page vertically as required by the software for proper alignment.

Figure 1-1. Tabs for Form 1040

Recommended IRS Publications

Free help from the IRS. In our opinion, IRS publications are a better source of information than most of the privately produced tax publications. Moreover, they are available free-of-charge directly from the IRS. Our recommendations are listed in Table 1-6. Those released by the time of each release of the software during the tax season are *included in all Standard and Premium updates*. You can also get them at your local IRS office or from the IRS web site at:

<https://www.irs.gov/forms-instructions>

We highly recommend the comprehensive Publication 17 for individuals, Publication 225 for farm businesses, and Publication 334 for non-farm businesses.

Standard and Premium updates include forms, instructions, and publications. If you ordered *Tax Preparer* as a Standard or Premium Level update, you will find a wide selection of IRS forms, instructions, and publications built into the software in Adobe's PDF format, subject to their release for the current tax season by the IRS. And online updates of *Tax Preparer* throughout the tax season add more forms as they are released by the IRS. All publications listed in Table 1-6 that have been released by the release date of each update are included. In addition, forms and instructions for all forms built into the software and most of those cited in this *Tax Forms Guide* are included. All of these forms and publications are delivered in Adobe's PDF format for easy on-screen viewing or printing. They are accessible in the software through the *Documents* tab of the floating *Tax Preparer Control Panel*. (Viewing and printing of the forms require that you have the free *Adobe Acrobat Reader* installed on your computer.)

Manual completion by computer now available from the IRS for most IRS forms not built into the software. If you need to file forms not built into *Tax Preparer*, you can use your computer to prepare most of these forms manually, thanks to the fill-in capabilities that are built into most IRS forms, *including* those accessible from the *Tax Preparer Control Panel*. You can enter data into preset fields and print the forms with the data inserted. Moreover, with recent versions of *Adobe Acrobat Reader*, you can save the filled-in form with your data intact. *Note that the IRS's fill-in forms do not perform any calculations, validation, or verification of entries, but allow you to enter data in the regular data entry portions of the form. If you have special situations where you are instructed to write data on a dotted line or beside a line, you will have to handwrite that data onto the form after printing it.*

Manual completion by computer also available for many state forms. Many states offer forms with the same capabilities as the IRS fill-in forms. You can access any state's website from the Federation of Tax Administrators at:

<https://www.taxadmin.org/state-tax-agencies>

This site contains links to the sites of all states that have an income tax.

Table 1-6. Recommended IRS Publications

1	Your Rights as a Taxpayer
3	Armed Forces' Tax Guide
5	Your Appeal Rights and How To Prepare a Protest If You Don't Agree
17	Your Federal Income Tax
54	Tax Guide for U.S. Citizens and Resident Aliens Abroad
225	Farmer's Tax Guide
334	Tax Guide for Small Businesses
463	Travel, Entertainment, Gift, and Car Expenses
501	Exemptions, Standard Deduction, and Filing Information
502	Medical and Dental Expenses
503	Child and Dependent Care Credit
504	Divorced or Separated Individuals
505	Tax Withholding and Estimated Tax
509	Tax Calendars
510	Excise Taxes (Including Fuel Tax Credits and Refunds)
514	Foreign Tax Credit for Individuals
516	U.S. Government Civilian Employees Stationed Abroad
517	Social Security and Other Info. for Clergy and Religious Workers
519	U.S. Tax Guide for Aliens
521	Moving Expenses
523	Selling Your Home
524	Credit for the Elderly or the Disabled
525	Taxable and Nontaxable Income
526	Charitable Contributions
527	Residential Rental Property
529	Miscellaneous Deductions
530	Tax Information for First-Time Homeowners
531	Reporting Tip Income
534	Depreciating Property Placed in Service Before 1987
535	Business Expenses
536	Net Operating Losses
537	Installment Sales
541	Partnerships
544	Sales and Other Dispositions of Assets
547	Casualties, Disasters, and Thefts
550	Investment Income and Expenses
551	Basis of Assets
554	Older Americans' Tax Guide
555	Community Property
556	Examination of Returns, Appeal Rights, and Claims for Refund
559	Survivors, Executors, and Administrators
560	Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
561	Determining the Value of Donated Property
575	Pension and Annuity Income
587	Business Use of Your Home
590-A	Contributions to Individual Retirement Arrangements (IRAs)
590-B	Distributions from Individual Retirement Arrangements (IRAs)
596	Earned Income Credit
907	Tax Highlights for Persons With Disabilities
908	Bankruptcy Tax Guide
925	Passive Activity and At-Risk Rules
926	Household Employer's Tax Guide
929	Tax Rules for Children and Dependents
936	Home Mortgage Interest Deduction
939	General Rule for Pensions and Annuities
946	How to Depreciate Property
969	Health Savings Accounts and Other Tax-Favored Health Plans
970	Tax Benefits for Education
974	Premium Tax Credit (PTC)
976	Disaster Relief

Chapter 2

Form by Form Details

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How to Use This Chapter

Line-by-line details. This chapter provides line-by-line details for all forms and schedules built into the software, including

- ◆ **expanded descriptions for each line**, to help you understand the brief labels that appear on the screen,
- ◆ **operating details**, identifying the IRS forms and worksheets that support a line and highlighting movement among the forms,
- ◆ **description of automatic calculations**, to let you know what to expect and why, and
- ◆ **clarification of tax regulations**, with examples of the kind of information that must be supplied.

Forms appear in this chapter in the same as they appear on the Forms Menu that you see when you choose "ENTER Forms/Schedules" after choosing "PREPARE 1040 Tax Returns" from the Main Menu.

Refer to Chapter 7 of *User's Guide* for keyboard help. Throughout this chapter we refer to special keys for navigating through the forms and their computations. Please refer to Chapter 7 of the separate *User's Guide* if you do not know how to identify these keys on your computer.

How special lines are flagged in the manual. Special lines are identified in this manual as follows.

- **auto-calc** identifies a fully-automatic calculated line. An auto-calc line can generally be overridden by use of the Override Key, but this is rarely recommended.
- **Road Map line, supported by Form ____ or Schedule __** identifies a line through which a supporting IRS form or schedule is accessed with the Itemize Key. The entry for the line comes automatically from the supporting form. You can make an entry directly on the line for tax planning purposes, but your entry is overridden by the number from the supporting form, if it exists, during final calculations.
- **Supported by the _____ Worksheet** identifies a line through which a worksheet customized to the line is accessed. While the main access line is flagged as described in the next paragraph, worksheets typically support several lines near the main access line as well.

Lines that carry none of the above designations are supported by a generic itemized list, as described in Chapter 12 of the separate *User's Guide*. (Note that auto-calc and Road Map lines are visible during data entry only when you use the Road Map or normal, full-screen methods of data entry, and not when you use one of the high-volume data entry methods.)

How special lines are flagged on the screen. Special lines like the ones described above are easily identified on 80-column screens, where the lines are wide enough to hold special flags:

- **(shaded block) flags an auto-calc line.** The block appears in the column where the cursor would normally lie on an entry line, and prevents the cursor from stopping at that line.

- r flags a Road Map line *before* the supporting form is created.** When you press the Itemize Key at a Road Map line, the supporting form is accessed, and thereby created, and the "r" turns into an "i" to indicate that the supporting form exists.
- w flags a worksheet line *before* the worksheet is created.** When you press the Itemize Key at a worksheet a line, the supporting worksheet is accessed, and thereby created, and the "w" turns into an "i" when you return to the supported form.
- i flags that the line is supported, either through the Road Map, a worksheet, or a general itemized list.** As implied above, the "i" indicates that support for a line exists, and its entry is determined by the supporting entity.
- d flags a detached itemized line.** If you press the Detach Support Key on a line flagged by an "i", or you manually change the entry for the line, a "d" appears beside the entry and the corresponding support is no longer printed with the official return. You can reattach the support by pressing the Itemize Key at the line anew, and the total provided by the support is restored. (Note that you cannot detach a supporting IRS form from a Road Map line.)
- o flags an overridden line.** If you change an entry on an auto-calc line by invoking the Override Key, your entry for that line is flagged by an "o" to the right of the new entry, and the shaded block disappears. If you later invoke the Detach Override Key, the "o" disappears, the shaded block reappears, and the line is recalculated anew.

Refer to Chapter 10 of User's Guide for Reference Numbers. If you use a high-volume method of data entry you will want to know the internal reference numbers for high-volume data entry. They are not shown here but are available from printouts of data input sheets described in Chapter 10 of the separate *User's Guide (Rev. January 2015)*.

Override possible, but don't get carried away. The Override Access Key gives you manual access to auto-calc lines, but its use is intentionally limited:

- 1 A return cannot have more than 20 overrides. (*CAUTION: If you need to override more than 20 lines on any one return, you are either misusing the software or you misunderstand the tax law.*)
- 2 Lines that get their entry from a supporting form cannot be overridden. To avert inconsistencies with the supporting form, you must override numbers on the supporting form instead.
- 3 Worksheet lines cannot be overridden, but many worksheets provide a means for manual entry when it makes sense to do so.

CAUTION: Whenever you use the Override feature you materially affect the calculations, so we strongly recommend that you refrain from using it. It is intended for emergency situations only.

Where to Report Income and Deductions

Where to report income. The IRS requires that you report income from *ALL* sources. However, it is not always obvious where to report income other than wages. So we provide Table 2-1 to guide you by type of income, and Table 2-2 to guide you by the IRS form you receive from the payer.

Table 2-1. Where to Report Income (by type of income)

INCOME ITEM	WHERE TO REPORT
Advance Payment of Wages	Form 1040, line 1a
Alimony Received	Schedule 1, line 2a
Alaska Permanent Fund Dividends	Schedule 1, line 8g
Amortizable bond premium	Sch. B, ln 1 (1099-INT)
Annuities	Form 1040, line 5a and 5b
Awards	Schedule 1, line 8i
Back Pay	Form 1040, line 1a
Bad Debts Recovered	Schedule C, line 6
Beneficiary Income	Schedule E, Part III
Bonuses	Form 1040, line 1a
Business Income, partnership	Schedule E, Part II
self-employed	Schedule C, Part I
Cancellation of debt (1099-C)	Schedule 1, line 8c
Capital Gains	Schedule D or Form 4797
Commissions	Form 1040, line 1a
Dividend Income, taxpayer's	Schedule B, line 5
child's	Form 8814
Education Savings Accounts, taxable distributions from	Schedule 1, line 8z
Executors' Fees	Schedule 1, line 8z
Expense Allowances	Form 1040, line 1h
Farm Income, partnership	Schedule E, Part II
self-employed	Schedule F, I or III
Fees, nonprofessional, directors, election board	Schedule 1, line 8z
Fishing Income, partnership	Schedule E, Part II
self-employed	Schedule C, Part I
Gambling Winnings	Schedule 1, line 8b
Home sale, if taxable gain	Schedule D, line 10
Illegal Business Profits	Schedule 1, line 8z
Installment sales	Form 6252
Interest Income, taxpayer's	Schedule B, line 1
child's	Form 8814
IRA Distributions	Form 1040, line 4a and 4b
Jury Fees	Schedule 1, line 8h
Nontaxable interest	Sch. B, ln 1 (1099-INT)
Nontaxable income	Schedule 1, after line 10
Partnership Income	Schedule E, Part II
Pensions	Form 1040, line 5a and 5b
Prizes	Schedule 1, line 8i
Punitive Damages	Schedule 1, line 8z
Qualified Tuition Programs, taxable distributions from	Schedule 1, line 8z
Raffle winnings	Schedule 1, line 8b
Recapture, clean-fuel deduc'n	Schedule 1, line 8z
Refunds, State/Local Inc Tax	Schedule 1, line 1
Real Estate Tax	Schedule 1, line 8z
Reimbursement of prior deductions	Schedule 1, line 8z
Rents Received	Schedule E, Part I
Rewards	Schedule 1, line 8z
Royalties Received	Schedule E, Part I
Sale of Business Property	Form 4797
Home, Stocks, Bonds	Schedule D
Salaries, Tips, Wages	Form 1040, line 1a

Table 2-2. Where to Report Income (by IRS form received)

FORM	WHERE TO REPORT
Schedule K-1	Schedule B (for lines 2a to 3b of 1040), Schedule D (for line 7 of Form 1040), Form 4797 (for line 11 of Schedule D or line 7 of Form 1040), or Schedule E (for line 5 of Schedule 1), as instructed by the payer on Schedule K-1.
Form W-2	Line 1a of Form 1040. (enter nontaxable income following line 10 of Schedule 1)
Form W-2G	Line 8b of schedule 1.
Form 1099-B	Schedule D (for line 7 of Form 1040) for sales of personal property, Form 4797 (for line 4 of Schedule 1) for sales of business property, Schedule B (for line 13 of Schedule D for capital gain distributions, Sch C, D, E, or F, or line 8z of Schedule 1, depending on the activity for which the bartering was in trade.
Form 1099-C	Line 8c of Schedule 1.
Form 1099-DIV	Schedule B or Form 8814 (for line 3a and 3b of Form 1040)
Form 1099-INT	Schedule B or Form 8814 (for line 2a and 2b of Form 1040)
Form 1099-G	Line 1 of Schedule 1 for state and local tax refunds if deducted in a prior year, Line 7 of Schedule 1 for unemployment compensation, Line 8z of Schedule 1 for real estate tax refunds if deducted in a prior year. Schedule F for farm-related payments (agricultural program payments and disaster payments)
Form 1099-MISC	Schedule C (for line 3 of schedule 1) for business or professional income, Schedule E (for line 5 of schedule 1) for royalties, Schedule F (for 6 of Sch. 1) for farms, Schedule 1, line 8z for most other income. Also include withholding in line 25b of Form 1040.
Form 1099-OID	Line 1 of Schedule B (for line 2b of 1040), for your share only.
Form 1099-R	Line 4a through 5b of Form 1040.
Form 1099-S	Schedule D or Form 4797.
Form SSA-1099	Line 6a of Form 1040.
Form RRB-1099	Line 6a of Form 1040.

Form by Form Details (2024 Edition)

Where to report deductions. Some deductions reduce income before the adjusted gross income (AGI) is determined at line 11 of form 1040, and are detailed in Table 2-3. Other deductions only reduce taxable income at line 15 of Form 1040, such as itemized deductions on Schedule A.

Table 2-3. Where to Report Deductions

DEDUCTIBLE ITEM	WHERE TO REPORT
Alimony & Separate Maintenance Payments	Schedule 1, line 19a
Amortization	Form 4562, Part VI
Bad Debts, Farm business	Schedule F, line 34
Non-farm business	Schedule C, line 9
Other than business	Schedule D, ln 1 (worksheet)
Business Credits	Form 3800
Business Expenses, Employee's	Form 2106
Business Expenses, fee-basis state/local gov't officials	Form 2106 (for Sch.1, line 12)
Business Expenses & Losses	Schedule C, Part II
Business Use of Home	Form 8829
Capital Asset Loss	Schedule D
Capital Construction Fund	Form 1040, above line 15 (as a subtraction)
Capital Loss Carryover	Schedule D
Casualty Loss	Form 4684
Clean Vehicle Fuel, business use	Form 3800, Pt. III, line 1r, 1y (from Forms 8910 and 8936)
Clean Vehicle Fuel, nonbusiness	Schedule 3, line 6e and 6f (from Forms 8910 and 8936)
Depletion	Schedule E
Depreciation of Business Property (Including ACRS & Section 179 Deduction)	Form 4562 and the applicable schedule (A, C, E, F, 2106)
Farm Expenses	Schedule F, Part II
Foreign housing deduction	Schedule 1, line 24j
Foreign income/housing exclusion	Schedule 1, line 8d
IRA contributions, Deductible	Schedule 1, line 20
Nondeductible	Form 8606
Interest penalty for early withdrawal of savings	Schedule B, ln 1 (worksheet)
Investment Credit	Form 3468
Jury pay given to employer	Schedule 1, line 24a
Lump-sum Distributions	Form 4972 or 5544
Moving Expenses	Form 3903
Net Operating Loss Carryover	Schedule 1, ln 8a
Nontaxable income	Schedule 1, after line 10
Performing arts expense	Form 2106 (for Sch.1, line 12)
Self-employment	
Health insurance	Schedule 1, line 17
Other expenses, nonfarm	Schedule C, Part II
Other expenses, farm	Schedule F, Part II
Self-employed SEP, SIMPLE, and other qlfd plan contributions	Schedule 1, line 16
worthless Securities	Schedule D

NOTE: Most deductions not included above should be shown on Schedule A, detailed in Tables 2-7 to 2-10.

Control Form

Optional form for more control. This form provides the overall control of the return, but rarely requires your attention unless you have estimated tax payments to report. Among the purposes of this form are the entry of data for:

- Tax year and indexing – for tax planning in future years.
- Dollar rounding – to ensure consistency throughout the return when the IRS-preferred rounding is used.
- Estimated Tax Paid – including both federal amounts for Schedule 3 and state amounts for Schedule A.
- Auto-Creation Control – to allow you to block the auto-creation of selected forms for rare exceptions that make you eligible to omit the selected forms from the return.
- Form 2210 Control – summarizing prior-year and current tax details for an accurate determination of penalties for underpayment.
- Client Letter Control – for control of text to be printed on cover and billing letters.
- Signature Block Control – for control of whether or not paid preparer information will print in the signature block of Form 1040 and other signature forms.
- Tax Summary – giving an overview of income and taxes in arriving at refund or amount you owe, for use on cover letters to clients.

This form is accessible through the Road Map by pressing the Itemize Key (F10 or i) at the first line of Form 1040, where Tax Year is shown.

TAX YEAR CONTROL. This section controls the assumptions under which the return is calculated.

Tax year (2023 unless tax planning). This entry controls the tax year assumed in all calculations. It is automatically 2023 unless you enter a later year. The entry 2023 results in an official return for the 2023 tax year. *If you enter a later year, an unofficial return for the later year is produced using currently scheduled changes in the tax regulations that are built into the software. (TIP: We recommend that you make a copy of the 2023 return with our file manager before you alter the return for tax planning.)* The tax year entry also controls how data are transferred to next year's return with the software's "translate" feature. If you leave the entry at 2023, next year's "translate" will know to shift certain amounts to different lines, as required for such date-sensitive forms as Form 4562. **CAUTION: Supporting worksheets are NOT automatically recalculated after you change the tax year. You must access each affected worksheet to force its recalculation based on the new entry for tax year.**

Monetary amounts rounded to \$'s. *(auto-calc)* This entry shows the rounding rule under which the return is calculated. When you start a return by translating a prior-year return, the setting for the prior-year return is used here. But when you start a return from scratch, the

setting in your program setting for "Round to the nearest dollar?" is used. (See Chapter 14 of the separate User's Guide for further information on this program setting.) The IRS prefers rounding to the nearest dollar, but only if you apply it consistently throughout the return. However, the IRS specifically instructs you to round ONLY the total amount to be entered on the IRS form, and NOT the individual components that make up that amount. Accordingly, the software intentionally refrains from rounding amounts on individual supporting statements, even when the answer here is Yes. Exception for e-file: The IRS ignores all penny entries for an e-file return, even in itemized lists and worksheets, so, in order to avert inconsistencies, you should generally round ALL your entries for e-file returns and enter only dollar amounts, even in itemized lists and worksheets. If you change the entry for this line in the midst of preparing a return, which you can do by invoking the Override Key, unacceptable rounding inconsistencies could result. You should therefore refrain from changing the setting except when starting the return. TIP: We recommend dollar rounding for all returns to minimize the potential for computational inaccuracies in the penny amounts for returns with entries that exceed \$100,000.

Indexing % used for 2024 plans. (auto-calc) Tax tables, earned income credit tables, exemption rates, and the standard deduction are all indexed with inflation by law. The indexing rate that reflects the tables and rates for the next tax year is supplied by the software and shown here. The indexing rate for tax year 2024 relative to tax year 2023 is 5.40%. Although you could change this rate by using the Override Key, we strongly recommend against it because this entry must be the rate supplied by HowardSoft for an accurate estimate of tax year 2024 taxes and a valid Form 1040-ES for 2024.

FEDERAL ESTIMATED TAX PAYMENTS. Payments of estimated tax to the IRS and the application of refund from the prior-year return are both credited to the return at line 8 of Schedule 3 based on the following details.

Federal tax applied from 2022 return. For a translated return with tax year retained at 2022, this entry will already be correct. If not translated, or if translated from a tax planning return (tax year already set to 2023), you must manually enter the amount that appears on your 2022 Form 1040, line 36, which is the part of your refund applied to estimated taxes for 2023.

In the next 4 lines, enter late payments in the quarter they were actually paid, not the quarter they were due:

Federal estimated tax paid in 1st quarter. Enter the amount paid by the end of the first federal quarterly period (April 15, 2023).

Federal estimated tax paid in 2nd quarter. Enter the amount paid by the end of the second federal quarterly period (June 15, 2023).

Federal estimated tax paid in 3rd quarter. Enter the amount paid by the end of the third federal quarterly period (September 15, 2023).

Control Form

Federal estimated tax paid in 4th quarter. Enter the amount paid by the end of the fourth federal quarterly period (January 15, 2024).

TOTAL for Form 1040, line 26. *(auto-calc)* Computed as the sum of the above five lines, and posted to Form 1040 as indicated.

STATE ESTIMATED TAX PAYMENTS. Payments of estimated tax to the state are deductible on Schedule A for the year the payments are actually made. You could make your total entry directly on Schedule A on the line above line 5 labeled "Other non-fed tax paid," but the Control Form provides an easy way to reconcile the differences between what you deduct and what your state return reflects, and ensures the proper automation of HowardSoft's California Supplement for those who prepare California state returns.

Prior 4th quarter 2022 estimated tax paid in 2023. Enter any 2022 fourth quarterly payment made after December 31, 2022. *An entry here is common because the due date for this payment was January 15, 2023.*

State estimated tax paid in 1st quarter. Enter the first quarterly payment to the state for the tax year, including any amount applied from a refund on the prior-year state return.

State estimated tax paid in 2nd quarter. Enter the second quarterly payment to the state here for the tax year.

State estimated tax paid in 3rd quarter. Enter the third quarterly payment to the state here for the tax year.

State estimated tax paid in 4th quarter. Enter the fourth quarterly payment for the tax year whether it was paid before January 1 or not.

Part of 4th quarter estimated tax paid in 2024. Enter the part of the preceding entry that was not actually paid until after December 31, 2023. *An entry here is common because the due date for this payment is January 15, for most taxpayers.*

TOTAL for Schedule A, line 5a. *(auto-calc)* Computed as the sum of the first five lines less the last line. This result is posted to Schedule A as one component of the deduction for taxes on line 5a of Schedule A when the income tax method is used for line 5 of Schedule A. The middle four lines should be reported on the state return as tax paid in advance for the purposes of that return.

AUTO-CREATION OVERRIDE. A number of forms are automatically generated and completed upon the final recalculation of the return when they appear necessary based on your data. If the calculations on the completed, automatically-generated form indicate that the form is indeed required, the form becomes a permanent part of the return. You can defeat this automatic feature for a particular form by answering Yes to the corresponding "Block auto-creation?" question, below. But we generally recommend against it because the built-in automation is your safeguard against inadvertent omissions on your return, and very rarely is a bypass of the automation legitimate.

Block Schedule A auto-creation? Unless you answer Yes, Schedule A is generated when the estimated state tax payments entered on the Control Form plus the state tax withholding entered on the W-2 and

1099-R Worksheets for Form 1040 total more than the standard deduction, and the total deduction on the schedule exceeds the standard deduction that would otherwise apply. *CAUTION: Even though this schedule is automatically generated based on state taxes, you will have to access it to supply updated information on other deductions.*

Block Schedule EIC auto-creation? Unless you answer Yes, the earned income credit is computed and Schedule EIC is generated if it appears from your dependent claims, earned income, age, and AGI that you may be eligible for the Earned Income Credit, but is retained with the return only if a credit results. Note that even if you qualify for the childless credit, the software's Schedule EIC is still required to perform the computations, even though it is not printed with the return in this case.

Block Schedule R auto-creation? Unless you answer Yes, Schedule R is computed when it appears from the return that you may get a credit based on age, but is retained with the return only if a credit actually results from a detailed calculation. *CAUTION: Even though this schedule is automatically generated, you may have to access it to supply information on any nontaxable pensions NOT reported on line 5a of Form 1040 or information on disabilities.*

Are YOU SE-exempt via Form 4029? If you filed Form 4029 as a conscientious objector to social security tax and you received IRS approval for it, you are not subject to the tax and should answer Yes.

Are YOU SE-exempt via Form 4361? If you filed Form 4361 as a member of a minister, member of a religious order, or Christian Science practitioner, and you received IRS approval for it, you are not subject to the self-employment tax computed on Schedule SE for your ministerial income. Answer Yes here if this is your only self-employment income. But answer No if you received other self-employment income, and make the proper entries on Schedule SE to exempt the ministerial income alone.

Block YOUR SE auto-creation? The answer is *automatically Yes if you answered Yes to either of the above two questions*, but you can also answer Yes yourself for special cases. Unless you answer Yes, Schedule SE is generated for you when your earned income less wages is more than \$433.13 (\$433 for a rounded return). You may legitimately block the auto-creation under only very limited circumstances, including the preceding two questions.

Is SPOUSE SE-exempt via Form 4029? As above, but for spouse.

Is SPOUSE SE-exempt via Form 4361? As above, but for spouse.

Block SPOUSE SE auto-creation? As above, but for spouse's income.

Block Form 2210 auto-creation? Unless you answer Yes, Form 2210 (along with 2210-F) is generated when the amount of underpay-

ment is \$1,000 or more. (The software decides whether 2210 or 2210-F is applicable.)

Block YOUR Form 5329 auto-creation? Unless you answer Yes, Form 5329 is generated when the IRA deductions allowed on Form 1040 are less than the actual IRA contributions AND a penalty results from the excess contribution. A Yes is acceptable here if you are under 59-1/2 years of age and any Form 1099-R you received for the year has distribution code 2, 3, or 4 properly shown in box 7. These codes indicate an exception to the 59-1/2 age rule, an exception due to disability, or an exception due to death, respectively. Otherwise you should complete Form 5329 and identify any applicable exception yourself at line 2 of Form 5329. CAUTION: If you have a distribution from a Roth IRA or a Coverdell ESA, or you have excess contributions to either, you should NOT block the auto-creation of Form 5329 because special penalties may apply.

Block SPOUSE Form 5329 auto-creation? The same considerations apply to the spouse as noted above for the principal taxpayer.

Block Form 6251 auto-creation? Unless you answer Yes, Form 6251 is generated when a minimum tax exists based on your adjusted gross income, exemptions, and filing status. CAUTION: This form is required under many more circumstances than those that cause it to be created automatically. You should therefore access the form yourself if you have any tax preferences not automatically posted to Form 6251.

Block Form 8582 auto-creation? Unless you answer Yes, Form 8582 is generated when Schedule E has any passive losses or Schedules C, D, F, or Form 4797 have a net passive activity loss.

Block YOUR Form 8606 auto-creation? Unless you answer Yes, Form 8606 is generated when the IRA deductions allowed on Form 1040 are less than the actual IRA contributions. CAUTION: Even though this form is automatically generated, you will have to access it to report the current value and past basis of your IRA accounts if you ever made nondeductible contributions to it.

Block SPOUSE Form 8606 auto-creation? The same considerations apply to the spouse as noted above for the principal taxpayer.

Block Schedule 8812 auto-creation? Unless you answer Yes, Schedule 8812 is generated when any of your *Dependent Worksheets* for Form 1040 identify a dependent that qualifies you for the *Child Tax Credit* or the *Credit for Other Dependents*, as shown near the bottom of screen 4 of Form 1040. CAUTION: You should never need to answer Yes here, and we strongly recommend against a Yes answer because any credit you enter on line 19 of Form 1040 may be disallowed by the IRS if you do not include a completed Schedule 8812 with the return to support it.

Block Form 8867 auto-creation? Unless you answer Yes here and you answer Yes to "Omit paid preparer information?" (on screen 5 of this Control Form), Form 8867 (*Paid Preparer's Due Diligence Checklist*) is generated if you claim the *Earned Income Credit, American Opportunity Tax Credit, Child Tax Credit, Credit for Other Dependents, or Additional Child Tax Credit, or file the return using the Head of Household filing status.*

Block Form 8880 auto-creation? Unless you answer Yes, Form 8880 is generated when you have an IRA deduction at line 20 of Schedule 1 and it appears that you are eligible for a credit for your contribution to the IRA.

Note that forms are automatically generated only upon the final recalculation of the return: when you exit the return, you press the Recalculate Key, or you choose Recalculate from the Preparation Menu. **CAUTION:** *Once generated, automatically created forms become a permanent part of the return unless you remove them with our file manager; you CANNOT remove them merely by answering Yes to the preceding questions.* See Chapter 9 of the User's Guide for information on removing forms from a return using the file manager. **CAUTION:** *When you remove a form you do not automatically remove the amounts it may have already posted to other forms. You must manually change those amounts yourself.*

Schedules B, D, and E, and Forms 4797 and 8949 unconditionally automatically generated. You are *not allowed to block the automatic creation of these forms and schedules* because they are needed for results from other forms to be properly reflected in the totals for Form 1040. (They are *only* generated when *needed* for this purpose.):

- Schedule B is needed when an amount for foreign tax paid or a Yes answer to a foreign account question appears on Form 8814.
- Schedule D is needed when a qualified dividend or capital gain distribution is reported on a 1099-DIV worksheet for Schedule B or Form 8814, or when a gain or loss from a sale on Form 4797 or 6252, or a casualty or theft on Form 4684, must be reported there. (Note that even though the IRS now allows you to omit Schedule D under some special circumstances, the software still generates it in order to perform the proper tax calculations. However, the schedule is automatically omitted from printing when allowed under IRS rules.)
- Schedule E is needed when farm rental income is shown on Form 4835.
- Form 4797 is needed when a gain on an installment sale (Form 6252) or casualty or theft (Form 4684) must be reported there.
- Form 8949 is needed for official printouts whenever there are amounts on lines 1, 2, 3, 9, 10, or 11 of Schedule D, because the details on the worksheets for those lines are no longer shown on the official printout of Schedule D but are shown only on Form 8949, as required by the IRS.

INFORMATION FOR FORM 2210. The computation of the penalty on underpayments of estimated tax is based on both current-year and prior-year taxes computed in a special way. Prior-year information shown here is translated from the prior-year return, and current-year information is posted from Form 1040 amounts:

Filed full-year return in PRIOR year? If you answer Yes, the amount on the next line is used on Form 2210 as the amount of prior-year tax. *If you answer Yes, you MUST enter the tax in the next entry or else the software will assume the tax was really zero.*

PRIOR-year tax paid (unadjusted). For a translated return with tax year retained at 2022, this entry will already be correct. It is taken from the amount computed on the prior-year Control Form for Form 1040-ES, line 12b. If not translated, or if translated from a tax planning return (tax year already set to 2023), you must determine the amount to enter here. You can compute it in the same way as we compute the amount for Form 1040-ES line 12b. This is the same as tax that would appear at line 9 of the prior-year Form 2210.

PRIOR-year filing status (1-5). You must enter the prior filing status here unless it has already been translated from the prior-year return or the filing status is the same in 2023.

PRIOR-year Adjusted Gross Income. You must enter the prior AGI here unless it has already been translated from the prior-year return.

Adjustment for filing status change. *(Applicable only if the PRIOR-year filing status above differs from the one on the current Form 1040.)* You may need to make an adjustment if your prior-year tax would have differed had you used the current-year filing status. See IRS Pub. 505 for details.

PRIOR-year tax for Form 2210 line 8. *(auto-calc)* Computed as the unadjusted tax plus the above adjustment. For most taxpayers, this is *PRIOR-year tax to be used on Form 2210* for penalty exceptions. However, the amount used on Form 2210 may be 110% of this amount if prior-year AGI exceeds \$150,000 (\$75,000 if married filing separately). TIP: This result is ignored by the software if you answered "No," above, to "Filed full-year return in PRIOR year?"

Tax on Schedule 2 lines 4, 10 through 16, and 18. *(auto-calc)* Taken from Schedule 2 as indicated, this is the sum of self-employment tax (line 4) and all other taxes in Part II of Schedule 2 except those on lines 7, 8, and 9..

Less Schedule 2, lines 13, 17b, 17k, 17m, 17n, 17o, 17p, and 17q. *(auto-calc)* Taken as the part of line 21 of Schedule 2 stemming from the indicated recapture and other taxes.

Plus Early distribution part of Schedule 2, line 8. *(auto-calc)* Taken from line 4 of Form 5329.

Plus ESA/QTP/ABLE distribution part of Schedule 2, line 8. *(auto-calc)* Taken from line 8 of Form 5329.

Plus Household employment tax on Schedule 2, line 9. *(auto-calc)*
Taken as the amount on Schedule 2, line 9, from Schedule H. *TIP: If did not have taxes withheld from your income or you would not be required to make estimated tax payments if household employment taxes were not included, this amount should not be included; in this case you would include the amount as a negative number in your entry for the following adjustment line.*

Plus Other adjustments for Form 2210 line 2. Enter here any other adjustment to the amount to be entered on line 2 of Form 2210. You can make a positive or negative entry here, resulting in either an increase or decrease in the amount for Form 2210, line 2. *TIP: The need for an entry here is now very rare since the IRS has expanded Part II of Schedule 2 to include numerous more specific taxes.*

Tax for Form 2210 line 2. *(auto-calc)* Computed as the sum of specific taxes, above, which are part of the "Other taxes" shown on line 23 of Form 1040 (from Schedule 2, line 21), this is the amount to be added to the regular tax after credits at line 22 of Form 1040 in computing the CURRENT-year tax to be used on Form 2210 for penalty computations.

Less Earned Income Credit on Form 1040, line 27. *(auto-calc)*

Less Additional child tax credit on Form 1040, line 28. *(auto-calc)*

Less other credits on Form 1040, line 29, and Schedule 3, lines 9, 12, 13b, 13d, and 13h. *(auto-calc)*

Plus Net tax on Form 1040 line 22. *(auto-calc)*

Tax for Form 1040-ES line 12b. *(auto-calc)* Computed from the above lines as the tax after credits on Form 1040 line 22 plus other taxes for Form 2210 line 2 less the the credits shown above. This is the amount to be used *NEXT* year on Form 2210 in computing the penalty exceptions. It is therefore used in the *current* Form 1040-ES in estimating next year's tax subject to penalty.

The results in the above section are posted to lines 2 and 8 of Form 2210, and line 12b of Form 1040-ES, as indicated.

COVER AND BILLING LETTERS. The next few lines relate to the cover and billing letters that are printed by tax professionals for their clients.

Date to show at top of page. The standard letter is not dated. If you prefer the letter to be dated, you can enter any date to appear on the letters with the following entry:

Date for letters. Enter the date to appear on the cover and billing letters. It is printed in the center of the page below the preparer's letterhead.

Substitute salutation. The standard salutation for letters is a concatenation of the first and last names for you and spouse, such as "Dear Jonathan A. & Marilyn M. Sample." However, if you prefer a more personal salutation, you can replace the first and last names with the following entry:

Enter what to print after Dear: Enter the salutation to be used after the word "Dear" by entering it here in 35 characters or less.

Optional cover letter text. Samples of the cover letter appear at the end of Chapters 4 of the separate User's Guide.

Tax summary always prints. The letter always starts with the tax summary, then general instructions on signing, dating, and mailing the return. But the remainder of the letter is under your control.

OMIT all instructional text? The standard cover letter includes instructional text for the client indicated by a Yes answer to either or both of the following questions. If you prefer to have no instructional text in the letter, irrespective of the answers, answer Yes here.

Print joint filer instructions. (*auto-calc lines*) Answered Yes if the filing status on the return is married filing jointly and your answer to "OMIT all instructional text" is No, but you can override this line (using the Override Key) to omit the reminder that both spouses must sign.

Print payment instructions. (*auto-calc lines*) Answered Yes if the tax summary shows an amount due and your answer to "OMIT all instructional text" is No, but you can override this line (using the Override Key) to omit instructions to "send a check to the IRS identified with your social security number."

More cover letter lines (itemize). (*Supported by the Worksheet for Optional Text for Letters, Figure 2-1.*) Up to 5 additional lines of text can be added to the letter for this client through the worksheet that supports this line. Typical uses for these lines include additional instructions to the taxpayer or a personalized message.

A standard closing is also printed along with the tax preparer's name.

Optional billing letter test. Samples of the billing letter appear at the end of Chapters 4 and 13.

List of forms always prints. A list of forms prepared for the client always prints, but the remainder of the letter is under your control.

More billing letter lines (itemize). (*Supported by the Worksheet for Optional Text for Letters, Figure 2-1.*) Up to five additional lines of text can be added to the letter for this client through the worksheet that supports this line, which is identical in form but separate in content from the worksheet that supports the cover letter. Typical uses for these lines are to list additional forms or state returns prepared that are not built into the software, or to list other services rendered.

Fee for services rendered is \$. Enter the invoice amount to appear on the billing letter for the return. If you enter zero, the line stating the fee is omitted from the billing letter.

A standard closing is also printed along with the tax preparer's name.

Optional Text for Letters, Figure 2-1. Up to 5 additional lines of text can be added to the cover letter and/or billing letter. What you enter will apply only to the tax return you are currently preparing, so you can customize your entries for that return. A separate worksheet for each type of letter is provided, but the design of the two worksheets is identical, as detailed here. The text for each 61-character line is entered in 3 parts, as follow:

Line n – start. Enter here the first 25 characters of the line. Your entries in the next 2 lines will be appended to this one for the printout.

middle. Enter here the next 25 characters of the line. Your entry will be appended to the preceding entry at character positions 26 through 50.

end of line n. Enter here the final 11 characters of the line. Your entry will be appended to the preceding entry at character positions 51 through 61.

```
OPTIONAL TEXT FOR LETTERS
The following entries print on
the letters as 5 61-char rows:
Line 1 - start.....
        middle.....
        end of line 1.....
Line 2 - start.....
        middle.....
        end of line 2.....
Line 3 - start.....
        middle.....
        end of line 3.....
Line 4 - start.....
        middle.....
        end of line 4.....
Line 5 - start.....
        middle.....
        end of line 5.....
```

Figure 2-1. Optional Text for Letters

Note that no more than 5 lines of additional text are allowed.

BILLING LETTER TAX SUMMARY. The detailed tax summary shown here is determined from the results on Form 1040. It is always printed on cover letters to clients.

INCOME. *(auto-calc lines)* Income is summarized as follows:

Total Income. Posted from line 9 of Form 1040.

...less adjustments. Posted from line 10 of Form 1040 (line 26 of Schedule 1).

Adjusted Gross Income. Posted from line 11 of Form 1040.

...less deductions. Posted from line 14 of Form 1040 (the sum of lines 12 and 13 of Form 1040).

Taxable Income. Posted from line 15 of Form 1040, this line also reflects any contributions to a CCF (a capital construction fund for commercial fishermen) and may be modified by an amount from REMICS on line 38(c) of Schedule E.

TAXES. *(auto-calc lines)* Taxes are summarized as follows:

Regular plus minimum tax. Posted from line 18 of Form 1040. In addition to the regular tax and alternative minimum tax cited in this line label, this line also includes any additional taxes included in line 18 of Form 1040, including taxes from Forms 4972 and 8814, and

any excess advance premium tax credit repayment from Form 8962.

...less credits. Posted from line 21 of Form 1040.

...plus other taxes. Posted from line 23 of Form 1040.

Total 2023 Tax. Posted from line 24 of Form 1040.

...less payments. Posted from line 33 of Form 1040.

Amount Overpaid. Computed as line 33 of Form 1040 less line 24 of Form 1040, but no less than zero.

Amount Underpaid. Computed as line 24 of Form 1040 less line 33 of Form 1040, but no less than zero.

Penalty. Posted from line 38 of Form 1040.

Only non-zero lines among the last three lines are printed on the cover letter.

REFUND OR AMOUNT YOU OWE. (*auto-calc lines*) Net tax is summarized here:

TOTAL REFUND available. Computed as Amount Overpaid less Penalty, but no less than zero.

TOTAL YOU OWE to I.R.S. Computed as Amount Underpaid plus Penalty less Amount Overpaid, but no less than zero.

Only one of the above 2 lines will be non-zero, and the non-zero line is the only line printed on the cover letter to clients.

FORM 1040-V PAYMENT VOUCHER. This section is used to report the amount you to pay with the return, which you can choose to be less than the amount you owe (Form 1040, line 37). The information in this section is used whether you want to (a) pay by mail, for which the Form 1040-V payment voucher must accompany your check or money order, or (b) pay with your e-filed return by direct debit from your checking or savings account.

Address (Form 1040, screen 3). (*auto-calc lines*) This part shows the address that will be printed by the software on a Form 1040-V payment voucher. If you want to use a different address than the one you entered on screen 3 of our Form 1040, you must return to Form 1040 and change the address there.

Payment. This part controls the payment that will be printed on the Form 1040-V voucher or debited from your checking or savings account when you e-file your return.

Amount you owe (Form 1040, line 37). (*auto-calc*) Taken from Form 1040, as indicated.

ARE YOU PAYING FULL AMOUNT DUE? If "Yes," the above amount is repeated below. If "No," you can enter a lesser amount below. *TIP: The default answer is Yes when you first create the return, since most taxpayers will pay the full amount due in order to avoid interest and penalties.*

Amount you are paying. If the answer to the preceding line is "Yes," the "Amount you owe" will be used for this line. Otherwise, you

Control Form

can enter a lesser amount. *This is the amount that will be printed on a voucher or included in your e-file output.*

SIGNATURE BLOCK (1040, etc). The paid preparer information you supply in the software's Program Settings is generally printed in the signature block at the bottom of page 2 of Form 1040 and certain other signature forms. However, you can choose to omit it with the following entry:

Omit paid preparer information? Answer Yes to omit the printing of the paid preparer information in the signature block of Form 1040 and other signature forms *for this return alone*. In addition to omitting the information from Form 1040, a Yes here insures that Form 8867 (the due diligence form required to justify certain credits and head of household filing status) is not made a part of the return, since it is required only for paid preparers.

Note that all paid preparer information is entered on the GENERAL INFORMATION page of the software's Program Settings. See Chapter 12 of our *User's Guide (Rev. Jan. 2015)* for details. An on-screen version of this *User's Guide* is accessible from the narrow floating *Tax Preparer Control Panel* that appears in the upper left corner of your computer's screen.

ITEMIZE BELOW TO ACCESS FORMS NOT IN ROAD MAP. There are a number of forms that are not a part of the Road Map for a return, such as the stand-alone forms for Power of Attorney and Change of Address forms. You can always access any of these forms from the *Forms Menu*, which is accessible when you choose *not* to enter the return through the Road Map. However, we have added this screen at the end of our Control Form so that you can easily access any of these forms without leaving the Road Map, as if they were part of the Road Map. To access a form listed on that screen, press the Itemize Key (I or F10) when the cursor lies on the line for that form, just like you would for forms in the Road Map. For *Economy Level* software, only 3 of these forms are shown on the screen; all other stand-alone forms require the *Standard Level* or *Premium Level* software to be accessible:

Form 1040-ES (Estimated Taxes). *(Road Map line, supported by Form 1040-ES.)* Your total estimated tax for the 2024 tax year is figured on Form 1040-ES using the tax rates and other regulations for the next tax year. If you want to apply any of the overpayment on line 34 of Form 1040 to estimated taxes, you must enter the amount on line 36 of Form 1040, using the results on line 14a and 15 of Form 1040-ES as your guide.

Form 1040X (Amended Return). *(Road Map line, supported by Form 1040X.)* If you need to revise your return after filing it with the IRS, you must include Form 1040X with your revised return. This form summarizes the changes made and is used to figure any required payment or refund relative to the payments already made or refund already claimed. Note that the form built into the software is designed for amending a tax year 2023 return alone. For any other year, you must use the version of *Tax Preparer* designed for that

year. CAUTION: For the proper automation of this form, you must create the form BEFORE you make any changes to the return as filed. All entries for amounts on the return as filed will then be automatically posted to Form 1040X. Then, after you make all necessary changes to the return, those changes will also appear automatically on Form 1040X.

Form 1310 (Refund of Deceased). (*Premium Level only. Road Map line supported by Form 1310.*) If the return is for a deceased taxpayer and you are claiming the refund on line 35a for the decedent's estate, you must file Form 1310 with the return *unless you are the surviving spouse or the personal representative of the estate*. See our details for Form 1310 for more information on using these exceptions.

Form 2120 (Multiple Support Declaration). (*Premium Level only. Road Map line supported by Form 2120.*) If you claim a dependent on Form 1040 for whom no-one provides more than half of his or her support, you must file Form 2120 with the return to identify the others who provide more than 10% of the support and verify that you have signed statements from them agreeing not to claim this dependent for the tax year.

Form 2848 (Power of Attorney). (*Premium Level only. Road Map line supported by Form 2848.*) This form is used to authorize a qualifying individual to represent you before the IRS. To qualify, this individual must be eligible to practice before the IRS. Form 2848 is *not* filed with the taxpayer's return but rather is sent to an address in the IRS *Instructions for Form 2848* or, if completed for a specific matter, to the office handling that matter.

Form 8332 (Exemption Release). (*Premium Level only. Road Map line supported by Form 8332.*) If you claim a dependent on Form 1040 for whom you are not the custodial parent, you must generally file Form 8332 signed by the custodial parent which releases his or her claim to the exemption for that dependent.

Form 8379 (Injured Spouse Allocation). (*Premium Level only. Road Map line supported by Form 8332.*) This form is used by joint filers so that one of the filers can ensure that his or her part of an expected refund is not applied to certain liabilities of the other spouse. .

Form 8822 (Change of Address). (*Premium Level only. Road Map line supported by Forms 8822 and 8822-B.*) Forms 8822 and 8822-B are used to *report changes* of address to the IRS separate from your tax return. (To change your address at the time you file your return, you merely use the new address on your return.) . .

Form 8862 (Information after Disallowance). (*Premium Level only. Road Map line supported by Forms 8862.*) This form is used in conjunction with a claim for a credit that was previously disallowed. The credits covered are the *Earned Income Credit*, *Child Tax Credit*, *Additional Child Tax Credit*, and *American Opportunity Tax Credit*. The

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form requires you to answer questions designed to reaffirm your eligibility for the claimed credit.

Form 8867 (Preparer Due Diligence). (*Road Map line, supported by Form 8867.*) If the return is prepared by a paid preparer and includes a claim for *Earned Income Credit, Child Tax Credit, Additional Child Tax Credit, Other Dependent Credit, or American Opportunity Tax Credit*, or filing status is *Head of Household*, you must file Form 8867 with the return to verify due diligence by the preparer.

Form 8948 (Preparer not e-filing). (*Standard and Premium Levels only. Road Map line, supported by Form 8948.*) This form is used by a preparer to explain why he or she is not e-filing the return to which it is attached. It is used only by preparers who are generally required to e-file returns because they expect to prepare and file 11 or more eligible returns in 2023.

e-file form required for e-file). (*Standard and Premium Levels only. Road Map line, supported by e-file form*) The sole purpose of this line is to provide easy access to [our main e-file form](#). In order to e-file a return you must complete this form, which we use to collect a broad range of information that the IRS requires, including your Electronic Filing Identification Number (EFIN). This is also the form on which you provide PIN signatures (on the last two screens of our e-file form), which are required for all e-file returns.

Form 1040 / Main Form

Start of the Road Map. Form 1040 is the home base for the built-in Road Map. *We recommend that you ALWAYS start a new return with Form 1040, regardless of whether you access it from the Road Map or the Forms Menu.* The taxpayer information on the first few screens for Form 1040 is critical to several calculations throughout the return, so you should complete at least screens 1 through 4 of Form 1040 when you start a new return.

Tax year (Control Form access). *(Road Map line, supported by Control Form.)* The first entry of Form 1040 shows the tax year assumed in all calculations, and is automatically 2023 unless you enter a later year on the Control Form. If you made any estimated tax payments for 2023, *you can access the Control Form through the Road Map from this line (by pressing the Itemize Key, F10 or I)* to enter those payments, control the automatic creation of forms by the software, report prior-year taxes for Form 2210 exceptions, or customize cover and billing letters.

THIRD PARTY DESIGNEE. This section is used to identify a third party, if any, that you choose to allow to communicate with the IRS for you concerning your tax return. This person does not have to be a tax professional. The person you designate here is allowed to give the IRS any missing information from the return, to call the IRS for information about the processing or status of the return, and to respond to IRS notices concerning errors in the preparation of the return, but does not otherwise represent you before the IRS. *Do not complete this section if you do not want anyone other than you (or spouse if filing jointly) to be allowed to discuss your return with the IRS.*

Do you want to allow another person to discuss your return with the IRS?

If so, ITEMIZE here to identify that person. If you itemize and complete the 1-page worksheet that appears, a Yes answer will appear here when to return to Form 1040. On the worksheet, you must identify your designee by supplying the following three entries:

Designee's name. Enter the name of the individual you designate (other than paid preparer) in 25 characters or less.

Designee's phone number. Enter the phone number for the person you named above, complete with area code.

Designee's 5-digit PIN. Enter the 5-digit PIN selected by the designee as his or her personal identification number.

The information you enter in the supporting statement for this line is printed in the *Third Party Designee* section of the official Form 1040. When you return from the support, the line you itemized is answered Yes as long as you entered identifying information in the support.

INFORMATION ON TAXPAYER. The principal taxpayer is identified here, including any special circumstances that could affect calculations on the return.

Your 1st name & initial. You must enter the names even if you use an IRS address label on Form 1040 because the names are required in the headers of all other forms and schedules. For the first name and initial you should *omit* any titles like Mr., Mrs., or Dr., and enter the first name without spaces. Although the software allows you to enter up to 22 characters, the first name is often shortened by the IRS because it generally uses just the last name and SSN to identify the taxpayer. .

Your last name. Even though 25 characters are allowed by the software, you should abbreviate long names in the same way that they are abbreviated by the IRS in IRS-supplied address labels, including the omission of apostrophes and other punctuation marks. The IRS typically shortens last names to 15 characters. However, if you abbreviate, be sure to retain the first 4 characters of the last name without abbreviation because the IRS uses them in its computerized name controls.

Your social security number (SSN). Enter your valid 9-digit social security number here. If you enter 9 digits without spaces or dashes, the software will reformat them into the standard 11-character format (xx-xx-xxxx). An SSN is now mandatory; there are no longer any allowed exceptions. If you fail to enter an SSN here, the software will warn you "SSN required!" Moreover, if the SSN starts with a 9, indicating that it is not an SSN that allows you to work, the software will prevent you from claiming the Earned Income Credit.

Your occupation. Enter the occupation in 22 characters or less. It is printed to the right of your signature in the signature block at the bottom of page 2 of the official Form 1040.

Your IRS Identity Protection PIN. You should make an entry here only if you were issued an Identity Protection Personal Identification Number (IP PIN) by the IRS as a victim of identity theft. Enter the unique 6-digit IP PIN shown on the IRS Letter 4869C you received *for the tax year of the return*. Your entry is printed to the right of your occupation in the signature block of Form 1040. (The IP PIN you are issued is valid *only* for the tax year stated in the letter.)

You want \$3 to go to the Presidential Election Campaign (PEC) Fund?
A Yes answer has no effect on your taxes, but rather earmarks \$3 of the tax collected from you to be spent on the campaign funds of major candidates. Congress established this fund in 1971 as a part of campaign reform with the intent of reducing the reliance of presidential candidates on large individual or group contributors, to place candidates on an equal financial footing in the general election, and to free candidates from fund-raising duties. Candidates who accept money from the fund must agree to limit their spending and, for

candidates who run in November, to not accept any contributions from individuals or private groups.

Your age at end of tax year. This entry is critical because it affects built-in calculations on Form 1040, Schedules 1 through 3, Schedules A, EIC, and R, and Forms 4972, 5329, 5405, 6251, 8606, 8615, 8801, 8853, 8863, 8880, 8889, 1040-ES and 1040X. CAUTION: Do not round your entry. Instead, enter age as a decimal (such as 59.5 for age 59 years, 6 months) because some calculations depend on the precise age at year-end. (Although you would normally enter your age as of December 31 of the tax year, *the IRS instructs you to use the age you will be on January 1 of the following year*, which can certainly affect calculations for those born on New Years day.)

You 65 or older at year-end. *(auto-calc)* Answered based on the entry for your age, above, and used in determining the proper standard deduction for line 12 of Form 1040, the proper limits on IRA deductions, the proper penalties on early withdrawals, and others. If Yes, the box for “You: Were born before January 2, 1959” will be checked on the printed 2023 Form 1040.

You blind at end of tax year? Answer Yes to claim blindness for you, which will increase your standard deduction. If Yes, the box for “You: Are blind” will be checked on the printed Form 1040.

You dependent on another's return? Answer Yes if YOU can be claimed as a dependent on another person's return. When you answer Yes, certain benefits may be reduced or eliminated, including your standard deduction and education credits.

You EIC-qualified child of another? If a qualifying child of another person for the Earned Income Credit, you cannot claim it for yourself. The software ensures this through your answer here.

You student 5 months or more? If you were a student for any 5 months of the tax year, you do not qualify for a credit through Form 8880 for your contributions to an IRA or other qualified plan. The software ensures this through your answer here.

You non-resident for 6 months or more? If your main home is not in the United States for more than 6 months, you cannot qualify for the childless version of the Earned Income Credit. The software ensures this through your answer here.

If deceased, enter date (mm-dd-yyyy). A date entry here is used to flag to the IRS that this is a decedent return. For a paper return, this date is printed to the right of the taxpayer's last name. We recommend *using a yellow highlighter* to clearly flag it to the IRS. TIP for e-file: The IRS imposes several special requirements for e-filed decedent returns. See “Beware special entries required for decedent returns” on the *e-file Alerts* page of our *Check for Updates* website (accessed from the floating *Tax Preparer Control Panel*).

INFORMATION ON SPOUSE. If married, enter information on your spouse here. Even if married filing separately, you must still supply the spouse's name and SSN below.

Spouse's 1st name & initial. An entry here is mandatory for all married filers, whether filing jointly or not. Enter the first name in 22 characters or less. *CAUTION: If married filing separately ALSO enter the spouse's full name in the Filing Status section of Form 1040 (on the line "MFS:Spouse's full name").*

Spouse's last name (if different). If you make no entry, it is assumed to be the same as "Your last name" even if married filing separately. Although you can enter as many as 25 characters here, it is preferable to abbreviate to 15 characters as the IRS typically does. However, if you abbreviate, be sure to retain the first 4 characters of the last name without abbreviation because the IRS uses them in its computerized name controls. When the composite of all names is too long to be printed in the available space on the forms, the first names are shortened to accommodate the restriction first, then the last names. (If married filing jointly, your entry is deleted upon a recalculation of the return if precisely the same as your entry for "Your last name." This feature obviates a potential problem for e-filed returns and ensures the intended aesthetics for paper returns.)

Spouse's SSN (required if married). An entry here is mandatory for all married filers, whether filing jointly or not. Enter spouse's valid 9-digit social security number here. It will be checked and formatted like the SSN for the principal taxpayer. Moreover, if the SSN starts with a 9, indicating that it is not an SSN that allows you to work, and your filing status is married filing jointly, the software will prevent you from claiming the Earned Income Credit. *CAUTION: If married filing separately ALSO enter the spouse's full name in the Filing Status section of Form 1040 (on the line "MFS:Spouse full name").*

Spouse's occupation. Enter the occupation in 22 characters or less. It will be printed to the right of the spouse's signature in the signature block of the official Form 1040.

Spouse's Identity Protection PIN. You should make an entry here only if the spouse was issued an Identity Protection Personal Identification Number (IP PIN) by the IRS as a victim of identity theft. Enter the unique 6-digit IP PIN shown on the IRS Letter 4869C received *for the tax year of the return.* Your entry is printed to the right of spouse's occupation in the signature block of Form 1040. (The IP PIN issued is valid *only* for the tax year stated in the letter.)

Spouse wants \$3 to go to the Presidential Election Campaign Fund? The question is answered separately for you and spouse, but the meaning is the same. See page 2-22 for details.

Spouse's age at end of tax year. See our details for "Your age at year-end" for hints on entering fractional years and the usage of this entry by the software.

Spouse 65 or over at year-end. *(auto-calc)* Answered based on the entry for spouse's age, above, and used in determining the proper standard deduction for line 12 of Form 1040, the proper limits on IRA deductions, the proper penalties on early withdrawals, and others. If Yes, the box for "Spouse: Was born before January 2, 1959" will be checked on the printed 2023 Form 1040.

Spouse blind at end of tax year? Answer Yes to claim blindness for spouse, which will increase your standard deduction. If Yes, the box for "Spouse: Is blind" will be checked on the printed Form 1040 .

Spouse dependent on another's return? Answer Yes if SPOUSE can be claimed as a dependent on another person's return. When you answer Yes, certain benefits may be reduced or eliminated, including your standard deduction and education credits.

Spouse EIC-qualified child of another? If spouse is a qualifying child of another person for the Earned Income Credit, you cannot claim the Earned Income Credit on this return. The software ensures this through your answer here.

Spouse student 5 months or more? If spouse was a student for any 5 months of the tax year, the spouse does not qualify for a credit through Form 8880 for contributions to an IRA or other qualified plan. The software ensures this through your answer here.

Spouse non-resident for 6 months or more? If spouse's main home is not in the United States for more than 6 months, you cannot qualify for the childless version of the Earned Income Credit. The software ensures this through your answer here.

If deceased, enter date (mm-dd-yyyy). A date entry here is used to flag to the IRS that this is a decedent return. For a paper return, this date is printed to the right of the spouse's last name. We recommend that you *use a yellow highlighter* to bring attention to this entry to the IRS. TIP for e-file: The IRS imposes several special requirements for e-filed decedent returns. See "Beware special entries required for decedent returns" on the *e-file Alerts* page of our *Check for Updates* website (accessed from the floating *Tax Preparer Control Panel*).

HOME ADDRESS. Enter the current home address for the return here, complete with the special indicators and entries shown below. This is the address where the IRS will contact you if there are problems or questions and where, if you choose to receive a refund as a paper check, the refund will be sent.

In care of (or additional addressing information). Although generally used as a part of an address, this line has a special use for decedent returns. *For a decedent return, you must enter the name of the executor or other representative who is filing the return, even if that person is the surviving spouse.*

U.S. address. Use these lines only if the current address is a domestic address. Otherwise, use the section that follows for a foreign address.

Street address. Enter the number and street address or rural route here in 35 characters or less. Enter P. O. Box instead only if the post office does not deliver mail to your street address. To keep the address short, use the same abbreviations that the IRS uses in its address labels, without periods, as listed in Table 2-4. The address, including city, state, and ZIP code, below, are used in cover and billing letters as well as the address block of Form 1040.

Apt., Suite, Bldg., etc. If applicable, enter an apartment or suite here. You need not make an entry unless it is required by the post office.

City or post office. Enter city, town, or post office in 22 characters.

State. Enter the standard two-letter state code shown in Table 2-5.

ZIP code. Enter ZIP code in the standard five-number (00000) or nine-number (00000-0000) format.

OR... foreign address. If you use a foreign address, leave all entries for U.S. Address blank and enter all information here. The first two entries that follow will appear in the address box of the official printed Form 1040 in the same place they would for a U.S. Address. But the last three entries will be shown in the separate spaces provided for them in the address block. ***CAUTION: Do NOT make entries in this section if you supplied an U.S. address above.***

Street address. Enter the foreign street address in 35 characters or less. *For a paper return, this entry is printed in the same space on Form 1040 as the U.S. street address would be printed.*

City. Enter the foreign city in 25 characters or less. *For a paper return, this entry is printed in the same space on Form 1040 as the U.S. City or post office and state would be printed.*

Province/state. Enter this information in the format used by the country of residence in 17 characters or less. *This information is printed on the last line of Form 1040.*

Country. Enter the standard 2-letter code shown in Table 2-6. *This information is printed on the last line of Form 1040.*

Postal code. Enter this information in the format used by the country of residence in 17 characters or less. *This information is printed on the last line of Form 1040.*

Form by Form Details (2024 Edition)

Form 1040

Table 2-4. Abbreviations for Address Entry

ABBREV	ORIGINAL WORD	ABBREV	ORIGINAL WORD
&	AND	1/2	One-half
AFB	Air Force Base	1/4	One-quarter
APT	Apartment	PKY	Parkway
AVE	Avenue	PL	Place
BLVD	Boulevard	PO BOX	Post Office Box
%	Care of	RT	Route, Rte.
CL	Circle	RD	Road
CT	Court	R D	Rural Delivery, R.F.D., R.D., Rural Route, etc
DR	Drive	S	South
E	East	SE	Southeast, S.E.
GEN DEL	General Delivery	SW	Southwest, S.W.
HWY	Highway	ST	Street
LN	Lane	TER	Terrace
N	North	W	West
NE	Northeast, N.E.		
NW	Northwest, N.W.		

Table 2-5. Official State Codes

AL	Alabama	IL	Illinois	MO	Missouri	PA	Pennsylvania
AK	Alaska	IN	Indiana	MT	Montana	RI	Rhode Island
AZ	Arizona	IA	Iowa	NE	Nebraska	SC	S Carolina
AR	Arkansas	KS	Kansas	NV	Nevada	SD	S Dakota
CA	California	KY	Kentucky	NH	New Hamp.	TN	Tennessee
CO	Colorado	LA	Louisiana	NJ	New Jersey	TX	Texas
CT	Conn.	ME	Maine	NM	New Mexico	UT	Utah
DE	Delaware	MD	Maryland	NY	New York	VT	Vermont
DC	Washington, D.C.			NC	N Carolina	VA	Virginia
FL	Florida	MA	Mass.	ND	N Dakota	WA	Washington
GA	Georgia	MI	Michigan	OH	Ohio	WV	W Virginia
HI	Hawaii	MN	Minnesota	OK	Oklahoma	WI	Wisconsin
ID	Idaho	MS	Miss.	OR	Oregon	WY	Wyoming

For APO or FPO addresses, state codes are AA, AE, or AP.

Table 2-6. Official Country Codes

(Entries in this table are alphabetical by country, not code.)

AF Afghanistan	DJ Djibouti	LT Lesotho	TB Saint Barthelemy
AX Akrotiri	DO Dominica	LI Liberia	SH Saint Helena
AL Albania	DR Dominican Republic	LY Libya	SC Saint Kitts & Nevis
XA Alberta	TT Dem Rep of Timor-Leste	LS Liechtenstein	ST Saint Lucia
AG Algeria	EC Ecuador	LH Lithuania	RN Saint Martin
AQ American Samoa	EG Egypt	LU Luxembourg	SB Saint Pierre & Miquelon
AN Andorra	ES El Salvador	MC Macau	WS Samoa
AO Angola	EQ Equatorial Guinea	MK Macedonia	SM San Marino
AV Anguilla	ER Eritrea	MA Madagascar	TP Sao Tome and Principe
AY Antarctica	EN Estonia	MI Malawi	XW Saskatchewan
AC Antigua & Barbuda	ET Ethiopia	MY Malaysia	SA Saudi Arabia
AR Argentina	FK Falkland Islands (Islas Malvinas)	MV Maldives	SG Senegal
AM Armenia	FO Faroe Islands	ML Mali	RI Serbia
AA Aruba	FJ Fiji	MT Malta	SE Seychelles
AT Ashmore & Carter Islands	FI Finland	IM Man, Isle of	SL Sierra Leone
AS Australia	FR France	XM Manitoba	SN Singapore
AU Austria	FP French Polynesia	MR Mauritania	LO Slovakia
AJ Azerbaijan	FS French Southern & Antarctic Lands	MP Mauritius	SI Slovenia
BF Bahamas The	GB Gabon	MF Mayotte	BP Solomon Islands
BA Bahrain	GAM Gabon	MX Mexico	SO Somalia
FQ Baker Island	GA Gambia The	FM Micronesia, Federated States of	MF Midway Islands
BG Bangladesh	GG Georgia	MD Moldova	MO Moldova
BB Barbados	GM Germany	MN Monaco	SF South Africa
BE Belarus	GH Ghana	MG Mongolia	SX South Georgia & The South Sandwich Islands
BE Belgium	GI Gibraltar	MJ Montenegro	SP Spain
BH Belize	GR Greece	MH Montserrat	PG Spratly Islands
BN Benin	GL Greenland	MO Morocco	CE Sri Lanka
BD Bermuda	GJ Grenada	MZ Mozambique	VC St Vincent & Grenadines
BT Bhutan	GK Guam	WA Namibia	NP Sudan
BL Bolivia	GT Guatemala	NR Nauru	NS Suriname
BK Bosnia and Herzegovina	GU Guernsey	NP Nepal	SV Suriname
BC Botswana	GV Guinea	NL Netherlands	NZ Swaziland
BV Bouvet Island	PV Guinea-Bissau	NT Netherlands Antilles	WZ Swaziland
BR Brazil	PY Guinea-Bissau	XN New Brunswick	SW Sweden
XB British Columbia	GU Guyana	XL Newfoundland and Labrador	SZ Switzerland
IO British Indian Ocean Territory	HA Haiti	NC New Caledonia	SY Syria
BX Brunei	HM Heard Island & McDonald Islands	NZ New Zealand	TW Taiwan
BZ Bulgaria	BK Herzegovina and Bosnia	NU Nicaragua	TI Tajikistan
UV Burkina Faso	VT Holy See	NG Niger	TZ Tanzania
BM Burma	HO Honduras	NI Nigeria	TH Thailand
BY Burundi	HK Hong Kong	NE Niue	TO Togo
CB Cambodia	HQ Howland Island	NF Norfolk Island	TL Tokelau 340
CM Cameroon	HU Hungary	CQ Northern Mariana Islands	TN Tonga
CA Canada	IC Iceland	XT Northwest Territories	TD Trinidad & Tobago
CV Cape Verde	IN India	XS Nova Scotia	TU Tunisia
CJ Cayman Islands	ID Indonesia	XV Nunavut	TS Turkey
CT Central African Republic	IR Iran	NO Norway	TX Turkmenistan
CD Chad	IZ Iraq	MU Oman	TK Turks and Caicos Islands
CI Chile	EI Ireland	XO Ontario	TV Tuvalu
CH China	IS Israel	PK Pakistan	UG Uganda
KT Christmas Islands	IT Italy	PS Palau	UP Ukraine
IP Clipperton Islands	JM Jamaica	LQ Palmyra Atoll	AE United Arab Emirates
CK Cocos (Keeling) Islands	JN Jan Mayen	PM Panama	UK United Kingdom
CO Colombia	JA Japan	PP Papua New Guinea	VQ U.S. Virgin Islands
CN Comoros	DQ Jarvis Island	PF Paracel Islands	VL Vanuatu
CF Congo (Brazzaville)	JE Jersey	PA Paraguay	VE Venezuela
CG Congo (Kinshasa)	JO Johnston Atoll	PE Peru	VM Vietnam
CW Cooks Islands	JQ Jordan	RP Philippines	VI Virgin Islands, British
CR Coral Sea Islands	KZ Kazakhstan	PC Pitcairn Islands	WQ Wake Island
CS Costa Rica	KE Kenya	PL Poland	WF Wallis & Futuna
IV Cote d'Ivoire	KQ Kingman Reef	PO Portugal	WI Western Sahara
HR Croatia	KN Korea, North	XP Prince Edward Island	YM Yemen
CU Cuba	KS Korea, South	QA Qatar	ZA Zambia
CY Cyprus	KU Kuwait	XQ Quebec	ZI Zimbabwe
EZ Czech Republic	KG Kyrgyzstan	RO Romania	OC Other Countries
DA Denmark	KV Kosovo	RS Russia	
DX Dhekelia	LA Laos	RW Rwanda	
	LG Latvia		
	LE Lebanon		

FILING STATUS. Filing status is identified first:

Filing Status: 1=Sgl,2=MFJ,3=MFS,4=HoH,5=QSS. Enter the number that reflects the filing status for this return: 1 for Single (S), 2 for Married Filing Jointly (MFJ), 3 for Married Filing Separately (MFS), 4 for Head of Household (HH), and 5 for Qualifying Surviving Spouse (QSS) (formerly named "Qualifying Widow(er) (QW)"). To file as Head of Household, you must have a qualifying person for whom you provide a home. To file as Qualifying Surviving Spouse, your spouse must have died in the prior two years (2021 or 2022 for tax year 2023 returns) and you must have a qualifying child (a dependent or a child who is not your dependent only because of his or her gross income, marital status, or dependency on another return). *If in doubt about which filing status to use, consult the IRS Instructions for Form 1040 for detailed qualifications for each.*

The next few entries are relevant ONLY for the filing status noted:

MFS: Spouse lived APART ALL YEAR? Answer Yes only if you are married and did *NOT* live with your spouse ANYTIME during the tax year. *WARNING: This answer is critical to several calculations* including those on Schedule R, Form 2106, 2441, 8582, 8606, 8839, line 6b of Form 1040, and line 20 of Schedule 1.

MFS: Spouse's full name. If you chose filing status 3 (Married Filing Separately), enter spouse's name here in 35 characters or less. Your entry will be printed in the space provided in the Filing Status section near the top of the official Form 1040. ***CAUTION: You MUST also enter the spouse's name and social security number on screen 2*** because the IRS *requires* the spouse's SSN to appear in the same place on Form 1040 as it would for a joint filer, even though you file separately.

MFS: Itemizes or dual-status alien? Answer Yes here only if EITHER you are married filing separately and your spouse itemizes OR you are a dual-status alien (unless, if married filing jointly, your spouse is a U.S. citizen or resident and you jointly agree to be taxed on your combined world-wide income). *TIP: If you must answer Yes, your standard deduction will be zero, making it beneficial for you to itemize deductions on Schedule A if you have ANY deductions at all.*

H-of-H/QSS: If you chose filing status 4 (Head of Household) or 5 (Qualifying Surviving Spouse) and the person who qualifies you for this status is your child but *not* your dependent, you must identify the qualifying child here. *Enter no more than one child, even if more than one child qualifies. Leave these entries blank if any child is shown on our Dependents' Worksheets to be qualified as a dependent.*

Qualifying child's SSN: Enter the qualifying child's SSN in the standard xxx-xx-xxxx format, but only if not qualified as a dependent on our *Dependents' Worksheets*. (This entry is used only for e-file returns. It is not printed and is not required for paper returns.)

and name (if not your dependent): Enter the qualifying child's full name here in 35 characters or less, but only if not qualified as a dependent on our *Dependents' Worksheets*. Your entry will be printed in the space provided near the top of page 1 of Form 1040.

REPRESENTATIVE INDICATORS. For a deceased taxpayer, answers to the following questions identify who is filing the return. by answering the following two questions. If neither applies, answer No.

Filing as surviving spouse? (*auto-calc*) If married filing jointly and one (and only one) of the spouses died before the return was filed, then the flag "Filing as surviving spouse" is required, even if the personal representative of the estate is not the surviving spouse. Accordingly, this question is automatically answered Yes if married filing jointly and there is an entry for "If deceased, date (mm/dd/yyyy)" for one and only one of the spouses (on screen 1 or screen 2 of Form 1040). Otherwise, No. (*For e-file, the automatic Yes answer ensures that the return is not rejected by the IRS by Rule IND-424. For a paper return, this flag is printed in the signature block of Form 1040.*)

Personal representative? If not married filing jointly and the taxpayer died before the return was filed, or married filing jointly and both spouses died before the return was filed, the flag "Personal representative" is required. In this context, the personal representative of an estate is an executor, administrator, or anyone who is in charge of the decedent's property, as explained on page 3 of IRS Pub. 559 (*Survivors, Executors, and Administrators*) for 2023 returns. Accordingly, this question is automatically answered Yes if this situation applies, as indicated by your entries for "If deceased, date (mm/dd/yyyy)" (on screen 1 or screen 2 or both of Form 1040). *TIP: You should also answer Yes here manually if the surviving spouse of a joint return is not the personal representative of the deceased's estate. (For e-file, the automatic Yes answer ensures that the return is not rejected by the IRS because of Rule IND-425 or IND-426.. For a paper return, this flag is printed in the signature block of Form 1040.)*

DEPENDENTS. Even though there are no exemptions for dependents anymore, you must still provide detailed information on ALL dependents on the *Dependents' Worksheets* provided in this section. This information is required to determine qualification for the child tax credit, the other dependent credit, and the earned income credit, among other tax benefits.

Children who: lived with you. (*Supported by the Dependents' Worksheet, Figure 2-2.*) You must press the Itemize Key (i or F10) at this or any of the following lines, and enter the information in the Dependents' Worksheet, detailed next. The same set of worksheets is accessed no matter which line you itemize. The separate lines shown here are the separate totals from all the worksheets. This line shows the number of children who lived with you.

All others qualified as dependents. (*Supported by the Dependents' Worksheet, Figure 2-2.*) This line shows the number of all dependents other than the preceding two.

Number Child Tax Credit qualified. (*Supported by the Dependents' Worksheet, Figure 2-2.*) Qualification for the *Child Tax Credit* is determined independently for each child on the supporting worksheets. The credit depends on a number of other factors as well, and is computed on Schedule 8812 based on your entries on the Dependents' Worksheets, and can amount to as much as \$2,000 per qualifying child for 2023.

Number Other Dependent Credit qualified. (*Supported by the Dependents' Worksheet, Figure 2-2.*) Qualification for the *Credit for Other Dependents* is determined independently for each person on the supporting worksheets, and is applicable only to dependents who don't qualify for the *Child Tax Credit*. The credit is computed on Schedule 8812 based on your entries on the Dependents' Worksheets, and can amount to as much as \$500 per qualifying person.

Number EIC (Earned Income Credit) qualified with qualified SSN. (*Supported by the Dependents' Worksheet, Figure 2-2.*) The number of children qualifying you for the full credit is posted here from the worksheet. The credit is computed by the software at line 27 *upon the final recalculation of the return* using calculations on our automatically created on-screen Schedule EIC. Schedule EIC is automatically printed with the complete return when a child qualifies you for the credit, but is otherwise *not* printed with the return.

Number EIC qualified without qualified SSN. (*Supported by the Dependents' Worksheet, Figure 2-2.*) The number of children who meet all qualifications for the EIC except the SSN requirement is posted here, qualifying for a lesser credit.

CAUTION: Use Dependents' Worksheet for non-dependents as well. Because we use our *Dependents' Worksheets* to automate the *Earned Income Credit (EIC)* in addition to dependent qualifications and the *Child Tax Credit* and *Credit for Other Dependents*, you must supply information on children you claim for the EIC on the worksheets as well, irrespective of dependency qualifications. Once you complete the worksheets and exit from the return, the credit is automatically computed. (The on-screen Schedule EIC is automatically created whenever you qualify for the earned income credit, whether or not you have qualifying children, because that is where the computation is performed by the software. However, Schedule EIC is printed with the official return only if it results in an *Earned Income Credit* based on a qualifying child.)

Special dependent claims. If your dependent claims include any claims for dependents partially supported by others or you are not the custodial parent, you may have to file Form 2120 and/or Form 8332 with the return. These forms have no amounts to post to Form 1040, but are just informational

forms. Form 2120 is used when no-one provides more than half of the dependent's support in order to identify others who provide more than 10% of the support. Form 8332 is used when you are not the custodial parent in order to prove release of claim by the custodial parent. Both of these forms are included only in the Premium Level software, and are accessible from the Forms Menu as form 18 and 53, respectively, or from the last screen of our Control Form (form 1 on the Forms Menu).

Dependents' Worksheet, Figure 2-2. You must fully identify each dependent on a separate worksheet page. (The same set of worksheets is accessed from all lines under the DEPENDENTS heading on screen 4 of Form 1040.) The questions on this worksheet help determine qualification of the person as a *Dependent*, as a qualifying child for the *Child Tax Credit*, as a qualifying dependent for the *Credit for Other Dependents*, and as a qualifying child for the *Earned Income Credit*.

For more details on specific eligibility tests and income limits, see the 2023 versions of IRS Pub. 501 (*Dependents, Standard Deduction, and Filing Information*), IRS Pub. 596 (*Earned Income Credit*), IRS Pub. 929 (*Tax Rules for Children and Dependents*), and IRS Schedule 8812 (*Credits for Qualifying Children and Other Dependents*). **CAUTION:** *All entries must be properly answered for a reliable determination of eligibility for each credit!*

1 First Name. Enter dependent's first name in 10 characters or less.

Last Name. Enter dependent's last name in 15 characters or less. This and

```

1  1st name.....
   Last name.....
   e-file name.....
   e-file name control.....
   IRS ID Protection PIN.....
>  Year born..... 0
   Younger than you or spouse? Yes 0
   # months excludable in yr.
2  Dependent's soc sec no.
3  Relation to you .....
   Perm/tot. disabled in tax yr? No
>  U. S. citizen or resid alien? No
   Resident of Canada or Mexico? No
>  # months lived in your home. 0
   Dep's gross inc under $4,700? No
   Student at least 5 mos of yr? No
>  Do you meet the Support Test? No
   Gave exmp right to other par? No
   Dep. joint filer w/o excep'n? No
   You/spouse dependent of othr? No
   QUALIFIED AS A DEPENDENT.. No

TYPE OF DEPENDENT
Depnd child w/ lived w/ you? No
Dep child nonres due to sepn? No
Other dependent..... No
CHILD/DEPENDENT TAX CREDIT
Child's age at end of tax yr 0
4a CHILD TAX CREDIT QUALIFIED No
4b OTHER DEPENDENT CRED. QLFD No
EARNED INCOME CREDIT
Meets relationship test..... No
Dependent married..... No
Unmarried or qlfd married... Yes
# mos in your home NOT in US 0
Lived w/you over half of yr. No
Meets age or disabled test.. No
EIC-qlfd to another taxpayer? No
Any of them w/higher mod AGI? No
Don't know AGI but claiming? No
Relationship to other person
Meets SSN test..... No
EIC QUALIFIED WITH SSN.... No
EIC QUALIFIED WITHOUT SSN. No
    
```

Figure 2-2. Dependents' Worksheet, Screens 1 & 2

the preceding line may seem unduly restrictive, but the IRS has made it clear in their specifications for e-file that it wants very short names in specific fields.

e-file name. *(auto-calc)* The name is reformatted for e-file as defined in IRS Pub. 1346.

e-file name control. *(auto-calc)* A name control is a 4-character code for the last name, usually the first four characters of the last name, as defined in IRS Pub. 1346. The IRS uses this entry in combination with SSN to identify individuals for e-file.

IRS ID Protection PIN. You should make an entry here only if the dependent was issued an IP PIN (Identity Protection Personal Identification Number) by the IRS for the tax year of the return, which can be issued to a dependent who was a victim of identity theft. Enter the unique 6-digit IP PIN shown on the IRS Letter 4869C received *for the tax year of the return*. (An IP PIN is valid for only one tax year. You must be issued a new one each year by the IRS.)

Year born. Enter year of birth as a 4-digit number, such as 1999. The entry must be 2007 or later for the child to qualify for the *Child Tax Credit* for 2023 and 2005 or later for the child to qualify for the *Earned Income Credit* (unless a qualifying student or disabled).

Younger than you or spouse? *(semi auto-calc)* The dependent must be younger than the taxpayer (or spouse if filing jointly). This entry is automatic when the age is at least one year older or younger than the taxpayer (or spouse if filing jointly). Otherwise, you must answer the question manually, since only the year, not the exact date, is entered above.

Number of months excludable in year. This entry is used for IRS exceptions to the usual requirements for number of months lived in your home. Exceptions exist for (a) a person who was born or died during the tax year, (b) a foster child placed with you during the year, and (c) a child whose adoption became final during the year. For (a), enter the number of months during the year that the person was NOT alive; for (b), enter the number of months before the child was placed with you; and for (c), enter the number of months before the adoption became final. If the time requirement is to live with you more than half of the year, your entry changes the requirement to more than half of the time the person was alive, your foster child, or your adopted child. If the time requirement is to live with you the entire year, your entry changes the requirement to the entire time the person was alive, your foster child, or your adopted child. **TIP:** *Decimal entries are allowed, which is critical when the requirement is to live with you more than half of the year, which would be 6.01 or more.*

2 Dependents' social security number. With just one exception, you must *always* have an entry here, and that entry must be an identifying number (SSN, ITIN, or ATIN) of the form xxx-xx-xxxx. The only

exception is that if the dependent was both born and died during the tax year, you may enter DIED in place of an SSN, ITIN, or ATIN, but you must also attach to the tax return a copy of that child's birth certificate. If you fail to comply, your claim for the person to be your dependent may be denied. If you enter 9 digits without spaces or dashes, the software will format your entry into the standard 11-character format for SSN (xxx-xx-xxxx). If you make no entry of nine characters or more, the warning "SSN req'd!" will appear. CAUTION: Although you can use a temporary number issued to you by the IRS if you have no SSN, such as an ITIN or ATIN, the child will then not be qualified for the child tax credit or earned income credit. Both credits require that the child has an SSN valid for employment, unless the child was born and died during the tax year. Entering "applied for" is no longer allowed, nor is the former exception for conscientious objectors. (The software recognizes your entry as an ITIN or ATIN if the first digit of your entry is 9. ITINs and ATINs always start with 9, but SSNs start with a digit less than 9.)

3 Relation to you. Enter relationship. Virtually any relationship is allowed for dependency, including parent, aunt, and uncle, and their descendants. However, the person must live with you all year if not related. The only relationship entries allowed here by the IRS for e-file are **SON, DAUGHTER, STEPCHILD, FOSTER CHILD, BROTHER, SISTER, STEPBROTHER, STEPSISTER, HALF BROTHER, HALF SISTER, GRANDCHILD, NIECE, NEPHEW, PARENT, AUNT, UNCLE, OTHER, and NONE**. In this list, OTHER is used to designate other IRS-specified relationships other than your qualifying child or the qualifying child of another, and, like a PARENT, AUNT, or UNCLE, do not have to live with you to be your dependent (but you must provide more than half of their support). And NONE is used to designate persons who are not your relative, but who must live with you all year as a member of your family to qualify as your dependent (and you must provide more than half of their support). In addition, the software allows (*for paper returns only*) entries of **ADOPTED, FATHER, and MOTHER**. Our addition of ADOPTED provides automated support for a special exception when the adoption became final during the tax year after the 1st of the year; but for an e-file return you must enter SON or DAUGHTER if the adoption became final before the tax year, or FOSTER CHILD if it became final during the tax year. Our addition of FATHER and MOTHER provides support for two common entries not allowed for e-file; but for an e-file return you must enter PARENT. **TIP:** *It is important to use only the entries specified above in order for the proper requirements to be applied to each. For example, for grandparents use PARENT because they are handled the same; for children of a niece or nephew, use NIECE or NEPHEW; for a great-grandchild, use GRANDCHILD. If you do not use these substitutions, the software may apply inappropriate restrictions.*

Permanently and totally disabled the entire tax year? If disabled, the age test need not be met. Otherwise, a child must be under age 19 or a student under age 24 at the end of the tax year in order to be considered your qualifying child rather than an other dependent.

- > **U.S. citizen or resident alien?** To be qualified for the Child Tax Credit the answer here must be Yes. To be qualified as a dependent, unless the relationship is adopted, the answer to this or the next question must be Yes. **TIP for e-file:** *Because ADOPTED is not allowed for e-file as an entry for relationship, you must answer Yes here if ADOPTED so that the child can be considered a qualifying child, since, because of a special exception, an adopted child does not have to be a U.S. Citizen, resident alien, resident of Canada, or resident of Mexico.*

Resident of Canada or Mexico? A resident of Canada or Mexico qualifies as a dependent.

- > **Number of months lived in your home.** If the only absences of the dependent during the tax year were temporary, such as vacation or school, enter 12. Otherwise enter the actual number of months, including 2-place decimal. Children under 19 (and students under age 24) must have lived with you more than half of the year to be a qualifying child for the Child Tax Credit or Earned Income Credit and to avoid the requirement to have gross income under \$4,400 (indicated in the next entry) to be your dependent. **TIP:** *Decimal entries are allowed, which is critical when the requirement is to live with your more than half of the year, which would be 6.01 or more.* (If you made an entry for "Number of months excludable in the year," your entry can be no more than the remaining number of months in the tax year, but time tests are reduced accordingly to "more than half the time not excluded" or "the full time not excluded" in place of "more than half of the year" or "the entire year.")

Dependent's gross income under \$4,700? To qualify as a dependent, the person must generally have less than \$4,700 of income for 2023. However, this condition need not be met if the person is a child under age 19 or is a student under age 24.

Student at least 5 months of the year? If the child is 19 or older and under age 24, the income test need not be met if you can answer Yes here.

- > **Do you meet the Support Test?** To qualify as a dependent, you must have provided more than half the support of the person, unless divorced or there are more than two caretakers.

Gave exemption right to other parent? If you don't claim the child as your dependent *only* because you gave the right to the other parent, you may still qualify for the Earned Income Credit.

Dependent a joint filer without exception? If married filing jointly, the child generally cannot qualify as your dependent. **Exception:** *If the child filed jointly only for the purposes of getting a refund, answer No here.*

You or spouse dependent of another? *(auto-calc)* Automatically determined from your answers on screens 1 and 2 of Form 1040 for each spouse. If Yes, you cannot claim any dependents yourself. However, you may still qualify to claim the child tax credit, as explained later.

QUALIFIED AS A DEPENDENT. *(auto-calc)* Automatically Yes as long as the person qualifies as your dependent based on the preceding entries. Note that you may still qualify for the Earned Income Credit even when this answer is No. But the answer must be Yes to claim the Child Tax Credit or the Credit for Other Dependents.

The remaining entries for the worksheet appear on the *second* screen of the worksheet, illustrated in the bottom half of Figure 2-2.

TYPE OF DEPENDENT:

Dependent child who lived with you. Answer Yes if the child lived with you more than six months of the tax year.

Dependent child nonresident due to separation or divorce? Answer Yes if the dependent is a dependent child but did not live with you because of separation or divorce.

Other dependent. *(auto-calc)* This answer is Yes only if the preceding two answers are No and a dependency is allowed based on your entries on screen 1 of the worksheet.

CHILD/DEPENDENT TAX CREDIT:

Child's age at end of tax year. *(auto-calc)* Computed as the tax year less the year born, this result must be less than 17 to be qualified for the *Child Tax Credit*.

4a CHILD TAX CREDIT QUALIFIED. *(auto-calc)* To qualify the child must be your dependent, must have an SSN (not an ITIN or ATIN), must be a U.S. citizen or resident alien, must be *under* 17 years of age, and must be one of the following relationships to you: SON, DAUGHTER, GRANDCHILD, STEPCHILD, BROTHER, SISTER, STEPBROTHER, STEPSISTER, HALF BROTHER, HALF SISTER, NIECE, NEPHEW, FOSTER CHILD, or ADOPTED.

4b OTHER DEPENDENT CREDIT QUALIFIED. *(auto-calc)* To qualify the person must be your dependent, must be a U.S. citizen or resident alien (unless adopted), and must *not* be qualified for the child tax credit.

EARNED INCOME CREDIT:

Meets relationship test. *(auto-calc)* Answered Yes only if the relationship to you is SON, DAUGHTER, GRANDCHILD, STEPCHILD, BROTHER, SISTER, STEPBROTHER, STEPSISTER, HALF BROTHER, HALF SISTER, NIECE, NEPHEW, FOSTER CHILD, or ADOPTED.

Dependent married? If married, the child qualifies you for the Earned Income Credit only if (a) your dependent, or (b) not your dependent only because you gave the right to the other parent.

Unmarried or qualified married. *(auto-calc)* Answered Yes only if (a) the child is unmarried, or (b) the child is married but you answered No to “Dependent a joint filer (or exception)?” and the child is your dependent (or not your dependent only because you gave the right to the other parent).

Number of months lived in your home NOT in the U.S. Enter the number months, including 2-place decimal. This entry should be no more than your earlier entry for “Number of months lived in your home.”

Lived with you over half of the year. *(auto-calc)* To qualify for the Earned Income Credit the child must have lived with you in the U.S. *more* than 6 months *or* the entire time not excluded. This question is answered Yes if “Number of months lived in your home” less “Number of months lived in your home NOT in the U.S.” is either (a) more than 6.00, *or* (b) equal to 12 less “Number of months excluded in year.”

Meets age or disabled test. *(auto-calc)* Answered Yes only if (a) Permanently and totally disabled in tax year” is Yes, *or* (b) “Younger than you or spouse” is Yes and “Child’s age at end of tax year” is either under 19, or, if older, is under 24 and “Student at least 5 months of year” is Yes.

EIC-qualified to another taxpayer(s)? Answer Yes if the child can qualify someone else for the Earned Income Credit. If so, only the one with the highest AGI can claim the credit.

Any of them with higher modified AGI? If the preceding answer is Yes and you know that at least one of the other taxpayers has a higher AGI (as modified for EIC calculations), you must answer Yes here and cannot claim the credit based on this child.

Don’t know AGI but claiming? If you don’t know the AGI of the other qualifying person, you can still tentatively claim the credit by answering Yes here. However, the credit may later be disallowed by the IRS.

Relationship to other person. Enter the relationship of the child to the other qualifying person *only* if you entered Yes to “EIC-qualified to another taxpayer?” The relationship must be one of the relationships listed as qualifying for “Meets relationship test?” at the beginning of this section of the worksheet. **CAUTION:** For e-file, you must enter the relationship *exactly* as shown in our instructions for line 3.

Meets SSN test. *(auto-calc)* Answered Yes only if the child’s SSN was entered in the standard xxx-xx-xxxx format and the first character of the entry is a number less than 9. SSNs starting with 9 are only taxpayer identification numbers and do not qualify you to work.

EIC QUALIFIED WITH SSN. *(auto-calc)* Answered Yes only if the child qualifies based on all the preceding answers.

EIC QUALIFIED WITHOUT SSN. *(auto-calc)* Answered Yes only if the child qualifies based on all the preceding answers *except* “Meets SSN test.” This child qualifies you for the Earned Income Credit, but

the amount of credit is the lower amount equal to that for those with no qualifying children who meet certain age restrictions.

When you escape from the worksheets, the number qualified for each class is counted and posted to screen 4 of Form 1040.

INCOME. All income is reported on lines 1 through 9 of Form 1040, with most lines supported by another IRS form or schedule, and sometimes by an on-screen worksheet.

CAUTION: Supporting forms, schedules, and worksheets override your manual entries. Once one of the lines in the section is supported by a form, schedule, or worksheet that has been created (as indicated by an "i" to the right of an entry), data from that supporting form, schedule, or worksheet will generally override any entry you make directly on that line. For worksheets, your entry is changed the next time you access the worksheet. For forms and schedules, your entry is changed the next time you return from the supporting form or schedule or a final recalculation of the return is performed. As a result, you should always make changes in any available support rather than directly on the Form 1040 line, or else your entry may be changed in the future without alerting you.

Wages, tips, and other compensation. Wages and other compensation from employers are reported on *W-2 Worksheets* that are accessible from screen 5 of Form 1040. All compensation for which you receive a Form W-2 (*Wage and Tax Statement*) must be entered on these worksheets for you (and spouse if filing jointly).

YOUR wages, tips, etc. -Form(s) W-2, box 1. (*Supported by the W-2 Worksheet, Figures 2-3a through 2-3f.*) To report wages reported to you on a Form W-2, you must itemize this line (by pressing I or F10) and complete the supporting *W-2 Worksheets* – one for each Form W-2 received. This line shows the total amounts you entered on the worksheets for line 1 (Wages, tips, etc.). Critical totals from other lines of the worksheets are displayed below this line and are used elsewhere in the return.

SPOUSE wages, tips, etc. -Form(s) W-2, box 1. (*Supported by the W-2 Worksheet, Figures 2-3a through 2-3f.*) Similarly, if filing as married filing jointly, report wages reported to the other spouse in the *W-2 Worksheets* that support this line. As above, total wages and tips entered on the worksheets are shown on this line, and critical totals from other lines of the worksheets are displayed below this line.

W-2 Worksheet, Figures 2-3a through 2-3f. Accessible from screen 5 of Form 1040, you must complete a worksheet for all sources of taxable income as an employee that must be reported on line 1a of Form 1040, unless they are separately stated on lines 1b through 1h of Form 1040. Use a separate worksheet page for each employer. All information on the worksheets is available from the identified boxes on the W-2s. The worksheets for each taxpayer (you and spouse) are kept separate by providing two separate lines for accessing the worksheets. Only lines marked with an asterisk (*) on the worksheets are required entries for a paper return. All other entries are required for e-file returns only, and should match the amounts shown on the Form W-2 (or W-2C) received. The *W-2 Worksheet* is displayed on 6 separate screens in

order to accommodate all the entries required for e-file. Use the PageDown key to view successive screens (and the PageUp key to go back).

Automatic fill-in of employee information for W-2 Worksheets. For the W-2 Worksheets, the lines for the employee's name, address, and SSN are *completed automatically when you have NO entries for these lines*. They are completed based on your entries on screens 1, 2, and 3 of Form 1040. (The software determines which spouse's information is used based on the line you itemized to get to the *W-2 Worksheet*.) However, once completed, you can change any of these entries at will and your changes will be retained as long as they are not blank.

Screen 1 of 6:

Corrected. Answer Yes only if the information reported here is from a Form W-2C (*Corrected Wage and Tax Statement*), which supersedes a Form W-2 previously filed with the IRS by the employer.

a Employee's SSN. Enter in standard xxx-xx-xxxx format. *If initially blank, this entry is taken from the corresponding entry on Form 1040 for the proper spouse, but you can change the entry thereafter.*

b Employer ID number (*). Enter the employer's federal ID number shown in box b in the standard xx-xxxxxxx format for EINs. (This number should always be an EIN, not an SSN, because all employers are required to have an EIN issued by the IRS.)

c Employer's name (*). Enter the name shown in box c in 30 characters or less. The remaining parts of box c are required only for an e-filed return:

...e-file name control. If you plan to e-file the return you MUST enter a 4-character name control here. This is usually the first 4 characters of the preceding name, but there are special rules for certain types of business names. If you have any doubts, see our 5-page document *Instructions for Entry of Name Controls for Businesses*, which is available online on the E-FILE ALERTS page of our "Check

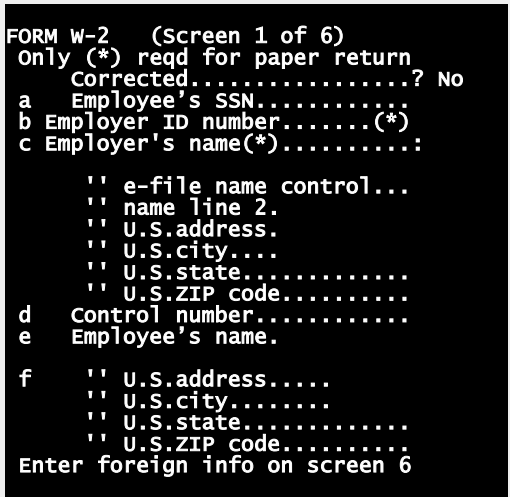


Figure 2-3a. W-2 Worksheet, Screen 1

Web for Updates” website (accessible from the *Tax Preparer Control Panel*).

...**name line 2**. Use this line for in care of addresses or a continuation of the employer’s name, in 25 characters or less. *e-file TIP: This line is no longer allowed by the IRS to contain an address continuation as it was in prior years.*

Foreign addresses are entered on screen 6. The IRS has devised specific formats for entering foreign addresses for employers and employees for an e-file return. You cannot use the same data entry lines as you would for U.S. addresses. Entries for foreign addresses for the employer and/or the employee are supplied on screen 6 of the W-2 Worksheet, not here.

...**U.S. address**. Enter the street address in 25 characters or less. *If you choose to enter the employer’s foreign address instead, leave this and the following 3 entries blank and enter the foreign address on screen 6 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if the employer has addresses in both locations, or else the e-file return will be rejected.*

...**U.S. city**. Enter the city in 22 characters or less.

...**U.S. state**. Enter the standard 2-letter state code.

...**U.S. ZIP code**. Enter the ZIP code in the standard 5-digit (xxxxx) or 9-digit (xxxxx-xxxx) format.

d Control number. This entry may be used by the employer for any purpose.

e Employee’s name. Enter name in 30 characters or less. *If initially blank, this entry is taken from the name entries for the proper spouse on Form 1040, but you can change the entry thereafter.*

f Employee’s address. For all of the following entries, *if initially blank, the entries are initially taken from the corresponding entries on Form 1040, but you can change them thereafter.*

...**U.S. address**. Enter address in 25 characters or less. *If the Form W-2 shows a foreign address instead of a U.S. Address, leave this and the following 3 entries blank and enter the foreign address on screen 6 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if you have homes in both locations, or else the e-file return will be rejected.*

...**U.S. city**. Enter the city in 22 characters or less.

...**U. S. state**. Enter the standard 2-letter state code.

...**U.S. ZIP code**. Enter the ZIP code in the standard 5-digit (xxxxx) or 9-digit (xxxxx-xxxx) format.

Screen 2 of 6:

1 Wages, tips, etc. (*). Enter wages, tips, and other compensation shown in box 1. The amount in box 1 may include much more than you expect because the employer must include noncash benefits that the IRS classifies as wages. It also may include a pension or an annuity from a nonqualified deferred compensation plan, or wages

received while incarcerated, both of which you must include here as well even though they are excluded from the total for line 1a of Form 1040 and reported on lines 8t and 8u of Schedule 1 instead.

Box 3 and 5 same as box 1 (*)? For a data entry short-cut, answer Yes here if boxes 3 and 5 show the same amount as box 1, except for the \$160,200 limit on box 3 for tax year 2023. A Yes answer will cause the box 3 entry to be the lesser of box 1 or \$160,200 and will cause the box 5 entry to equal box 1.

Prison inmate income in box 1 (*)? If box 1 includes any amount paid to a prison inmate for work, enter the amount here. This amount is excluded from line 1a of Form 1040 and posted to line 8u of Schedule 1 instead. Nevertheless, it is still included in earned income when computing such benefits as the Earned Income Credit.

FORM W-2 (Screen 2 of 6)		
1	Wages, tips, etc.....(*)	0
	Box 3 & 5 same as 1..(*)? No	
	Prison inmate inc in 1..(*)	0
2	Fed tax withheld.....(*)	0
3	Soc security wages.....(*)	0
	Clergy soc sec NOT in 3..(*)	0
4	Soc sec tax w/h.....(*)	0
	Soc.sec.tax w/h allowed	0
	Excess DUE FROM EMPLOYER	0
5	Medicare wage&tips.....(*)	0
6	Medicare tax w/h.....(*)	0
	Medicare tax w/h allowed	0
	Excess DUE FROM EMPLOYER	0
7	Soc security tips.....(*)	0
8	Allocated tips.....(*)	0
	Adjust to 8 for 1040..(*)	0
9	Reserved.....	
10	Dependent care benif.....(*)	0
	Part NOT included in 1..	0

Figure 2-3b. W-2 Worksheet. Screen 2

2 Federal tax withheld (*). Enter total federal withholding of income tax shown in box 2.

3 Social security wages (*). Enter wages shown in box 3, which is the amount of wages (but not tips) subject to the social security tax. The amount shown on W-2 should already include SEP contributions and elective deferrals, even though they are not included as wages in box 1. These deferrals should be no more than \$22,500 for most taxpayers for 2023. *Note that the RRTA compensation that is subject to social security tax is generally shown in box 14, not here.* (This entry is automatic if you answered Yes to the question below box 1: "Box 3 & 5 same as 1", and is limited to \$160,200 for 2023.)

Clergy social security wages NOT reflected in box 3 (*). For clergy, if the employer is exempt from deducting social security tax yet the employee is still liable for the tax, enter the amount here. This amount will be used in the computation of Schedule SE to help perform the special computations for clergy.

4 Social security tax withheld (*). Enter the withholding shown in box 4, which is the social security tax withheld from wages by the employer in your behalf. *Note that the social security withholding on RRTA compensation is generally shown in box 14, not here.*

Social security tax withholding allowed. *(auto-calc)* Computed as the sum of lines 3 and 7, but no more than \$160,200 for 2023, times 6.2%. This result can never be greater than \$9,932.40 for 2023. This is the most the employer should have deducted for the reported wages and tips. This maximum does not include the amounts allowed for RRTA, railroad retirement, taxes, which are handled at box 14 instead.

Excess DUE FROM EMPLOYER. *(auto-calc)* If the social security tax withheld exceeds the above allowed amount, the excess is shown here. This amount reflects an employer's error in completed Form W-2. *You must collect this excess from the employer, not the IRS.* You can collect from the IRS only the overwithholding that resulted from having more than one employer, which the software automatically shows on line 11 of Schedule 3, not any amount appearing here due to an employer's error.

5 Medicare wages, tips, etc. (*). Enter the wages, et al, shown in box 5. (This entry is automatic if you answered Yes to the question below box 1, as noted above.)

6 Medicare tax withheld (*). Enter the withholding shown in box 6, which is the Medicare tax withheld from your wages by the employer in your behalf. This amount should include both the traditional 1.45% tax of wages *plus an additional 0.9% of the amount by which wages exceed \$200,000.*

Medicare tax withholding allowed. *(auto-calc)* Computed as 1.45% of the sum of line 1 and the code D, E, F, G, and S deferrals in box 12 plus 0.9% of the amount by which the same sum exceeds \$200,000. This is the most the employer should have deducted for the reported wages and tips. (This maximum does not include the amounts allowed for RRTA taxes, which are handled at box 14 instead.)

Excess DUE FROM EMPLOYER. *(auto-calc)* If the Medicare tax withheld exceeds the above allowed amount, the excess is shown here. If you see an amount here, then the employer overwithheld and *you must collect the excess from the employer, not the IRS.* (This line does not reflect any amounts allowed for RRTA taxes, which are handled at box 14 instead.)

7 Social security tips (*). Enter the tips shown in box 7, which are tips reported to your employer that were subject to the social security or Medicare tax. Do not include amounts for allocated tips or unreported tips, because social security tax on those tips is reported separately through Form 4137 (which is built into Premium Level software only) in support of line 5 of Schedule 2.

8 Allocated tips (*). Enter tips shown in box 8, which are tips allocated by your employer rather than those reported by you to your employer. **CAUTION: If you have an amount for this line you must complete Form 4137** to determine the amount of social security and Medicare tax due on these tips, and report the result on line 5 of Schedule 2.

Adjustment to box 8 for 1040 (*). If the above amount does not accurately reflect the tips you received but did not report to your employer (unreported tips), enter an adjustment here (plus or minus) so that the sum of the two amounts matches your unreported tips. You must include the value of *noncash tips*, such as tickets, passes, etc.

CAUTION for allocated tips: If you have any allocated tips for box 8, or an adjustment to it, you must complete and file Form 4137 (included in Premium Level software only) and include this total on that form along with other tip income; the result on line 4 of that form should match this total. These allocated tips are automatically included in taxable income by means of line 1c of Form 1040, which is taken from your entries for box 8 and its adjustment. However, social security and Medicare taxes on this tip income must be figured on Form 4137. **TIP:** Note that tips that you did report to your employer are already included in boxes 1, 3, and 5 of your Form W-2, so they are included in line 1a of Form 1040 and social security and Medicare taxes have already been deducted from them.

9 Reserved. The IRS has blocked box 9 of Form W-2 because it is no longer used. It was formerly used for a validation code that was required for e-file.

10 Dependent care benefits (*). Enter employer-paid dependent care benefits shown in box 10. Up to \$5,000 of this amount is not counted as wages because it covers deductible expenses for child care.

Part NOT included in line 1. (auto-calc) Computed as the lesser of the preceding amount and \$5,000, this is the amount not considered as taxable wages. This amount automatically flows to Form 2441 for use in computing the credit for child and dependent care.

Screen 3 of 6:

11 Nonqualified plans (*). Enter the total shown in box 11 of W-2, which includes deferrals from nonqualified plans that are taxable as income in 2023, and therefore reflected in box 1, and deferrals that became taxable in 2023 for the social security and medicare taxes, and therefore reflected in boxes 3 and 5.

Amount NOT included in box 1 (*). Enter part of box 11 that is not reflected in box 1 because it is reflected in boxes 3 and 5 instead.

Amount included in box 1. (auto-calc) This amount is used to reduce the amount of wages used in computing IRA limitations. It is also excluded from line 1a of Form 1040 and posted to line 8t of Schedule 1 instead. Nevertheless, it is still included in earned income when computing such benefits as the Earned Income Credit.

12a through 12d, Code (+year if USERRA) and amount. These four pair of lines are *for e-file reporting only* and are not directly used in any computations.

They are used by the IRS for cross-checking with the W-2s they receive from the employer. The code is a 1-letter or 2-letter code from A through H, J through N, P through T, V, W, Y, Z, AA, BB, CC, and DD only, each

FORM W-2 (Screen 3 of 6)	
11 Nonqualified plans.....(*)	0
Amt NOT included in 1(*)	0
Amount included in box 1	0
12a Code(+year if USERRA):CCYY	
12a \$ amount.....	0
12b Code(+year if USERRA):CCYY	
12b \$ amount.....	0
12c Code(+year if USERRA):CCYY	
12c \$ amount.....	0
12d Code(+year if USERRA):CCYY	
12d \$ amount.....	0
CodeD,E,F,G,Sdeferrals in12(*)	0
13 Statutory employee.....? No	
If Yes, reporting on C(*)? No	
Retirement plan.....? No	
Third-party sick pay.....? No	

Figure 2-3c. W-2 Worksheet, Screen 3

of which represent an IRS-defined item. For prior-year USERRA contributions (which are makeup amounts for an employee returning after military service), you must also enter the last 2 digits of the year (which is the year to which the makeup contributions apply). **CAUTION:** *The year entry must be the 3rd and 4th characters of the entry. For example, if the code is H and the year is 2022, you must enter H 22, not H22.*

Code D,E,F,G, & S deferrals in 12 (*). Enter the part of amounts in 12a through 12d that represents salary deferrals identified by the cited codes. *This amount is excluded from box 1 but is generally included in boxes 3 and 5.* Up to \$22,500 could be deferred for 2023 (\$25,500 if you qualify for the 15-year rule in IRS Pub. 571, which requires that you have at least 15 years of service with a public school, hospital, welfare agency, church, etc., but \$7,000 lower if a SIMPLE plan). *Your entry here is included as wages when determining allowed withholding for the RRTA equivalent of social security and Medicare taxes.* CAUTION: You must enter the cited deferrals yourself; they are not automatically transferred from any amounts you entered in lines 12a through 12d above. Furthermore, neither your entry here nor your entries on lines 12a through 12d are used elsewhere in the return.

13 Statutory employee? Answer Yes if the box for statutory employee is checked on the W-2, whether or not you choose to report income on Schedule C.

If Yes, reporting on C (*)? If the preceding box is checked, you have the option of reporting the income shown on this form on Schedule C rather than line 1a of Form 1040, so that you can deduct expens-

es directly against income rather than through Schedule A (which has many limitations). *CAUTION: When you answer YES here, the income is automatically excluded from line 1a of Form 1040, so you MUST report it on Schedule C for a valid return,* yet credit for social security payments are ensured so that you are not liable for the self-employment tax on this income.

Retirement plan? Answer Yes if the box for retirement plan is checked on the W-2 received from the employer.

Third-party sick pay? Answer Yes if the box for third-party sick pay is checked on the W-2 received from the employer.

Screen 4 of 6:

14a through 14c, Type and amount. *Except for California* (which is explained at the end of this paragraph), these three pairs of lines are not directly used in any computations in the return. They are solely intended for cross-checking by the IRS with the W-2s they receive from the employer. No amounts in box 14 are required by the IRS to be reported.

FORM W-2 (Screen 4 of 6)	
14a Other deduc/ben. -- type:	
amount:	
14b other deduc/ben. -- type:	
amount:	
14c Other deduc/ben. -- type:	
amount:	
14 From amts in 14a,b,c:	
RRTA Tier1 soc.sec. tax (*)	0
Soc.sec.tax w/h allowed	0
Excess DUE FROM EMPLOYER	0
RRTA Tier1 Medicare tax (*)	0
Medicare tax w/h allowed	0
Excess DUE FROM EMPLOYER	0
State/local taxes in 14.(*)	0

Figure 2-3d. W-2 Worksheet, Screen 4

The are amounts the employer wants you to know or is required to report because of some local law. ***IMPORTANT EXCEPTION FOR CALIFORNIA:*** *If you plan to translate this federal return into a California Form 540 return using our California Supplement software, you must use line 14a ONLY for reporting the state disability insurance (SDI) (and related amounts). It will be translated from this federal return to the California return and automatically placed on an SDI line of our W-2 Worksheets for Form 540. The amount will be used in calculations for excess SDI. Other acronyms classified as SDI for the purposes of this line include CASDI, VD, VP, VPDI, and VI, any of which can be entered here as the "Type."*

14 From amounts in 14a, b, c. *The following lines ARE used in calculations for the return,* and are amounts generally reported to you in box 14 of the W-2. CAUTION: You must enter all amounts below yourself; they are not automatically transferred from any amounts you entered in lines 14a through 14c above.

RRTA Tier 1 social security tax withheld (*). Enter the amount reported to you as the social security tax part of the Tier 1 withholding. This

is generally 6.2% of wages plus deferrals up to \$160,200 for 2023.

Social security tax withholding allowed (*). *(auto-calc)* Computed as the sum of wages on line 1 and the code D, E, F, G, and S deferrals in line 12, but no more than \$160,200 (for 2023) times 6.2% (which is \$9,932.40). *(If you entered an amount in line 3 or line 7, the software concludes that no RRTA applies here, so no amount is allowed here.)*

Excess DUE FROM EMPLOYER. *(auto-calc)* Like the regular social security tax, overwithholding for the RRTA social security equivalent tax must be collected from the employer, not the IRS. You can collect from the IRS only the overwithholding that resulted from having more than one employer, which the software automatically shows on line 11 of Schedule 3, not any amount appearing here due to an employer's error.

RRTA Tier 1 Medicare tax withheld (*). Enter the amount reported to you as the Medicare tax part of the Tier 1 withholding. Be sure to include the *Additional Medicare Tax*, even though it may be stated separately from the regular Medicare tax.

Medicare tax withholding allowed. *(auto-calc)* Computed as 1.45% of the sum of line 1 and the code D, E, F, G, and S deferrals in line 12 plus 0.9% of the amount by which the same sum exceeds \$200,000. This is the most the employer should have deducted for the reported wages and deferrals. *(If you entered an amount in line 5, the software concludes that no RRTA applies here, so no amount is allowed here.)*

Excess DUE FROM EMPLOYER. *(auto-calc)* Like the regular Medicare tax, overwithholding for the RRTA Medicare-equivalent tax must be collected from the employer, not the IRS.

State and local tax in box 14 (*). Non-federal taxes shown in box 14 should be entered here. For a California job this could include withholding for state disability insurance (SDI). This entry will be reflected in itemized deductions on Schedule A.

Screen 5 of 6:

15 State (*). Enter the employer's 2-letter state code.

Employer state ID number (*). Enter the employer's state ID number shown in box 15, in the state's standard format.

2nd state. As above if for another state.

Employer IDN for 2nd state. As above if for another state.

16 State wages, tips, etc. Usually the same as box 1, enter the wages that apply to the first state.

2nd State wages, tips, etc. As above if for another state.

17 State income tax (*). Enter regular state income tax withholding shown in box 17 here.

2nd State income tax withheld. As above if for another state.

18 Local wages, tips, etc. An amount would appear here only if subject to a local income tax.

2nd Local wages, tips, etc. As above if for another locality.

19 Local income tax (*). Enter here any local tax withheld from wages as shown in box 19.

2nd Local income tax withheld. As above if for another locality.

20 Locality. Identify the locality for the first entry in lines 18 and 19.

2nd Locality. Identify the locality for the 2nd entry in lines 18 and 19.

State and local tax in boxes 14, 17, and 19.

(auto-calc)

Computed as the sum of the total in boxes 17, 19, and the state/local tax part of box 14.

FORM W-2 (Screen 5 of 6)		
15	State.....(*)	
	Employer state IDN.....(*)	
	2nd state.....	
	Employer IDN for 2nd state.	
16	State wages, tips, etc. ...	0
	2nd State wages, tips, etc.	0
17	State income tax.....(*)	0
	2nd State income tax whld.	0
18	Local wages, tips, etc. ...	0
	2nd Local wages, tips, etc.	0
19	Local income tax.....(*)	0
	2nd Local income tax whld.	0
20	Locality.....	0
	2nd Locality.....	0
	State/local tax in 14,17,19	0
	Soc sec & equiv Tier 1 tax.	0
	Soc sec & equiv Tier 1 wage	0
	Medicare & equiv Tier 1 tax	0

Figure 2-3e. W-2 Worksheet, Screen 5

Social security & equivalent Tier 1 tax. (auto-calc) Computed as the sum of properly withheld amounts for social security tax and the Tier 1 equivalent. This amount flows through to Form 1040 for use in computing excess withholding at line 11 of Schedule 3.

Social security & equivalent Tier 1 wage. (auto-calc) Computed as the sum of wages used in figuring the allowed social security tax. This amount flows through to Schedule SE for reducing self-employment wages by amounts already withheld for social security.

Medicare & equivalent Tier 1 tax. (auto-calc) Computed as the sum of properly withheld amounts for Medicare tax and the Tier 1 equivalent. This amount is used in Schedule 8812 in determining the available additional child tax credit in Part III of the schedule.

Screen 6 of 6:

Foreign addresses. The last screen is used to enter a foreign address for the employer and/or employee when a U.S. address was not entered on screen 1. Do not enter both foreign and U.S. addresses for the same employer or employee, even when both apply, or else your e-file return will be rejected by the IRS.

Employer's foreign address:

...foreign address. Enter foreign address in 30 characters or less.

...foreign city. Enter foreign city in 30 characters or less.

- ...foreign province or state. Enter the foreign province or state in 15 characters or less.
- ...foreign country code. Enter 2-letter country code. See Table 2-6 (on page 2-27) for Official Country Codes.
- ...foreign postal code. Enter a foreign postal code up to 15 characters in length.

Employee's foreign address:

- ...foreign address. Enter foreign address in 30 characters or less.
- ...foreign city. Enter foreign city in 30 characters or less.
- ...foreign province or state. Enter the foreign province or state in 15 characters or less.
- ...foreign country code. Enter 2-letter country code. See Table 2-6 (on page 2-27) for Official Country Codes.



Figure 2-3f. W-2 Worksheet, Screen 6

- ...foreign postal code. Enter a foreign postal code up to 15 characters in length.

Source (S=Standard, N=Non-Standard). This entry is required for e-file only, and is normally S. Enter N only if the W-2 is altered, typed, or handwritten rather than computer-generated.

When you escape from the worksheets the totals are posted to the line you itemized to access them and the lines that follow this line. These worksheets are NOT printed as a part of the official return because the IRS requires you to file *bona fide* copies of W-2s with a paper return. However, they ARE included in e-file output (in lieu of the paper copies of Forms W-2 that are attached to a paper return). *TIP: Graphic Form W-2 printouts are available for Standard and Premium Level software provided you complete our e-file form (form 90 on the Forms Menu) and have not chosen to omit the W-2 from printouts (on screen 5 of the e-file form). Just choose an official printout of our e-file form from the Forms Menu for printing. (You need not e-file the return).* If you use Economy Level software, you only have two options for printing the W-2 Worksheets: using the Quick Print key while viewing a worksheet, or as a part of a printout of "PERSONAL & Other Support" (described in Chapter 4 of the separate *User's Guide*).

Total income for line 1z. In addition to the amounts from the W-2 Worksheets, which are reflected on lines 1a and 1c, below, some other income you receive may be classified as wages even though they are not reflected in box 1 or 8 of the Forms W-2 you received. That income is entered on lines 1b through 1h on screen 6 of Form 1040. They include excess reimbursements from an employer for business expenses, child care expenses, adoption expenses, and moving expenses, as well as any taxable scholarships and wages as a household employee for which you did not receive a Form W-2.

1a Total amount from Form(s) W-2, box 1. *(auto-calc)* Computed as the sum of amounts you entered on line 1 (*Wages, tips, etc.*) of all W-2 Worksheets for you and spouse combined, *excluding any amounts for prison inmate income included in box 1 of Form(s) W-2 and any nonqualified deferred income in box 11 of Form(s) W-2, which is also not included in box 1. The excluded amounts are posted to Schedule 1, lines 8u and 8t, respectively.* (Amounts from the spouse's W-2 Worksheets are excluded from this total if the filing status is *not* married filing jointly.)

1b Household employee wages not reported on Form(s) W-2. Enter here wages received as a household employee *for which you did not receive a Form W-2.* The employer is not required to send you a Form W-2 if total wages from that employer is less than \$2,600 for 2023. *Include spouse's non-W2 household employee wages if married filing jointly.*

SPOUSE part of the above. Enter here *only* the spouse's part of the preceding entry.

1c Tip income not reported on line 1a. *(auto-calc)* Computed as the sum of line 8 (Allocated tips) and the adjustment that follows it for all W-2 Worksheets combined, this is tip income not reported to your employer and therefore not reflected in box 1 of Form W-2. If you have an amount for this line, you must also complete and file Form 4137 (built into our Premium Level software) to figure the amount of social security and Medicare tax you owe on these tips. ***CAUTION:*** *The employer is not required to send you a Form W-2 if total wages from that employer is less than \$2,600 for 2023, so you cannot always rely on Form(s) W-2. If that case applies to you, you can either override this line to enter the proper amount or report the amount in an itemized list for line 1h.*

SPOUSE part of the above. *(auto-calc)* Computed as the sum of line 8 (Allocated tips) and the adjustment that follows it for all W-2 Worksheets combined *for spouse alone.*

1d Medicaid waiver payments not reported on Form(s) W-2. Enter here any taxable Medicaid waiver payments not reported to you on Form(s) W-2. ***TIP:*** *You can also include nontaxable Medicaid waiver payments not reported to you on a Form W-2 or not included in box 1 of a Form W-2 you receive if you want to include them in earned income to maximum tax benefits such as the Earned Income Credit.*

You can then remove those nontaxable payments from taxable income by entering them on line 8s of Schedule 1 (along with any nontaxable Medicaid waiver payments that were included in box 1 of a Form W-2 included in line 1a of Form 1040). Include spouse's amount if married filing jointly.

SPOUSE part of the above. Enter here *only* the spouse's part of the preceding entry.

1e Taxable dependent care benefits from Form 2441, line 26. (*Road Map line, supported by Form 2441.*) Employer payments for child and dependent care that exceed actual expenses or the maximum amount eligible for the child care credit are posted here from Form 2441. The total for both spouses appears here for a joint return. *TIP: Be sure to report the amount in box 10 of your Forms W-2 in the W-2 Worksheets. This amount will then flow to Form 2441, and only the excess taxable amount will be posted here for inclusion in income.*

SPOUSE part of the above. (*Road Map line, supported by Form 2441.*) The part of the preceding line attributable to payments from the spouse's employer appears here.

1f Employer-provided adoption benefits from Form 8839, line 29. (*If Premium Level, Road Map line supported by Form 8839.*) Depending on your income, some of any employer-provided adoption assistance may be taxable. The taxable amount is figured on Form 8839 (*Qualified Adoption Expenses*). The result on line 27 of Form 8839 is reported here.

SPOUSE part of the above. (*Road Map line, supported by Form 8839.*) The part of the preceding line attributable to assistance from the spouse's employer appears here.

1g Wages from Form 8919, Line 6. Enter here any other wages for which you *did not* receive a Form W-2. These are wages that you earned as an employee but were not reported on a Form W-2 from the employer. This includes wages reported to you on a Form 1099-MISC instead of Form W-2 for which social security and Medicare taxes were not deducted from income nor paid by the employer. If you have an entry for this line, you must complete and file Form 8919 (*Uncollected Social Security and Medicare Tax on Wages, not included in the software*). Include spouse's amounts if married filing jointly.

SPOUSE part of the above. Enter here *only* the spouse's part of the preceding entry.

Excess reimbursed on Form 2106. (*Road Map line, supported by Form 2106.*) Employer reimbursements that exceed actual expenses are posted here from Form 2106. You must complete a separate Form 2106 for each separate employer of each spouse. Five copies of Form 2106 are available, all of which are accessible here. The total for both spouses appears here for a joint return. *TIP: Even though the deduction for employee business expenses is no longer available*

for most employees, all employees who receive any reimbursement not included in box 1 of Form W-2 must still complete Form 2106 to figure any excess reimbursements.

SPOUSE part of the above. (Road Map line, supported by Form 2106.) The part of the preceding line from the spouse's Form(s) 2106 appears here.

Excess reimbursed on Form 3903. (Road Map line, supported by Form 3903.) If an employer reimbursed you for more than your actual moving costs, and did not include it in box 1 of the W-2 for the job, the excess figured on Form 3903 appears here to be taxed like any other wages. The total for both spouses appears here for a joint return. TIP: Even though the deduction for moving expenses is now only available for certain members of the armed forces, all employees who receive any reimbursement for moving expenses that is not included in box 1 of Form W-2 must still complete Form 3903 to figure any excess reimbursements.

SPOUSE part of the above. (Road Map line, supported by Form 3903.) The part of the preceding line attributable to payments from the spouse's employer appears here.

1h Other earned income (itemize). You must itemize any amounts not included in lines 1a through 1i that are also earned income, with a few exceptions. For example, you must include any excess elective deferrals or employer contributions to retirement plans that exceed the allowed limit, which is generally \$22,500 for 2023, but can be \$3,000 higher for employees with at least 15 years of service to a public school, hospital, welfare agency, church, etc., or \$7,000 lower for those who have only SIMPLE plans. You must also include earned income that, although not shown on a Form W-2, is associated with the job and not reported elsewhere on the return, including the value of certain living benefits, strike or lockout benefits, disability pensions received before your minimum retirement age, and corrective distributions. See the IRS 2023 Form 1040 Instructions. TIP: Do NOT include taxable scholarship and fellowship grants that were not reported to you on a Form W-2. Instead, you must now enter those amounts on line 8r of Schedule 1. Similarly, do NOT include any amounts intentionally omitted from line 1a of Form 1040 for prison inmate income and nonqualified deferred income, which are posted to Schedule 1, lines 8u and 8t, respectively, instead.

1i Nontaxable combat pay election. (auto-calc) If you elected on our on-screen Schedule EIC to include nontaxable combat pay in earned income for the purposes of the Earned Income Credit, that amount appears here. Otherwise, the amount appearing here is zero. This amount is *NOT* included in the total for line 1z. TIP: You must enter "nontaxable combat pay" in our on-screen section ("CERTAIN NON-TAXABLE INCOME") that follows line 10 of Schedule 1. Even if it is

not used in the computation of EIC, it is used elsewhere in the return. Your entry appears here only if you elected to include it in earned income when computing the EIC.

- 1z Add lines 1a through 1h.** *(auto-calc)* Computed as the sum of all taxable income reported on lines 1a through 1h. This total is included in earned income for the purposes of various tax benefits. (Spouse parts are excluded from this total if not married filing jointly.)

OTHER INCOME. All taxable income other than wage-related income at line 1z is reported in lines 2b through 7 of Form 1040 and lines 1 through 10 of Schedule 1. Most lines are supported by another IRS form or schedule or a special worksheet. You are required to report all income you receive. You should take special care to report all income reported to you on various forms of Form W-2, Form 1099, and Schedule K-1, because copies are sent by the payers to the IRS. *See Tables 1-1 and 1-2 at the beginning of this chapter for guidelines.*

2a through 3b, Interest and dividends. You MUST prepare a Schedule B if you have taxable interest or taxable dividends of more than \$1,500, or you have any capital gains distributions or excludable series EE savings bond interest to report. If you don't need to prepare a Schedule B, however, you can enter the numbers directly on the following four lines (unless you use the Pre-Format or True Batch method of data entry).

- 2a TAX-EXEMPT interest income.** *(Road Map line, supported by Schedule B.)* With few exceptions, all tax-exempt interest is reported here, even though it is not taxed. If you don't prepare a Schedule B, enter tax-exempt interest here directly; otherwise *the tax-exempt interest shown below line 4 of the on-screen Schedule B will be posted here and will override any entry you make here.* You should include all interest from municipal bonds and exempt-interest dividends from a mutual fund or other regulated investment company, but do NOT include other nontaxable dividends nor interest earned on your IRA. *(Excluded interest from series EE savings bonds appears in the section "Certain Nontaxable Income" following line 10 of our on-screen Schedule 1, not here.)*

- 2b TAXABLE interest income (Schedule B).** *(Road Map line, supported by Schedule B.)* If you don't prepare a Schedule B, you can enter interest here directly; otherwise *line 4 of Schedule B will be posted here and will override any entry you make here.* (Schedule B includes Form 1099-INT Worksheets for you to complete based on the Forms 1099-INT received.)

- 3a Qualified dividends.** *(Road Map line, supported by Schedule B.)* If you don't prepare a Schedule B or Form 8814, enter here ordinary dividends that qualify to be taxed at capital gains tax rates; otherwise *the qualified dividends shown below line 6 of the on-screen Schedule B or line 9 of Form 8814 will be posted here and will override any entry you make here.* This entry can be no more than

line 9a because it is the part of line 9a that qualifies for the capital gains tax.

- 3b Ordinary dividends (Schedule B).** (*Road Map line, supported by Schedule B.*) If you don't prepare Schedule B or Form 8814, enter all taxable dividends here directly (excluding capital gain distributions); otherwise *the amount shown on line 6 of Schedule B or line 9 of Form 8814 will be posted here and will override your entry.* (Schedule B and Form 8814 include Form 1099-DIV Worksheets for you to complete based on the Forms 1099-DIV received.)

Even if you aren't required to file Schedule B, we recommend completing it to ensure the full automation of the return because our on-screen Schedule B includes amounts on Forms 1099-INT and 1099-DIV that are not a part of the official Schedule B but are required by other forms, such as Schedules A and D, Form 6251, and forms that depend on a modified AGI in their calculations. (Schedule B is not printed with the return when lines 1 and 5 of Schedule B are both zero and lines 7a and 8 are both No, but must be retained in the on-screen return for the mentioned automation.)

Modification of lines 3a and 3b by Form 8814. If you file Form 8814 to report your childrens' interest and dividends on your own return and those dividends include any qualified dividends, *the amounts on lines 3a and 3b both reflect a fraction of those dividends* in accordance with IRS Pub. 929. When this is the case Schedule B is automatically created upon the final recalculation of the return and you *must* use Schedule B to report any *other* dividends. See our instructions for Form 8814 for details.

4a through 5b, IRA distributions, rollovers, pensions, and annuities. All but two of the following lines are supported by the *1099-R Worksheets*, even though only line 5a displays a "w" or "i" on the screen to so indicate. Which-ever line you itemize, the same set of worksheets is accessed. Your answers to the questions that follow line 7 on the worksheets control which of these lines each worksheet supports. You must complete a separate worksheet page for each separate Form 1099-R that you receive.

- 4a IRA distributions.** (*Supported by the 1099-R Worksheet, Figures 2-4a through 2-4d.*) The total of gross IRA distributions from all worksheets, detailed later, appears here.

Spouse's part of above. (*Supported by the 1099-R Worksheet.*) The total of gross IRA distributions from spouse worksheets alone appears here. (Your and spouse's distributions are separated so that Form 8606 can be properly automated.)

- 4b Taxable amount.** (*Road Map line, supported by Form 8606.*) The taxable part of line 4a appears here, initially from the worksheets but overridden by Form 8606, if any. Form 8606 is automatically created under a wide variety of conditions, as detailed in our instructions for Form 8606. Before a Form 8606 exists for you, this line is taken from the taxable IRA distributions on all 1099-R Worksheets.

Once a Form 8606 exists, however, the taxable amounts computed on Form 8606 are used here in place of the worksheet amount for the corresponding spouse. **CAUTION: If conversions are involved, be sure to identify them on Form 8606 so that you are not improperly taxed or unduly penalized.** If under age 59-1/2, also see our instructions for Form 5329 to ensure that no penalty is assessed. (Even if you are not required to file a Form 1040, you must still file a Form 8606 if during the tax year you made any nondeductible contributions to an IRA, you received distributions and made any nondeductible contributions to any IRA in the past, you converted a traditional IRA to a Roth IRA, received any Roth distributions or recharacterized any Roth contributions.)

Spouse's part of above. (*Road Map line, supported by Form 8606.*)

Before a Form 8606 exists for spouse, this line is taken from the taxable IRA distributions on spouse's 1099-R Worksheets. Once a Form 8606 exists for spouse, however, the taxable amounts computed on Form 8606 override any spouse amount from the worksheets.

5a Pensions and annuities. (*Supported by the 1099-R Worksheet, Figures 2-4a through 2-4d.*) The sum of total pensions and annuities from all worksheets appears here.

Spouse's part of above. (*Supported by the 1099-R Worksheet.*) The sum of total pensions and annuities from all worksheets for spouse appears here.

5b Taxable amount. (*Supported by the 1099-R Worksheet.*) The taxable part of line 5a appears here based on the sum of taxable pensions and annuities from all worksheets combined.

Spouse's part of above. (*Supported by the 1099-R Worksheet.*) The sum of taxable pensions and annuities from all worksheets for spouse appears here.

In addition to the visible lines above, the federal and state taxes withheld are separately summed from all the worksheets. The totals for federal tax withheld are then used in line 25b of Form 1040, and the totals for state tax withheld is used in line 5 of Schedule A. **TIP: Line 4a may be blank on the official printout of Form 1040 even though line 4b is not,** in order to conform with a strange IRS requirement to do so if the IRA is fully taxable. Similarly, **line 5a may be blank on the official printout of Form 1040 even though line 5b is not.** **CAUTION:** If you had any loans against your pension or annuity, see IRS Pub. 575 (*Pension and Annuity Income*) for information on additional taxes you may owe.

1099-R Worksheet, Figures 2-4a through 2-4d. These worksheets support lines 4a through 5b of Form 1040. Most information for the worksheets is available from the identified boxes on Form 1099-R. However, the box for taxable amount may be blank or wrong, as noted below. **Only lines marked with an asterisk (*) are required entries for a paper return.** All other entries are required for e-file returns only, and should match the amounts shown on the 1099-Rs

received. The 1099-R Worksheet is displayed on 4 separate screens in order to accommodate all the entries required for e-file. Use the PageDown key to view successive screens (and the PageUp key to go back). *TIP: Be sure to report amounts reported to you on a Form RRB-1099-R as amounts from a qualified employee plan for lines 5a and 5b. However, report amounts reported to you on a Form RRB-1099 as social security benefits for line 6a of Form 1040. See IRS Pub. 575 for details.*

Screen 1 of 4:

If SPOUSE'S, check here. You must answer Yes if this worksheet is completed for spouse, so that the distributions for you and spouse are separately identified as required for the proper automation of Forms 5329 and 8606.

Corrected form? If corrected from a previously submitted Form

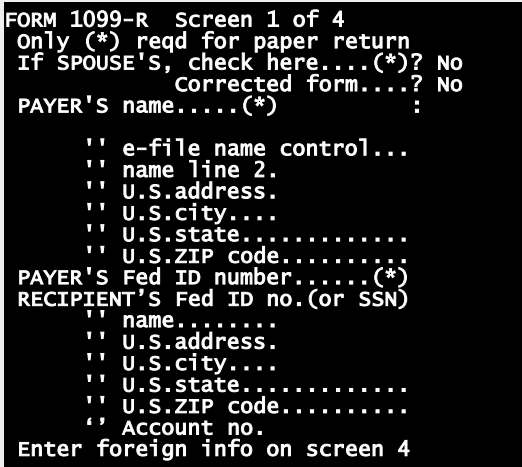


Figure 2-4a. 1099-R Worksheet, Screen 1

1099-R, the checkbox labeled "Corrected" at the top of the form should be checked. If so, answer Yes here.

PAYER'S name. Enter the payer's name in 30 characters or less. The remaining items in the PAYER'S box of Form 1099-R are required only for an e-filed return:

- ...**e-file name control.** For an e-file return, *you MUST enter a 4-character name control here.* This is usually the first 4 characters of the preceding name, but there are special rules for certain types of business names. If you have any doubts, see our 5-page document *Instructions for Entry of Name Controls for Businesses*, which is available online on the E-FILE ALERTS page of our "Check for Updates" website (accessible from the *Tax Preparer Control Panel*).

- ...**name line 2.** Use this line for in care of addresses or a continuation of the payer's name, in 25 characters or less. *e-file TIP: This line is no longer allowed by the IRS to contain an address continuation as it was in prior years.*

Foreign addresses are entered on screen 4. The IRS has devised specific formats for entering foreign addresses for payers and recipients for an e-file return. You cannot use the same data entry lines as you would for U.S. ad-

dresses. Entries for foreign addresses for the payer and/or recipient are supplied on screen 4 of the 1099-R Worksheet.

...U.S. address. Enter address in 25 characters or less. *If you choose to enter the payer's foreign address instead, leave this and the following 3 entries blank and enter the foreign address on screen 4 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if the payer has addresses in both locations, or else the e-file return will be rejected.*

...U.S. city. Enter city in 22 characters or less.

...U.S. state. Enter 2-letter state code.

...U.S. ZIP code. Enter ZIP code in the standard 5-digit (xxxxx) or 9-digit (xxxx-xxxx) format.

PAYER'S Federal ID number. Enter payer's federal identification number in the standard XX-XXXXXXX format for EIN or xxx-xx-xxxx for SSN. (The IRS labels the box on Form 1099-R as "PAYER'S TIN" to encompass all types of payers.)

RECIPIENT'S Federal ID number (or SSN). Enter the recipient's SSN or ITIN in the standard xxx-xx-xxxx format. This entry and the remainder of the RECIPIENT'S box of Form 1099-R are required only for an e-file return: (The IRS labels the box on Form 1099-R as "RECIPIENT'S TIN" to encompass all types of recipients, but recipients who are individuals are always identified by SSN or ITIN, both of which use the xxx-xx-xxxx format.)

...name. Enter name in 25 characters or less.

...U.S. address. Enter address in 25 characters or less. *If you choose to enter the payer's foreign address instead, leave this and the following 3 entries blank and enter the foreign address on screen 4 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if the payer has addresses in both locations, or else the e-file return will be rejected.*

...U.S. city. Enter city in 22 characters or less.

...U.S. state. Enter 2-letter state code.

...U.S. ZIP code. Enter ZIP code in the standard 5-digit (xxxxx) or 9-digit (xxxx-xxxx) format.

...Account number. Enter the recipient's account number from which the distribution was made, if one appears on the Form 1099-R received.

Screen 2 of 4:

1 Gross distribution. Enter the total distributions shown in box 1. This includes rollovers and premature distributions as well as regular distributions. However, *do NOT include any lump-sum distributions that you report on Form 4972 for special treatment under 5 or 10-year averaging (in Part III of Form 4972).* However, if you elect only Part II of Form 4972 (20% capital gain election for certain taxpayers born before 1936) but not Part III, you should complete this worksheet and identify the amount for Form 4972 below line 3. (To

qualify for special treatment on Form 4972 the taxpayer must meet certain age requirements and the distribution must be of a qualified type which excludes IRAs and any distributions with a partial rollover.)

Amount rolled over within 60 days. If the gross amount was immediately all rolled over into another qualified plan IRA, or will be rolled over within 60 days after receiving it, none of it is taxable. *You must identify the amount rolled over here so that it will be excluded from taxable income at line 4b or 5b of Form 1040.* If the distribution is from an IRA, the rollover will be reflected in Form 8606 as well for proper tax treatment of IRA contributions and distributions. Any amount you enter here will be flagged to the IRS in the official Form 1040 printout by the word ROLLOVER to the left of line 4a of Form 1040 for IRAs (or line 5a for pensions) so that the appearance

of reduced taxable amount on line 4b (or line 5b) is explained. *Special treatment for disaster area victims: If you received a disaster recovery assistance distribution and later repay some or all of it, the repayment is treated as a qualified rollover so that you are not*

FORM 1099-R Screen 2 of 4		
1	Gross distribution.....(*)	0
	Amt rolled ovr in 60days(*)	0
2a	Taxable amount.....(*)	0
2b	Taxable amt not determined.? No	
	Total distribution....? No	
3	Capital gain.....(*)	0
	Reporting box 3 on 4972 (*)? No	
4	Fed tax wthld.....(*)	0
5	Employee contribn, et al(*)	0
6	Net unrealized appreciat'n.	0
7	Distribution code.....	
	IRA/SEP/SIMPLE.....(*)? No	
	Roth(even if not above) (*)? No	
8	Other.....	0
	Your % of other.....	
9a	Your % of total distribtn	0
9b	Total employee contributns	0
10	Alloc.to IRR within 5 yrs.	0
11	1st yr.desig.Roth contrib.	0
	FATCA filing requirement..? No	

Figure 2-4b. 1099-R Worksheet, Screen 2

taxed on that amount. You must therefore include in this line any repayments of qualified disaster recovery assistance distributions so that they are treated properly on the return. (If an IRA, also see our details for Form 8606.)

2a Taxable amount. Enter the taxable part of the above distribution here. (Note that the amount you elect to report in Part II of Form 4972 will be excluded below line 3 of this worksheet, so you should enter the full taxable amount before the exclusion here.) This is generally the amount reported in box 2a of Form 1099-R, but *the taxable amount shown on Form 1099-R could be wrong*, and might even be zero if there was no attempt by the payer to determine the amount! It is YOUR responsibility to enter the correct amount here. If part of your IRA contribution for the year is not deductible (on line 20 of Schedule 1), part of the distri-

tribution may be nontaxable even though it is not a rollover. *Exception: If the distribution is from an IRA (identified by your entry for box 7, below), any amount you enter here will be ignored if you have a Form 8606 for this taxpayer. The taxable amount will be computed on Form 8606 and posted to line 4b of Form 1040 upon final recalculation of the return.* Instructions for computing the taxable amount appear in various IRS publications, and depend on the specifics of the payments. See:

IRS Pub. 525, Taxable and Nontaxable Income, for military disability pensions,

IRS Pub. 575, Pension and Annuity Income, for survivors under a joint and survivor's annuity,

IRS Pub. 590-A, Contributions to Individual Retirement Arrangements (IRAs) and *IRS Pub. 590-B, Distributions from Individual Retirement Arrangements (IRAs)*, for all types of IRAs, including the new ones,

IRS Pub. 721, Tax Guide to U.S. Civil Service Retirement Benefits, for annuities starting before July 2, 1986,

IRS Pub. 939, Pension General Rule (Nonsimplified Method), for annuities starting after July 1, 1986 that do not qualify for the Simplified General Rule, and

IRS 2023 instructions for Form 1040, line 5b, for lump-sum distributions and for annuities starting after 7/1/86 that do qualify for the Simplified General Rule.

2b Taxable amount not determined? A Yes answer means that the payer did not or could not determine the taxable amount for box 2a and therefore left box 2a blank. This and the next answer are used only for e-file output.

Total distribution? A Yes answer means that this distribution closed out your account.

3 Capital gain. This is the part of 2a that stems from capital gains. If the distribution is a lump-sum distribution and the pension owner was born before 1936, this amount could receive favorable tax treatment, as described next. (This box will be blank for IRAs because IRAs are not eligible for the special treatment.)

Reporting box 3 on Form 4972? If you qualify as described above, you may elect to report the amount on line 3 as a capital gain in part II of Form 4972, rather than including it in the taxable amount for line 5b of Form 1040 (for pensions). If you make this election, answer Yes here so that the amount will be excluded from line 5b of Form 1040. *TIP: If you elect 10-year averaging in Part III of Form 4972, you should not be completing this worksheet at all because the entire distribution will be taxed through Form 4972 instead.*

4 Federal income tax withheld. Enter the withholding shown in box 4. This amount will be reflected in line 25b of Form 1040. *You must attach a copy of the Form 1099-R to the return if it shows ANY Federal income tax withheld.*

5 Employee contribution, et al. The amount shown in box 5 of Form 1099-R is usually the amount of any pension contributions taxable to you when made. However, in recent years the IRS has expanded the meaning of this box so that it can apply to more than the gross distributions in box 1. You therefore may not be able to rely on this entry to help you determine the proper taxable amount for line 2a.

6 Net unrealized appreciation. This amount represents securities of the employer's company received with the distribution, and is not generally taxed until the securities are sold.

7 Distribution code. This will be a number or letter that describes the type of distribution to the IRS. If the code is 2, 3, 4, G, or H, your distribution is generally not taxable. See the box titled "You may be qualified to omit Form 5329" in our instructions for Form 5329 to see how to ensure that distributions for these codes are subject to a penalty tax on Form 5329.

IRA/SEP/SIMPLE? Answer Yes if the distribution is from a *traditional* IRA, a SEP, or a SIMPLE.

Roth (even if not above)? Answer Yes if the distribution is from a Roth IRA or any other kind of IRA transaction for which box 7 is not checked on the Form 1099-R, including IRA recharacterizations.

CAUTION: In spite of the label for this line, answering Yes here does NOT identify the distribution as a Roth IRA but just an IRA for which box 7 is not checked. The *sole* purpose of this question is to ensure that the information on this form is associated with lines 4a and 4b of Form 1040 (rather than lines 5a and 5b) and is used on Form 8606 to compute the proper taxable amount. **For a Roth IRA, also identify the IRA distributions as a Roth IRA distribution on the Form 8606 for this recipient; otherwise the software will assume the distribution is from a traditional IRA.**

8 Other. This is the value any annuity contract received as a part of the distribution. It is not taxable in the current year, but is needed for Form 4972 if you choose the 10-year averaging method for a lump-sum distribution.

Your % of other. If the annuity contract reported in line 8 was made to more than one person, this is the percentage of the annuity contract distribution attributable to you.

9a Your % of total distribution. If the distribution was part of a total distribution made to more than one person, the percentage you received is shown here.

9b Total employee contributions. This is the amount of the employee's total investment in certain annuities.

10 Amount allocable to IRR within 5 years. This amount relates to Forms 5329 and 8606.

11 1st year of designated Roth contributions. Enter the 4-digit year of the first contribution.

FATCA filing requirement? A Yes answer means the Form 1099-R received is for an account that includes certain foreign assets and is subject to special reporting requirements. You may have to file IRS Form 8938 (*Statement of Specified Foreign Financial Assets*) if this box on Form 1099-R is checked.

Screen 3 of 4:

<p>12 State income tax withheld. Enter any withholding shown in box 12 for the first state identified in line 13.</p> <p>2nd State tax withheld. Enter the withholding shown in box 12 for the second state identified in line 13.</p> <p>13 State. Enter the 2-letter state code for distributions subject to state income tax.</p>	<p>FORM 1099-R Screen 3 of 4</p> <p>12 State tax withheld.....(*) 0</p> <p>2nd State tax withheld..... 0</p> <p>13 State.....(*)</p> <p>1st state Payer IDN.....</p> <p>2nd state.....</p> <p>2nd state Payer IDN.....</p> <p>14 State distribution..... 0</p> <p>2nd State distribution..... 0</p> <p>15 Local tax withheld.....(*) 0</p> <p>2nd Local inc tax withheld..... 0</p> <p>16 Locality.....(*) 0</p> <p>2nd Locality..... 0</p> <p>17 Local distribution..... 0</p> <p>2nd Local distribution... 0</p> <p>Gross IRA distrb. for 4a 0</p> <p>Taxable IRA dist. for 4b 0</p> <p>Gross pensns,etc. for 4c 0</p> <p>Taxbl pensns,etc. for 4d 0</p> <p>Tip: Use 8606 for min. taxable</p>
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Figure 2-4c. 1099-R Worksheet Screen 3

- 1st State Payer IDN.** Enter the payer's state ID number shown in box 13.
- 2nd State.** Enter the 2-letter state code for the second state.
- 2nd State Payer IDN.** Enter the payer's state ID number shown in the bottom half of box 13.
- 14 State distribution.** Enter the distribution subject to state income tax for the 1st state. This will usually be blank or the same as box 1.
- 2nd State distribution.** Enter the distribution subject to state income tax for the 2nd state.
- 15 Local tax withheld.** Enter the withholding for a locality as shown in box 15.
- 2nd Local income tax withheld.** Enter the withholding for the 2nd locality, if any.
- 16 Locality.** Enter the locality shown in the top half of box 16.
- 2nd Locality.** Enter the locality shown in the bottom half of box 16.
- 17 Local distribution.** Enter the distribution subject to local income tax for the 1st locality.
- 2nd Local distribution.** Enter the distribution subject to local income tax for the 2nd locality.
- Gross IRA distributions for 4a.** (*auto-calc*) Taken from the entry for gross distributions (box 1) when the answer to the IRA/SEP/SIM-

PLE/ROTH question is Yes. Even though the IRS instructions state that no entry is required here when the distribution is fully taxable, the amount is posted here to ensure the proper automation of Forms 5329 and 8606. (However, the amount is omitted from the official printout of Form 1040 when fully taxable, as instructed by the IRS.)

Taxable IRA distributions for 4b. (auto-calc) Taken as the lesser of line 2a or line 1 less rollovers when the answer to the IRA/SEP/SIMPLE/ROTH question is Yes. *TIP: Any amount posted from this line of the worksheet to Form 1040 is overridden by computations on Form 8606 for this spouse. Form 8606 is recommended to ensure the lowest allowed taxable result.*

Gross pensions, annuities, etc., for 5a. (auto-calc) Taken from the entry for gross distributions (box 1) when the answer to the IRA/SEP/SIMPLE/ROTH question is No. Even though the IRS instructions state that no entry is required here when the distribution is fully taxable, the amount is posted here to ensure the proper automation of Schedule R and Form 5329. (However, the amount is omitted from the official printout of Form 1040 when fully taxable, as instructed by the IRS.)

Taxable pensions, annuities, etc., for 5b. (auto-calc) Taken as the lesser of line 1 less rollovers or line 2a when the answer to the IRA/SEP question is No.

Screen 4 of 4:

Foreign addresses. The last screen is used to enter a foreign address for the payer and/or recipient when a U.S. address was not entered on screen 1. *Do not enter both foreign and U.S. addresses for the same payer or recipient, even when both apply, or else your e-file return will be rejected by the IRS.*

PAYER'S foreign address:

...foreign address.

Enter foreign address in 30 characters or less.

...foreign city.

Enter foreign city in 30 characters or less.

...foreign province or state.

Enter the foreign province or state in 15 characters or less.

...foreign country code. Enter 2-let-



Figure 2-4d. 1099-R Worksheet Screen 4

ter country code. See Table 2-6 on page 2-27 for Official Country Codes.

...foreign postal code. Enter a foreign postal code up to 15 characters in length.

RECIPIENT'S foreign address:

...foreign address. Enter foreign address in 30 characters or less.

...foreign city. Enter foreign city in 30 characters or less.

...foreign province or state. Enter the foreign province or state in 15 characters or less.

...foreign country code. Enter 2-letter country code. See Table 2-6 on page 2-27 for Official Country Codes.

...foreign postal code. Enter a foreign postal code up to 15 characters in length.

Source (S=Standard, N=Non-Standard). This entry is required for e-file only, and is normally S. Enter N only if the 1099-R is altered, typed, or handwritten rather than computer-generated.

The posting to lines 4a through 5b of Form 1040 as well as hidden withholding lines is automatic once you complete the worksheets and return to Form 1040.

6 Social security benefits. The taxable part of any social security benefits is computed automatically based on your entry:

6a Social security benefits, total received. Enter total benefits shown on all Forms SSA-1099 and RRB-1099 received, less any 2023 benefits repaid in 2023. (*CAUTION: Do not report here amounts on Form RRB-1099-R, which are treated as amounts from a qualified employee plan at lines 5a and 5b of Form 1040. Only amounts on Form RRB-1099 are treated as social security benefits and reported here. See IRS Pub. 575.*)

Federal tax withheld on Form SSA-1099. Enter withholding shown on Form SSA-1099 or RRB-1099. This amount will be reflected in Form 1040, line 25b.

6c Lump-sum election reduction. If the payment you reported in line 6a includes a lump-sum (retroactive) payment received in 2023 that includes benefits for an earlier year, you may be able to reduce the taxable amount on line 6b by separately figuring the taxable amount attributable to the earlier year. For details, see the section "Lump-Sum Election" in IRS Pub. 915 (*Social Security and Equivalent Railroad Retirement Benefits*). Any amount you enter here is subtracted from the automatically computed taxable amount that would otherwise apply for line 5b, below. In addition, the box for line 6c on the official printout of Form 1040 will be checked.

6b Taxable amount of social security benefits. (*auto-calc*) Computed automatically using the IRS Social Security Benefits Worksheet, which is built into the software and fully automatic, less the preceding entry. The result can be as high as 85% of the amount on line

5a, but a combination of low income, low amount on 5a, and a filing status other than married filing separately can substantially reduce this amount.

CAUTION: *The law may be more complex than you realize, so you should refrain from overriding the result on line 5b,* unless one of the special circumstances cited below apply. The automatic calculation includes often-overlooked subtleties, including a special calculation for those covered by a retirement plan at work (including self-employment) who also receive social security benefits and contribute to an IRA. It also takes into account required additions to AGI, including foreign earned income exclusion, foreign housing deduction or exclusion, and excluded income from U.S. possessions. The ONLY taxpayers who are generally justified in overriding this line are those who re-paid benefits in 2023 in excess of the actual benefits received. See IRS Pub. 915 for details and applicable worksheets.

7 Capital gain or loss (Schedule D). *(Road Map line, supported by Schedule D.)* The sale of stocks and bonds is reported on Schedule D. After you complete Schedule D, the net amount is posted to this line, subject to a \$3,000 limit on losses (\$1,500 if married filing separately).

Schedule D can be omitted. *(auto-calc, supported by Schedule D.)* The IRS allows you to omit Schedule D from the return filed with the IRS only if all three of the following conditions are met: (a) the only income reported on Schedule D is from capital gains distributions for line 13 (from box 2a of Form(s) 1099-DIV), (b) none of the associated Forms 1099-DIV have an amount in box 2b, 2c, or 2d, and (c) you have no capital losses. The software makes this determination for you and answers this question accordingly. *If the answer is Yes, the corresponding box is checked on the official Form 1040 (at line 6) and Schedule D is intentionally omitted from the printed return.* (If there is no amount on line 13 of Schedule D, the answer will be No and the box will *not* be checked.)

8 Other income from Schedule 1, line 10. *(Road Map line, supported by Schedule 1.)* All other taxable income not included in lines 1 through 7 is reported in Part I of Schedule 1, which is comprised of lines 1 through 10 of that schedule. The sum of all income lines on Schedule 1 is posted here.

9 TOTAL INCOME. *(auto-calc)* Computed as the sum of lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8, this is the total *taxable* income for the return before adjustments or deductions.

10 Adjustments to income from Schedule 1, line 26. *(Road Map line, supported by Schedule 1.)* All adjustments to income are reported in Part II of Schedule 1. The sum of those adjustments is posted here from Schedule 1.

11 ADJUSTED GROSS INCOME. *(auto-calc)* Computed as total income on line 9 less adjustments on line 10, this is the Adjusted Gross Income (AGI) for the return. If the result is negative you have a net operating loss (NOL). Prior to tax reform, you would normally carry back the loss 2 years then carry it for-

ward up to 20 years to reduce your gross income. But tax reform eliminated the carryback, removed the 20-year limit on carryforwards, and limited the NOL deduction to 80% of taxable income. (The Covid-19-related CARES Act reinstated and extended the NOL carryback provisions and removed the 80% rule for limitations, but that Coronavirus relief expired at the end of 2021.)

12 Standard deduction or itemized deductions. The itemized and standard deductions are compared here to determine the largest allowable deduction.

Itemized deductions (Schedule A). (*Road Map line, supported by Schedule A.*) Schedule A is used to support a claim for itemized deductions, including deductions for interest, taxes, medical expenses, contributions, and certain disasters. The result on line 17 of Schedule A is posted here. (Although you can change this entry and see the immediate effect on the total tax for tax planning purposes, the amount from Schedule A will override your entry upon final recalculation of the return.)

Schedule A exceeds standard deduction? (*auto-calc*) Answered Yes only if the above itemized deductions exceed the standard deduction. ***EXCEPTION:*** *For 2023, as in recent years, a special provision allows victims of a qualified disaster loss to increase their standard deduction by the amount of disaster loss, but you are instructed to use Schedule A to claim this increased standard deduction. If you take advantage of this provision, a Yes will appear here even though the standard deduction (as modified) is used. See our instructions for line 16 of Schedule A for details.*

Election on Schedule A, line 18? (*auto-calc line, supported by Schedule A*) Taken from Schedule A, as indicated, a Yes answer indicates that you elected to use itemized deductions on Form 1040 *even when the standard deduction is higher.* (Some states do not allow you to itemize deductions on the state return unless you itemize deductions on the federal return, so you may choose to make the election on Schedule A to minimize your state income tax.)

Schedule A used for line 12? (*auto-calc*) If the answer to the preceding line is Yes or your answer on screen 4 of Form 1040 for “MFS: Spouse itemizes or dual-status alien” is Yes, the itemized deduction on Schedule A, line 17, is used for line 12 of Form 1040 irrespective of its amount. Otherwise, the larger of the itemized deduction or the standard deduction is used for line 12.

Excluded Puerto Rico income EPRI. (*auto-calc*) Taken from our section of Schedule 1 titled CERTAIN NONTAXABLE INCOME (which appears on-screen following line 10 of Schedule 1), this is the income from Puerto Rico that has been excluded from income on the Form 1040 return. If an amount is shown on this line, the code “EPRI” appears on the official printout on the dotted line for line 12.

Standard Deduction Modification—Section 933? (*auto-calc*) A modification applies only if Schedule A is not used for line 12 and there is an amount on the preceding line. If so, the standard deduction must

be reduced in proportion with the amount of excluded income, above, compared to the total income on line 9 of Form 1040. The computation is performed in accordance with IRS Pub. 570 (*Tax Guide for Individuals With Income From U.S. Possessions*). When a Yes answer appears here, the standard deduction for line 12 is reduced and the phrase "SECT 933" appears on the official printout on the dotted line for line 12. (Excluded income from American Samoa no longer applies, so Section 931 no longer applies.)

12 STANDARD DEDUCTION or ITEMIZED DEDUCTIONS. *(auto-calc)* If the answer to "Schedule A used for line 12?" is Yes, the itemized deduction from Schedule A is used here. Otherwise, the standard deduction is used based on the IRS Standard Deduction Charts and Worksheet, which are built into the software and fully automatic, but reduced in proportion to excluded U.S. possession income if the preceding answer is Yes. *See Table 1-4 for the base standard deduction amounts*, which depend on the filing status, age claims, blind claims, and your dependency status.

13 Qualified business income deduction. *(For Standard and Premium Level, Road Map line, supported by Form 8995)* This deduction was created by the tax reform bill under section 199A, and is therefore often called the "Section 199A Deduction." It applies to certain income from self-employment, dividends from a real estate investment trust (REIT), and income from a publicly traded partnership (PTP), and may even be reported to you in box 5 of a 2023 Form 1099-DIV. However, it is reduced at high income for certain trades or businesses, and phases out to zero for trades or businesses that provide services in the fields of health, law, accounting, athletics, financial services, and a broad variety of others. If qualified, the deduction can be as much as 20% of your qualified business income (QBI), but is phased out for high-income taxpayers. For 2023, the phaseout starts at \$182,100 (\$364,200 if married filing jointly) of taxable income before this QBI deduction, and reduces the deduction to zero at \$232,100 (\$464,200 if married filing jointly) of taxable income before this QBI deduction. While the deduction can greatly reduce your taxable income, the rules are very complex with numerous exclusions or exceptions, as detailed in IRS *2023 Instructions for Forms 8995 and 8995-A*. Two IRS forms support your deduction: Form 8995 and Form 8995-A. *Form 8995 is built into the software, but you must use Form 8995-A, which is not built into the software, if taxable income (before reduction by this QBI deduction) exceeds the threshold for the start of the phaseout or you are a patron in a specified agricultural or horticultural cooperative.*

14 Add lines 12 and 13. *(auto-calc)* Computed as indicated.

15 TAXABLE INCOME. Taxable income is normally computed as line 11 less line 14, but there are two amounts that can alter that computation.

Contributions to a CCF. If you are a commercial fisherman and set up a capital construction fund (CCF) with the National Marine Fisheries

Sevice (NMFS), you can reduce your taxable income by certain contributions to this fund. However, you cannot do this directly on the Schedule C where you report fishing income because the reduction is not allowed to reduce the self-employment tax that is based on net income on Schedule C. Instead, you must enter the allowed contributions here where they will reduce taxable income for line 15. *If you make an entry here, the flag CCF and amount will appear on the official printout on the dotted line for Form 1040, line 15, to indicate to the IRS why taxable income is reduced.* See IRS Pub. 595 (*Capital Construction Fund for Commercial Fishermen*) for more information.

Minimum taxable income from Schedule Q, line 2c. *(auto-calc)* If you are the holder of a real estate mortgage investment conduit (REMIC), you will generally received a Schedule Q (Form 1066) that reports to you an “excess inclusion” on line 2c. This amount must be reported in Part IV of your Schedule E, where it is entered in column (c) of line 38. The sum of all amounts entered on line 38(c) of Schedule E is the minimum taxable income you must report on your tax return. This amount is posted here automatically from Schedule E, and is used to insure that the taxable income for line 15 is never lower than this amount.

15 Taxable income. *(auto-calc)* Normally computed as line 11 less the sum of line 14 and “Contributions to a CCF.” However, if there is an amount from Schedule Q, line 2c, above, and it is greater than the result of the normal computation, the Schedule Q amount is used for line 15 instead. *If Schedule Q, line 2c, is used for line 15 instead of the normal computation, the flag SCH Q will appear on the official printout on the dotted line for Form 1040, line 15, to indicate this fact to the IRS.*

TAX AND CREDITS. In this section, taxes based on taxable income are computed, *nonrefundable* credits are deducted, and taxes *not* based on taxable income are added.

16 TAX. Tax calculations involve much more than just the tax tables, as seen by all the variations represented by the following lines:

Foreign Earned Income Worksheet line 2a (Form 2555). *(auto-calc)* Filers who claim a foreign earned income or housing exclusion (via Form 2555) must use the *Foreign Earned Income Tax Worksheet* to figure their tax. The effect of this worksheet is to raise the tax for some high-income taxpayers with foreign earned income. The entry for line 2a of the worksheet is the sum of lines 45 and 50 of Forms 2555. The software gets these amounts from the Form 2555 components of lines 8d and 24j of Schedule 1.

Foreign Earned Income Worksheet line 3. *(auto-calc)* Computed as taxable income on line 15 plus the preceding amount, this is the revised taxable income for computing tax for line 16. This amount

will be the same as line 15 if the *Foreign Earned Income Worksheet* does not apply. **CAUTION:** *The official worksheet allows a reduction in this result (via line 2b on the worksheet) for any itemized deductions or exclusions you could not claim solely because they are related to excluded income (via Form 2555, as reflected in Schedule 1). If this case applies to you, you could override this line and reduce the result by these amounts. However, you must do so with caution because, once you invoke an override, your entry for this line will not change as taxable income on line 15 changes! Therefore, if you want to reduce the result shown here, you should wait until the return is complete (or at least until you are sure that line 15 reflects the taxable income that will apply for the final return) before you invoke any override on this line.*

Taxes computed from...

Tax Table. *(auto-calc)* The regular tax based on the IRS tax tables is displayed here when taxable income is less than \$100,000. (You cannot choose whether to use the tax table or the tax rate schedule; law requires use of the tax table for incomes less than \$100,000 and the tax rate schedule otherwise. *If you had an entry above for line 2a of the Foreign Earned Income Tax Worksheet, the tax may be higher than the table would imply.*)

Tax Computation Worksheet. *(auto-calc)* The regular tax based on the IRS Tax Computation Worksheet is displayed here when taxable income is \$100,000 or more. *(If you had an entry above for line 2a of the Foreign Earned Income Tax Worksheet, the tax may be higher than the Tax Computation Worksheet would imply. Note that the Tax Computation Worksheet gives the same results as the more traditional Tax Rate Schedules.)*

Qualified Dividends and Capital Gain Tax Worksheet or Schedule D Tax Worksheet. *(Auto-calc line, supported by the Schedule D Tax Worksheet.)* If line 7 of Form 1040 shows a capital gain and part of that gain stems from long-term holdings, the tax will be computed using the computations on the *Schedule D Tax Worksheet* (modified by the *Foreign Earned Income Tax Worksheet* when applicable). The worksheet will also be used when there are qualified dividends on line 3a of Form 1040 or capital gain distributions on Form 1099-DIV (reported in the software on the *1099-DIV Worksheet* for Schedule B, line 5). The result is generally a lower tax than would otherwise result because of the lower tax rates for capital gains. Note that even when Schedule D need not be filed with the return, the calculation will still be performed using the *Schedule D Tax Worksheet* by the software when applicable. However, Schedule D will not be printed with the official return if the IRS conditions for omitting it are satisfied. See our details at line 7 of Form 1040 for more information. **CAUTION:** *If a tax appears here, be sure to verify whether you need to make an entry on screen 10 of our on-screen Schedule*

D for lines 4e and 4g of Form 4952 or an adjustment to the automatically calculated amounts for unrecaptured sec. 1250 gain, because they can affect the tax result. (If you had an entry above from line 2a of the Foreign Earned Income Tax Worksheet, the tax may be higher than the Qualified Dividends and Capital Gain Tax Worksheet would imply.)

Schedule J, line 23. Schedule J provides for the averaging of farm income over the prior three years of tax returns, for a potentially lower tax when farm income is much higher for 2023 than it was for the preceding 3 years. *The amount you enter here from line 23 of Schedule J will be included in line 16 in place of any amount on any preceding lines unless Form 8615 is used, below.*

Form 8615, line 18. (*Road Map line, supported by Form 8615.*) Form 8615 *must* be used by all children under age 18 (and some older children under age 24) with more than \$2,500 of unearned income for 2023 (such as taxable interest and dividends). However, the form will not calculate unless the age you entered as "Your age at year-end" on screen 1 of Form 1040 is less than 18. *The amount on line 18 of Form 8615 will be included in line 16 in place of any amount on any preceding lines. Exception: If you file Form 2555 for foreign earned income, the amount used for line 16 is adjusted by the software in accordance with the IRS 2023 Instructions for Form 8615 and the IRS Foreign Tax Worksheet (computed automatically based on amounts shown on this screen of Form 1040).*

Additional taxes for line 16...

1 Additional Tax from Form 8814. (*Road Map line, supported by Form 8814.*) If you chose to include a child's interest and dividend income in your own income rather than filing a return for the child, you must use Form 8814 for each such child to determine the amount of additional tax you owe. The form can be prepared for any child under age 18 who had ONLY income from interest and dividends in 2023 had total income of more than \$1,250 but less than \$12,500, had neither estimated tax payments nor income tax withheld for 2023, and had no overpayment of 2022 tax applied to the 2023 return. *The form can also be used for certain children up to age 24 if a student not earning more than half or his or her own support.* 15 copies of Form 8814 are built into the software to handle up to 15 children who qualify under these guidelines. *TIP: This form is not mandatory, and is sometimes not advisable because it may result in a higher overall tax than would a separate return filed for the child.* Because it raises AGI for the parent, it can reduce itemized deductions on Schedule A, passive loss allowances on Form 8582, child credit on Form 2441, IRA deductions, etc. Its use also results in a higher state income tax for some states, including California, but a lower tax for others, such as Alaska.

2 Additional Tax from Form 4972. (*If Premium Level, Road Map line supported by Form 4972.*) If you received a lump-sum distribution from a qualified retirement plan and were born before Jan. 2, 1936, you can generally lower your tax by using Form 4972 to figure your tax, rather than including the distribution in regular income. The tax computed on Form 4972 (either line 7 or line 30, depending on the method you elect) is reported here.

3 Other for 16 (itemize). Certain additional taxes that must be included in line 16. These additional taxes must be reported in a supporting statement for this line.

Section 962 election. If you made an election under section 962 (as a domestic shareholder of a controlled foreign corporation) to be taxed at corporate rates, you must enter the additional tax due in your supporting statement for line 16(3) with the code **962** in the description column. Also explain your computation in this support. *CAUTION for e-file: If you need to report an amount here, you must file a paper return because the explanation portion of the supporting statement for this line is not supported for e-file:*

Section 1291 tax. If you have a tax on line 16e of Form 8621, relating to a section 1291 fund, you must enter the tax due in your supporting statement for line 16(3) with the code **1291TAX** in the description column.

Education Credit Recapture (ECR). The IRS does not provide a line for reporting nor a form for computing this recapture tax, but it must be included in the total for line 16. A recapture results for 2023 if you claimed an education credit (*American Opportunity or Lifetime Learning*) for a prior tax year but received a refund or tax-free educational assistance in 2023 for some of the expenses claimed. You must enter the recapture amount in the supporting statement for line 16(3) with the code **ECR** in the description column. See IRS 2023 *Instructions for Form 8863* for details on computing this recapture tax.

16 TAX. (*auto-calc*) Computed as the sum of the preceding three lines (lines 16(1), 16(2), and 16(3)) plus one of the amounts shown for the five different methods of computing tax (Tax Table, Tax Computation Worksheet, Schedule D Tax Worksheet, Schedule J, or Form 8615).

17 Amount from Schedule 2, line 3. (*Road Map line, supported by Schedule 2.*) Two additional taxes are reported in Part I of Schedule 2: the alternative minimum tax (AMT) figured on Form 6251 and the excess advance premium tax credit repayment figured on Form 8962. The sum of these two taxes is posted here from line 3 of Schedule 2.

18 Add lines 16 and 17. (*auto-calc*) Computed as indicated, this is the tax liability that limits nonrefundable credits.

- 19 Child tax credit or credit for other dependents from Schedule 8812.** (*Road Map line, supported by Schedule 8812.*) **CAUTION for Paid Preparers:** Returns signed by a paid preparer and claiming the Child Tax Credit or Credit for Other Dependents must include Form 8867 (*Paid Preparer's Due Diligence Checklist*) with the filed return. See the shaded box that follows. These credits are computed automatically on Schedule 8812 for most taxpayers once you identify, on our *Dependents' Worksheets*, all children who are qualified for the child tax credit and all other dependents who are qualified for the credit for other dependents instead. The child tax credit is nominally \$2,000 per child for 2023, and the credit for other dependents is \$500 per qualified dependent, but a number of factors may limit the amount for this line. If the child tax credit is limited by the tax liability on line 18, there may be an additional child tax credit for line 28 of Form 1040 to make up for some or all of the limitation, as computed on Schedule 8812.
- 20 Amount from Schedule 3, line 8.** (*Road Map line, supported by Schedule 3.*) Several additional nonrefundable credits are reported on Schedule 3, including foreign tax credit, child care credit, education credits, and several business credits. The sum of these credits is posted here from line 8 of Schedule 3.
- 21 Add lines 19 and 20.** (*auto-calc*) Computed as indicated, this is the sum of all nonrefundable credits claimed on the return.

MANDATORY for Paid Preparers: Returns signed by a paid preparer must include Form 8867 when certain credits are claimed. Originally created years ago as a check on claims for the *Earned Income Credit*, Form 8867 (*Paid Preparer's Due Diligence Checklist*) now also applies to the *Child Tax Credit*, *Additional Child Tax Credit*, *Credit for Other Dependents*, *American Opportunity Tax Credit* (but not the other education credit on Form 8863, the *Lifetime Learning Credit*), and *Head of Household filing status*. It is used mainly to confirm that the paid preparer has asked the proper questions of the taxpayer, collected the proper information, and used due diligence in determining the qualification of the taxpayer for the credits at the level claimed or for the head of household filing status. As a result, it is automatically created for any return with any of the cited benefits but *it is not automatically completed*. Once created, you must either indicate that it doesn't apply because neither the return nor the credits were prepared by a paid preparer (in which case the form is *not* printed with the return), or you must manually answer all questions on the form that apply. **CAUTION: Failure to comply with all due diligence requirements for the credit can subject the preparer to a \$600 penalty for each applicable claimed benefit on the 2023 tax return.** (You can access Form 8867 from the Forms Menu as form 75, from the last screen of our Control Form, or from the lines on Schedule EIC, Schedule 8812, and Form 8863 labeled *Itemize to access Form 8867.*)

22 Subtract line 21 from line 18. *(auto-calc)* Computed as indicated, but no less than zero, this is the net tax so far after deducting nonrefundable credits.

23 Other taxes from Schedule 2, line 21. *(Road Map line, supported by Schedule 2.)* Several other taxes are reported in Part II of Schedule 2, including self-employment tax, penalty tax on retirement plans, and repayment of homebuyer credit. The sum of these taxes is posted here from line 21 of Schedule 2.

24 Add lines 22 and 23. TOTAL TAX. *(auto-calc)* Computed as indicated, this is the sum of all taxes reduced by all nonrefundable credits.

PAYMENTS. In this section, tax payments and refundable credits are reported. Payments include withholding and estimated tax payments. Refundable credits are credits that are not limited to offsetting tax, so the amount by which they exceed the tax is available as a refund. ***CAUTION for Paid Preparers:*** *Returns signed by a paid preparer and claiming the refundable credits on line 27, 28, or 29 must include Form 8867 with the filed return. See the shaded box on the preceding page.*

25 Federal income tax withheld. Tax withholding to be reported here includes withholding reported on all varieties of Form W-2, Form 1099, and Schedule K-1, and others. Withholding entered elsewhere in the return appears here automatically, but you must manually enter withholding on Schedules K-1 and some others.

25a Form(s) W-2. *(auto-calc)* Taken from your entries for "Federal tax withheld" on our W-2 Worksheets (box 2 of Form W-2).

Forms 1099-R, 1099-G, 1099-DIV, 1099-INT, SSA-1099 Federal income tax withheld. *(auto-calc)* Computed as the sum of the withholding entered elsewhere in the return for the indicated forms. This includes box 4 of Form 1099-R (entered on our 1099-R Worksheets for lines 4a through 5b of Form 1040), box 1 of Form 1099-G (entered above line 7 of Schedule 1), box 4 of Form 1099-DIV (entered on our 1099-DIV Worksheets for line 5 of Schedule B), box 4 of Form 1099-INT (entered on our 1099-INT Worksheets for line 1 of Schedule B), and box 6 of Form SSA-1099 (entered below line 6a of our on-screen Form 1040).

Other Form 1099s (itemize EINs). You must itemize here any other Form(s) 1099 received that show a federal income tax withholding amount. In the itemized list, enter the EIN of the payer in the description column and the amount withheld in the amount column. For example, for a Form 1099-MISC you would enter the number in the "PAYER'S TIN" box as the EIN and the amount in box 4 as the amount withheld.

25b Form(s) 1099. *(auto-calc)* Computed as the sum of the above two amounts.

FORM W-2G Federal income tax withheld. *(Road Map line supported by Schedule 1.)* Taken from your entries for box 4 of Form(s) W-2G (entered on our W-2G Worksheets for line 8b of Schedule 1). *Limi-*

tation for e-file: If you have an amount on this line, you will not be able to e-file the return, but must file a paper return instead.

FORM 8959 Federal income tax withheld. (*If Standard or Premium Level, Road Map line supported by Form 8959.*) The tax shown on line 24 of a Form 8959 (*Additional Medicare Tax*) you prepare is reported here. You would generally have an amount here if you had wages from any one employer that exceeded \$200,000.

Other Forms (itemize). Enter any withholding not reported elsewhere in a supporting statement for this line. In your itemized list, enter the type of form and the payer's EIN in the description column, and the amount withheld for federal income tax in the amount column. For example, for backup withholding shown as code O in box 15 of Schedule K-1 (Form 8865) from a foreign partnership, you would enter "Sch K-1 (Form 8865)" followed by the 10-digit EIN in box A1 in the description column and the amount for code O in box 15 in the amount column. *Limitation for e-file: If you have an amount on this line, you will not be able to e-file the return unless line 25b is zero, but must file a paper return instead.*

25c Other forms. (*auto-calc*) Computed as the sum of the preceding three amounts.

25d Add lines 25a through 25c. (*auto-calc*) Computed as indicated, this is the total withholding you reported on the return.

26 2023 estimated tax payments and amount applied from 2022 return (itemize). (*Road Map line, supported by Control Form.*) This amount is taken from the Control Form, where any estimated tax payments made for 2023 and amount applied from a 2022 refund must be entered. *TIP: The relevant payments are entered on the first screen of the Control Form under the heading "FEDERAL ESTIMATED TAX PAID." These entries include the amount you chose to apply from an overpayment on the prior-year tax return plus the quarterly estimated payments you made for 2023, including the one due January 15, 2024.* If the payer of these payments is different from the one on the current return, you must also complete the following two lines:

If estimated tax payments were made with:

different name, itemize detail here. If you changed your name (because of marriage or divorce, for example) and made estimated tax payments under your former name, you must explain in a supporting statement for this line, include the payment dates and the name and SSN under which you made the payments, using only the description column of the support in your explanation.

different spouse, enter former spouse's SSN. If newly divorced in 2023 and you made any estimated tax payments jointly with your former spouse, enter that person's SSN (**a**) here if you were remarried to another spouse in 2023, or (**b**) on screen 2 of Form 1040 if you were not remarried in 2023. If you make an entry here, the flag "DIV" will be printed on the dotted line for Form 1040, line 26.

27 Earned income credit (Schedule EIC). (*Road Map line, supported by Schedule EIC.*) A credit is generally available to you if you had earned income in 2023, had investment income of no more than \$11,000 for 2023, and one of the following conditions is met:

- (A) one child lived with you and had a valid SSN, and both your earned income and your adjusted gross income are less than \$46,560 (\$53,120 if married filing jointly), OR
- (B) two children lived with you and had a valid SSN, and both your earned income and your adjusted gross income are less than \$52,918 (\$59,478 if married filing jointly), OR
- (C) three or more children lived with you and had a valid SSN, and both your earned income and your adjusted gross income are less than \$56,838 (\$63,398 if married filing jointly), OR
- (D) one child lived with you but did not have a valid SSN, or no child lived with you and you (or spouse if filing jointly) are at least age 25 but under age 65, and both your earned income and your adjusted gross income are less than \$17,640 (\$24,210 if married filing jointly). **CAUTION:** You must enter the proper ages in the Taxpayer Information section of our Form 1040 for the credit to be properly computed.

For 2023, the maximum credit is \$7,430 with three or more qualifying children, \$6,604 with two qualifying children, \$3,995 with one qualifying child, and \$600 with no qualifying child (as long as you meet the age requirements) or only a qualifying child without a valid SSN. *Even though IRS Schedule EIC is used by the IRS only for providing information on a qualifying child, the software uses its on-screen Schedule EIC to hold all information relevant to the credit, whether or not based on a qualifying child and to ensure that all complexities of the calculations are performed. This schedule is virtually automatic in computing the credit for most taxpayers. However, you must supply information on the qualifying children on Dependents' Worksheets for Form 1040 if you are claiming the credit based on children. Note that a couple a special flags may be printed on the official Form 1040 at line 27 based on special circumstances. For example, if you made an entry on any W-2 Worksheet at line 1 for clergy social security not in box 3 (that is, wages that are liable for the social security tax but on which social security tax was not withheld), special rules apply which are automatically enforced by the software. If a credit results and the cited W-2 entry exists, the word **CLERGY** is printed on the official printouts, as required by the IRS. If the credit is zero because of information not obvious on the official printout, a **NO** appears on the official printout to let the IRS know that you completed Schedule EIC and zero credit resulted. Otherwise the IRS will flag the return for a notice to the taxpayer that there is an error in the computation. Factors that can cause a NO here include answers on our Schedule EIC that disqualify you, such as filing Form 2555 or being a qualifying child of someone else, or, if childless, being in the wrong age bracket. **CAUTION:** *If the taxpayer's claim for the Earned Income Credit was reduced or disallowed by the IRS for any year after 1996, you must**

attach a completed copy of Form 8862 (built into the Premium Level) in order to claim the Earned Income Credit for 2023.

28 Additional Child Tax Credit from Schedule 8812. (*Road Map line, supported by Schedule 8812.*) Schedule 8812 is built into the software and automatically generated when it applies and potentially provides an additional credit when the regular child tax credit at line 19 is limited due to a low net tax after deducting certain credits.

29 American opportunity credit from Form 8863, line 8. (*Road Map line, supported by Form 8863.*) Form 8863 (*Education Credits*) reflects two credits, the *American Opportunity Credit* and the *Lifetime Learning Credit*. The *American Opportunity Credit* includes a refundable component for some taxpayers, which means that some taxpayers can get a credit even when they have no tax liability. The refundable portion of the credit is posted here *from line 8 of the 2023 Form 8863*. (The nonrefundable portion of the credit is posted to line 3 of Schedule 3 from line 19 of Form 8863.)

30 Reserved for future use. This line is not used for 2023 returns.

31 Amount from Schedule 3, line 15. (*Road Map line, supported by Schedule 3.*) All other payments and refundable credits are entered in Part II of Schedule 3 and the total is posted here from line 15 of Schedule 3.

32 Add lines 27, 28, 29, and 31. (*auto-calc*) Computed as indicated, this is the total of other payments and refundable credits on Form 1040 and Schedule 3.

33 TOTAL PAYMENTS. Add lines 25d, 26, and 32. (*auto-calc*) Computed as indicated, this is the final reduction of tax liability. In spite of the IRS label for this line, refundable credits are included in addition to advance payments.

REFUND. If line 33 exceeds line 24, a refund may be available.

34 Amount you OVERPAID. (*auto-calc*) Line 33 less line 24, but no less than zero, this is the amount overpaid without taking into account any estimated tax penalty.

35 Refund and direct deposit. The refund actually available will be less than the preceding overpayment if you are liable for an estimated tax penalty. And you have choices on how to receive this refund.

35a Amount of line 34 you want REFUNDED TO YOU. (*auto-calc*) The maximum available refund is line 34 less any penalty from Form 2210 of Form 2210-F shown on line 38, later, but no less than zero. But *you can choose to apply any or all of this available refund to next year's return by entering an amount on line 36*, below, to apply to your 2024 estimated tax. Accordingly, the amount for this line 35a is computed as the overpayment on line 34 less the penalty on line 38 and less the amount for next year that you enter on line 26, but no less than zero. If you want the amount on this line to be automatically deposited to your account, you must properly com-

plete the following direct deposit entries. Otherwise, a check will be sent to you for the amount of this line.

Is Form 8888 attached? If you want to split a direct deposit of your refund into two or more accounts, you must leave lines 35b, 35c, and 35d blank, and instead answer Yes here and complete and attach Form 8888 to supply the required information for multiple bank accounts. *CAUTION: If the return is delayed for any reason, the entire refund may be deposited into the first account listed on Form 8888 rather than being split among accounts in the way you request! (Because we do not support Form 8888 in the software, the option to use Form 8888 is not available for an e-filed return.)*

35b Routing number. This 9-digit number identifies the bank to which any refund will be sent. If a checking account, the number is the first set of numbers printed at the bottom of your checks. *Make an entry here only if you want the entire amount on line 35a to be deposited in one account.*

35c Type: 1=Checking, 2=Savings. Enter 1 or 2 to identify the type of bank account. This entry is forced to zero if a 9-digit routing number is not entered above. *Make an entry here only if you want the entire amount on line 35a to be deposited in one account.*

35d Account number. Enter full account number, including the bank's branch number. If a checking account, the number is the second set of numbers printed at the bottom of your checks. (Be sure not to include the last set of numbers, which is your check number.) *Make an entry here only if you want the entire amount on line 35a to be deposited in one account.*

36 Amount of line 34 you want APPLIED TO YOUR 2024 ESTIMATED TAX. If you want any part of your available refund to be applied to next year's taxes, you must enter that amount here. Your entry is limited to no more than line 34 less line 38 (but no less than zero). The computed result for line 35a will be reduced accordingly. To see what your estimated tax for 2024 will be, you can complete Form 1040-ES, which you can access from the Forms Menu (as form 88) or from the last screen of our Control Form (form 1 on the Forms Menu). Your estimated tax for the year is shown on line 14a of Form 1040-ES, and the first quarterly payment is shown on line 15.

See Form 1310 to claim a refund for a deceased taxpayer. If the return is for a deceased taxpayer and you are claiming the refund on line 35a for the decedent's estate, you may have to file Form 1310 with the return to make the claim. *However, if you are a surviving spouse of the decedent or the personal representative of the decedent's estate, you will not have to file the form if you properly identify the situation on screen 4 of Form 1040 (and, if a personal representative, attach a court certificate showing your appointment as the executor or administrator of the estate, or already have it on file with the IRS). If using the Premium Level software, Form 1310 is accessible from the Forms Menu (as form 16) or from the last screen of our Control Form (form 1 on the Forms Menu).*

AMOUNT YOU OWE. If line 24 plus line 38 exceeds line 33, you owe more tax.

37 Subtract line 33 from line 24. This is the AMOUNT YOU OWE. (*auto-calc*) In spite of the IRS label for this line, computed as line 24 *plus penalty on line 38, below*, less line 33, but no less than zero, in accordance with IRS instructions. You have a number of options for paying the amount you owe, including paying by mail with check or money order, payment electronically via your e-file return, payment by debit or credit card (by phone or online), payment by direct pay from your checking or savings account, and more. See www.irs.gov/Payments or the IRS instructions for Form 1040, line 37.

Use our Control Form if paying by mail or e-file. If you choose to pay by check or money order, or you e-file your return and choose to pay by direct debit (ACH) from your bank account, go to screen 6 of our Control Form to indicate the part or full amount of line 37 that you are paying. That amount will then appear on a printed Form 1040-V to submit with a payment by mail or in your e-file output to have your payment withdrawn from your bank account.

38 Estimated tax penalty. (*Road Map line, supported by Form 2210.*) If line 37 is \$1,000 or more, or you did not pay enough estimated tax on every one of the quarterly payment due dates, you may be liable for a penalty. Form 2210 is automatically generated upon the final recalculation of the return, and made a permanent part of the return if a penalty exists. You will have to access Form 2210 if you want to report annualized income installments (for a lesser penalty when most of your income is received in the second half of the year) or to provide additional information to qualify you for the more favorable Form 2210-F. After Form 2210 or 2210-F is completed, the penalty is posted to this line, and lines 35a, 36, and 37 are readjusted accordingly.

See Control Form (form 1) for access to forms not in Road Map. There are a number of forms that are not a part of the Road Map for a return, such as stand-alone forms like the forms for Power of Attorney, Change of Address, and Estimated Tax. You can always access any of these forms from the *Forms Menu*, which is available when you choose not to enter the return through the Road Map. However, we provide a special screen at the end of our on-screen Control Form (form 1 on the Forms Menu) so that you can easily access any of these forms. You can access the Control Form from Form 1040: (a) go to screen 1 of Form 1040, (b) itemize the first line on the screen (Tax year), and (c) to screen 8 of the Control Form. The forms accessible from this screen are Form 1040-ES, Form 1040X, 1310, 2120, 2848, 8332, 8379, 8822, 8862, 8867, 8948, and our e-file form. For more information, see the last pages of our details for the Control Form.

Schedule 1 / Additional Income and Adjustments to Income

Two-part schedule supplements income reported on Form 1040. Part I of the schedule is used to report income not reported directly on Form 1040, which, together with the income reported on Form 1040, determines the total income at line 9 of Form 1040. Part II is used to report adjustments to income in order to determine adjusted gross income at line 11 of Form 1040 *This schedule is accessible through the Road Map at lines 8 and 10 of Form 1040. Note that the IRS instructions for Schedule 1 appear near the end of the IRS 2023 Form 1040 Instructions, unlike most other schedules that support Form 1040, which each have their own separate instructions.*

PART I, ADDITIONAL INCOME. Taxable income *not* reported on lines 1 through 7 of Form 1040 is reported here.

1 Taxable refunds of state and local income taxes. Refunds of state and local income taxes that were paid in a prior year are entered here, but only if deducted on Schedule A in a prior year. (If not previously deducted, they are not taxable and therefore not reportable.) The full refund is reported to you by the taxing agency on a Form 1099-G. But your entry here may be less than the amount shown on that form, as follows:

- **If you did not itemize deductions for the year to which the refund applies**, you should enter zero here. None of the refund is taxable because you did not deduct the taxes previously paid.
- **If your itemized deduction for the year to which the refund applies exceeds the standard deduction by less than the refund**, you should enter the itemized deduction less the standard deduction.
- **If your itemized deduction for the year to which the refund applies exceeds the standard deduction by the refund or more**, you should enter the full refund here.

See page 85 of the IRS *2023 Form 1040 Instructions* and the associated *State and Local Income Tax Refund Worksheet—Schedule 1, Line 1* on page 86 for more information on determining the amount to enter here. (Note that property tax refunds are entered at line 8, *not* here.)

2 Alimony received. You must generally report as taxable income any alimony or separate maintenance payments you received for divorce or separation agreements entered into before 2019. On the other hand, for divorce decrees executed after 2018, alimony received is not taxable income here, and alimony paid is not deductible from income at Schedule 1, line 19a, thanks to the tax reform bill. In addition, some other payments are not considered taxable alimony, so you should check IRS Pub. 504 (*Divorced or Separated Individuals*) if in doubt. (You must give the payer your social security number or else you may be liable for a \$50 penalty.)

2a Alimony received. Enter here total amount of taxable alimony or separate maintenance payments received.

SPOUSE part of line 2a. If any of the payments shown in line 2a are paid to the spouse, enter that amount here.

2b Date of original divorce or separation agreement. Enter the date (*in the standard xx-xx-xxxx format*) of the original agreement associated with the divorce or separation under which the amount entered on line 2a was received. If the amount entered in line 2a stems from more than one divorce or separation, enter here the date for the largest amount received and itemize this line (by pressing F10 or ctrl-Y) to enter the dates for all other amounts included in line 2a.

3 Business income or loss (C). (*Road Map line, supported by Schedule C.*) Five separate Schedules C are available for reporting income and losses from five separate businesses. The sum of net profit or loss from all copies is posted here. If any of the copies are spouse's copies and the filing status is married filing jointly, the sum includes spouse amounts.

4 Other gains or losses (Form 4797). (*Road Map line, supported by Form 4797.*) Sales of business property are reported on Form 4797. After you complete the form, the amount on line 18b of Form 4797 is posted here. If you have no Form 4797 for the return but you have an amount on line 35 or 42a of Form 4684, the Form 4684 amount appears here and the code "F4684" is printed on the dotted line for line 4 on the official printout for the IRS. Otherwise the Form 4684 amount is posted to line 14 of Form 4797 and reflected in the result posted here from Form 4797.

5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. (Schedule E). (*Road Map line, supported by Schedule E.*) Rental real estate income and most other income reported to you on a Schedule K-1 is typically reported on Schedule E. The single Schedule E that is built into the software supports an unlimited number of properties.

6 Farm income or loss (Schedule F). (*Road Map lines, supported by Schedule F.*) Five separate Schedules F are available for reporting income and losses from five separate farms. The sum of net profit or loss from all copies is posted here. If any of the copies are spouse's copies and the filing status is married filing jointly, the sum includes spouse amounts.

7 Unemployment compensation. Unemployment compensation is fully taxable. You should receive a Form 1099-G from the government unemployment agency, from which you can determine the following entries:

Unemployment compensation (Form 1099-G, box 1). Enter the total amount shown on box 1 of the Form 1099-G *for you and spouse* received from the unemployment agency.

2023 overpayment REPAID. Enter here any amount you paid back to the government during the tax year *only if it is for an overpayment received in the same year*. This amount will be flagged on the official printout of Schedule 1 with the word REPAID on the dotted line for line 7 and will be subtracted from the preceding entry for unemployment compensation. (Repayment of unemployment compensation that was reported as income in an *earlier* year is *not* reported

Schedule 1

here. Instead, if the repayment exceeds \$3,000, you may be able to either **(a)** deduct the entire repayment as an itemized deduction at line 16 of Schedule A or, **(b)** claim a tax credit for it at line 13d of Schedule 3, identifying it as “IRC 1341” and computing the tax credit in accordance with the *Repayments* section of IRS Pub. 525, *Taxable and Nontaxable Income (for 2023 returns)*. On the other hand, if the repayment for prior excess compensation was \$3,000 or less, you are allowed *neither* a deduction *nor* a tax credit!

Federal tax withheld (Form 1099-G, box 4). Enter any backup withholding shown in box 4 of the Form 1099-G. This entry will be reflected in the total Form 1099 withholding at Form 1040, line 25b.

7 Unemployment compensation. (*auto-calc*) Computed as the unemployment compensation less the above REPAID amount, but no less than zero.

8 Other income. All taxable income not reported elsewhere is reported here. *ONLY UNearned income should generally be reported here, with the exception of lines 8r, 8t, and 8u, which are wage-related earned income. The IRS requires you to use Schedule C, E, or F for earned income, no matter how small the amount.* Most income that must be reported here is now defined by the IRS in its labels for lines 8a through 8u, so the need to provide your own itemized list of other income at line 8z is minimized.

8a Net operating loss. Enter net operating loss (NOL) carried over from an earlier year as a positive number. It loses its classification as negative *earned* income because it cannot be used to reduce *earned* income in other tax years. Even though the amount you enter is shown as a positive number here, it is subtracted from other income at line 9 of this schedule. *You must generally limit your NOL deduction to 80% of taxable income. For details, see IRS Pub. 536 for 2023. (The suspension of the 80% limitation because of the Covid-19-related CARES Act expired at the end of 2021.)*

8b Gambling. (*Supported by the W-2G Worksheet, Figures 2-5a through 2-5c.*) You must itemize this line and report your gambling winnings on the W-2G Worksheets for this line. Only the gambling *winnings* are reported here, *not reduced by gambling losses. Gambling losses are claimed at line 16 of Schedule A, not here*, but no more than the winnings reported here. Your winnings may have been reported to you on a Form W-2G. If you received a Form W-2G, you **MUST** file a copy of it with the return. The gross winnings entered in line 1 of the W-2G Worksheets (from box 1 of Form(s) W-2) is shown here and reflected in the total for other income at line 9 of this schedule. (*Details for our W-2G Worksheets appear in this manual following our instructions for Schedule 1, line 10.*)

Federal tax withholding on Form(s) W-2G. (*Supported by the W-2G Worksheet.*) Any backup withholding entered in line 4 of the W-2G Worksheets (from box 4 of Form(s) W-2) is shown here and reflected in Form 1040, line 25c.

- State tax withheld on Form W-2G.** (*Supported by the W-2G Worksheet.*) Any backup withholding entered in line 14 of the W-2G Worksheets (from box 14 of Form(s) W-2) is shown here and reflected in the Income Tax Option for line 5a of Schedule A.
- 8c Cancellation of debt.** Enter only *taxable* canceled debt. If you received a Form 1099-C for this cancellation of debt, the amount should be shown in box 2. *TIP: Not all canceled debt is taxable, as explained in IRS Pub. 4681, so you may be able to enter less than the amount reported to you on Form 1099-C.*
- 8d Foreign earned income exclusion from Form 2555.** (*If Premium Level, Road Map line supported by Form 2555.*) The housing or foreign earned income exclusion on line 45 of Form 2555 (*Foreign Earned Income*) is reported here. *Even though the amount is shown here as a positive number here, it is subtracted from other income at line 9 of this schedule.*
- 8e Income from Form 8853.** (*If Premium Level, Road Map line supported by Form 8853.*) Taxable distributions and payments figured on Form 8853 (*Archer MSAs and Long-Term Care Insurance Contracts*) are reported here. This includes taxable Archer MSA (Medical Savings Account) distributions, taxable Medicare Advantage MSA distributions, and taxable payments from long-term care insurance contracts, as reported on lines 8, 12, and 26 of Form 8853, respectively.
- 8f Income from Form 8889.** (*If Premium Level, Road Map line supported by Form 8889.*) Taxable distributions and tax penalties figured on Form 8889 (*Health Savings Accounts (HSAs)*) are reported here. This includes taxable HSA distributions and income/additional tax for failure to maintain HDHP coverage, as reported on lines 16 and 20 of Form 8889, respectively.
- 8g Alaska Permanent Fund dividends.** Enter the money you received from the state of Alaska's Permanent Fund for permanent residents of Alaska.
- 8h Jury duty pay.** Enter *all* jury duty fees received. Do *NOT* reduce your entry by any amount given to your employer because the employer paid you during your jury duty. Instead, report any amount given to your employer as an adjustment at line 24a of this schedule.
- 8i Prizes and awards.** Enter all prizes and awards received *except Olympic and Paralympic medals and USOC prize money*, which are reported on line 8m.
- 8j Activity not engaged in for profit income.** See IRS Pub. 535 (*Business Expenses*) for activities that apply.
- 8k Stock options.** Enter any income from the exercise of stock options that was *NOT* included in line 1h of Form 1040.
- 8l Income from the rental of personal property.** This is income from rental of personal property for profit *if you were not in the business of renting such property*. You must enter the *gross* rental income

here. Expenses related to this income are deducted at line 24b of this schedule, not here.

8m Olympic and Paralympic medals and USOC prize money. Enter the value of Olympic or Paralympic medals you receive and the amount of USOC (U.S. Olympic Committee) prize money you receive owing to your participation in Olympic or Paralympic Games. *TIP: The amount you enter is nontaxable if your AGI plus this amount is no more than \$1,000,000 (\$500,000 if married filing separately). In that case, you should enter the full amount you enter here on line 24c of Schedule 1 as well so that this amount is subtracted from your income.*

8n Section 951(a) inclusion. If you are a U.S. shareholder in a controlled foreign corporation, you must generally complete and file Form 5471 (*Information Return of U.S. Persons With Respect To Certain Foreign Corporations*) and associated schedules and statements. Enter here the total of amounts on lines 1a through h and line 2 of your Form(s) 5471, which is your pro rata share the corporation's subpart F income.

8o Section 951A(a) inclusion. If you are a U.S. shareholder in a controlled foreign corporation that has global intangible low-taxed income (GILTI), you must generally complete and file Form 8992 (*U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)*). Enter here the total of amounts reported in Part II, line 5, of your Form 8992.

8p Section 461(l) excess business loss adjustment. If the net losses from all of your trades or businesses combined exceeds \$270,000 (\$540,000 if married filing jointly), the excess above this threshold is not deductible and must be added back to income here. Use Form 461 (*Limitation on Business Losses*) to list the losses and compute the amount to enter here from line 16 of your Form 461.

Your taxable distributions from an ABLÉ account. ABLÉ (Achieving a Better Life Experience) accounts are tax-favored savings accounts on behalf of blind or disabled individuals. Distributions from this type of account may be taxable if they exceed qualified expenses and were not in a qualified rollover. See IRS Pub. 907 (*Tax Highlights for Persons with Disabilities*) for details. If married filing jointly, amounts for you and spouse must be entered separately for the proper automation of the return. Enter distributions from YOUR account here.

Spouse taxable distributions from an ABLÉ account. If married filing jointly, enter distributions from SPOUSE'S account here.

8q Taxable distributions from an ABLÉ account. *(auto-calc; not shown on-screen)* Computed as the sum of the preceding two lines. **CAUTION:** *If you have an amount for this line, you may have an additional tax on Form 5329.*

8r Scholarship and fellowship grants not reported on Form W-2. Enter any taxable scholarships and grants not reported in box 1 of a Form W-2 and therefore not included in line 1a of Form 1040. Unlike most other parts of line 8, *this amount is included in earned income* for some calculations, but *not* the Earned Income Credit. *TIP: Amounts for tuition and course-related expenses are NOT taxable if you were a degree candidate, and should NOT be included here.*

Spouse part of line 8r. If married filing jointly, enter the part of line 8r attributable to spouse.

8s Nontaxable Medicaid waiver payments included in Form 1040, line 1z. The Medicaid waiver payments from Form(s) W-2 included in Form 1040, line 1a, and the Medicaid waiver payments not reported on Form(s) W-2 that you enter on Form 1040, line 1d, may include nontaxable amounts. These nontaxable components are included in earned income for most benefits, but must be subtracted out of taxable income here so that they are not taxed. Enter here the *nontaxable* part of Medicaid waiver payments included in line 1z of Form 1040 (stemming from amounts included in lines 1a and 1d). Even though the amount you enter is shown as a positive number here, it is *subtracted* from other income at line 9 of this schedule. *TIP: This nontaxable income is not excluded from earned income for most calculations, but for the Earned Income Credit you have the option of either including or excluding it in order to maximize your credit. You will make your choice on our on-screen Schedule EIC in the same way that you choose to include or exclude nontaxable combat pay.*

8t Pension or annuity from nonqualified deferred compensation plan or a nongovernmental section 457 plan. *(auto-calc)* Taken from the W-2 Worksheets you completed for Form 1040, this amount will generally be reported to you in box 11 of Form W-2. The amount *not* included in box 1 of Form W-2 is reported here based on your entry below line 11 of our W-2 Worksheet labeled "Amount NOT included in 1." *This amount is included in earned income* for some calculations, but *not* the Earned Income Credit. (If married filing jointly, spouse's part of this amount is also computed, but is not shown on the screen.)

8u Wages earned while incarcerated. *(auto-calc)* Taken from the W-2 Worksheets you completed for Form 1040, this is the amount you entered below line 1 of the worksheets labeled "Prison inmate income in 1." *This amount is included in earned income* for some calculations, but *not* the Earned Income Credit. (If married filing jointly, spouse's part of this amount is also computed, but is not shown on the screen.)

Other income. All other taxable *UNEARNED* income not reported elsewhere should be included in line 8z, below, which is comprised of the following five lines:

Schedule 1

Form 8814 income on Form 8814, line 12. (*Road Map line, supported by Form 8814.*) Form 8814 is used to report investment (unearned) income of your children when you are not required to file a separate return for the child. Fifteen separate copies of Form 8814 are built into the software for reporting the qualifying unearned income of up to 15 children. The sum of investment income reported on all such Forms 8814, excluding capital gains distributions, is posted here.

You: ESA or QTP distributions. Enter here any taxable distributions you received from Coverdell Education Savings Accounts (ESAs) and taxable earnings received from Qualified Tuition Programs (QTPs). An entry here is subject to a 10% penalty through Form 5329, although you may qualify for an exception on Form 5329. For more information, see the last bullet in the IRS instructions for Schedule 1, line 8z, in their *2023 Form 1040 Instructions*.

Spouse: ESA, QTP, or ABLE distributions. If married filing jointly, enter here the same type of income as above when paid to the spouse. It is treated the same way as described above, but using the spouse's Form 5329.

You: Other (unearned) income. Enter here any *taxable* unearned income for YOU not included elsewhere in taxable income, *providing details in a supporting statement for this line*. Examples include reimbursements received for losses deducted in earlier tax years, recapture of a previously deducted charitable contributions, taxable part of disaster relief payments received. For other examples, see IRS instructions for Schedule 1, line 8z, in their *2023 Form 1040 Instructions*. *TIP: Earned income other than wages are generally reported on Schedule C, Schedule F, or Part II of Schedule E.*

Spouse: Other (unearned) income. If married filing jointly, enter here taxable unearned income for SPOUSE not included elsewhere in taxable income, *providing details in a supporting statement for this line*. (See preceding paragraph for "You" for examples.)

8z Other income. (*auto-calc*) Computed as the sum of amounts on the preceding five lines.

9 Total other income. (*auto-calc*) Computed as the sum of lines 8a through 8z.

10 Additional income. (*auto-calc*) Computed as the sum of lines 1 through 7 plus line 9, this is the additional income for line 8 of Form 1040.

W-2G Worksheet, Figures 2-5a through 2-5c. This worksheet supports the gambling winnings reported at line 8b of Schedule 1 along with the two lines for withholding that follow it. All information for the worksheets is available from the identified boxes on Form W-2G. *Only lines marked with an asterisk (*) are required entries for a paper return.* All other entries are required for e-file returns only, and should match the amounts shown on the W2-Gs received. The W-2G Worksheet is displayed on 3 separate screens in order to accommodate all entries required for e-file. Use the PageDown key to view successive screens (and the PageUp key to go back).

Screen 1 of 3:

If SPOUSE'S, check here. Answer Yes if spouse was the recipient of the gambling income.

Corrected form? If corrected from a previously submitted Form W-2G, the checkbox labeled "Corrected" at the top of the form should be checked. If so, answer Yes here.

PAYER'S name. Enter the payer's name in 30 characters or less. The remaining items in the PAYER'S box of Form W-2G are required only for an e-filed return:

```

FORM W-2G (Screen 1 of 3)
Only (*) reqd for paper return
If SPOUSE'S, check here...(*)? No
Corrected form....? No
PAYER'S name....(*)
  ' e-file name control1...
  ' name line 2.
  ' U.S.address.
  ' U.S.city...
  ' U.S.state.....
  ' U.S.ZIP code.....
  ' U.S.telephone number..
PAYER'S Fed ID number.....(*)
WINNER'S name.....
  ' U.S.address.
  ' U.S.city...
  ' U.S.state.....
  ' U.S.ZIP code.....
Enter foreign info on screen 3
    
```

Figure 2-5a. W-2G Worksheet, Screen 1

...e-file name control.

If you plan to e-file the return *you MUST enter a 4-character name control here*. This is usually the first 4 characters of the preceding name, but there are special rules for certain types of business names. If you have any doubts, see our 5-page document *Instructions for Entry of Name Controls for Businesses*, which is available online on the E-FILE ALERTS page of our "Check Web for Updates" site (accessible from the *Tax Preparer Control Panel*).

...name line 2. Use this line for in care of addresses or a continuation of the payer's name, in 25 characters or less. *e-file TIP: This line is no longer allowed by the IRS to contain an address continuation as it was in prior years.*

Foreign addresses are entered on screen 3, not here. The IRS has devised specific formats for entering foreign addresses for payers and winners for an e-file return. You cannot use the same data entry lines as you would for U.S. addresses. Entries for foreign addresses for the payer and/or winner are supplied on screen 3 of the W-2G Worksheet, not here.

...U.S. address. Enter address in 25 characters or less. *If you choose to enter the payer's foreign address instead, leave this and the following 3 entries blank and enter the foreign address on screen 3 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if the payer has addresses in both locations, or else the e-file return will be rejected.*

...U.S. city. Enter city in 22 characters or less.

...U.S. state. Enter 2-letter state code.

...U.S. ZIP code. Enter ZIP code in 10 characters or less.

...U.S. telephone number. Enter in the (xxx) xxx-xxxx format. No more than 10 digits are recognized by the IRS for e-file.

PAYER'S Federal ID number. Enter payer's federal identification number in the standard xx-xxxxxxx format for EIN.

WINNER'S name. Enter the winner's full name in 30 characters or less. This and the remaining parts of the WINNER'S box of Form W-2G are required only for an e-file return:

...U.S. address. Enter address in 25 characters or less. *If you choose to enter your foreign address instead, leave this and the following 3 entries blank and enter the foreign address on screen 3 of this worksheet. CAUTION: Do not enter both U.S. and foreign addresses, even if you have homes in both locations, or else the e-file return will be rejected.*

...U.S. city. Enter city in 22 characters or less.

...U. S. state. Enter 2-letter state code.

...U.S. ZIP code. Enter ZIP code in 10 characters or less.

Screen 2 of 3:

1 Reportable winnings. Enter total winnings shown in box 1.

2 Date won. Enter in the standard mm/dd/yyyy format.

3 Type of wager. Enter type as shown in box 3.

4 Federal income tax withheld. Enter withholding shown in box 4.

5 Transaction. Identify transaction.

6 Race. Enter as indicated.

7 Winnings from identical wagers. Enter as indicated.

8 Cashier. Enter as indicated.

9 WIN-

NER'S SSN. Enter in the standard XXX-XX-XXXX format.

10 Window. Enter as indicated.

11 First I.D. Enter as indicated.

12 Second I.D. Enter as indicated.

13 PAYER'S state. Enter standard 2-letter code for the state.

PAYER's state IDN. Enter as indicated.

14 State winnings. Enter winnings taxable to the state indicated in line 13. This amount will generally be the same as the amount in box 1 if the gambling concern resides in the same state as the winner.

15 State income tax withheld. Enter withholding for the state indicated in line 13.

16 Local winnings.

Enter the winnings taxable to the locality indicated in line 18. This amount will generally be the same as the amount in box 1 if the gambling concern resides in the same locality as the winner.

FORM W-2G (Screen 2 of 3)		
1	Reportable winnings.....(*)	0
2	Date won.....	
3	Type of wager.....	
4	Fed income tax withheld.(*)	0
5	Transaction.....	
6	Race.....	
7	Winnings identical wages...	0
8	Cashier.....	
9	WINNER'S SSN.....	
10	Window.....	
11	First I.D.....	
12	Second I.D.....	
13	PAYER'S state.....	
	PAYER'S state IDN.....	
14	State winnings.....	0
15	State income tax wthheld(*)	0
16	Local winnings.....	0
17	Local income tax wthheld...	0
18	Name of locality.....	

17 Local income tax withheld. Enter withholding for the locality indicated in line 18.

18 Name of locality. Enter the name of the taxing locality in 13 characters or less using abbreviations when necessary. The locality would generally be the city, town, or county that taxes your winnings separately from the state.

Figure 2-5b. W-2G Worksheet Screen 2

Screen 3 of 3: Foreign addresses. The last screen is used to enter a foreign address for the payer and/or winner when a U.S. address was *not* entered on screen 1. *Do not enter both foreign and U.S. addresses for the same payer or winner, even when both apply, or else your e-file return will be rejected by the IRS.*

Payer's foreign address:

- ...**foreign address.** Enter foreign address in 30 characters or less.
- ...**foreign city.** Enter foreign city in 30 characters or less.
- ...**foreign province or state.** Enter the foreign province or state in 15 characters or less.
- ...**foreign country code.** Enter 2-letter country code. See Table 2-6 on page 2-27 for Official Country Codes.
- ...**foreign postal code.** Enter a foreign postal code up to 15 characters in length.

Winner's foreign address:

- ...foreign address. Enter foreign address in 30 characters or less.
- ...foreign city. Enter foreign city in 30 characters or less.
- ...foreign province or state. Enter the foreign province or state in 15 characters or less.
- ...foreign country code. Enter 2-letter country code. See Table 2-6 on page 2-24 for Official Country Codes.
- ...foreign postal code. Enter a foreign postal code up to 15 characters in length.

Source (S=Standard, N=Non-Standard).

This entry is required for e-file only, and is normally S. Enter N only if the W-2G sent to the taxpayer was altered, typed, or handwritten rather than computer-generated.



Figure 2-5c. W-2G Worksheet, Screen 3

CERTAIN NONTAXABLE INCOME. Selected nontaxable income is reported here to ensure the proper limitations on various credits and deductions.

Nontaxable combat pay (see Form W-2). If you (or spouse if filing jointly) were a member of the U.S. Armed Forces who served in a combat zone during the tax year, certain pay is excluded from income as shown in box 12 of your Form W-2 as code Q. You must enter that amount here. It can affect the computation of earned income for the *Earned Income Credit* (line 27 of Form 1040), the *Additional Child Tax Credit* (Schedule 8812), and the *Dependent Care Credit* (Form 2441), subject to certain elections. The amount you enter here is shown on line 1i of Form 1040 *only* if you make an election on our on-screen Schedule EIC to include it in earned income when computing the EIC. It is used in Schedule 8812 if *not* used in the EIC, and it is always used in Part II of Form 2441. (It is normally used in Part III of Form 2441 as well, but you can elect out of its use there.) Enter on this line the total for both spouses combined.

Spouse part of above. If any of the total amount entered above is from the spouse's Form W-2, enter that amount here.

Excluded benefits from Form 8839. *(If Premium Level, Road Map line supported by Form 8839.)* Excluded benefits are employer-paid amounts for adoption expenses, from line 28 of Form 8839 (Adoption Credit). This entry affects modified AGI used in computations of taxable social security benefits, IRA deductions, student loan deductions, and taxes and limitations on all kinds of IRAs on Form 8606.

Scholarships, etc., not reported. Enter all scholarships, fellowships, assistance allowance, etc., that are *not* included in taxable income. (Do not include gifts or inheritances.) This entry can affect your student loan interest deduction at line 21 of Schedule 1.

Puerto Rico income not reported. This is income not reportable on your U.S. return due to an agreement with Puerto Rico. It generally applies to income earned in Puerto Rico as a bona fide resident of Puerto Rico. It affects the modified AGI used in the computation of the child tax credit, taxable social security benefits, and student loan deductions.

Nontaxable earnings from ESAs and QTPs. Earnings from Coverdell Education Savings Accounts (ESAs) plus earnings and distributions from Qualified Tuition Programs (QTPs) must be reported here, even though nontaxable, because they affect the proper application of limitations on deductions for educator expenses and student loan interest.

Excludable bond interest (Schedule B, line 3). *(Auto-calc line, supported by Schedule B.)* The excludable interest on series EE savings bonds is posted here from line 3 of Schedule B. You must use Form 8815 to figure the amount for Schedule B and file the schedule with your return, even if total taxable interest and dividends is under \$1,500. This entry is used in modified AGI for several computations, including IRA limitations and education deductions.

PART II, ADJUSTMENTS TO INCOME. All deductions that reduce gross income to arrive at adjusted gross income are reported here.

11 Educator expenses deduction. If you were an eligible educator in 2023, you can deduct up to \$300 of unreimbursed (out-of-pocket) expenses at this line. You must be a grade K through 12 teacher and the expense must have been for books, supplies, and other supplementary materials. *This deduction was made permanent by the Protecting Americans from Tax Hikes Act of 2016, which was passed by Congress at the end of 2016.*

YOUR qualified educator expenses. If you were an eligible educator in 2023, enter your qualified expenses (excluding any reimbursements not included in box 1 of your Form W-2).

SPOUSE qualified educator expenses. If married filing jointly and spouse was an eligible educator in 2023, enter spouse's qualified expenses (excluding any reimbursements not included in box 1 of spouse's Form W-2).

11 Educator expenses. (auto-calc) Normally computed as the sum of your expenses limited to \$300 plus spouse's expenses limited to \$300. However, if you had an entry for "Nontaxable earnings from ESAs and QTPs" and/or "Excludable bond interest (Schedule B, line 3)" (as described above and entered on the screen before the one for this line), the sum of expenses for both spouse's is reduced by those amounts before the limitation to \$300 per spouse is applied.

Schedule 1

12 Certain business expenses of reservists, performing artists, and fee-basis government officials – Form 2106. (*Road Map line, supported by Form 2106.*) Taxpayers in these targeted groups do not have to itemize deductions on Schedule A to deduct business expenses, but are allowed an adjustment here instead. See Form 2106 for details. (Five separate Forms 2106 are available, one for each employer.)

13 Health savings account deduction - Form 8889. (*If Premium Level, Road Map line supported by Form 8889.*) If you or someone other than your employer contributed to your Health Savings Account (HSA), claim your HSA deduction here, from Form 8889, line 13.

14 Moving expenses - Form 3903. (*Road Map line, supported by Form 3903.*) Three Forms 3903 are accessible at this line, one for each move in the year. *This deduction is now allowed only for qualified military personnel as a result of the tax reform bill.*

15 Deductible part of self-employment tax. (*auto-calc line, supported by Schedule SE*) Taken from line 13 of Schedule SE (for both spouse's combined if married filing jointly). For 2023, the deduction is half of the self-employment tax on Schedule 2, line 4.

16 Self-employed SEP, SIMPLE, and qualified plans deduction. If self-employed, enter here tax deductible contributions to qualified plans (including Keogh plans) or your own SEP *if you are the employer contributing to your own plan*. The ceilings on these deductions depend on the type of plan, and can be quite involved, but you *must* be self-employed to qualify for a deduction here. See IRS Pub. 560 (*Retirement Plans for the Self-Employed*) for details. **CAUTION: Unless you are the employer, contributions to your SEP payments are NOT deductible here:** employer contributions to employee plans are already excluded from income on your W-2, and your contributions are considered IRA contributions and deducted at Schedule 1, line 20, not here.

YOUR payments to self-employed SEP, SIMPLE, and qualified plans.

Enter here all contributions made in your behalf up to your allowed ceiling. **TIP:** *If the plan is a defined benefit plan, you should make your entry in a supporting statement for this line and enter "DB" in the description column, in order to satisfy the reporting requirements of the IRS.*

SPOUSE payments to self-employed SEP, SIMPLE, and qualified plans. Enter here all contributions made in spouse's behalf up to spouse's allowed ceiling. (See the above TIP as well.)

16 Self-employed SEP, SIMPLE, and qualified plans. (*auto-calc*) Computed as the sum of the above two lines, *excluding any entry for a spouse who has NO self-employment income.* **CAUTION:** The person claiming a deduction on this line *must be self-employed*. The software assumes that a spouse is *NOT* self-employed and zeroes the amount for line 15 for that spouse if it finds that the spouse's net earned income excluding wages is zero.

17 Self-employed health insurance deduction. Qualified self-employed taxpayers can now deduct up to 100% of the cost of health insurance for themselves and their immediate family. To qualify, the insurance must have been established under your business, but can include coverage for your spouse and dependents in addition to you. *Amounts paid for any months you were eligible for your employer's (or your spouse's employer's) subsidized health plan do not qualify.*

Your self-employed health insurance. Enter here the amount paid for qualified health insurance established under your sole proprietorship. *CAUTION: You cannot include any amounts paid for insurance not set up under your business as self-employed.*

Spouse self-employed health insurance. Enter here the amount paid for qualified health insurance established under spouse's sole proprietorship. *CAUTION: You cannot include any amounts paid for insurance not set up under spouse's business as self-employed.*

17 Self-employed health insurance deduction. (*auto-calc*) The deduction is computed here using the IRS's *Self-Employed Health Insurance Deduction Worksheet—Schedule 1, Line 17* in the IRS 2023 Form 1040 Instructions. As a result, if you have no self-employment income, your entry for your health insurance will not be included here. Similarly, if spouse has no self-employment income, your entry for spouse's health insurance will not be included. (The part of "self-employed health insurance" you entered above that is not deductible here is automatically included in line 1 of Schedule A.) *TIP: You may have to override the calculation for this line* and use the procedure in IRS Pub. 535 (*Business Expenses*) if

- 1) you have more than one source of self-employment income (that is, more than one sole proprietorship),
- 2) you have income from an S corporation in which you are a more than 2% shareholder or you have income from more than one source of self-employment (since the deduction is limited to earned income from the business under which the insurance plan is established),
- 3) you file Form 2555 (*Foreign Earned Income*), or 4563 (*Exclusion of Income For Bona Fide Residents of American Samoa*), or you exclude income from sources within Puerto Rico,
- 4) you claim a net operating loss (NOL) deduction (see IRS Pub. 536, *Net Operating Losses*),
- 5) the insurance includes amounts for qualified long-term care,
- 6) the plan was set up under an S Corporation from which you receive wages and are a more than 2% shareholder, or
- 7) your tax year ended on a date other than December 31, 2023 (which is not supported by *Tax Preparer* because it is almost never allowed by the IRS for individuals).

See IRS Publication 535 (*Business Expenses*) for details. In addition, *you may have to override the calculation for line 16* and use the proce-

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dure described under the title "Self-Employed Health Insurance Deduction and PTC" in IRS Pub. 974 (*Premium Tax Credit*) if you are eligible for the Premium Tax Credit (PTC).

18 Penalty on early withdrawal of savings. (*Road Map line, supported by Schedule B.*) Penalties paid because of early withdrawal of certificates of deposits should be entered on the Form 1099-INT Worksheet that supports line 1 of Schedule B, and the amount will be posted here automatically.

19 Alimony paid. Payments under a divorce or separation agreement entered into *before* 2019 are generally tax deductible here. To claim a deduction, you must identify the recipient here in addition to entering the amount:

19a Amount paid. If paid to only one person, enter here the amount you claim as a deduction. If paid to *more* than one person, you must itemize the separate amounts in a supporting statement for this line. If you must itemize this line, you must strictly conform to the following format: **(a)** in the description column enter the recipient's SSN (see 19b) in the standard 11-character format (xxx-xx-xxxx), followed by a space then the date (see 19c) in the standard date format (xx/xx/xxxx); and **(b)** in the amount column enter the amount for the associated SSN and date. *If you plan to e-file the return, the month are day part of your date entry must always be 2 digits wide, include a leading zero for numbers less than 10.* **CAUTION:** *Not all alimony is tax deductible.* For example, for divorce decrees executed *after* 2018, alimony paid is not deductible here and alimony received is not taxable income at line 2a of this schedule, thanks to the tax reform bill. In addition, child support payments are almost always *neither* taxable to the recipient *nor* deductible by the payer. Check IRS Publication 504 (*Divorced or Separated Individuals*) if in doubt.

19b Recipient's SSN. If there is only one recipient, enter the recipient's social security number here in the standard format (xxx-xx-xxxx). *If you don't provide this SSN, you may be subject to a \$50 penalty.* If you paid alimony to *more* than one person, *skip* this line and use a supporting statement for line 19a to list each amount with the associated SSN and date. (If you itemize line 19a or there is no amount on line 19a, any entry you make here is erased.)

19c Date of original divorce or separation agreement. If there is only one recipient, enter the date here (in the standard xx-xx-xxxx format) of the original agreement associated with the divorce or separation under which the amount entered on line 19a was paid. If the amount entered in line 19a stems from *more* than one divorce or separation, *skip* this line and use a supporting statement for line 18a to list each amount with the associated SSN and date. (If you itemize line 19a or there is no amount on line 19a, any entry you make here is erased.)

Roth IRAs are not deductible. The adjustment at line 20 of this schedule, described next, is relevant only to traditional IRAs. Contributions to Roth IRAs are *NOT* tax-deductible. However, distributions from these accounts are generally not taxed if you follow the IRS rules. You are allowed to convert all or part of your traditional IRA to a Roth IRA, but, because the traditional IRA was most likely tax-deductible, you are taxed on the conversion. Contributions to Roth IRAs are limited in much the same way as traditional IRAs, and the two must be considered together when determining the limitations. You can use our Form 8606 to determine the Contributions Limit on your Roth IRAs, but only after entering your traditional contributions below. See our details for Form 8606 for more information on contributions to and distributions from Roth IRAs, and how conversions from traditional to Roth IRAs are taxed.

20 IRA deduction. (*For traditional IRAs only.*) Tax-deductible contributions to an Individual Retirement Arrangement (IRA) are severely restricted for some taxpayers. For 2023, the nominal limit on your deductible contribution is \$6,500, plus an additional \$1,000 if age 50 or more, but no more than your taxable compensation (called “modified earned income” and computed using a number of IRS-defined adjustments). However, if you or spouse were covered by a retirement plan at work (including self-employment), the maximum contribution may be reduced if your income is high enough. (“Retirement plan” in this context includes qualified pension and profit-sharing plans, including 401(k)s, and self-employed coverage through Keogh, SEP, or SIMPLE plans.) The maximum contribution for a taxpayer who is covered at work is phased out once income exceeds specific thresholds. When income exceeds the threshold by \$10,000 or more (\$20,000 if married filing jointly), *NO* deduction is allowed. The income used for these limits is modified AGI, which is defined fully only in IRS Pub. 590-A for tax year 2023:

- **Phaseouts begin at \$73,000 and finish at \$83,000** if single, head of household, married filing separately and lived apart from spouse all year
- **Phaseouts begin at \$126,000 and finish at \$136,000** if married filing jointly, for the spouse covered at work, or qualifying Surviving Spouse
- **Phaseouts begin at \$0 and finish at \$10,000** if married filing separately and lived with spouse anytime in the year
- **Phaseouts begin at \$208,000 and finish at \$228,000** if married filing jointly, for the spouse *NOT* covered at work

All limitations are applied automatically by the software at line 20, using the worksheets and instructions in IRS Pub. 590-A, which are more complete than those in the IRS instructions for Schedule 1 in the *IRS 2023 Form 1040 Instructions*. Any amounts not allowed are posted to Form 8606 for consideration as nondeductible contributions to your IRAs. Note that an employee’s contribution to his or her own SEP is treated just like IRA payments, and no distinction between the two is made. You must therefore include such SEP payments in the following two lines.

2023 contributions to YOUR IRA. Enter here your TOTAL contributions, unless you voluntarily choose not to deduct some of your deductible contributions, in which case you should enter the voluntary pary on your Form 8606. *TIP: You no longer have to be less than 70-1/2 years of age at year-end in order to deduct contributions or treat them as nondeductible contributions through Form 8606.*

2023 contributions to SPOUSE IRA. As above, but for spouse.

Covered? 1=You, 2=Spouse, 3=Both. If either spouse was covered by a retirement plan during the tax year, enter a number from 1 to 3. Otherwise, enter zero. Retirement plan in this context includes a qualified pension, profit-sharing, 401K, annuity, SEP, SIMPLE, or similar plan, whether funded by your employer or your self-employment. If covered, your allowed IRA deduction is reduced if your taxable income is high enough (above \$83,000 if single, head of household, or married filing separately living apart from spouse all year; \$136,000 if married filing separately or qualifying surviving spouse, but \$228,000 for a spouse not covered; or \$10,000 if married filing separately not living apart from spouse all year).

YOUR allowed IRA deduction. *(auto-calc)* Computed as the allowed IRA deduction for you using the IRS's IRA Worksheets, which are built into the software and fully automatic for most taxpayers. Note that your allowed deduction can be no more than earned income.

SPOUSE allowed IRA deduction. *(auto-calc)* Computed as the allowed IRA deduction for spouse, if married filing jointly, using the same IRS IRA Worksheets as noted above. Note that your allowed deduction can be no more than earned income.

20 IRA deduction. *(auto-calc)* Computed as the sum of the preceding two amounts. See IRS Pub. 590-A (*Contributions to IRAs*) for subtleties in the calculations.

Additional contributions on Form 8606. When the IRA deduction allowed is less than the contributions made, Form 8606 is generated by software to determine the amount of disallowed contributions that are allowed as nondeductible contributions to your IRA. Those that are not allowed even as nondeductible contributions are subject to penalties through Form 5329. *CAUTION: Even though Form 8606 is automatically generated, you may have to access it to report the current value and past basis of your IRA accounts.* Moreover, if you voluntarily choose not to deduct some deductible amounts, you must enter on the above IRA contribution lines only the amounts to be deducted, and enter the remainder on the Form 8606 for the appropriate spouse yourself. (Form 8606 is accessible through the Road Map from line 4b of Form 1040. Form 5329 is accessible through the Road Map at line 8 of Schedule 2, but Form 8606 should be completed *before* Form 5329 in order for you to see meaningful results before the final recalculation of the return. Two copies of each form are built into the software: one for you, and one for spouse.)

21 Student loan interest deduction. This deduction generally allows you to deduct a limited amount of interest on a student loan if the loan is used for qualified higher education expenses. *TIP: It is no longer required that you paid at least part of the interest on the loan within the first 5 years that payments were required.*

2023 interest on qualified loan. Enter the total amount of qualified interest paid in 2023, excluding any amount paid using earnings from a qualified tuition program (QTP) (which should have been included in your entry for “Nontaxable earnings from ESAs and QTPs” on screen 3 of the on-screen Schedule 1. See the IRS instructions for Schedule 1 near the end of the IRS *2023 Form 1040 Instructions* for detailed requirements. Up to \$2,500 is deductible for tax year 2023. Note that there is *no* deduction allowed if married filing separately or either spouse is claimed as a dependent on someone else’s return.

21 Student loan interest deduction. *(auto-calc)* The deduction is computed using the instructions in IRS Pub. 970, which are more complete than those in the IRS instructions for Schedule 1, including the impact of deductions/exclusions on Form 2555 and excluded Puerto Rico income (entered on screen 3 of the on-screen Schedule 1). The computation includes a reduction in the maximum \$2,500 deduction as modified AGI increases above certain thresholds. For 2023, the result is NO deduction when modified AGI exceeds \$185,000 if married filing jointly, or \$90,000 for all others.

22 Reserved for future use. This line was formerly used for the *Tuition and Fees Deduction*. But that deduction expired and has not been reinstated sense.

23 Archer MSA deduction. *(If Premium Level, Road Map line supported by Form 8853.)* Archer MSAs (Medical Savings Accounts) are a form of self-insurance for the self-employed and employees of small companies. Contributions can be deducted up to a limit that is generally 65% to 75% of the deductible for the plan, but you are allowed no deduction if your employer made any contributions to your Archer MSA during the tax year. The amount on line 5 of a Form 8853 you complete is reported here.

24 Other adjustments. All other adjustments to taxable income are reported here. Most of these adjustments are now defined by the IRS in its labels for lines 24a through 24k, so the need to provide your own itemized list of other adjustments at line 24z is minimized.

24a Jury duty pay. If you reported jury duty pay as income on line 8h, but you were required to reimburse it to your employer because the employer paid you during jury duty, you can deduct the amount you gave to your employer here.

24b Deductible expenses related to income reported on line 8l. If you made an entry for income from the rental of personal property at line 8l, you can deduct the expenses related to that income here.

24c Nontaxable amount of Olympic and Paralympic medals and USOC prize money reported on line 8m. If you made an entry on line 8m for the value of Olympic or Paralympic medals you receive or the amount of USOC (U.S. Olympic Committee) prize money you receive, you can deduct the nontaxable amount here. *TIP: The amount you entered on line 8m is nontaxable if your AGI plus this amount is no more than \$1,000,000 (\$500,000 if married filing separately). In that case, you should enter here the full amount you entered on line 8m.*

24d Reforestation amortization and expenses. If you do not have to file a Schedule C or F for the activity, you can claim a deduction for the amortization of a reforestation here.

24e Repayment of supplemental unemployment benefits. If you paid back supplemental unemployment benefits (sub-pay) that you previously received under the Trade Act of 1974 but for which you were not eligible because you subsequently became eligible for regular unemployment payments, and you reported the previously received payments as income on a prior tax return, you can deduct that amount here. See IRS Pub. 525 (*Taxable and Nontaxable Income*) for more information.

24f Contributions to section 501(c)(18)(D) pension plans. If an amount appears on your Form W-2 in box 12 identified as code H, this amount is the amount of elective deferral to a section 501(c)(18) tax-exempt organization plan. For this kind of deferral, the amount is included as taxable income in box 1 of your W-2, and therefore included in line 1a of Form 1040. However, you can deduct the amount here, up to the legislated limitation on elective deferrals (generally \$22,500 for 2023). (This is the only kind of salary deferral that is deducted here. All other deferred compensation is omitted from box 1 of W-2, and therefore already omitted from line 1a of Form 1040. See IRS Pub. 525, *Taxable and Nontaxable Income*, for details.)

24g Contributions by certain chaplains to section 403(b) plans. If an amount appears on your Form W-2 in box 12 identified as code E, this amount is the amount of elective deferral to a section 403(b) plan, which is a tax-sheltered plan for certain church employees and ministers. See IRS Pub. 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*, for details.

24h Attorney fees and court costs for actions involving certain unlawful discrimination claims. If you paid attorney and court costs for an unlawful discrimination claim you made, you can deduct those costs here, but no more than the taxable income received from the claim. See IRS Pub. 525 (*Taxable and Nontaxable Income*) for more information.

24i Attorney fees and court costs for claiming an award from the IRS for information you provided. If you paid attorney and court costs in con-

nection with an award from the IRS for information leading to the detection of a tax law violation, you can deduct the costs here, but no more than the taxable income from the award.

24j Housing deduction from Form 2555. *(If Premium Level, Road Map line supported by Form 2555.)* This is the foreign housing expense that is allowed as a deduction, shown on line 50 of Form 2555.

24k Excess deductions of section 67(e) expenses. If you have excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041), box 11, code A, see instructions for Schedule K-1 (Form 1041).

24z Other adjustments (itemize). For all other adjustments, you must identify the adjustment in a supporting statement for this line, using the description column to enter a short literal or phrase that identifies the adjustment.

25 Total other adjustments. *(auto-calc)* Computed as the sum of lines 24a through 24z.

26 Adjustments to income. *(auto-calc)* Computed as the sum of lines 11 through 23 plus line 25, this is the total of adjustments for Form 1040, line 10, and is reflected as a subtraction in the computation of adjusted gross income for Form 1040, line 11.

Schedule 2 / Additional Taxes

Two-part schedule supplements taxes reported on Form 1040. Part I of the schedule is used only to report the alternative minimum tax and excess advance premium tax credit repayment, which, in addition to the regular tax on line 16 of Form 1040, are the only taxes that limit the child tax credit claimed at line 19 of Form 1040. All other taxes are reported in Part II. *This schedule is accessible through the Road Map at lines 17 and 23 of Form 1040. Note that the IRS instructions for Schedule 2 appear near the end of the IRS 2023 Form 1040 Instructions, unlike most other schedules that support Form 1040 each of which has their own separate instructions.*

PART I, TAX. Taxes reported here increase tax before any credits are applied, in the same manner as the taxes included in line 16 of Form 1040.

1 Alternative minimum tax - Form 6251. (*Road Map line, supported by Form 6251.*) Form 6251 is automatically generated when a minimum tax exists based on your adjusted gross income, exemptions, and filing status. **CAUTION:** *This form is required under many more circumstances than those that generate it automatically, and even when it is automatically generated you may have to provide additional information on tax preferences.*

2 Excess advance premium tax credit repayment - Form 8962. (*If Standard or Premium Level, Road Map line supported by Form 8962.*) This line is used to report the net tax resulting on Form 8962 (*Premium Tax Credit*) after reconciling the allowed *Premium Tax Credit (PTC)* with the advance payments received (in the form of reduced health care premiums). It applies only to those who signed up for health care through the government-run marketplace (or "exchange"). *If the advance payments were less than the allowed credit, a credit results at line 9 of Schedule 3 and no tax results here.*

3 Add lines 1 and 2. (*auto-calc*) Computed as indicated, this is the tax posted to Form 1040, line 17, for inclusion in the total tax at line 18 of Form 1040.

PART II, OTHER TAXES. Taxes reported here are added *after* any nonrefundable credits are applied. They do not limit any credits.

4 Self-employment tax. (*Road Map line, supported by Schedule SE.*) Two Schedules SE are available: one for each spouse. Schedule SE is automatically generated for any spouse who is liable for the tax based on entries elsewhere in the return. However, the automation can be blocked through your entries on the Control Form, either directly or by claiming one of the exemptions noted below. **CAUTION:** *Even though Schedule SE is automatically generated, you may still have to access it to make special adjustments for church income or unreported tips or to elect one of the optional methods.*

SE flag for IRS. (*auto-calc*) If the answers on the Control Form show that either spouse claims that all self-employment income received in the year is exempt from the self-employment tax because of a filed and approved Form 4029 (for claiming conscientious objection to social security insurance) or Form 4361 (for claiming ministerial

exemption to social security insurance), the corresponding code **F4029** or **F4361** will appear here and on the official printout to the left of line 57. In addition, no Schedule SE will be generated for that spouse, and, if one already exists, its result will be zeroed.

5 Social security and Medicare tax on unreported tips – Form 4137. (*If Premium Level, Road Map line supported by Form 4137.*) If you reported all tip income to your employer, the social security tax due on that income should already have been deducted from your wages and reported on your W-2 worksheets. However, if your W-2 shows an amount for allocated tips (box 8), or you have other unreported tip income, you must pay social security tax and Medicare tax on that income. Unless you owe RRTA tax instead, you must complete Form 4137 and report here the tax on tip income on line 13 of that form. **CAUTION:** *If the amount on line 3 of Form 4137 differs from the allocated tips shown in box 8 of your W-2 (which you should have entered on line 8 of your W-2 Worksheet), you MUST enter the difference on the line "Adjust for 1040 line 1c" below line 8 of your W-2 Worksheet because this difference is taxable income that must be reflected in Form 1040 line 1c. TIP: If you owe RRTA tax, you should contact your employer. Your employer will figure and collect the RRTA tax for you.*

6 Uncollected social security and Medicare tax - Form 8919. If you are an employee whose employer did not withhold social security and Medicare taxes from your wages, you must complete the separate Form 8919 (*Uncollected Social Security and Medicare Taxes on Wages*) and pay the taxes yourself. Enter here the result on line 13 of Form 8919 (not built into the software).

7 Total additional social security and Medicare tax on wages. (*auto-calc*) Computed as the sum of lines 5 and 6, above.

8 Additional tax on IRAs or other tax-favored accounts - Form 5329. (*Road Map line, supported by Form 5329.*) Two copies of Form 5329, one for each spouse, are built into the software. Although automatically created if you contributed too much to your IRAs this year, you will have to complete the form yourself if you are liable for additional taxes due to premature distributions or excess accumulations for IRAs and other retirement plans, pensions, and annuities. **TIP:** If you are not required to file Form 5329 but have an amount for this line, you can enter the amount here without completing Form 5329. The box at this line will be checked to indicate that fact to the IRS. **CAUTION:** *The amount you enter here manually will be overwritten by the amount from Form(s) 5329 if a Form 5329 exists for the return. Therefore, if you are not required to file Form(x) 5329, you must block the auto-creation of Form 5329 on our Control Form (form 1 on the Forms Menu), then remove (using our file manager) any Form 5329 already created, and manually enter your amount for this line only after you have performed these steps.*

9 Household employment taxes - Schedule H. (*Road Map line, supported by Schedule H.*) Household employment taxes are posted here from Schedule H. This schedule is designed to help the IRS enforce the rules for deducting and

Schedule 2

paying employment taxes, such as the social security tax, for household maids and other domestics. **CAUTION:** *Anyone who paid \$2,600 or more in 2023 to any one household worker, who withheld any Federal income tax during 2023 on behalf of the worker, or who paid \$1,000 or more in any one quarter to all workers combined, MUST FILE SCHEDULE H, and must have an employer identification number (EIN) from the IRS. To get an EIN you must file Form SS-4 with the IRS.*

10 Repayment of first-time homebuyer credit - Form 5405. *(If Standard or Premium Level, Road Map line, supported by Form 5405.)* Any recapture tax from Form 5405 is reported here. Recapture tax results from either (1) premature sale or change of use of a main home for which credit was claimed on a prior Form 5405, or (2) required payment of 1/15th of credit claimed for 2008. The result on line 8 of the form is reported here.

11 Additional Medicare tax - Form 8959. *(If Standard or Premium Level, Road Map line, supported by Form 8959.)* This form assesses an additional Medicare tax of 0.9% of earned income that is above IRS-specified levels.

12 Net investment income tax - Form 8960. *(If Standard or Premium Level, Road Map line, supported by Form 8960.)* This form assesses an additional 3.8% tax on net investment income when AGI exceeds certain high-income levels.

13 Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12. Even though you reported all tips to your employer, you may not have had enough wages for the tax to be deducted by the employer. The amount of uncollected tax that you still have to pay should be reported to you with the code A or B in box 12 of your W-2. Similarly, you will have to pay a tax on part of the cost of life insurance arranged through a former employer if you receive a W-2 with code M or N in box 12. Report here any tax identified as code A, B, M, or N in box 12 of your W-2.

14 Interest on tax due under section 453(l)(3). Enter the interest on tax due on installment income from the sale of certain residential lots and timeshares under section 453(l)(3).

15 Interest on deferred tax under section 453A(c). Enter the deferred tax on gain from certain installment sales with a sales price over \$150,000 under section 453A(c).

16 Recapture of low-income housing credit - Form 8611. *(If Premium Level, Road Map line supported by Form 8611.)* If you are liable for a recapture of the low-income housing credit because you disposed of or reduced the qualified basis of property on which you previously claimed the credit (through Form 8586), you must complete Form 8611 (Recapture of Low-Income Housing Credit). The result on line 14 of that form is reported here.

17 Other additional taxes. All other taxes are reported here. Most of these taxes are now defined by the IRS in its labels for lines 17a through 17q, so

the need to provide your own itemized list of other taxes at line 17z is minimized.

17a Recapture of other credits. A recapture tax can occur for a credit you claimed in prior years if you fall short of meeting all requirements for the credit, such as selling a related property or terminating a related employee before the minimum required holding period. When reporting the recapture here you must identify the associated form and an acronym that describes the recapture.

4255 ICR. (*If Premium Level, Road Map line supported by Form 4255.*) If you are liable for a recapture of the investment credit because, before the end of its useful life or recovery period, you disposed of or discontinued the business use of property on which you previously claimed the credit (through Form 3468), you must complete Form 4255 (Recapture of Investment Credit). The result on line 13 of that form is reported here.

Itemize other form, code, and amount. All other recapture must be reported in an itemized list for this line. CAUTION: Your entry in the description column of your itemized list must be entered as the 4-digit form number followed by one space then an acronym or short description. Examples with associated forms and acronyms follow. See IRS instructions for this line for more examples.

8845 IECR. If you are liable for a recapture of the Indian employment credit because you terminated within 1 year an employee who qualified you for the credit (through Form 8845), you must enter the indicated form and acronym and the amount of credit claimed for the wages for that employee.

8874 NMCR. If you are liable for a recapture of the new markets credit because the entity that qualified you for the credit (through Form 8874) ceases to qualify or was redeemed, enter the indicated form and acronym and the amount of the previously-claimed credit.

8882 ECCFR. You are liable for a recapture of the credit for employer-provided child care facilities if, within 10 years of your credit claim, the child care facility that qualified you for the credit (through Form 8882) ceases to qualify as a child care facility or changed ownership. If liable, enter the indicated form and acronym and the amount of the previously claimed credit.

8936 8936R. If a vehicle for which you formerly claimed the qualified plug-in electric drive motor vehicle credit no longer qualifies for the credit, you may have to recapture part or all of the credit. If so, enter the indicated form and acronym and the recapture amount.

17a Recapture of other credits. (*auto-calc*) Computed as the sum of amounts for Form 4255 and the preceding itemized list.

17b Recapture of federal mortgage subsidy. (*If Premium Level, Road Map line supported by Form 8828.*) If you are liable for a recapture

of a federal mortgage subsidy because you sold your home in 2023 and it was financed (at least in part) by a tax-exempt qualified mortgage bond, you must complete Form 8828 (Recapture of Federal Mortgage Subsidy). The result on line 23 of that form is reported here.

- 17c Additional tax on HSA distributions - Form 8889.** *(If Premium Level, Road Map line supported by Form 8889.)* If you received distributions from HSAs that exceed the amount of unreimbursed medical expenses, you may owe an additional 10% tax on it (over and above the regular tax on the distribution). You must complete Part II of Form 8889 to compute the tax. The result on line 17b of that form is reported here.
- 17d Additional tax on HSA for failure to maintain required HDHP coverage - Form 8889.** *(If Premium Level, Road Map line supported by Form 8889.)* The tax to be reported here is a penalty tax for failure to maintain HDHP coverage in a health savings account (HSA). This tax is figured in Part III of Form 8889, and the result on line 21 is reported here.
- 17e Additional tax on Archer MSA distributions - Form 8853.** *(If Premium Level, Road Map line supported by Form 8853.)* If you received any distribution from your Archer MSA that was not used for qualified medical expenses, you may owe an additional 15% tax on it (over and above the regular tax on the distribution). You must complete Section A of Form 8853 to compute the tax. The result on line 9b of that form is reported here.
- 17f Additional tax Medicare Advantage MSA distributions - Form 8853.** *(If Premium Level, Road Map line supported by Form 8853.)* If you received any distribution from your Medicare Advantage MSA that was not used for qualified medical expenses, you may owe a 50% tax on it (over and above the regular tax on the distribution). You must complete Section B of Form 8853 to compute the tax. The result on line 13b of that form is reported here.
- 17g Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property.** If you contribute a fractional interest in tangible personal property to a charity but do not contribute the remaining interest to a qualified organization within the allowed time, you must report the deduction as income on line 8z of Schedule 1 and pay interest and a 10% penalty here. If so, enter the recapture tax here. See "Fractional Interest in Tangible Personal Property" in IRS Pub. 526 (*Charitable Contributions*).
- 17h Income from a nonqualified deferred compensation plan that fails to meet section 409A requirements.** The income to which a penalty applies should be shown in box 12 of Form W-2 with code Z or box 15 of Form 1099-MISC. The additional tax that you must enter here is 20% of the amount required to be included in income plus interest under section 409A(a)(1)(B)(ii).

- 17i Compensation from a nonqualified deferred compensation plan under section 457A.** The income to which a penalty applies is compensation that would have been includible in income in an earlier year if the amount was determinable in that year. The additional tax on this compensation is 20% of the amount required to be included in income plus interest under section 457A(c)(2).
- 17j Section 72(m)(5) excess benefits tax.** If you are or were a 5% owner of a business and received premature distribution from a Keogh plan, employer's qualified plan, or annuity contract, you may be liable for a 10% penalty on the distribution, as detailed in IRS Pub. 560 (*Retirement Plans for the Self-Employed*). If so, the penalty here.
- 17k Golden parachute payments.** If you received an excess parachute payment as a key employee of a corporation changing control, you are liable for a tax amounting to 20% of the excess. This tax may be reported to you in box 12 of Form W-2 with code K. Alternatively, the full excess may be shown in box 13 of a Form 1099-MISC, identified as EPP, and the tax to be reported is 20% of that amount.
- 17l Tax on accumulation distribution of trusts.** If you are the beneficiary of undistributed income from a trust, you may have to complete Form 4970 to determine the tax on the accumulation distribution of the trust. If so, enter the tax at line 28 of Form 4970 here.
- 17m Excess tax on insider stock compensation from an expatriated corporation.** See section 4985 for information on this entry.
- 17n Look-back interest from Form 8697 and/or 8866.** Two types of look-back interest you owe are reported here: **(a)** If you owe interest under the look-back method of sec. 460(b) on certain long-term contracts, you must complete Form 8697 to figure the interest and include it in your entry for this line (from Form 8697, Part I, line 10, or Part II, line 11). **(b)** If you owe interest under the look-back method of sec. 167(g)(2) for property placed in service after September 13, 1995 and depreciated under the income forecast method, you must complete Form 8866 to figure the interest and include it in your entry for this line (from Form 8866, line 10).
- 17o Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR.** See IRS instructions for Form 1040-NR for information on this entry.
- 17p Any interest from Form 8621, line 16f.** Enter the amount from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund.
- 17q Any interest from Form 8621, line 24.** Enter the amount from Form 8621, line 24.
- 17z Any other taxes – type and amount.** If you must report any other taxes not included on any other line of Form 1040 or Schedule 2, you must do so in a supporting statement for this line. In the item-

Schedule 2

ized list, enter only a short description (no more than 30 characters) and amount for each tax.

18 Total additional taxes. *(auto-calc)* Computed as the sum of lines 17a through 17z.

19 Reserved for future use. This line was formerly used for a tax from Form 8812 related to Covid-10 related benefits that expired at the end of 2021.

20 Section 965 net tax liability installment from Form 965-A. This tax from Form 965-A is an installment of taxes stemming from the inclusion in income of certain deferred foreign income of a corporation you own directly or indirectly. See the IRS *Instructions for Form 965-A (January 2021)* for details.

21 Total other taxes. *(auto-calc)* Computed as the sum of lines 4, 7 through 16, and 18, this is the total other taxes for line 23 of Form 1040.

Schedule 3 / Nonrefundable Credits

Two-part schedule supplements credits and payments reported on Form 1040. Nonrefundable credits are reported in Part I and refundable credits together with previous payments are reported in Part II. *This schedule is accessible through the Road Map at lines 20 and 31 of Form 1040. Note that the IRS instructions for Schedule 3 appear only at the end of the IRS 2023 Form 1040 Instructions, unlike most other schedules that support Form 1040, each of which has their own separate instructions.*

PART I, NONREFUNDABLE CREDITS. Credits reported here are generally limited by the total tax shown at line 18 of Form 1040.

1 Foreign tax credit - Form 1116. *(If Standard or Premium Level, Road Map line supported by Form 1116.)* If you paid income tax to a foreign country, you would normally complete Form 1116 to claim a credit for this payment. However, *the IRS allows you to claim the foreign tax credit without completing and filing Form 1116 under some circumstances.* If all of your foreign income was from interest or dividends, was reported to you on Form 1099-INT, 1099-DIV, or Schedule K-1, and the foreign taxes paid as shown on those forms does not exceed \$300 (\$600 if married filing jointly), then you may be able to omit the complex Form 1116. Our Form 1099-INT and 1099-DIV Worksheets (which support Schedule B and Form 8814) collect the information necessary to compute the credit. Once you complete those worksheets and answer the additional qualification questions on screen 3 of our Schedule B, the allowable credit will appear here automatically *if you did NOT create a Form 1116 for this return.*

CAUTION: Form 1116 overrides entries from Schedule B and Form 8814. If you have created a Form 1116 for the return, the results on Form 1116 will always override any amounts you reported on our Forms 1099-INT and 1099-DIV Worksheets for Schedule B or Form 8814, even when you are eligible to omit Form 1116. Therefore, if you do not need Form 1116 and do not accurately complete it, you must remove it from the return with our file manager in order for your manual entries on Schedule B and/or Form 8814 to be retained.

2 Credit for child and dependent care expenses - Form 2441. *(Road Map line, supported by Form 2441.)* The IRS requires that you supply detailed information about the care provider and the persons cared for on Form 2441, so you **MUST** complete this form to claim the credit and provide the required supporting detail. The result on line 11 of Form 2441 is posted here.

3 Education Credit from Form 8863, line 19. *(Road Map line, supported by Form 8863.)* **CAUTION for Paid Preparers:** *Returns signed by a paid preparer and claiming the American Opportunity Credit must now include Form 8867 (Paid Preparer's Due Diligence Checklist) with the filed return. For more details, see the shaded box that follows our details for line 21 of Form 1040.* Form 8863 provides two distinct credits for expenses you paid for higher education

Schedule 3

for yourself, your spouse, or your dependents: *American Opportunity Credit* and *Lifetime Learning Credit*. You must fully complete the worksheets we provide on Form 8863 in order to claim the credits. Only the nonrefundable portion of the credit appears here (from line 19 of Form 8863); the refundable portion (from line 8 of Form 8863) is posted to line 29 of Form 1040.

4 Retirement savings contribution credit - Form 8880. (Road Map line, supported by Form 8880.) This credit is designed to give a break to low-income filers who contribute to an IRA or other qualified plan. The credit can be as high as \$1,000. You must complete Form 8880 to claim the credit. *If your only eligible contributions are contributions to a traditional IRA, you will not have to access Form 8880 because it is automatically created and completed for you based on your IRA deductions at Schedule 1, line 20 and any allowed voluntary contributions you reported on Form 8606.*

5a Residential clean energy credit - Form 5695, line 15. (If Standard or Premium Level, Road Map line supported by Form 5695.) Two separate credits are reported on Form 5695 (*Residential Energy Credits*) for tax year 2023. The first one, the *Residential Clean Energy Credit*, is claimed in Part I of Form 5695 and reported here. You may be eligible for this credit if you installed certain equipment in your home in 2023, such as solar-powered electricity or water heating equipment, geothermal heat pump equipment, wind energy equipment, or fuel cell equipment.

5b Energy efficient home improvement credit - Form 5695, line 32. (If Standard or Premium Level, Road Map line supported by Form 5695.) The other credit reported on Form 5695, the *Energy Efficient Home Improvement Credit*, is claimed in Part II of the form. You may be eligible for this credit if you installed certain energy saving improvements to your main home in 2023, such as insulated exterior windows and doors, special roofing, or energy-efficient fuel for heating or cooling.

6 Other nonrefundable credits. Both business credits and additional personal credits are reported here:

6a General business credit - Form 3800. (Road Map line, supported by Form 3800.) Most nonrefundable business credits are consolidated on Form 3800, but some are reported only in the itemized list for line 6z of Schedule 3. Complete this form whenever you have a business credit shown on Form 3800. There are dozens of business credits consolidated on this form, where limitations to tax liability are applied. *CAUTION: You must always file Form 3800 when you have any credit to report on the form. You are no longer allowed to omit the form when you have only one credit to report on the form.*

6b Credit for prior-year minimum tax - Form 8801. (If Premium Level, Road Map line supported by Form 8801.) You may be eligible for a credit for prior-year minimum tax if you paid an alternative minimum tax for 2022. The result on line 25 of Form 8801 is reported here.

6c Adoption credit - Form 8839. (If Premium Level, Road Map line supported by Form 8839.) If you had any adoption expenses in 2023

for a child or disabled person, you may be able to deduct up to \$15,950 of those expenses per adoptee, even if the adoption is not yet final. You must complete Form 8839 to claim the credit, which is posted here from line 16 of the form.

- 6d Credit for the elderly or disabled credit - Schedule R.** (*Road Map line, supported by Schedule R.*) Schedule R is automatically generated and completed for the elderly when it results in a credit, but you must access it yourself to claim the credit for the disabled and to report nontaxable pensions not shown on Form 1040. The result on line 22 of Schedule R is posted here.
- 6e Reserved for future use.** This line was formerly used to report credit from Form 8910 (*Alternative Motor Vehicle Credit*), which was formerly used to claim a credit for fuel cell vehicles and is now obsolete. Instead, a new credit for fuel cell vehicles is claim along with other clean vehicles on the new Form 8936 (*Clean Vehicle Credits*).
- 6f Clean vehicle credit - Form 8936.** (*If Premium Level, Road Map line supported by Form 8936.*) Form 8936 (*Clean Vehicle Credits*) provides credits for new clean vehicles, previously owned clean vehicles, and commercial clean vehicles. *This line of Schedule 3 is used to report the personal use part of the first one (new clean vehicles) from Form 8936, Part III, line 13.* (The business use part of the credit for new clean vehicles is reported on Form 3800, along with commercial clean vehicles, and the credit for previously owned clean vehicles is reported on line 6m of this Schedule 3.)
- 6g Mortgage interest credit - Form 8396.** (*If Premium Level, Road Map line supported by Form 8396.*) If you are eligible for a Mortgage Interest Credit because you entered a qualified mortgage credit certificate program to buy, rehabilitate, or make improvements to your home, and you were issued a mortgage credit certificate, you are eligible for this credit. You must complete Form 8396 to claim the credit, which is shown on line 9 of the form.
- 6h D.C. first-time homebuyer credit - Form 8859.** This credit for first-time homebuyers in Washington, D.C. expired at the end of 2011. However, if you have any carryforward of unused credit, you may be able to claim some or all of it here. You must complete Form 8859 to claim the credit, which is shown on line 3 of the form.
- 6i Qualified electric vehicle credit - Form 8834.** The credit from Form 8834 is a carryover of amounts for the Qualified Electric Vehicle Credit and the Plug-in Electric Vehicle Credit disallowed in the past due to passive activities limitations. The original credits expired at the end of 2007 and 2011, respectively. (Current electric vehicles are claimed on Form 8936.)
- 6j Alternative fuel vehicle refueling property credit - Form 8911.** Both personal and business credits are available, depending on the use of the vehicle, but only the personal credit on line 19 of Form 8911 is

reported here. *The business/investment use part of the credit is reported on Form 3800, not here.*

6k Credit to holders of tax credit bonds - Form 8912. This form provides a credit to bondholders in lieu of interest for bonds used for targeted uses. The eligible tax credit bonds are clean renewable energy bonds (CREBs), new clean renewable energy bonds (NCREBs), qualified energy conservation bonds (QECBs), qualified zone academy bonds (QZABs), qualified school construction bonds (QSCBs), and Build America bonds (BABs). The result on line 12 of Form 8912 (not built into the software) is reported here.

6l Amount on Form 8978, line 14. This form is used by partners who have received from a partnership a Form 8986 that shows adjustments that are passed through to partners. The total increase or decrease to reporting year tax is reported here.

6m Credit for previously owned clean vehicles - Form 8936. *(If Premium Level, Road Map line supported by Form 8936.)* Form 8936 (*Clean Vehicle Credits*) provides credits for new clean vehicles, previously owned clean vehicles, and commercial clean vehicles. *This line of Schedule 3 is used to report the second one (previously owned clean vehicles) from Form 8936, Part IV, line 18*

6z Other nonrefundable credits – type and amount. Because the IRS has strengthened the role of Form 3800 over the years and added a number of line items to it, there are now few credits that you will need to claim on this line. To claim other credits you must itemize this line and enter the type (a short description) and amount for each credit claimed. (Note that only credits from forms that include tax limitations in their calculations are reported on line 6z of Schedule 3.)

7 Total other nonrefundable credits. *(auto-calc)* Computed as the sum of lines 6a through 6z.

8 Add lines 1 through 4, 5a, 5b, and 7. *(auto-calc)* Computed as indicated, this is the total of nonrefundable credits for 20 of Form 1040.

PART II, OTHER PAYMENTS AND REFUNDABLE CREDITS. Credits reported here are *not* limited by the total tax shown at line 18 of Form 1040 and, in fact, are refundable to the taxpayer even if there is no tax.

9 Net premium tax credit (Form 8962). *(If Standard or Premium Level, Road Map line supported by Form 8962.)* This line is used to report the net *Premium Tax Credit (PTC)* resulting on Form 8962 after reconciling the gross allowed credit with the advance payments received in the form of reduced health care premiums. It applies only to those who signed up for health care through the government-run marketplace (or "exchange"). *If the advance payments were more than the allowed credit, a tax results at line 2 of Schedule 2 and no credit results here*

10 Amount paid with request for extension to file. You should report here payments made with any of three forms of extension request:

Amount paid with Form 2350. *(If Premium Level, Road Map line supported by Form 2350.)* This extension request applies to you only if you need extra time in order to meet residency tests for the foreign earned income exclusion. If approved, an extension is granted to a date 30 days after you expect to meet the residency tests. The amount you paid with the form, shown on line 5 of Form 2350, is reported here.

Amount paid with Form 4868. *(Road Map line, supported by Form 4868.)* If you want to apply for an automatic 6-month extension of time to file, you should complete Form 4868. You must file that form along with any tax you expect to owe by the regular filing deadline for the return. Once you have completed the form, the amount you paid with the form appears here.

10 Amount paid with request for extension to file. *(auto-calc)* Computed as the sum of the preceding two lines.

11 Excess social security, and tier 1 RRTA tax withheld. *(auto-calc)* The excess withheld is computed based on the amount of properly-withheld social security tax and the social security-equivalent RRTA Tier 1 tax shown on the *W-2 Worksheets* you completed at line 1a of Form 1040. The excess withheld is the amount by which the amounts for you and spouse *separately* exceed the legislated \$9,932.40 maximum for 2023, which is 6.2% of the maximum \$160,200 wage base for 2023. (No excess should exist unless you or spouse had more than one employer and total wages over \$160,200 for 2023. See the instructions for our *W-2 Worksheet* for details.) See IRS Pub. 505 (*Tax Withholding and Estimated Tax*) for more details. **CAUTION:** *This line can no longer be used to claim excess withholding from a Tier 2 RRTA tax. Instead, you must now use Form 843 (available from the IRS web site at www.irs.gov/formspubs), which is a generic form for claiming overpayments from the IRS.*

12 Credit for federal tax on fuels (Form 4136). *(If Premium Level, Road Map line supported by Form 4136.)* Use Form 4136 to claim credit for federal ex-

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cise tax paid on fuels used for certain nontaxable purposes like farming and fishing. The total on line 17 of that form is reported here.

13 Other payments or refundable credits. All other refundable credits and payments are reported here:

13a Form 2439. If you received a Form 2439 (from a RIC or REIT) reporting tax paid on your share of undistributed long-term capital gains, enter here the amount in box 2 of that form.

13b Credit for repayment of amounts included in income from earlier years. If you had to repay in 2023 income to which you were not entitled but reported as taxable income on your tax return for a prior year, enter that amount here. See IRS Pub. 535 for more information.

13c Elective payment election from Form 3800, Part III, line 6, column (i). (Road Map line, supported by Form 3800.) Taken from Form 3800, as indicated.

13d Deferred amount of net 965 tax liability. If you elected to pay your net 965 tax in installments, enter the amount remaining to be paid in future years.

Tax paid to Virgin Islands - Form 8689. If you have income from the Virgin Islands but were not a bona fide resident of the Virgin Islands, you are required to file Form 8689 (not built into the software) with your Form 1040 return and file the return with both the U.S. and the Virgin Islands. A portion of the tax you figure on Form 1040 is allocated to the Virgin Islands through Form 8689, and any amount due to or refund available from the Virgin Islands is figured on that form as well. In order to prevent double taxation, you must enter here the amounts on lines 40 and 44 of Form 8689, which are all the taxes you paid to the Virgin Islands for the year (including tax withheld by the Virgin Islands, estimated tax payments you made to the Virgin Islands, and the amount you paid with the return you sent to the Virgin Islands). See IRS Pub. 570 for details. **CAUTION:** If a bona fide resident of the Virgin Islands, you should not use Form 8689 but must file your Form 1040 return with the Virgin Islands instead and pay all tax on Form 1040 to the Virgin Islands.

Credit from Schedule H, line 8e. (Road Map line, supported by Schedule H.) Taken from Schedule H, as indicated, this is the refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021 by your household employees.

Credit from Schedule H, line 8f. (Road Map line, supported by Schedule H.) Taken from Schedule H, as indicated, this is the refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 and before October 1, 2021 by you household employees.

Other (ITEMIZE). If you qualify to deduct any other payments or refundable credits, enter them in a supporting statement for this line.

Form by Form Details (2024 Edition)

Schedule 3

13z Other payments or refundable credits. *(auto-calc)* Computed as the sum of the preceding four lines.

14 Add lines 13a through 13z. *(auto-calc)* Computed as indicated, this is the total other payments and refundable credits.

15 Add lines 9 through 12 and 14. *(auto-calc)* Computed as indicated, this is the total of other payments and refundable credits and is posted to line 31 of Form 1040.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule A / Itemized Deductions

Purpose. Schedule A is used to itemize deductions when your actual deductible expenses exceed the standard deduction. It supports claims for such deductions as medical expenses, taxes, interest, contributions, and employee expenses. Since the software automatically gives you the maximum deduction, it is usually worthwhile to complete Schedule A even when you think that the total itemized deduction will be less than the standard deduction (shown in Table 1-4 in Chapter 1.) *This schedule is accessible through the Road Map at the line following line 11 of Form 1040 labeled "Itemized deductions (Schedule A)."* It is automatically created when the total of amounts for Schedule A from other forms and schedules in the software exceed the standard deduction. Amounts considered in deciding whether to auto-create this schedule include: state estimated tax you entered on the Control Form, state withholding on the *W-2* and *1099-R Worksheets* for Form 1040, deductible foreign tax from Schedule B, deductible amounts from REMICs shown on line 38(e) of Schedule E, and deductible amounts from Forms 2106, 4684 and 4797. Even though automatically created under a broad set of circumstances, you will generally want to access this schedule to provide details in itemized lists for specific lines.

Few taxpayers now benefit from itemizing deductions on Schedule A Tax reform has made Schedule A much less beneficial to the average taxpayer since 2018 because the amounts for the standard deduction were doubled for 2018 and indexed with inflation thereafter. For 2023, the standard deduction is \$27,700 for joint filers and qualifying surviving spouse (\$20,800 if head of household, and \$13,850 if single or married filing separately). In addition, the deduction for state and local taxes on Schedule A is now limited to \$10,000 (\$5,000 if married filing separately) and miscellaneous deductions than were formerly subject to a 2% of AGI floor, such as employee expenses, investment expenses, and tax preparation fees, have been totally eliminated since 2018. As a result, the standard deduction is now much more likely to exceed itemized deductions on Schedule A, so fewer taxpayers now choose to claim itemized deductions instead of the standard deduction. On the other hand, itemized deductions can remain useful for high income taxpayers because the phaseout of certain deductions for high income was eliminated by the tax reform bill.

Beware of the impact of AGI. Some automatically computed limitations depend on the adjusted gross income (AGI). Therefore, the numbers you see on the screen when you preparer Schedule A may not be the final numbers for the schedule. Furthermore, the amount you enter for "Sales tax from IRS tables" depends on AGI, so you may have to change your entry if the AGI for the final return is different from the AGI you assumed when making your entry.

MEDICAL EXPENSES for line 1. You can deduct medical and dental expenses for you, spouse, dependents, a child not claimed as your dependent only because of the rules for separated parents, or a person not claimed as your dependent only because that person's income was \$4,700 or more for 2023 or that person filed a joint return.

Insurance:

Self-employed insurance not on Schedule 1, line 17. *(auto-calc)* If not all insurance entered above Schedule 1, line 17 is allowed at line 16, the remainder appears here.

Other insurance. Include here all other amounts for medical and dental insurance premiums.

Deductible INSURANCE. *(auto-calc)* Computed as the sum of the preceding two amounts.

Long-term Care Contracts:

YOUR long-term care premiums. Enter premiums paid for main taxpayer.

Deductible for YOU. *(auto-calc)* Computed as your long-term care premiums, but limited by a maximum. You can deduct long-term care premiums only up to amounts defined by the IRS for various age groups, as shown in the IRS 2023 *Instructions for Schedule A*. For 2023, the limit ranges from \$480 per year for taxpayers under 41 years of age to \$5,960 for taxpayers over 70.

SPOUSE long-term care premiums. Enter premiums paid for spouse.

Deductible for SPOUSE. *(auto-calc)* Computed as spouse's long-term care premiums, but limited by a maximum. The same limitations as applied for you are applied here for your spouse, ranging from \$480 per year if spouse's age is under 41 to \$5,960 if over 70 for 2023.

OTHER long-term care premiums. You are allowed to deduct premiums you paid for others as well, including all your dependents. We provide an extra entry for one such person.

Age of OTHER at year-end. Enter the age at the end of the tax year of the person whose premiums you paid.

Deductible for OTHER. *(auto-calc)* The limitation is applied as before for one other person. You will have to override the amount if you paid premiums for more than one other person.

Car Expenses (to get care):

Car (owned) expense - actual. You can deduct the actual gas and oil costs of using your own car to get medical care, or an amount based on a standard mileage rate, whichever is greater. Enter the actual costs here. The software will use this amount only if it is greater than the standard mileage amount computed below.

Miles traveled to get care. Enter total round-trip miles traveled in your own car to get medical care in 2023.

Maximum allowed (actual or standard). *(auto-calc)* Computed as the greater of the actual expenses entered ("Car (owned) expense - ac-

Schedule A

tual”) or the standard mileage amount computed using the preceding mileage entry at the rate of 22 cents per mile for 2023.

Parking fees and tolls. Whichever method of car expense deduction you use, you can also deduct these parking fees and tolls here.

TOTAL deductible car expenses. *(auto-calc)* Computed as the sum of the preceding two lines.

MEDICAL AND DENTAL EXPENSES. All qualified medical and dental expenses are deducted here, subject to a floor of 7.5% of AGI for 2023.

Insurance. *(auto-calc)* Taken as the previously computed “Deductible INSURANCE” on screen 1 of Schedule A

Long-term care contracts. *(auto-calc)* Computed as the sum deductible amounts computed previously for YOU, SPOUSE, and OTHER on screen 1 of Schedule A.

Car expenses. *(auto-calc)* Taken as the previously computed “TOTAL deductible car expense” on screen 1 of Schedule A

Other medical and dental expenses. Enter here amounts for prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, etc. See Table 2-7 (on the next page). Be sure to include travel costs to get medical care (except for costs for your own car entered previously), including lodging expenses for hospital-related medical care up to \$50 per night per qualified person. Do *NOT* include health insurance premiums entered previously. (You cannot deduct off-the-shelf medication except for insulin, nor life insurance nor income protection payments.)

1 Medical and dental expenses. *(auto-calc)* Computed as the sum of the preceding four amounts.

2 Amount on Form 1040, line 11. *(auto-calc)* Taken from Form 1040 as indicated, this is the AGI (adjusted gross income) for the return.

3 Multiply line 2 by 7.5%. *(auto-calc)* Computed as 7.5% of AGI. This rate was made permanent by the tax reform bill.

4 Subtract line 3 from line 1. *(auto-calc)* Computed as indicated but no less than zero, this is the net deductible medical and dental expense.

Table 2-7. Deductible Medical and Dental Expenses

Ambulance service
 Capital expense, medically required, reduced by
 any associated increase in property value
 Contact lenses - and replacement insurance
 Dental services - including cleaning of teeth
 Dentures
 Eyeglasses
 Guide dog
 Hearing aids
 Lodging expenses (except) for hospital or
 medical care (up to \$50 per night per person)
 Medical care not reported on Form 2441
 Medical expenses to stop smoking
 Medical insurance premiums - including the voluntary
 premiums paid for Medicare B
 Nursing home medical care
 Orthopedic shoes
 Prescriptions, medicines, drugs, vitamins if prescribed
 Professional services - physicians, dentists,
 chiropractors, nurses, optometrists, etc.
 Prosthesis
 Psychiatric care
 Special schooling for a physically, mentally, or
 emotionally handicapped child or dependent
 Telephone adaptation for hearing impaired
 Therapy for medical treatment
 Transportation - either actual expenses, or at the
 standard mileage rate, plus parking fees and tolls

*Note: All deductions subject to prescribed limits.
 See Pub. 502 for deductions for handicapped persons.*

Schedule A

STATE AND LOCAL TAX OPTIONS for line 5a. The determination of deductible taxes for line 5a of Schedule A can be quite involved, so we devote an entire screen of Schedule A to this purpose. Screen 3 collects the information needed to determine the maximum deduction for line 5a among the two available options: state and local income tax and state and local sales tax.

INCOME TAX Option for line 5a:

State estimated tax on Control Form. (*Road Map line, supported by Control Form.*) State estimated tax payments you entered on screen 1 of our Control Form as being paid in 2023, including payments made in 2023 for the final quarter of 2022, appear here. (Estimated tax payments for the final quarter of 2023 made after December 31, 2023 cannot be deducted here, but will be deductible on the return for tax year 2024.)

State and local withholding on W-2, W-2G, and 1099-R. (*auto-calc*) State and local tax withholding you entered on the *W-2 Worksheets* that support line 1a of Form 1040, the *W-2G Worksheets* that support line 8b of Schedule 1, and the *1099-R Worksheets* that support lines 4a through 5b of Form 1040 appear here.

Other non-federal income tax paid. Enter here any state and local income tax payments made in 2023 but not included above. Include income tax paid to a U.S. Possession if the underlying income is reported as income for this return. Also use this line for negative adjustments. For example, enter as a negative number any tax included above that is tax on income not subject to federal tax. Also enter as a negative amount any excess tax collected that you will claim on your state return, such as state disability insurance collected by more than one employer.

A Income taxes. (*auto-calc*) Computed as the sum of the above three lines.

SALES TAX Option for line 5a:

Actual Expense Method. You can generally deduct sales taxes based on the state and local sales tax you actually paid for 2023. However, you must keep your actual receipts to back your claim if you use this method.

Actual sales taxes paid. Enter the amount of sales tax actually paid based on your receipts. However, if any amount is based on a rate other than the general sales tax rate, see *IRS 2023 Instructions for Schedule A* for information on determining the amount to enter. **CAUTION:** *Only sales tax on personal purchases qualify. Sales tax on purchases for your trade or business are deducted on the form or schedule you use to report income for that business, such as Schedule C or Schedule F.*

Optional Table Method. Alternatively, you can deduct sales taxes based on your income and family size using the IRS tables in the *2023 Instructions for Schedule A*. However, the income to use is not always your AGI, and the tables in the IRS instructions reflect only

the state portion of your sales tax. We therefore provide here additional calculations and a worksheet to help you maximize your deduction.

AGI on Form 1040, line 11. *(auto-calc)* Taken from Form 1040 as indicated, this is the starting point for determining the income to use when using the IRS tables.

Nontaxable income on Form 1040. *(auto-calc)* Computed as the sum of tax-exempt interest on line 2a of Form 1040, nontaxable part of IRA distributions, pensions, and annuities included in line 4a and 5a of Form 1040, and nontaxable part of social security benefits on line 6a of Form 1040.

Nontaxable combat pay. *(auto-calc)* Taken from your entry for "Nontaxable combat pay" on screen 3 of our on-screen Schedule 1.

Other nontaxable income. Enter eligible nontaxable income not shown above, including worker's compensation and public assistance payments you received.

Income for Sales Tax Tables. *(auto-calc)* Computed as the sum of the above four lines, this is your modified AGI. You must use this income together with your family size (number of dependents shown on Form 1040 plus you and, if married filing jointly, spouse) in order to determine allowable state sales tax from the IRS tables.

State tax from IRS tables. *(Supported by the Sales Tax Worksheet, Figure 2-6.)* You can enter an amount here rather than using the supporting worksheets if you lived in the same state for the entire year and the IRS tables include all of your local sales tax. (The IRS tables include local sales tax only for states that have a uniform local sales tax, but your locality could have an additional tax.) Otherwise, you should use the supporting worksheets to ensure that your deduction is properly prorated among different states or localities and increased to reflect your actual local tax rates. When you return from the worksheets, the total that appears here is the sum of prorated portions of line 1 from all worksheets combined. *TIP: If you choose to use the IRS worksheet in the Schedule A instructions instead of ours, you should enter the amount on line 1 of the IRS worksheet here rather than itemizing and using our worksheet. (The set of worksheets you access by itemizing here is the same set of worksheets you access by itemizing the next line.)*

Why a Sales Tax Worksheet? We provide a custom-designed Sales Tax Worksheet for the purpose of determining the additional local tax you can deduct over and above the state amount in the IRS table, and for prorationing sales tax from multiple states. The IRS table reflects a local sales tax for some states with a uniform tax code, but does not include rate for any localities that charge more than the uniform rate for the state. Therefore, our worksheet has the tax rate assumed by the IRS built into its calculations, so when you enter the full sales tax rate you actually paid, the software can determine the proper prorated amount of additional tax you are allowed to deduct. Our worksheet can therefore help you maximize your deduction by increasing the amounts in the IRS Sales Tax Tables to reflect your actual local sales tax rate. And if you lived in more than one state, the worksheet will compute the prorationing among states detailed on page A-3 of the IRS Instructions for you. Note that our worksheet takes the place of lines 1 through 6 of the IRS Worksheet on page A-4; you still must enter the amount corresponding to line 7 of the IRS Worksheet on our line labeled "Tax on specified items," described later

IRS Worksheet vs. Our Worksheet. If you lived in *Alaska, Arizona, Arkansas, Colorado, Georgia, Illinois, Louisiana, Mississippi, Missouri, New York State, North Carolina, South Carolina, Tennessee, Utah, or Virginia* in 2023, *it may be to your advantage to use the IRS Worksheet* in the IRS Instructions rather than our Sales Tax Worksheet because the IRS has special tables with higher deductions for those states. If you choose to do this, enter amounts from the IRS worksheet on the following lines on screen 3 of our Schedule A:

State tax from IRS tables: Line 1 of the IRS worksheet.

Local tax from worksheet: Line 6 of the IRS worksheet.

Tax on specified items: Line 7 of the IRS worksheet.

The result on the line "TOTAL for Optional Method" should then match the amount on line 8 of the IRS worksheet.

Local tax from worksheet. *(Supported by the Sales Tax Worksheet, Figure 2-6.)* The IRS allows you to deduct, in addition to the amount in the state tables, a prorated amount for local tax not reflected in the tables. The IRS complicates the determination because some of the amounts in the state tables already reflect some local sales taxes while others do not. We therefore provide a more straightforward worksheet that deviates from the IRS worksheets by basing its calculations on the full rate you actually paid (including both state and local sales tax). When you return from the worksheets, the total that appears here is the sum of prorated portions of line 2d from all worksheets combined. *TIP: If you choose to use the IRS worksheet in the Schedule A instructions instead of ours, you should enter the amount on line 6 of the IRS worksheet here rather than itemizing and using our worksheet.* (The set of work-

sheets you access by itemizing here is the same set of worksheets you access by itemizing the preceding line.)

W/S ERROR-Total days over 1 year. *(auto-calc)* If an amount appears here, it means that you have an error in at least one of your worksheets in its entry for "Days in 2023 resident here" on the Sales Tax Worksheet. The total number of days for all worksheets combined should not exceed the total number of days in the year (365 for 2023) or else the prorationing of table amounts among residences will be incorrect.

Tax on specified items. In addition to the table amounts, you are allowed a deduction for sales tax paid on certain big-ticket items you purchased during the tax year. Qualifying purchases include the purchase of a motor vehicle, aircraft, boat, home, and home building materials, but there are restrictions on the amount you can deduct. Only sales tax on personal purchases qualify. Sales tax on purchases for your trade or business are deducted on the form or schedule you use to report income for that business, such as Schedule C or Schedule F. *TIP: If you choose to use the IRS worksheet in the Schedule A instructions instead of ours, you should enter the amount on line 7 of the IRS worksheet here.*

TOTAL for Optional Method. *(auto-calc)* Computed as the sum of the preceding three data entry lines, this result corresponds to line 8 of the IRS worksheet in the *2023 Instructions for Schedule A.*

Result for best method:

B General sales taxes. *(auto-calc)* Computed as the greater of "Actual sales taxes paid" for the Actual Expense Method or "TOTAL for Optional Method" for the Optional Table Method.

Sales Tax Worksheet, Figure 2-6. Use a separate worksheet for each separate locality in which you resided during the tax year. The sales tax carried back to Schedule A when you exit will be an amount prorated in accordance with the number of days you resided in each locality. (This worksheet is patterned after the IRS *State and Local General Sales Tax Deduction Worksheet*, but includes only lines 1 through 2d so that the proper prorationing among multiple worksheets can be performed.) *TIP: The purpose of this worksheet is only to determine a prorated additional local tax deduction to which you may be entitled and the prorationing for multiple states. If your locality has no local sales tax, or the IRS tables already reflect your local sales tax, you need not use this worksheet unless you lived in more than one state, and can instead enter the amount from the IRS tables directly on the line labeled "State tax from IRS tables" on screen 3 of our on-screen Schedule A.*

State for THIS worksheet. You must enter here the 2-character state code where you resided during the portion of the tax year represented by this worksheet. This entry is critical to the calculations. The calculations depend on the rates assumed by the IRS in their *2023 Optional State Sales Tax Tables*, which are automatic on this work-

sheet once you properly enter the state. Codes for all 50 states plus Washington, D.C. are recognized.

Locality for THIS worksheet. This entry is provided in order to distinguish the separate worksheets you complete, but is not used in the calculations. You must enter the sales tax rate you pay in your locality above line 2a.

Days in 2023 resident here. Enter the number of days you resided in the above locality during the tax

```

SALES TAX WORKSHEET
  State for THIS worksheet..
  Locality for THIS worksht.
  Days in 2023 resident here
  (365 days is max for 2023)
Use following two numbers
in IRS tables to determine
proper entry for line 1.
  Income for IRS tables.... 0
  Family size from 1040,pg.1 0
1 State sales tax from tables 0
Supply following for add'l
deduction for local tax.
  State rate assumed by IRS.# 0
  Full rate you actually pd. 0
2a Local gen sales tax rate(%) 0
2b State gen sales tax rate(%) 0
2c Line 2a divided by 2b in % 0
2d Local general sales taxes.. 0
-> LINE 1 PRORATED FOR SCH. A 0
-> LINE 2d PRORATED FOR SCH. A 0

```

Figure 2-6. Sales Tax Worksheet

year. *You must enter the number of days here or no deduction will be computed!* This entry is used for prorating sales taxes among different worksheets. Therefore, if you use just one worksheet, enter 365 here (for 2023). **CAUTION:** Take care that the sum of entries for all worksheets combined does not exceed the total number of days in the year (365 for 2023). Otherwise the deduction you compute will be more than is allowed by the IRS. (We flag this error by showing the amount by which your total exceeds a full year at the bottom of screen 2 of Schedule A, in the result for "W/S ERROR-Tot. days over 1 yr.")

Use the following information in the IRS tables (on the last few pages of IRS 2023 Instructions for Schedule A) in order to determine the proper entry for line 1:

Income for IRS tables. *(auto-calc)* Taken from the line "Income for Sales Tax Tables" computed on screen 3 of Schedule A, this is the income you must use when reading the IRS tables.

Family size from Form 1040, page 1. *(auto-calc)* Determined from information on page 1 of Form 1040, this is the family size you must use when reading the IRS tables. It is defined as the number of dependents shown on Form 1040 plus you (and, if married filing jointly, spouse).

1 State sales tax from tables. Enter the amount for the above income and exemptions for your state from the IRS 2023 *Optional State Sales Tax Tables* in the IRS Instructions for Schedule A.

Supply the following information for an additional deduction for local tax:

State rate assumed by the IRS. *(auto-calc)* This is the rate assumed by the IRS, for the state you entered above, in the IRS's 2023 *Optional State Sales Tax Tables*, which may already reflect some or all of your local sales tax. It is the basis for determine how much additional tax you may be able to deduct, if any, for local sales tax. *TIP: This rate is shown on the screen as a percentage to only 2 decimal places; however, the calculations on this worksheet use the precise percentages in the IRS tables software, which are accurate to 4 decimal places.*

Full rate you actually paid. Enter the full rate here, including both local and state parts, as a percentage. This is the only rate most taxpayers know – the full sales tax rate they pay in their locality for state and local tax combined. We therefore compute the local part of this rate not reflected in the IRS tables for line 2a based on your entry here and our knowledge of the state part of your entry.

2a Local general sales tax rate (%). *(auto-calc)* Computed as the "Full rate you actually paid" less "State rate assumed by the IRS." (Even though it is shown on the screen as a percentage to only 2 decimal places, it is accurate to 4 decimal places in the calculations.)

2b State general sales tax rate (%). *(auto-calc)* Taken from "State rate assumed by the IRS," above.

2c Line 2a divided by line 2b in %. *(auto-calc)* Computed as indicated and shown on the screen as a percentage to 2 decimal places, but carried to full accuracy in the calculations.

2d Local general sales taxes. *(auto-calc)* Computed as line 1 times line 2c, but using the precise percentage underlying the calculation for line 2c. This is the amount by which the table amount in line 1 can be increased for local taxes.

→ **LINE 1 PRORATED FOR SCHEDULE A.** *(auto-calc)* Computed as line 1 times the ratio of "Days in 2023 resident here" divided by the number of days in the year (365 for 2023), this is the amount of state sales tax you deduct on Schedule A.

→ **LINE 2d PRORATED FOR SCHEDULE A.** *(auto-calc)* Computed as line 2d times the ratio of "Days in 2023 resident here" divided by the number of days in the year (365 for 2023), this is the amount of local sales tax you deduct on Schedule A.

TAXES YOU PAID. This section includes deductions for state and local income or sales taxes (based on entries and calculations on screen 3 of Schedule A) state, local, and foreign real estate taxes, state and local taxes on personal property, foreign income taxes, and the portions of automobile license fees that are ad valorem taxes.

A Amount for income tax option. *(auto-calc)* Taken from the result on screen 3 for *INCOME TAX Option for line 5a*.

B Amount for sales tax option. *(auto-calc)* Taken from the result on screen 3 for *SALES TAX Option for line 5a*.

Schedule A

Option B used for line 5a? *(auto-calc)* Answered Yes if line B, above, is greater than line A; otherwise, No. On the official printout, the box at line 5a of Schedule A is checked when the answer to this question is Yes.

5 State and local income taxes. All state and local taxes are reported here, where the total is limited to \$10,000 (\$5,000 if married filing separately). All other deductible taxes are reported on line 6.

5a State and local income or sales taxes. *(auto-calc)* Taken as line B, above, if Option B is used; otherwise, taken as line A.

5b State and local real estate taxes. Enter here ONLY property tax on nonbusiness realty. (Taxes on business-owned property are deducted through Schedule C or F, and taxes on rental property are deducted through Schedule E.)

5c State and local personal property taxes. Include here any property taxes not included in line 5b, such as the portion of your automobile license fee that is based on the value of your car.

5d Add lines 5a through 5d. *(auto-calc)* Computed as indicated.

5e Smaller of 5d or \$10,000 (\$5,000 if married filing separately). *(auto-calc)* Computed as indicated, this is the deductible portion of state and local taxes.

6 Other taxes. Type and amount. All other deductible taxes are entered here, including foreign taxes and some federal taxes.

Form 1099 foreign tax elected. *(auto-calc line, supported by Schedule B)* This is the amount of foreign tax withheld on Forms 1099-INT and 1099-DIV that you elected (on screen 3 of our Schedule B) to be deducted on Schedule A rather than claimed as a foreign tax credit on line 1 of Schedule 3. See our details for Schedule B for more information.

Other foreign income taxes. Enter in a supporting statement for this line income taxes paid to a foreign country, unless the underlying income was excluded from income on this tax return. Do not include income taxes paid to a U.S. Possession but rather include them with state and local income taxes for Option A of line 5a. (This tax is *not* deductible on some state returns, such as California's.)

GST and other allowed. Enter all other deductible taxes in a supporting statement for this line, including federal generation skipping tax (GST). Do not include state and local taxes or taxes paid to a U.S. Possession, all of which must be reported on the appropriate parts of line 5. Do not include *foreign taxes paid on personal property or real estate*; they *are no longer deductible*, thanks to tax reform.

6 Total other taxes. *(auto-calc)* Computed as the sum of the preceding three lines.

7 Add lines 5e and 6. *(auto-calc)* Computed as indicated, this is the total deductible tax for 2023.

INTEREST YOU PAID. Most personal interest, with the exception of mortgage interest, is no longer deductible. Only investment interest and mortgage interest are now deductible, as summarized in Table 2-8. Mortgage interest is reported on line 8 and investment interest is reported on line 9.

Table 2-8. Deductible Interest Expenses

<p>Bank loans for investments</p> <p>Margin accounts with a broker</p> <p>Mortgage loans (<i>including home equity loans only if used to buy, build, or improve your home</i>)</p> <p><i>Notes:</i></p> <ol style="list-style-type: none"> <i>1. You cannot deduct interest on debts incurred to purchase or carry tax-exempt securities.</i> <i>2. The deduction for interest on investment debt is limited to investment income.</i> <i>3. Mortgage debt is subject to additional restrictions when incurred after Oct. 13, 1987. See IRS Pub. 936 (Home Mortgage Interest Deduction).</i>

8 Home mortgage interest and points. Home mortgage interest and points are deductible subject to certain limitations dependent on the date the mortgage was taken out. This includes first and second mortgages, home equity loans, refinanced mortgages, and mortgages on a second home. **CAUTION:** If you file Form 8829 for deducting expenses for the business use of your home, you can deduct here **ONLY** the amounts **NOT** deducted on Form 8829.

- **Interest and points on mortgages taken out before October 14, 1987** are generally fully deductible, including home equity loans, whether or not the proceeds were used to buy, build, or improve the home.
- **Interest and points on mortgages taken out after October 13, 1987 but before December 16, 2017** are deductible only on up to \$1,000,000 (\$500,000 if married filing separately) of the debt, and the proceeds must be used to buy, build, or improve the home.
- **Interest and points on mortgages taken out after December 15, 2017** are deductible only on up to \$750,000 (\$375,000 if married filing separately) of the debt, and the proceeds must be used to buy, build, or improve the home.

If you are deducting interest on mortgages that fall into more than one of the above categories, see IRS Pub. 936 (*Home Mortgage Interest Deduction*) and the instructions for line 8 in the *IRS 2023 Instructions for Schedule A* for information on how to apply the limitations when a combination of mortgages applies.

Was any mortgage NOT used to buy, build, or improve home? If Yes, your answer is flagged to the IRS on the official form and you must be careful to enter *only* deductible interest on line 8a, 8b, or 8c.

Home mortgage interest and points paid to financial institutions and shown on Form 1098. Enter the *entire amount* shown on the Forms 1098 from the institutions here, not just the deductible amount. Nondeductible amounts will be entered on the following

two lines. If there is any discrepancy between your entry for this line and the amount reported to you on Form 1098, you should explain in a supporting statement for this line. **CAUTION:** If you paid any amounts to institutions that did NOT report the amount to you on a Form 1098, enter the amount below line 10, not here.

Amount exceeding limit. If you don't qualify for one of the 3 exceptions, use IRS Pub. 936 (*Home Mortgage Interest Deduction*) to determine the part of the above interest that is classified as personal interest and therefore *NOT* deductible.

Exclusion on Form 8396, line 3. (If Premium Level, Road Map line supported by Form 8396.) If you claim Mortgage Interest Credit, a portion of the interest you paid is nondeductible. The nondeductible amount is shown on line 3 of Form 8396 and reported here.

8a Home mortgage interest and points reported on Form 1098. (auto-calc) Computed as the total entered less the above excess.

Other home mortgage interest (NOT on a Form 1098). (Supported by the Mortgage Interest Worksheet, Figure 2-7.) Enter all home mortgage interest for which you did *NOT* receive a Form 1098 here. Enter the entire amount, not just the deductible amount, but do *NOT* include points; the nondeductible part will be identified in your entry on the below line labeled "Amount exceeding limit." (Points not reported to you on a Form 1098 are reported at line 8c, not here.) **CAUTION:** If any interest for this line was paid to the person(s) from whom you bought the home, you MUST complete the Mortgage Interest Worksheet that supports this line, showing the name, address, and taxpayer identification number of the lender.

If paid with another person ITEMIZE to ID other person who received the Form 1098. If you paid the interest with someone else and received no Form 1098 because it was sent to the other person, you must report that person's name and address here. For a paper return, you should do so in a supporting statement for this line. For an e-file return, you must do so in a supporting statement for the preceding line, not this line, and must include the recipient's SSN. (The special procedure for e-file is necessary because the IRS does not provide separate specifications for the two purposes for itemizing your entry for line 8a.)

Amount exceeding limit. If you do not qualify for one of the exceptions, use IRS Pub. 936 (*Home Mortgage Interest Deduction*) to determine the part of the above interest that is classified as personal interest and therefore *NOT* deductible.

8b Home mortgage interest not reported on Form 1098. (auto-calc) Computed as the total other interest less the above amount that exceeds the limit.

8c Points not reported on Form 1098. Enter only *FULLY DEDUCTIBLE* points here, but be sure to include the points excluded from line 8b. Deductions for points must usually be spread over the life of the

loan, unless they were paid in the current year to buy or improve your home and the loan was secured by your main home. See IRS Pub. 936 (*Home Mortgage Interest Deduction*) for details.

8d Reserved for future use. This line was previously use to claim the *Mortgage Insurance Premiums Deduction*, which expired at the end of 2021.

8e Add lines 8a through 8c. *(auto-calc)* Computed as indicated, this is the total deductible interest.

9 Investment interest (Form 4952). *(If Standard or Premium Level, Road Map line supported by Form 4952.)* Interest on loans used to purchase or maintain an investment in 2023 are deductible only to the extent of investment income. You must generally use Form 4952 to determine the deductible amount. Investment interest that is subject to the passive loss rules is *NOT* reported here, but rather included with other expense when reporting the net income or loss for the activity. All or part of the result on line 8 of the form is reported here.

10 Add lines 8e and 9. *(auto-calc)* Computed as indicated, this is the total deductible interest.

Mortgage Interest Worksheet, Figure 2-7. If ANY interest you want to report on line 8b is interest on a seller-financed mortgage, you must report ALL interest for the line on these worksheets, whether seller-financed or not, although you are only obligated to supply the name, address, and ID number for the seller. *For e-file, you must also use this worksheet to identify another person who received a Form 1098 instead of you because you shared liability for the interest payments with that other person.*

Name lender. If neither you *nor* anyone else received a Form 1098 for

your interest payments, enter here the name of the lender, and enter the tax ID number and address below. On the other hand, if a Form 1098 was issued for the payments, but sent to someone who shared liability for the interest payments with

MORTGAGE INTEREST WRKSHEET

Name lender.....

EIN.....

SSN.....

U.S. Address.....

city.....

state.....

ZIP code.....

\$ amount..... 0

If using foreign address:

Foreign address.....

city.....

province or state.....

country (2-ltr code).....

postal code.....

Figure 2-7. Mortgage Interest Worksheet

you, enter the name of that other person here, and enter that person's tax ID number and address below.

EIN. Enter the Employer Identification Number for the name entered above, using the standard xx-xxxxxxx format. *If an individual is named above, skip this line and enter that person's SSN below.*

SSN. If no EIN applies, enter the Social Security Number for the name entered above, using the standard xxx-xx-xxxx format. *CAUTION: Leave this entry blank if you made an entry for EIN above, even if both apply, or else the e-file return will be rejected.*

U.S. Address. Enter the domestic street address, if applicable, in 25 characters or less. *CAUTION: Do not enter both U.S. and foreign addresses, even if both apply, or else the e-file return will be rejected.*

city. Enter city in 22 characters or less.

state. Enter 2-letter state code.

ZIP code. Enter ZIP code in 10 characters or less.

\$ amount. Enter the total amount paid during the tax year.

If using foreign address:

Foreign Address. Enter foreign street address in 25 characters or less. *CAUTION: Do not enter both U.S. and foreign addresses, even if both apply, or else the e-file return will be rejected.*

city. Enter foreign city in 25 characters or less.

province or state. Enter the foreign province or state in 15 characters or less.

country (2-letter code). Enter 2-letter country code. *See Table 2-6 on page 2-27 for Official Country Codes.*

postal code. Enter a foreign postal code up to 15 characters in length.

The dollar totals are carried to the line from which the worksheet is accessed.

GIFTS TO CHARITY. Charitable contributions are subject to strict reporting requirements, as explained below.

11 Gifts by cash or check. Gifts by cash or check include out-of-pocket expenses paid by credit cards. They also include expenses for charity-related travel, with a standard mileage rate allowable for vehicles in lieu of actual expenses. related to travel, computed as the sum of "Cash and check contributions," "Car expenses allowed," and "Parking fees and tolls."

Cash and check contributions. Enter all contributions paid by cash or check here, including out-of-pocket expenses except for those for the use of your own car (which are entered on lines that follow). Although it does not require a supporting statement for this entry, the *IRS requires that you keep records of proof of payment, no matter how small the amount, in the form of a bank statement, credit card statement, or written record from the charity.* Also note that you can deduct gifts of \$250 or more only if you have a statement from the donee showing the amount of money contributed and a description of property contributed, plus a statement on whether or not the donor received any services because of the donation. (See Table 2-9 for categories of contributions limited to specified percentages of AGI.)

Actual expense for your own car. You can deduct the actual gas and oil costs of using your car for volunteer work, or an amount based on

standard mileage rate, below, whichever is greater. Enter the actual costs here and the mileage in the next line, and the software will use the more favorable deduction of the two.

Miles traveled with your own car. Enter total round-trip miles traveled during volunteer work.

Car expenses allowed. *(auto-calc)* Computed as the greater of (a) the actual expense entered above, or (b) the miles traveled entered above times 14 cents. (The rate for regular charity-related mileage remains at 14 cents per mile because the IRS does not have the authority to raise this rate, and Congress has not raised it for years.)

Parking fees and tolls. Whichever method of car expense deduction you use, you can additionally deduct parking fees and tolls here.

11 Gifts by cash or check. *(auto-calc)* Computed as the sum of "Cash and check contributions," "Car expenses allowed," and "Parking fees and tolls."

12 Other than by cash or check. Enter non-cash contributions here, but see the next two lines if this amount exceeds \$500.

Itemize here for Form 8283. *(Road Map line, supported by Form 8283.)*

This line provides easy access to Form 8283, which is an informational form used to justify noncash gifts of more than \$500.

You MUST attach Form 8283. *(auto-calc)* This line is automatically Yes whenever line 12 exceeds \$500, to alert you that you need to complete Form 8283, which is accessible through the Road Map at the preceding line. If you deduction is more than \$5,000, you may also have to get appraisals of the donated property. See the instructions for Form 8283.

13 Carryover from prior year. Enter amounts not deducted in prior years because of the annual limitations on deductibility.

Usual limit (60% of AGI). *(auto-calc)* Computed as 60% of AGI on Form 1040, line 11, for 2023. This result is used to impose the annual limitation on deductions for most contributions of cash to 60% of adjusted gross income. However, additional limitations apply to other contributions, so you may have to override the next line to reflect exceptions to the 60% limit. See Table 2-9 (on the next page) and IRS Pub. 526 for 2023 (*Charitable Contributions*) for details, including what disasters qualify for a 100% of AGI limit.

14 Add lines 11 through 13. *(auto-calc)* Computed as the lesser of the preceding limit and the sum of lines 11 through 13. The result on this line is total contributions deductible this year. The amount not allowed may be carried over to next year -- to line 13 of next year's Schedule A. *(If you have not yet completed Form 1040, and AGI is still zero as a result, the amount computed for line 14 may be zero now, but the amount will be updated when the final recalculation of the return is complete.)*

Table 2-9. Deductible Contributions

CONTRIBUTIONS LIMITED TO 100% OF AGI:

- Qualified conservation contributions (QCCs) made by farmers and ranchers
- Qualified contributions for relief efforts for certain presidentially-declared disasters

CONTRIBUTIONS LIMITED TO 60% OF AGI:

- Contributions carried over from prior year(s)
- Charitable nonprofit hospitals and medical research organizations
- Churches, synagogues, other religious organizations
- Community chests, corporations, trusts, funds, or foundations organized and operated for charitable, religious, educational, scientific, or literary purposes, for the prevention of cruelty to children or animals, or to foster national or international sports competition
- Government entities (federal, state, local) if the contribution is made for public purposes only
- Tax-exempt educational organizations
- Volunteer's mileage at 14 cents per mile

CONTRIBUTIONS LIMITED TO 30% OF AGI:

- Capital gain property donated to the above organizations
- Expenses for a student living with you who is placed by a qualifying organization
- Gifts other than capital gain property to other than the above organizations

CONTRIBUTIONS LIMITED TO 20% OF AGI:

- Capital gain property donated to other than the above organizations

For more details consult IRS Pubs. 526 (Charitable Contributions) and 561 (Determining the Value of Donated Property).

CASUALTY AND THEFT LOSSES. Losses in excess of \$100 per event are generally deducted here. You must use Form 4684 to determine the deductible amount, where the loss from each event (from separate Forms 4684) is reduced by \$100 and the balance is reduced by 10% of AGI.

15 Casualty and theft losses (Form 4684). *(Road Map line, supported by Form 4684.)* Losses from the casualty or theft of *personal* use property in excess of 10% of AGI are posted here from Form 4684 excluding net qualified disaster losses eligible for special treatment on Form 4684 and line 16 of Schedule A, including the potential to increase the standard deduction in lieu of itemizing. Losses for *business* property are posted to Form 4797 and line 16 of Schedule A, not here. Just one Form 4684 is built into the software, which can be used for reporting the details of just one casualty or theft or can be used for reporting a summary of totals from all casualties and thefts for the year (from other copies of Form 4684). *See the details for Form 4684 special instructions if you have more than one occurrence of casualty or theft to report.*

OTHER ITEMIZED DEDUCTIONS. Miscellaneous expenses that were formerly subject to a 2% of AGI floor are no longer deductible. However, most miscellaneous deductions that were not subject to the 2% of AGI floor in the past, are still deductible now on line 16 of Schedule A.

16 Other. List type and amount. The software separates the remaining allowed deductions into several categories, as follows.

> **Gross gambling losses.** The gambling losses you enter here will be limited to gambling income, as required by law, in the following lines.

> **Gambling income on Form W-2G.** *(auto-calc)* Taken from your entries for gambling winnings on the *W-2G Worksheets* that support line 8b of Schedule 1.

> **Gambling income not on Form W-2G.** Enter gambling income not including in the preceding line.

Allowable gambling losses. *(auto-calc)* Computed as gross gambling losses but no more than the sum of the preceding two amounts for gambling income. *(For e-file, this entry is automatically identified as GAMBLING LOSSES.)*

Disabled's expense (Form 2106). *(Road Map line, supported by Form 2106.)* Although a deduction for unreimbursed employee expenses is no longer allowed in general, thanks to tax reform, it is still allowed for certain handicapped employees. The amount identified on Form 2106 for handicapped employees is posted here. See IRS Pub. 907 (*Tax Highlights for Persons with Disabilities*) and IRS 2023 *Instructions for Form 2106* for details. *(For e-file, this entry is automatically identified as IMPAIRMENT-RELATED WORK EXPENSES.)*

Form 4684, lines 32 and 38b. *(auto-calc line, supported by Form 4684.)* Deductible losses due to casualties and thefts for income-producing property are reported here. Accordingly, only the part of lines 32 and 38b of Form 4684 stemming from income-producing property is posted here. The remaining part stems from employee property and is no longer deductible on Schedule A. *(For e-file, this entry is automatically identified as CASUALTY AND THEFT LOSS.)*

Form 4797, line 18a. *(auto-calc line, supported by Form 4797.)* The casualty and theft losses included on Form 4797 are posted here for the income-producing property part of line 18a. *(For e-file, this entry is also automatically identified as CASUALTY AND THEFT LOSS.)*

Net qualified disaster loss. *(auto-calc line, supported by Form 4684.)* The amount posted here from Form 4684 is the deductible loss from qualified disasters that are eligible for special handling due to recent legislation described in the shaded box that follows. It is the amount shown on-screen above line 15 of Form 4684 on the line labeled "If 14 < 13 (line 14 is less than line 13), deduction for Schedule A, line 16."

Standard deduction claimed with above. *(auto-calc line, supported by Form 4684.)* The result for this line hinges on a comparison of (a)

Schedule A

the result of itemizing deductions with the preceding disaster loss included in line 16, and **(b)** the result of adding the preceding disaster loss to the nominal standard deduction for the taxpayer. If the former exceeds the latter, the amount on this line will be zero and Schedule A will be used to justified itemized deductions, as usual, with the result on line 17 reflecting all deductions entered on Schedule A. But if the latter exceeds the former, the amount on this line will be the nominal standard deduction for the taxpayer, and line 17 will be the sum of this line and the preceding line alone.

Special handling of certain disaster losses. Legislation that changed the treatment of certain disaster losses was signed into law on September 29, 2017. This legislation, named the *Disaster Tax Relief and Airport and Airway Extension Act of 2017*, includes two areas of relief that can greatly increase the allowed deduction for victims:

- The entire amount of net qualified disaster losses (less \$500) is deductible, not just the part that exceeds 10% of AGI.
- Those who do not itemize deductions can increase their standard deduction by the amount of net qualified disaster losses.

However, the victims must be in the Presidentially-declared disasters areas of specified disasters. Months after this legislation, the meaning of "net qualified qualified disaster losses" was broadened to include many more disasters including certain wildfires in addition to hurricanes.

The special deduction is reported on line 16 of Schedule A, even when it is used only for to increase the standard deduction. This means that those who would not otherwise itemize must file Schedule A with the return just to justify the special increased standard deduction.

The software handles this special deduction automatically based on your entries on Form 4684, including the determination of which treatment of the deduction is the most beneficial: **(a)** treating it as a normal itemized deduction on line 16 along with all other itemized deductions, or **(b)** using it solely to increase the standard deduction (ignoring all other itemized deductions).

Other allowed deductions. Enter other allowable deductions in a supporting statement for this line, including federal estate taxes attributable to income in respect of a decedent. See the list in Table 2-10 and IRS Pub. 525 (*Taxable and Nontaxable Income*) and IRS Pub. 529 (*Miscellaneous Deductions*), for other examples of deductions that can be claimed here. **CAUTION for e-file:** *For this line, the IRS will accept only one of the following entries in the description column of the support: AMORTIZABLE BOND PREMIUMS, CASUALTY AND THEFT LOSSES, FEDERAL ESTATE TAX, GAMBLING LOSSES, IMPAIRMENT-RELATED WORK EXPENSES, CLAIM REPAYMENTS, UNRECOVERED PENSION INVESTMENTS, ORDINARY LOSS DEBT INSTRUMENT, and SCHEDULE K-1. Do NOT deduct amortizable bond premiums on bonds acquired after December 31, 1987 here;*

instead, enter the amounts on the 1099-INT Worksheet where it will be used to reduce the amount of interest you report on Schedule B.

16 Total other not limited. *(auto-calc)* If the amount on the line "Standard deduction claimed with above" is zero, computed as the sum of all lines listed for line 16. Otherwise, computed as the sum of "Net qualified disaster loss" and "Standard deduction claimed with above".

TOTAL ITEMIZED DEDUCTIONS. Thanks to tax reform, the deductions that can be claimed are no longer limited for high-income taxpayers:

17 Amount for Form 1040, line 12. *(auto-calc)* If the amount on the line "Standard deduction claimed with above" is zero, computed as the sum of lines 4, 7, 10, 14, 15, and 16; this is the sum of deductions on Schedule A, and no limitation for high-income taxpayers applies, thanks to tax reform. However, if the amount on the line "Standard deduction claimed with above" is not zero, but rather the nominal standard deduction, computed as line 16 alone.

18 Elect to itemize deductions even if less than your standard deduction? The result on line 17 would normally be used for Form 1040, line 12, only when it exceeds the standard deduction. However, you may choose to always have it used for line 12 because of favorable treatment on your state income tax return. To make this election, answer Yes here. *TIP: The amount for line 17 is also used unconditionally if married filing separately and you answered Yes to "MFS: Itemizes or dual-status alien?" on screen 4 of Form 1040.*

If your answer to line 18 is Yes or, if married filing separately, your answer to "MFS: Itemizes or dual-status alien?" is Yes, the amount on line 17 is used for Form 1040, line 12. Otherwise, the greater of this amount or the standard deduction is used.

Table 2-10. Miscellaneous Deductions for line 16

Amortizable bond premium on bonds acquired before before October 23, 1986 Federal estate tax attributable to ordinary income in respect of a decedent Gambling losses (but no more than gambling winnings reported on line 8b of Schedule 1) Impairment-related work expenses of the handicapped Repayment of amounts under a claim of right if over \$3,000 Unrecovered investment in a pension (see IRS Pub. 575)
--

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule B / Interest and Dividend Income

Who must use Schedule B? The IRS requires you to file Schedule B when the total of either interest received or dividends received exceeds \$1,500, or you are claiming the exclusion of interest from Series EE U. S. Savings Bonds issued after 1989, or you had a foreign account. If not required you can enter interest and dividends on lines 2a through 3b of Form 1040 yourself. However, *we strongly recommend that you complete Schedule B and its worksheets even when the IRS doesn't require it* because completing the *1099-INT and 1099-DIV Worksheets* for Schedule B ensures accurate data entry, provides permanent record-keeping, and simplifies reporting of amounts for other forms. In fact, we use Schedule B as a holding point for amounts on Forms 1099-INT and 1099-DIV that are used on Schedule 1, Schedule 3, Schedule D, and Form 6251 in addition to Form 1040 (such as capital gain distributions and foreign taxes withheld). *Schedule B is accessible through the Road Map at lines 2a, 2b, 3a, and 3b of Form 1040.*

PART I, INTEREST INCOME. All interest income is reported here, *including exempt-interest dividends from mutual funds, which are treated as interest by the IRS.* You should list in the worksheets noted below all interest received, whether taxable or not, and whether or not the payer reported it on Form 1099-INT, including any interest reported to you on a Schedule K-1.

Seller-financed mortgage. *(Supported by the Seller-Financed Mortgage Worksheet, Figure 2-8.)* If you sold your home and receive interest from the buyer as a condition of the sale, you must report that interest and certain identifying information about the buyer on the worksheet that supports this line. *Do NOT report this interest on the 1099-INT Worksheets (next).*

Other interest (itemize). *(Supported by the 1099-INT Worksheet, Figures 2-9a and 2-9b.)* You should report all other interest on the *1099-INT Worksheets* that support this line. When you return from the worksheets, the gross taxable interest (from boxes 1 and 3 of IRS Form 1099-INT) appears here and several other amounts from 1099-INT appear below line 1.

1 INTEREST SUBTOTAL. *(auto-calc)* The sum of the above two amounts, this is the interest received from seller-financed mortgages plus the amounts in boxes 1 and 3 of any Forms 1099-INT you received.

ACCRUED MARKET DISCOUNT. If you own a bond you bought on a secondary market at a discount from face value, you can elect to be taxed on the discount ratably over the time from purchase to maturity, rather than on the maturity date. *To make this election, enter the accrued market discount you figured for 2023 here.* See IRS Pub. 550 (*Investment Income and Expenses*) for the allowed methods of figuring the accrued market discount. **CAUTION:** *This amount is not reported to you on a Form 1099-INT and is not en-*

tered on our 1099-INT Worksheets. You must make any applicable entry here.

NOMINEE DISTRIBUTION. *(auto-calc)* The total for this category from all worksheets appears here, to be printed on Schedule B as required by the IRS. See the details for the worksheet for more information.

ACCRUED INTEREST. *(auto-calc)* As above for accrued interest.

OID ADJUSTMENT. *(auto-calc)* As above for OID (Original Issue Discount) adjustments.

ABP ADJUSTMENT. *(auto-calc)* As above, for ABP (Amortizable Bond Premium) adjustments.

2 Add the amounts on line 1. *(auto-calc)* Computed as line 1 *plus* the accrued market discount *less* the sum of nominee distribution, accrued interest, OID adjustment, and ABP adjustment. All five of these adjustments appear on the printed Schedule B following the interest subtotal at line 1 and above line 2.

U S savings bonds, etc. *(auto-calc)* Taken from the entries for box 3 of the 1099-INT Worksheets, this total appears here to remind you that you may be able to exclude some of this interest from taxation by preparing Form 8815, accessible from the following line.

3 Excludable savings bond interest from Form 8815. *(If Premium Level, Road Map line supported by Form 8815.)* Form 8815 is used to claim an exclusion of interest for Series EE U. S. Savings Bonds issued after 1989 that you cashed during the tax year to pay for the qualified higher education of you, your spouse, or your dependents. The bond must be in your or spouse's name and the owner must have been age 24 or older at the time of bond's issue. This exclusion is not available if married filing separately. The allowed exclusion is shown on line 14 of Form 8815 and reported here. **CAUTION:** *The interest to which Form 8815 applies MUST be included in line 3 of a 1099-INT Worksheet for line 1 of Schedule B.* In fact, the software will not allow the amount shown here to be more than the amount above this line (U.S. savings bonds, etc.).

4 Subtract line 3 from line 2. *(auto-calc)* Computed as indicated, this is the fully taxable interest posted to line 2b of Form 1040.

Additional information from 1099-INT. With just one exception, the remaining lines in this section are *automatically taken from the 1099-INT Worksheet totals* and used elsewhere in the return:

Penalty on early withdrawal of savings. *(auto-calc)* Taken from line 2 of our 1099-INT Worksheets (box 2 of Form 1099-INT), this amount is posted to line 18 of Schedule 1.

Federal withholding on Form 1099-INT. *(auto-calc)* Taken from line 4 of our 1099-INT Worksheets (box 4 of Form 1099-INT), this amount is posted to Form 1040 as one of the components of line 25b of Form 1040.

Schedule B

Investment expense on Form 1099-INT. *(auto-calc)* Taken from line 5 of our *1099-INT Worksheets* (box 5 of Form 1099-INT), this amount is *no longer deductible* on Schedule A, thanks to tax reform.

Foreign tax paid on Form 1099-INT. *(auto-calc)* Taken from line 6 of our *1099-INT Worksheets* (box 6 of Form 1099-INT), this amount is used in computing foreign tax credit, either through Form 1116 or, when qualified, directly on line 1 of Schedule 3. See the details in the section titled "FOREIGN TAX SHOWN ON 1099s," later (before our details for Part III of Schedule B).

Tax-exempt interest. *(auto-calc)* Taken from line 8 of our *1099-INT Worksheets* (box 8 of Form 1099-INT), this amount is posted to Form 1040, line 2a, along with the next entry.

OTHER for Form 1040, line 2a. Enter here *only nontaxable interest that you did not report on a 1099-INT Worksheet* but which you must include in line 2a of Form 1040. This may include interest from municipal bonds or exempt-interest dividends from a mutual fund or other regulated investment company if you did not prepare a 1099-INT Worksheet for it. This amount plus the tax-exempt interest on the worksheets is posted to line 2a of Form 1040.

Taxable ONLY by state. *(auto-calc)* Taken from your entry below line 8 of our *1099-INT Worksheets*, this amount is for the state return, not this federal return.

AMT preference for Form 6251, line 2g. *(auto-calc)* Taken from line 9 of our *1099-INT Worksheet* (usually from box 9 of Form 1099-INT), this amount is posted to Form 6251, as indicated, along with any analogous amounts from Forms 8814.

Seller-Financed Mortgage Worksheet, Figure 2-8. This worksheet supports line 1 of Schedule B along with the separate *1099-INT Worksheet*. It is used to identify the individual from whom you receive interest as a condition of sale of your property. *If you do not supply the name, address, and SSN of the buyer from whom you receive interest, you are subject to a \$50 penalty.*

```

SELLER-FINANCED MORTGAGE
Buyer's name....
Address.....
City.....
State.....
ZIP code.....
Buyer's SSN.....
$ amount.....
0
e-file ONLY: If foreign,
use these lines instead:
Foreign address.
Foreign city....
Foreign province or state.
Fgn. country (2-ltr code).
Foreign postal code.....

```

Buyer's name. Enter here the name of the individual from whom you received the interest (the borrower) in 25 characters or less.

Address. Enter the street address of the individual in 25 characters or less.

City. Enter the city in 22 characters or less.

State. Enter the standard 2-character code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

Buyer's SSN. Enter the buyer's social security number (SSN) in the standard xxx-xx-xxxx format. You must also give your social security number to the buyer for his or her use on Schedule A, and are subject to a \$50 penalty if you do not.

\$ interest received. Enter the amount paid to you for the tax year.

e-file ONLY: If a foreign address, use these lines instead. For a paper return, because of the restricted space on the official Schedule B, you must enter a foreign address on the preceding lines, abbreviating as necessary to fit. The following lines are ignored for a paper return. However, for an e-file return, a special format is required for foreign addresses, so you must enter a foreign address here and leave the preceding address lines blank.

Foreign address. Enter the street address of the foreign location in 25 characters or less.

Foreign city. Enter the city in 25 characters or less.

Foreign province or state. Enter the province or state in 15 characters or less.

Foreign country (2-letter code). Enter the official country code for the country as shown in Table 2-6 on page 2-27.

Foreign postal code. Enter the postal code in 15 characters or less.

The dollar total for all worksheets combined is carried to the line from which you accessed this worksheet.

1099-INT Worksheet, Figures 2-9a and 2-9b. This worksheet supports line 1 of Schedule B along with the *Seller-Financed Mortgage Worksheet*. You should report all interest received here, whether or not a Form 1099-INT was actually received for the amounts, except for interest entered on the preceding *Seller-Financed Mortgage Worksheet*. **TIP:** All line numbers on the worksheet correspond to box numbers on the IRS Form 1099-INT.

Name of payer. Enter payer's name in 25 characters or less.

Account identification. Enter account number or other note that further identifies the source of income in 25 characters or less.

1 Taxable interest not in 3. Enter all taxable interest *other than* U. S. savings bonds, Treasury bills, Treasury bonds, and Treasury notes here. This amount should be reported to you in box 1 of Form 1099-INT. However, you must report *all* taxable interest here, *whether reported to you on a Form 1099 or not*. (The excludable portions of this total are entered on subsequent lines on this worksheet and subtracted from total interest before being carried to total interest for Schedule B, line 2.) If the interest is reported to you on a 1099-OID, enter the sum of boxes 1 and 2 of that form here. Be sure to include the amount in box 5 of any Schedule K-1 you receive from a partnership.

CAUTION: Do not include tax-exempt interest, which is now reported

in box 8 of Form 1099-INT and not included in box 1, thanks to an IRS redesign of the form in 2006. See IRS Pub. 564 (*Mutual Fund Distributions*) for details.

2 Early withdrawal penalty. Enter

penalties paid because of early withdrawal of certificates of deposits here. This amount should be shown in box 2 of Form 1099-INT and will be posted to line 18 of Schedule 1.

3 U S Savings Bonds and Treasuries. Enter

interest on U. S. savings bonds and treasury obligations (Treasury bills, Treasury bonds, and Treasury notes), which should be shown in box 3 of Form 1099-INT.

FORM 1099-INT Screen 1of2		
	Name of Payer	
	Account I.D.	
1	Taxable interest not in 3.	0
2	Early withdrawal penalty..	0
3	US Svgs Bonds & Treasuries	0
	GROSS TAXABLE INTEREST	0
	Nominee distribn in above.	0
	Accrued interest in above.	0
	O.I.D. adjustment to above	0
	A.B.P. adjustment to above	0
	NET TAXABLE INTEREST..	0
4	Fed income tax withheld...	0
5	Investment expenses.....	0
6	Foreign tax paid.....	0
7	Foreign country.	
8	Fed tax-exempt interest...	0
	Part taxable by state	0
9	Spec.bond int.for6251,1n2g	0

Figure 2-9a. 1099-INT Worksheet. Screen 1

GROSS TAXABLE INTEREST. (*auto-calc*) The sum of lines 1 and 3, this total is posted to "INTEREST SUBTOTAL" at line 1 of Schedule B.

Nominee distributions in above. Enter the interest included in the above gross amount that was received as a nominee for another here, and report the amount to the actual owner on a Form 1099-INT. (You must also file with the IRS a Form 1096 along with a copy of the 1099-DIV sent to the nominee.) This amount will be excluded on Schedule B. If you make an entry here, you must proportionately reduce the applicable remaining entries, below.

Accrued interest in above. Enter here accrued interest included in the above gross amount that you paid when buying a bond, which will be excluded on Schedule B.

O.I.D. adjustment to above. If you are reporting interest reported to you in box 1 or 6 of a Form 1099-OID, you may have to enter an adjustment here if you did not buy the obligation at its original discount or did not hold it for the entire year. See IRS Pub. 1212 (*List of Original Issue Discount Instruments*) for details on how to determine the proper adjustment. Make a positive entry here to reduce the taxable interest and a negative entry to increase the taxable interest.

A.B.P. adjustment to above. Enter the amount of Amortizable Bond Premium included in the above gross amount that you are deducting

for bonds acquired *on or after* October 23, 1986. (Amortizable bond premiums for bonds acquired *before* that date are deducted on line 16 of Schedule A, not here.)

NET TAXABLE INTEREST. *(auto-calc)* The above gross amount less all above exclusions.

- 4 Federal tax withheld.** Enter any backup withholding here. This amount should be shown in box 4 of Form 1099-INT and will be automatically reflected in line 25b of Form 1040.
- 5 Investment expenses.** Enter the part of box 1 that is identified to you as investment expense, such as your share of investment expenses in a single class REMIC. This amount should be shown in box 5 of Form 1099-INT. You will be taxed on the full amount in box 1. Your entry here is no longer deductible on Schedule A, thanks to tax reform.
- 6 Foreign tax paid.** Enter any foreign tax withheld here. This amount should be shown in box 6 of Form 1099-INT and will be used to determine the foreign tax credit when Form 1116 is *not* needed. See the details in the section titled "FOREIGN TAX SHOWN ON 1099s," later (before our details for Part III of Schedule B).
- 7 Foreign country.** Enter the country to which line 6, above, applies. This entry is not used in any calculations or official printouts for the IRS, but is provided for record-keeping purposes. This country should be shown in box 7 of Form 1099-INT.
- 8 Federal tax-exempt interest.** Enter tax-exempt interest, including interest on municipal bonds and exempt-interest dividends from a tax-exempt mutual fund. This amount should be shown in box 8 of Form 1099-INT and will be included in line 2a of Form 1040.
Part taxable by state. Enter interest included in box 1 that is taxable by your state even though it is not taxable on the federal return, such as the interest on municipal bonds from other states. *This entry is needed ONLY for the proper completion of state returns.*
- 9 Specified private activity bond interest for Form 6251, line 2g.** If the federal tax-exempt amount includes tax-exempt interest from private activity bonds issued before 8/7/86, you must enter the amount here. This amount should be shown in box 9 of Form 1099-INT and will be posted to line 2g of Form 6251 as a tax preference for the alternative minimum tax. *CAUTION: Interest on private activity bonds issued in 2009 or 2010 is not a tax preference item and should not be entered on line 9 of our Form 1099-INT Worksheet, even if the payer included it in box 9 of the Form 1099-INT.*

The following entries are neither used in any calculations nor posted to any other forms. Furthermore, the IRS does not include them in their e-file specifications. They are provided only for your record-keeping and to remind you that you have already paid a portion of the tax you may owe to your state on the interest reported here. See Figure 2-9b.

10 Market discount. For a covered security, if you made an election to include market discount in income as it accrues, the amount accrued for the tax year is shown here.

11 Bond premium. For a taxable covered security (except Treasury obligations), the amount of premium amortization allocable to interest payments is shown here (unless you opted out of amortizing bond premium).

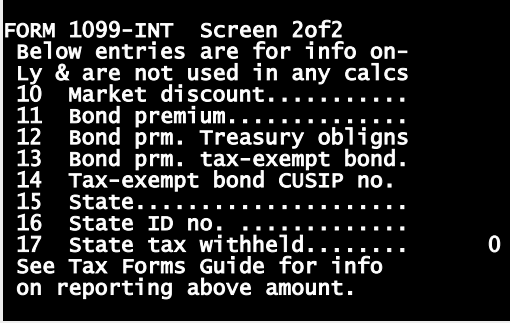


Figure 2-9b. 1099-INT Worksheet, Screen 2

12 Bond premium on Treasury obligations. For U.S. Treasury obligations, the amount of premium amortization allocable to interest payments is shown here (unless you opted out of amortizing bond premium).

13 Bond premium on tax-exempt bond. For a tax-exempt covered security, the amount of premium amortization allocable to interest payments is shown here.

14 Tax-exempt bond CUSIP no. If interest from a tax-exempt bond is reported on this worksheet, enter the CUSIP number from the bond in 11 characters or less.

15 State. If you are making an entry for state tax withheld on line 17, below, enter the standard 2-character code for the state here.

16 State identification number. If you are making an entry for state tax withheld on line 17, below, enter any state-issued identification number here.

17 State tax withheld. Enter any state tax withholding shown on Form 1099-INT. *TIP: You should report this amount on the income tax return you file for the corresponding state so that you get credit for this tax payment.*

PART II, ORDINARY DIVIDENDS. All dividend income is reported here, *except exempt-interest dividends from mutual funds, which are treated as interest by the IRS and should therefore be reported on our 1099-INT Worksheet instead.* This income should be reported to you on Forms 1099-DIV. Other information not relevant to Schedule B is reported on Form 1099-DIV, but *you must report here all information supplied to you on a Form 1099-DIV, whether applicable to Schedule B or not, so that the software can automatically post information required elsewhere in the return.* For example, capital gain and non-taxable amounts as well as withholding and expenses are reported to you on a Form 1099-DIV, and should be entered on our 1099-DIV Worksheet even when they are not reported on Schedule B.

Dividends on Form 8814, line 9. (*Road Map line, supported by Form 8814.*) If Schedule B is required for other reasons, you must now show on Schedule B a portion of your children's qualified dividends if you elect (through Form 8814) to report your children's income on your return. (Other dividends of the children are included with other income in line 12 of Form 8814, and are therefore reflected in the amount posted to line 8z of Schedule 1.) The amount of qualified dividends to report is posted here from line 9 of Form 8814.

Restricted stock dividends reported on a Form 1099-DIV. Dividends on restricted stock are treated by the IRS as compensation rather than dividends. Restricted stock is stock from an employer that is not fully transferable to the employee until certain conditions are met, such as sales goals or employment for a period of time. As a result, when the full transfer finally occurs, it is treated as compensation. Similarly, *any dividends received on restricted stock before the transfer are treated as compensation* and should be included in the employee's Form W-2 as wages for line 1a of Form 1040. If the employer also reports the dividend on a Form 1099-DIV, *you must report it here so that it is included in the dividend subtotal at line 5 of Schedule B but excluded from the total at line 6.* It's exclusion will be shown on the official printout of Schedule B. **CAUTION: Do not report these dividends on our 1099-DIV Worksheets, below. They are reported only on this line to flag to the IRS that the copy of Form 1099-DIV that they receive for this dividend is not treated as dividend income.**

Other dividends (itemize). (*Supported by the 1099-DIV Worksheet, Figures 2-10a and 2-10b.*) You must list in the worksheets described later ALL dividends received, whether taxable or not, and whether or not the payer reported it on Form 1099-DIV, including any interest reported to you on a Schedule K-1. When you return from the worksheets, the total for ordinary dividends (box 1a of Form 1099-DIV) appears here.

5 DIVIDEND SUBTOTAL. (*uato-calc*) Computed as the sum of the preceding two lines.

NOMINEE DISTRIBUTION. (*auto-calc*) Posted here from all 1099-DIV Worksheets, this is the part of line 5 taxable to a nominee, not you. It will be shown on the printed Schedule B following the "DIVIDEND SUBTOTAL."

DIVIDENDS ON RESTRICTED STOCK. (*auto-calc*) Taken from your entry above line 5 for "Restricted stock dividends reported on a Form 1099-DIV," an amount here will be shown on the printed Schedule B following the "DIVIDEND SUBTOTAL."

6 Add the amounts on line 5. (*auto-calc*) Computed as line 5 less the above nominee distribution and dividends on restricted stock, this is the taxable balance *posted to line 3b of Form 1040.*

Schedule B

Additional information from 1099-DIV. The remaining lines in this section are *automatically taken from the 1099-DIV Worksheet totals* and used elsewhere in the return:

Qualified dividends on worksheets. *(auto-calc)* Posted here from all 1099-DIV Worksheets, this is the amount from box 1b of all Forms 1099-DIV (box 1b of Form 1099-DIV) reduced by the pro rata share of any nominee distributions reported for line 5.

Capital gain distributions. *(auto-calc)* Posted here from line 2a of all 1099-DIV Worksheets (box 2a of Form 1099-DIV), this total is posted to Schedule D where all capital gain distributions are collected.

Nominee distributions in CGD. *(auto-calc)* Posted here from all 1099-DIV Worksheets, this is the part of capital gain distributions (CGD) that is a nominee distribution, and therefore not taxable to you.

Net taxable CGD. *(auto-calc)* Computed as capital gain distributions less the above nominee part, this is the taxable amount posted to Schedule D.

Unrecaptured sec. 1250 gain in CGD. *(auto-calc)* Posted here from line 2b of all 1099-DIV Worksheets (box 2b of Form 1099-DIV), and posted to Schedule D.

Sec. 1202 gain in CGD. *(auto-calc)* Posted here from line 2c of all 1099-DIV Worksheets (box 2d of Form 1099-DIV), and posted to Schedule D.

Collectibles (28%) gain. *(auto-calc)* Posted here from line 2d of all 1099-DIV Worksheets (box 2d of Form 1099-DIV), this is the 28% rate gain posted to Schedule D.

Nontaxable distributions. *(auto-calc)* Posted here from line 3 of all 1099-DIV Worksheets (box 3 of Form 1099-DIV).

Federal withholding on Form 1099-DIV. *(auto-calc)* Posted here from line 4 of all 1099-DIV Worksheets (box 4 of Form 1099-DIV) and reflected in line 25b of Form 1040.

Section 199A dividends on Form 1099-DIV. *(auto-calc)* Posted here from line 5 of all 1099-DIV Worksheets (box 5 of Form 1099-DIV). These dividends (generally from REITs) qualify for inclusion in the income you use when figuring the qualified business income deduction on line 13 of Form 1040.

Investment expense on Form 1099-DIV. *(auto-calc)* Posted here from line 6 of all 1099-DIV Worksheets (box 6 of Form 1099-DIV), this amount is *no longer deductible* on Schedule A, thanks to tax reform.

Foreign tax paid on Form 1099-DIV. *(auto-calc)* Posted here from line 7 of all 1099-DIV Worksheets (box 7 of Form 1099-DIV), this amount is used in computing foreign tax credit, either through Form 1116 or, when qualified, directly on line 1 of Schedule 3. See the

details in the section titled "FOREIGN TAX SHOWN ON 1099s," later (before our details for Part III of Schedule B).

Qualified dividends for Form 1040, line 3a. *(auto-calc)* Computed as the sum of "Dividends on Form 8814, line 9" and "Qualified dividends on worksheets," this is the total of dividends that qualify for the capital gains tax rate and is *posted to both line 3a of Form 1040 and Part IV of Schedule D* (for use in its tax computations).

1099-DIV Worksheet, Figures 2-10a and 2-10b. Report all dividends, whether or not a Form 1099-DIV was actually received. *Line numbers on this worksheet correspond to box numbers on the IRS Form 1099-DIV. CAUTION: Do not complete a worksheet for dividends on restricted stock; instead, enter the dividends on the line above line 5 on Schedule B labeled "Restr.stk.divs.on 1099-DIV."*

Name of payer. Enter 25 characters or less.

Account identification. Enter account number or other identifying information in 25 characters or less.

1a Total ordinary dividends. Enter ordinary dividends received here, whether you received a Form 1099-DIV for them or not. This amount should be reported to you in box 1a of a Form 1099-DIV or box 6a of a Schedule K-1 you receive from a partnership, corporation, etc.

Nominee distributions in 1a. Enter dividends received as a nominee here, and report this amount to the actual owner on a Form 1099-DIV. (You must also file with the IRS a Form 1096 along with a copy of the 1099-DIV sent to the nominee.)

Taxable balance. *(auto-calc)* Computed as ordinary dividends on line 1a less the above nominee amount, this is the part taxable on *your* return and reflected in line 3b of Form 1040.

1b Qualified dividends. Enter qualified dividends received here, which should be reported to you in box 1b of a Form 1099-DIV or box 6b of a Schedule K-1.

FORM 1099-DIV Screen 1of2:	
	Name of Payer
	Account I.D.
1a	Total ordinary dividends.. 0
	Nominee distribs in 1a 0
	Taxable balance..... 0
1b	Qualified dividends..... 0
	Nominee distribs in 1b 0
	Taxable balance..... 0
2a	Total capital gain distr. 0
	Nominee distribs in 2a 0
	Bal. for 2b through 2d 0
2b	Unrecap. sec. 1250 gain... 0
2c	Section 1202 gain..... 0
2d	Colletibles (28%) gain... 0
3	Nondividend distributions. 0
4	Fed income tax withheld... 0
5	Section 199A dividend.... 0
6	Investment expenses..... 0
7	Foreign tax paid..... 0
8	Foreign country. 0

Figure 2-10a. 1099-DIV Worksheet. Screen 1

This is the part of dividends in line 1a that qualify for taxation at a capital gains tax rate. *(Most dividends qualify.)*

Nominee distributions in 1b. *(auto-calc)* Computed as the pro rata share of 1b that is attributable to the nominee, based on your entry for nominee distributions in 1a.

Taxable balance. *(auto-calc)* Computed as qualified dividends on line 1b less the above nominee amount, this is the part taxable on *your* return and reflected in line 3a of Form 1040.

2a Total capital gain distribution. These distributions are eligible for more favorable tax treatment than ordinary dividends, and are taxed at the more favorable rates through the tax computations on Schedule D. It should be reported to you in box 2a of Form 1099-DIV and will be used in Schedule D (or Form 1040 if no Schedule D is printed with the return). Specific parts of the amounts in this total are identified in the next few lines because of their special tax consequences. (Note that short-term capital gains will be reported to you in box 1a instead of box 2a because ordinary tax applies to them.)

Nominee distributions in 2a. Enter the part of box 2a that you received as a nominee here and report the amount to the actual owner on a Form 1099-DIV. (You must also file with the IRS a Form 1096 along with a copy of the 1099-DIV sent to the nominee.) *CAUTION: If you make an entry here, you must proportionately reduce your entries for lines 2b through 2d, below.*

Balance for 2b through 2d. *(auto-calc)* Computed as box 2a less the above nominee amount, this is the part that taxable on *your* return. However, the tax rate that applies depends on the specific type of capital gain, so you must identify any special types using the following 3 entries. If none of the following 3 types apply, then the regular capital gains rate apply.

2b Unrecaptured section 1250 gain. This is the part of line 2a that must be *taxed at the less favorable 25% rate* for real estate property. It should be reported to you in box 2b of Form 1099-DIV and will be used in tax computations on Form 1040.

2c Section 1202 gain. This is the part of line 2a *eligible for a special exclusion*. It should be reported to you in box 2c of Form 1099-DIV and will be used in Schedule D. See our details for Schedule D for more information.

2d Collectibles (28%) gain. This is the part of line 2a that must be *taxed at the highest capital gains tax rate*. It should be reported to you in box 2d of Form 1099-DIV and will be used in tax computations on Form 1040.

3 Nondividend distributions. The amount reported to you in box 3 of Form 1099-DIV is usually a *return of capital* that reduces the basis of your stock when you sell it, but is not taxable now. *CAUTION: Once the total of all your nontaxable distributions from the stock equals your original cost or basis for the stock, you must report remaining amounts as capital gains distributions, above, rather than here.* By contrast, *exempt-interest dividends must be reported on 1099-INT Worksheets supporting line 1, not here, as tax-exempt interest*, so that they will be posted to line 2a of Form 1040.

- 4 Federal income tax withheld.** Enter any backup withholding here. It should be shown in box 4 of Form 1099-DIV and will be automatically reflected in line 25b of Form 1040.
- 5 Section 199A dividend.** This is the dividend eligible for the 20% qualified business income (QBI) deduction under section 199A, shown in box 5 of Form 1099-DIV. It is considered a qualified REIT dividend to include on Form 8995 when you figure the QBI deduction for line 13 of Form 1040. *It is automatically included in line 6 of Form 8995 (available at the Standard and Premium Levels),*
- 6 Investment expenses.** This is the part of box 1 that you did not actually receive but was used by the payer to cover investment expenses, and should be shown in box 6 of Form 1099-DIV. You must pay tax on the full amount in box 1. Your entry here is no longer deductible on Schedule A, thanks to tax reform.
- 7 Foreign tax paid.** Enter any foreign tax withheld here. This amount should be shown in box 7 of Form 1099-DIV and will be used to determine the foreign tax credit when Form 1116 is not needed. See the details in the section titled "FOREIGN TAX SHOWN ON 1099s," later (before our details for Part III of Schedule B).
- 8 Foreign country.** Enter the country to which line 6, above, applies. This entry is not used in any calculations or official printouts for the IRS, but is provided for record-keeping purposes. This country should be shown in box 8 of Form 1099-DIV.

The following entries are neither used in any calculations nor posted to any other forms. Furthermore, the IRS does not include them in their e-file specifications. They are provided only for your record-keeping and to remind you that you may have other amounts to enter on Schedule D and that you have already paid a portion of the tax you may owe to your state on the interest reported here:

- 9 Cash liquidation distributions.** Any the cash proceeds from the liquidation of a corporation in which you had an interest. *CAUTION: If you have an entry on this line, you may have a capital gain or loss to report on Schedule D. (No amount is posted to Schedule D automatically.)*

FORM 1099-DIV Screen 2of2	
Below entries are for info on-	
Ly & are not used in any calcs	
9	Cash liquidation distribns 0
10	Noncash liquid'n distribns 0
12	Exempt-interest dividends. 0
13	Spec.bond int.for6251,ln2g 0
14	State..... 0
15	State ID no. 0
16	State tax withheld..... 0
See Tax Forms Guide for info	
on reporting above amount.	

Figure 2-10b. 1099-DIV Worksheet, Screen 2

- 10 Noncash liquidation distributions.** Any the proceeds other than cash from the liquidation of a corporation in which you had an interest. *CAUTION: If you have an entry on this line, you may have a capital*

gain or loss to report on Schedule D. (No amount is posted to Schedule D automatically.)

- 11 FACTA filing requirement.** *(not shown on-screen)* This box is by the payer to indicate to the IRS that the payer is using the Forms 1099-DIV the payer files to satisfy the payer's reporting requirement. You (the payee) may also have a filing requirement, which is satisfied by filing Form 8938 (*Statement of Specified Foreign Financial Assets*), if the total value of all specified foreign assets in which you have an interest exceeds a specified threshold (as defined in the IRS Instructions for Form 8938).
- 12 Exempt-interest dividends.** Exempt-interest dividends are treated like tax-exempt interest by the IRS. Although the IRS now provides a box on Form 1099-DIV for these dividends, *we recommend that you enter these dividends on line 8 of our 1099-INT Worksheet rather than here* so that the software can automatically reflect them in line 2a of Form 1040. **CAUTION:** *If you have an entry on this line because you choose to report the amount here rather than line 8 of our 1099-INT Worksheet, you will have to manually enter this amount on the line labeled "OTHER for 1040 line 2a" on screen 1 of Schedule B. No amount is automatically posted from this line.*
- 13 Specified private activity bond interest for Form 6251, line 2g.** If the exempt-interest dividends include tax-exempt interest from private activity bonds, the amount will be shown in box 12 of Form 1099-DIV. However, *we recommend that you enter this amount on line 9 of our 1099-INT Worksheet rather than here* so that the software can automatically reflect them in line 2g of Form 6251. See our instructions for line 9 of the 1099-INT Worksheet for more information on this entry and when to omit it. **CAUTION:** *If you have an entry on this line because you choose to report the amount here rather than line 9 of our 1099-INT Worksheet, you will have to manually override the result on line 2g of Form 6251 to include this amount. No amount is automatically posted from this line.*
- 14 State.** If you are making an entry for state tax withheld on line 15, below, enter the standard 2-character code for the state here.
- 15 State identification number.** If you are making an entry for state tax withheld on line 15, below, enter any state-issued identification number here.
- 16 State tax withheld.** Enter any state tax withholding shown on Form 1099-DIV. **TIP:** *You should report this amount on the income tax return you file for the corresponding state so that you get credit for this tax payment.*

FOREIGN TAX SHOWN ON 1099s. This is not a part of the IRS Schedule B but is a section we provide so that you can potentially report the amounts for foreign tax paid directly on line 1 of Schedule 3 without filing Form 1116. You generally qualify to omit Form 1116 if all of the following are true:

- all your foreign income was from interest and dividends,
- all your foreign income and foreign tax paid are shown on Form 1099-INT or 1099-DIV, and
- your creditable foreign tax totals no more than \$300 (\$600 if married filing jointly).

The above tests ensure qualification to omit Form 1116, but they are not always necessary. See IRS *2023 Instructions for Form 1116* for more information.

Foreign tax shown on 1099s. *(auto-calc)* The foreign tax paid from the 1099-INT and 1099-DIV Worksheets you completed is shown here.

Foreign tax shown on Form 8814. *(Road Map line, supported by Form 8814.)* Any foreign tax paid shown on your children's 1099-INT and 1099-DIV Worksheets appears here from their Forms 8814.

Tax on excluded income. If any of the above tax is for income excluded from taxation, you must enter the corresponding tax here. No credit is allowed for it because you are not taxed on the related income. See the instructions for line 12 of Form 1116 for details.

Creditable foreign tax. *(auto-calc)* Computed as the foreign tax paid on Forms 1099-INT, 1099-DIV, and 8814, this is the maximum amount potentially eligible for a tax credit.

Eligible to omit Form 1116 so far. *(auto-calc)* Answered Yes if the creditable foreign tax is no more than \$300 (\$600 if married filing jointly).

Elect and meet other requirements? See IRS instructions for line 1 of Schedule 3 (near the end of the IRS *2023 Instructions for Form 1040*) for the general requirements for omitting Form 1116 from the return, or see Form 1116 and IRS Pub. 514 (*Foreign Tax Credit for Individuals*), for more complete requirements. You should answer No if you prefer to deduct the taxes on Schedule A so that you can make that election later in this section.

Credit for Schedule 3, line 1. *(auto-calc)* Equal to the creditable foreign tax *if the preceding two answers are Yes*, and zero otherwise.

CAUTION: Schedule 3 will omit the preceding amount if a Form 1116 exists for the return. The preceding amount can be assured of appearing at line 1 of Schedule 3 *only* if you do *not* have a Form 1116 for the return. *Any amount figured on Form 1116 will override the amount figured above.* Therefore, you must take care not to view Form 1116 out of curiosity if you are not completing it, or else the amount on line 1 of Schedule 3 will be zero.

Available for Form 1116 or Schedule A. *(auto-calc)* Equal to the creditable foreign tax if the preceding amount is zero.

Schedule B

Amount to deduct on Schedule A. You can elect to deduct foreign taxes paid on Schedule A instead of claiming them as a tax credit. Any amount you enter here will be included in line 6 of Schedule A, but you should complete Form 1116 first to determine the eligible amount.

Balance available for Form 1116. *(auto-calc)* Computed as the total available less the amount you elect for Schedule A. You should consider filing Form 1116 if an amount appears here. (Form 1116 is built into Standard and Premium Level software in support of line 1 of Schedule 3.)

PART III, FOREIGN ACCOUNTS AND TRUSTS. You MUST complete Part III of Schedule B if you had any type of involvement with a foreign account:

7a At any time during 2023, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? If Yes, you may have to file FinCEN Form 114, separately from your return, by April 15, 2024 (or October 15, 2024 with an automatic extension).

Answer for child from Form 8814. *(auto-calc, supported by Form 8814)*

If have a Form 8814 for a child who would answer Yes to the above question, a Yes appears here for printing on your Schedule B. The flag "Form 8814" will appear on the printout to let the IRS know that the answer comes from your child, not you.

If "Yes," are you required to file FinCEN Form 114 to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions. *Note that Form TD F 90-22.1 was formerly used for this purpose.*

7b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located. Enter the official 2-character code for the country (shown in Table 2-6 on page 2-27) if you answered Yes to the preceding question. *TIP: If you are required to file FinCEN Form for more than one country, you must leave this entry blank and enter all countries in a supporting statement for this line. To create such a supporting statement here you must press function key F10, or ctrl-Y, because "j" is not recognized as "itemize" for a text entry line like this one. Special instructions for e-file: Enter the 2-character code for each country on a separate line of the supporting statement.*

8 During 2023, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If Yes, you may have to file Form 3520 (not built into the software).

Answer for child from Form 8814. *(auto-calc, supported by Form 8814)*

If have a Form 8814 for a child who would answer Yes to the above question, a Yes appears here for printing on your Schedule B. The flag "Form 8814" will appear on the printout to let the IRS know that the answer comes from your child, not you.

You may need to file Form 3520. *(auto-calc)* Automatically Yes if the answer to line 8 is Yes, to alert you of the possible need to provide additional information.

Schedule C / Profit or Loss from Business

Who must use Schedule C? Schedule C is used to report income as the sole proprietor of a nonfarm business or profession, and certain "statutory employees" and "qualified joint ventures" (defined below). (Schedule F is used for farm businesses.) You can report only one business on any one Schedule C, so five separate copies of Schedule C are built into the software. Schedule C is accessible through the Road Map at line 3 of Schedule 1. (Note that the IRS has eliminated Schedule C-EZ, so you must now always file Schedule C instead. 2018 was the last year for which you could file Schedule C-EZ in place of Schedule C.)

And who must not? Schedule C *cannot be used for most joint ventures*. Joint ventures among individuals *other than a husband and wife* are generally considered to be partnerships if not incorporated, so a Partnership Return (Form 1065) must generally be filed. Amounts from the Schedules K-1 of that return are then reported on Schedule E, Part II, of each individual's Form 1040 return. *Exception: On the other hand, a husband and wife who jointly run an unincorporated business can elect to be taxed as a Qualified Joint Venture instead of a partnership. See the following box for more information.*

Qualified Joint Ventures. If a husband and wife who jointly run an unincorporated business elect to be treated as a Qualified Joint Venture, they do not file a partnership (Form 1065) return. Instead, they file the forms they would file as individuals on their Form 1040 return. (Prior to 2007, you were always treated as a partnership and required to file a Form 1065 return.):

- *File Schedule E for rental real estate.* Unless you are subject to self-employment tax on your business, you must report your combined income from rental real estate on Schedule E, Part I. (Prior to 2011, you had to file Schedule C instead.)
- *File Schedule F for a farm business.* If your joint venture is a farming business, you must file a separate Schedule F for each spouse, allocating income and expenses among them in accordance with their respective participation in the business.
- *File Schedule C for all other businesses.* In all other cases, you must file a separate Schedule C for each spouse, allocating income and expenses among them in accordance with their respective participation in the business.

There is no formal process for making the election; but once you report the business income in the above manners, you must continue to do so year after year, unless you have written IRS consent to change your classification.

Statutory employees. Schedule C can also be used by employees whose Form W-2 has the "Statutory employee" box checked, including full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers. This special provision allows these

Schedule C

employees to deduct expenses from income without being subjected to the limitations imposed by Schedule A on itemized deductions. However, the employee is not subject to the self-employment tax because social security and Medicare tax have already been paid, as shown on the Form W-2 received. Schedule C therefore includes a separate line for "Statutory Employee" income so that the IRS will not expect a Schedule SE for this income. **CAUTION:** *You cannot report any other income on the copy of Schedule C that you use to report statutory employee income. If you do have other income to report on Schedule C, you must use a separate Schedule C for that income. See our details for line 1 of Schedule C, later.*

GENERAL INFORMATION. Your answers to some of the following questions are critical to the proper automation of the software, so you must answer all questions.

Copy number (1 through 5). *(auto-calc)* The number for the copy you selected from the menu appears here automatically.

Spouse owns (not you)? Each of the five available copies of Schedule C can be designated for either spouse. You must identify the proper spouse for each copy so that computations that depend on a spouse's individual self-employment income, such as the self-employment tax, are properly computed.

A Principal business or profession. Enter here the activity (such as Retailing, Manufacturing) and the specific product or service (such as Computers, Clothing) in 25 characters or less.

B Enter code from instructions. Enter here the IRS 6-digit Principal Business or Professional Activity Code that fits the principal business you are reporting on this copy of Schedule C. *The codes are listed in a table at the end of the IRS Instructions for Schedule C.* (You should always use the table in the current instructions because the codes change from time to time.) The codes are based on a standard from the North American Industry Classification System (NAICS), which was developed in a joint effect between Canada, Mexico, and the United States. If you are unable to classify your business with one of the codes in the table, enter 999999 as the code and explain the business in a supporting statement for this line. **Exception for e-file:** *The IRS does not allow 999999 (unable to classify) as the code for an e-file return, but allows numbers up to 999000. Therefore, you must enter 999000 instead of 999999 if you are unable to classify your business.*

C Business name. Enter name in 35 characters or less.

D Employer Identification Number (EIN). An entry here is required only if you have a Keogh Plan or you were required to file employment, excise, alcohol, tobacco, or firearms tax returns. Enter the number in the standard 10-character format (xx-xxxxxxx). If you are using Schedule C as the sole owner of an LLC, be sure to enter your EIN as

a sole proprietor, not an EIC issued to the LLC. *If you have no EIN, leave this entry blank. DO NOT enter a social security number here.*

E Business address. You must enter the physical location of the business on the following lines. The IRS specifically instructs you to enter a street address rather than a P.O. box. However, if you conduct your business out of your home at the same address as shown on Form 1040, you can leave these lines blank.

Street address. Enter the street address of the business in 35 characters or less.

City. Enter the city in 22 characters or less.

State. Enter the standard 2-character code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

e-file ONLY: If a foreign address, use the following lines instead. For a paper return, because of the restricted space on the official Schedule C, you must enter a foreign address on the preceding lines, abbreviating as necessary to fit. The following lines are ignored for a paper return. However, *for an e-file return, a special format is required for foreign addresses, so you must enter a foreign address here and leave the preceding address lines blank.*

Foreign address. Enter the street address of the foreign location in 25 characters or less.

Foreign city. Enter the city in 25 characters or less.

Foreign province or state. Enter the province or state in 15 characters or less.

Foreign country (2-letter code). Enter the official country code for the country as shown in Table 2-6 on page 2-27.

Foreign postal code. Enter the postal code in 15 characters or less.

F Accounting method (1=Cash, 2=Accrual, 3=Other). Enter the code for the accounting method from 1 to 3.

If other, specify. If you entered 3 above, you must describe the method here in 20 characters or less. *CAUTION: For a paper return you could alternatively provide a longer explanation in a supporting statement for this line, but supporting statements for this line are not supported for e-file because the IRS allows no more than a 20-character explanation for this line.*

G Did you "materially participate" in the operation of this business during 2023? If you can answer Yes, you are not subject to the passive loss limitations, and no gain or loss from this schedule will be used in Form 8582. You can generally answer Yes if you participated in the operation of the activity for more than 500 hours during the year, or materially participated for any 5 of the prior 10 years. See our instructions for Form 8582 for details.

Were you a "significant participant" in the operation of this business? You are tentatively considered to be a significant participant if you participated in this business for more than 100 hours

but no more than 500 hours during the tax year. If the net of ALL significant participation activities throughout the return taken together is a gain, no amounts will be used in Form 8582, so the benefit of offsetting passive gains against passive losses from other activities is not available. If the net is a loss, all amounts will be used in Form 8582, so the limitations on passive losses apply. However, *if the aggregate number of hours of participation for ALL significant participation activities on the return COMBINED is more than 500 hours, then the participation will be considered as material participation for ALL such activities rather than significant participation.* See our instructions for Form 8582 for more details. If you do not satisfy the requirements for material participation, but can be classified as a significant participant, you *MUST* answer Yes here.

H Did you start or acquire this business during 2023? If so, you must answer Yes here for IRS audit purposes.

I Did you make any payments in 2023 that would require you to file Form(s) 1099? If so, you must answer Yes here and answer the next question. For example, payments to independent contractors would generally be reported on a Form 1099-MISC filed with the IRS, with a copy to the contractor.

J If "Yes," did you or will you file all required Forms 1099? You must answer this question if you answered Yes to line I. Otherwise, your answer is ignored and neither the Yes box nor the No box will be checked on the official printout of Schedule C. (Note that there are stiff penalties for not filing Forms 1099 when you are required to do so.)

PART I, INCOME. All taxable income for the business is reported here:

1 Gross receipts or sales. Enter gross receivables here, including amounts eventually refunded or not collected. Be sure to include amounts reported to you on Forms 1099-MISC, or use the next two lines to explain exceptions. Also include amounts reported to you on Forms 1099-K for 2023.

Was income reported to you on a Form W-2 with the "Statutory Employee" box on that form checked? If you have income reported to you on a Form W-2 with the "statutory employee" box checked in box 13, and social security tax was deducted for you (as shown in box that Form W-2), then you should report the income on line 1, above, and answer Yes here because the income is excluded from Form 1040, line 1a, if you properly answered Yes to "Statutory employee" at line 13 of our *W-2 Worksheet*. (Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers. This special provision allows these employees to deduct expenses from income without being subjected to the limitations imposed by Schedule A on itemized deductions.) This will allow you to deduct expenses without the limitations of Schedule A and the software will know not to tax

you for social security and Medicare again through Schedule SE. Even if you answer Yes here, you must still complete a W-2 Worksheet at screen 5 of our Form 1040 (for line 1a of Form 1040), reporting the income as reported to you on Form W-2. However, you must be sure to answer Yes to line 13 (Statutory employee?) of the W-2 Worksheet and the line below it (If Yes, reporting on C?) so that the income will not be included in line 1a of Form 1040 and you are credited for social security and Medicare taxes deducted from your pay. *TIP: If answered Yes here and you have income other than the income shown on Form W-2 to report on Schedule C, you must use a separate Schedules C to report that income; the copy of Schedule C that you use for income as a statutory employee cannot include any other income. CAUTION: If social security tax was NOT withheld for you, as should be evident from your Form W-2, you must answer NO here so that the required social security tax will be automatically computed for you on a Schedule SE.*

Is line 1 lower than Forms 1099-MISC received? If you received any Forms 1099-MISC from customers or clients and box 7 of all such Forms 1099-MISC exceeds the amount you entered above, you should answer Yes here and explain the discrepancy in a supporting statement for the following line.

If Yes, ITEMIZE to explain. If you answered Yes to the preceding question, explain the discrepancy in a supporting statement for this line. *TIP: The IRS does not provide for an explanation for e-file, and ignores it if you supply one, so you need not explain on an e-file return.*

2 Returns and allowances. Enter returns, refunds, etc. here.

3 Subtract line 2 from line 1. *(auto-calc)* Computed as indicated.

4 Cost of goods sold (from line 42). *(auto-calc)* Taken automatically from line 42 in Part III of this schedule, and therefore not correct until you complete Part III.

5 GROSS PROFIT. *(auto-calc)* Computed as line 3 less line 4.

6 Other income. Report all other income here, including

- interest received,
- bad debts recovered,
- credit or refund of fuel tax,
- recapture on Form 4797, line 35 (secs. 179 and 280F(b)(2)) for deductions previously taken for this business,
- bad debts recovered,
- reimbursements for overpayments or cancellations, such as insurance reimbursements,
- recapture of deductions for clean-fuel vehicles or clean-fuel vehicle refueling property.

Schedule C

7 GROSS INCOME. *(auto-calc)* Computed as the sum of lines 5 and 6, this gross income is used for the optional method on Schedule SE as well as for the computation of net profit at line 31.

PART II, EXPENSES. General business expenses are reported here; expenses associated only with goods sold (for businesses with inventories) are reported in Part III. Pre-defined IRS categories are provided by line 8 through 26. Expenses not fitting those categories are posted to line 27 from your entries at line 48.

8 Advertising. Enter all marketing, sales, and advertising expenses here.

9 Car and truck expenses. The rules for deducting vehicle expenses are similar to those detailed for employees on Form 2106. You can generally use either the standard mileage rate method or the actual expenses method (further described in our details for Form 2106). However, in spite of the IRS label for line 9, the reporting of car expenses on Schedule C involves more than one line of the form. Lines 9, 13, and 20a are all relevant parts of the formula. We therefore provide the following entries to help guide you in the proper reporting of the expenses. **CAUTION: You MUST provide information on your vehicle if you make an entry at line 9, as follows:** If you have to use Form 4562 for any other depreciation, complete columns a through c of Section A and all of Sections B and C of Part V of Form 4562 (accessed at line 13, below). Otherwise, use Part IV of Schedule C.

Used more than four vehicles at the same time? Answer Yes only if you used five or more vehicles in the business at the same time, such as in a fleet operation. You do not have to answer Yes if you alternated use among several vehicles but never used more than four at any one time.

Actual expense REQUIRED for ALL. *(auto-calc)* Automatically Yes if you answered Yes above. If you used more than four vehicles at the same time you are not allowed to use the Standard Mileage Rate method for any of the cars. A Yes answer here therefore prevents you from using the following section for the Standard Mileage Rate. You must instead report actual expenses in the section that follows the next one.

for cars and trucks using Standard Mileage Rate Method:

You can use this method only if you owned the vehicle and always used this method for it, or leased the vehicle and used the method for the entire lease period, and did not use the vehicle for hire.

Total 2023 business miles. Enter the total business mileage driven for the entire 2023 calendar year for cars and trucks that you choose to report under the Standard Mileage Rate method. **TIP: If you complete Part IV (Information on Your Vehicle) of Schedule C and have an entry on line 44a for business mileage, that entry will be used for this line irrespective of your manual entry here.** You must therefore make sure that line 44a reflects only the business mileage for the business to which this copy of Schedule C applies. **TIP: Your**

entry here is always used if you report more than one vehicle in Part IV of Schedule C or you report vehicle information on Form 4562 instead.

Deduction for line 9. *(auto-calc)* Computed as zero if the answer to "Actual expense REQUIRED for ALL" is Yes. Otherwise, computed using the preceding mileage entry at the rate of 65.5 cents a mile for 2023. This is the total deduction allowed for cars and trucks you choose to report under the Standard Mileage Rate method.

for cars and trucks using Actual Expense Method:

You cannot use this method if you leased the vehicle and ever used the Standard Mileage Rate method for the vehicle. **CAUTION:** *You cannot use this method for any vehicle for which you use the standard mileage rate method, above.*

Rent or lease payments. Enter total rent or lease payments for cars and trucks. These payments are deducted at line 20a, not line 9, subject to the following limitation.

Inclusion amount from IRS Pub. 463. The IRS publishes an extensive table of inclusion amounts for "luxury vehicles." The amount of lease expenses you can deduct as a business expense is reduced by this inclusion amount. For leases that began in 2023, the reduction applies to vehicles with an initial market value that exceeds \$60,000; for leases begun in 2022, it is \$56,000; for leases begun in 2021, it is \$51,000; and for leases begun after 2017 and before 2021, it is \$50,000. If after 1986 but before 2018, the reduction generally applies only to vehicles with an initial market value in excess of \$12,800 if begun before 1991, \$13,400 if begun in 1991, \$13,700 if begun in 1992, \$14,300 if begun in 1993, \$14,600 if begun in 1994, \$15,500 if begun in 1995 or 1996, \$15,800 if begun in 1997 or 1998, \$15,500 if begun in 1999 through 2002, \$18,000 if begun in 2003, \$17,500 if begun in 2004, \$15,200 if begun in 2005 or 2006, \$15,500 if begun in 2007, \$18,500 if begun in 2008 through 2012, and \$19,000 if begun in 2013 through 2017. (Slightly higher amounts apply to trucks and vans.) To figure the inclusion amount, which can range from \$1 to a few hundred dollars per year, see IRS Pub. 463 (Travel, Entertainment, Gift, and Car Expenses).

Deduction for line 20a. *(auto-calc)* Computed as the rent or lease payment less the preceding inclusion amount, this total is used at line 20a of Schedule C, not here.

Depreciation – report on Form 4562 for line 13, NOT here. When you use the Actual Expenses method, depreciation is an allowable part of the actual expense you can deduct. However, the IRS requires you to report that depreciation on the copy of Form 4562 for this business, not here. This depreciation will then flow from Form 4562 to line 13 of Schedule C. (The proper copy of Form 4562 is accessed when you itemize line 13 of Schedule C. The proper deduction is then returned to Schedule C when you return from Form 4562. Note that

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you must also complete the information on vehicles in Part V of Form 4562, irrespective of which expense method you use.)

Other actual expense. All other actual expenses are deducted at line 9. Enter here all expenses not deducted at line 13 or 20a for cars that you choose to report under the Actual Expenses method. Include expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Exception: You can also enter here your parking fees or tolls, irrespective of the expense method you use. (Parking fees and tolls are the only actual expenses allowed for cars and trucks reported under the Standard Mileage Rate method.)

9 Car and truck expenses. (auto-calc) Computed as the sum of the deduction for line 9 under the Standard Mileage Rate method plus your entry above for other actual expenses. CAUTION: If there is an amount on this line you MUST supply vehicle information in Part IV of this copy of Schedule C or Part V, Section B, of the copy of Form 4562 that supports this copy of Schedule C.

10 Commissions and fees. Enter sales commissions and other fees.

11 Contract labor. (NEW line) Enter the cost of contract labor. Do NOT include any contract labor included in Part III (line 37). Also, do not include any wages, which should be included in line 26.

12 Depletion. Enter depletion here, and attach IRS Form T if it applies to timber.

13 Depreciation and section 179 expense deduction. (Road Map line, supported by Form 4562.) A separate Form 4562 is available for each separate copy of Schedule C. You cannot prepare more than one copy of Form 4562 for each Schedule C, but you can depreciate as many items as you want on one copy. When you access Form 4562 through the Road Map by pressing the Itemize Key at line 13 of Schedule C, the proper copy of Form 4562 is automatically accessed. After you complete the form, the total depreciation and section 179 expense is posted here from Part IV of Form 4562.

Employee benefit programs NOT in line 19. Enter contributions to employee benefit programs that are not included in line 19, later, such as accident, health, and life insurance programs, and dependent care assistance programs. You must exclude the sole proprietor of the business from this entry, but you may be able to deduct some of the sole proprietor's health insurance at line 17 of Schedule 1.

Credit allocated from Form 8941. (auto-calc if Standard or Premium Level, supported by Form 8941) This line is used to report the part of any credit from Form 8941 that applies to this business. (In the software, the last screen of Form 8941 is used to allocate the credit among your businesses, and the amount that applies to this copy of Schedule C for the proper spouse is posted here.) Form 8941 is a new form for computing a credit for health care payments made to employees by small businesses. The credit is posted to Form 3800, where it is combined with other credits

then posted to Form 1040. However, any deduction you claim for health care payments must be reduced by the amount of credit claimed, which is the reason for this line in the software.

14 Employee benefit programs. *(auto-calc)* Computed as "Employee benefit programs NOT in line 19" less "Credit allocated from Form 8941," but no less than zero.

15 Insurance (other than health). Enter business insurance, including property and liability insurance, here.

16 Interest. You can deduct in the following two lines only interest for loans in which the proceeds have been used in the business in the current or prior years, not future years.

a Mortgage paid to banks, etc. You must reconcile, in a supporting statement for this line, any differences between the amount you report here and the amount reported to you on a Form 1098 for mortgage interest you paid.

b Other interest. Enter all other allowable interest here.

17 Legal and professional services. Enter legal and professional fees from attorneys, accountants, and other independent contractors.

18 Office expense. Enter miscellaneous office expenses here.

19 Pension and profit-sharing plans. Enter here only contributions to employee pension, profit-sharing, or annuity plans for which you have filed a Form 5500 with the IRS. You must exclude the sole proprietor of the business from this entry, but you may be able to deduct the contributions made on behalf of the sole proprietor at line 16 of Schedule 1.

20 Rent or lease. Deductions must be separated into those for equip and those for other property.

Vehicles (entered above line 9). *(auto-calc)* This is the amount computed above line 9 for rent and lease payments on cars and trucks, reduced by the IRS inclusion amounts for luxury vehicles. See the details above line 9 of this schedule.

Machinery and equipment. Enter equipment rentals here.

a Vehicles, machinery, and equipment – 20a. *(auto-calc)* Computed as the sum of the preceding two amounts.

b Other business property – 20b. Enter all other rent and lease payments here, including the rental of office space.

21 Repairs and maintenance. Include labor (except for the sole proprietor's labor), supplies, etc., but only if they do not add to the value of the property. Expenses that add to the value of the property must be capitalized (depreciated or amortized) instead.

22 Supplies, not in Part III. Enter only supplies not reported elsewhere. Do not include supplies associated with goods sold or held in inventory, which must be deducted in Part III instead.

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23 Taxes and licenses. Enter business taxes not reported elsewhere, including sales taxes (if included in line 1), property taxes, and social security and Medicare taxes paid in behalf of employees (if not included in line 27). Also include business licenses.

24 Travel and meals. A deduction for entertainment expenses is no longer allowed, thanks to tax reform, and the deduction for meal expenses is limited, as detailed below. For more information, see IRS Pub. 463 (*Travel, Entertainment, Gift, and Car Expenses*).

a Travel...24a. Enter only travel expenses here, including transportation and lodging, but not meals and entertainment. For days that you do not claim meal expenses you can use an optional method for computing incidental expenses at the rate of \$5 a day.

Business meals. Report the *full* amount of qualified meals on this line. See IRS Instructions for detailed limitations on qualification for an entry here. You can use a standard meal allowances instead of actual expenses. For most localities, the standard rate for 2023 for meals and incidental expenses is \$59 per day. For high-cost cities like Los Angeles, San Francisco, Boston, and New York City, the standard rate can be significantly higher. See IRS Pub 463 (*Travel, Entertainment, Gift, and Car Expenses*) and <http://www.gsa.gov/perdiem> for more details. If you provide day-care in your home, see IRS Pub. 587 for details on how to deduct cost of meals to day-care recipients. *TIP: Entertainment expenses are no longer deductible, but 50% of the cost of certain meals is still allowed.*

Part NOT subject to limitation. Enter here the amounts included in the preceding entry that are NOT subject to the 50% rule (or 80% for DOT, below), such as meals reimbursed to an employee but treated as wages subject to withholding.

Part subject to DOT 80% limitation. The allowance for meal expenses is 80% of the actual expense (instead of 50%) for employees subject to Department of Transportation (DOT) hours of service limits. This includes certain air transportation employees (pilots, crew, etc.), interstate bus and truck drivers, certain railroad employees (engineers, conductors, crew, etc.), and certain merchant marines. Enter the eligible amount here. (*Note that the tax reform bill eliminated this favorable treat for employees, who claim unreimbursed expenses on Form 2106, but retained it for the self-employed, who claim it on Schedule C.*)

Remainder subject to 50% limitation. *(auto-calc)* Computed as your entry for "Business meals" less the amount NOT subject to limitation and less the amount subject to the DOT limit. This balance is limited to 50% of the actual expense.

Nondeductible meals. *(auto-calc)* Computed as 50% of the preceding line plus 20% of the DOT line.

b Deductible meals...24b. *(auto-calc)* Computed as the full amount entered for "Business meals" less the above result for "Nondeductible

meals," this is the only amount included as the deduction for line 24b.

25 Utilities. Note that if you use a home phone for business, you cannot deduct the base rate of the FIRST phone line into the house.

Wages. Enter the full amount of wages not deducted elsewhere, excluding the sole proprietor.

Employment credits. Enter here any employment credits, such as Work Opportunity Credit (Form 5884), Empowerment Zone Employment Credit (Form 8844), and Indian Employment Credit (Form 8845), that are based on wages included above. *CAUTION: Even though Form 5884 is built into the Premium Level, no amounts are posted here automatically since the wages used on Form 5884 may not be included on this copy of Schedule C.*

26 Wages (less Employment Credit). *(auto-calc)* Computed as above wages less the above employment credits.

27a Other expenses (from line 48). *(auto-calc)* Allowable expenses that do not fit into the above categories, and are not a part of goods sold or inventory, are detailed in Part V and posted here from line 48.

27b Energy efficient commercial buildings deduction (Form 7205). Expenses of modifying an existing commercial building in 2023 to make it energy efficient may be deductible here. See Form 7205 (*Energy Efficient Commercial Buildings Deduction*). If applicable, enter the deduction from line 3 of Form 7205.

28 TOTAL EXPENSES. *(auto-calc)* Computed as the sum of lines 8 through 27b.

SUMMARY. Net profit or loss, reflecting any passive activity limitations, is computed here.

29 Tentative profit or loss. *(auto-calc)* Computed as line 7 less line 28 (but zero for a spouse's copy if the filing status is *not* married filing jointly.)

30 Expenses for business use of your home. You can choose to figure your deduction using either Form 8829 or the *Simplified Method*, subject to certain restrictions. The *Simplified Method* is handy when you use only a small portion of your home for business, since it eliminates the need to detail the expenses of your home that are prorated for the business, such as property taxes, mortgage interest, utilities, insurance, rent, maintenance, etc. It generally provides you with a deduction of \$5 per square feet of space used only for business, up to 300 square feet. In any one tax year, you can use only Form 8829 or the *Simplified Method*, not both, for the same home. The software enforces this rule by using the *Simplified Method* if and only if you provide the square footage of the business part of your home.

Home business expense on Form 8829. *(Road Map line, supported by Form 8829.)* If you want to use the *Simplified Method* rather than reporting detailed expenses on Form 8829, skip this line and pro-

ceed to the next entry. Otherwise, itemize this line and you are taken to the copy of Form 8829 that is reserved exclusively for the copy of Schedule C you were preparing when you itemized. If you complete the form, the total of allowable expenses related to the business use of your home is posted here from line 35 of Form 8829. (One copy of Form 8829 is available for each copy of Schedule C.)

For Simplified Method:

(a) total square footage of your home. *To elect the Simplified Method, you must complete this and the next line. Enter here the total size of livable space in your home in square feet.*

(b) part used for business. *If you made an entry on the preceding line, enter here the total size of the part(s) of your home that you use exclusively for business (in square feet). Your entry is limited to be no more than the preceding entry and no more than 300 square feet. For a daycare facility, you must reduce your entry on a pro rata basis for less than 100% use of the total hours that the facility was available. See the Daycare Facility Worksheet on page C-13 of the IRS 2023 Instructions for Schedule C.*

Home business expense by the Simplified Method. *(auto-calc) Computed as line (b), above, times \$5, but no more than line 29 of Schedule C. CAUTION: You may have to override this result with your own calculation if any gains or losses on Schedule D or Form 4797 apply to this business or some of the net income on line 29 stems from another place of business. For details, see IRS Instructions for the Simplified Method Worksheet on page C-12 of the IRS 2023 Instructions for Schedule C.*

30 Expenses for business use of your home. *(auto-calc) If an amount appears on the preceding line, that amount is used for this line. Otherwise, the amount for "Home business expense on Form 8829" appears here. TIP: If you used more than one home during the year for business, which is likely if you moved any time during the tax year, you do not have to use the same method for both homes. Instead, you can choose to use the Simplified Method for one home and Form 8829 for the other. In that case, you will have to override this line with the sum of the two amounts, since the calculations assume that there was only one home used for business during the tax year, so it chooses one method or the other, not both.*

31 NET PROFIT OR LOSS. *In order to determine the net income for line 31, the tentative net income (line 29 less line 30) is reduced in the following lines by the amount not at risk and the passive losses not allowed for 2023:*

Tentative net with home expenses deducted. *(auto-calc) Computed as line 29 less line 30.*

\$ amount of loss NOT at risk (Form 6198). *If tentative net income reflects a net loss for the business, you must enter the part of the net loss that is NOT at risk here. Your losses are limited to the amount that*

you have at risk, which is the amount that you personally stand to lose from the activity. It generally includes cash and the adjusted basis of any property you contributed to the activity plus any amount borrowed for use in the activity for which you are personally liable. To determine how much you have at risk, you must complete Form 6198 (which is built into the Premium Level software) and file it with the return.

Passive loss limitations. If you answered No to Question I, the tentative net income (modified by amount of loss not at risk when appropriate) may be used in Form 8582. *TIP: Form 8582 is automatically generated and completed when needed, so you should not normally have to access the form.*

Prior unallowed passive loss. This is the loss carryover from the prior-year return stemming from passive loss limitations on this activity. *This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 retained as the entry for tax year.*

Part allowed in significant participation net. *(auto-calc)* If the modified tentative net income is a loss, no amount will appear here. But if it is a gain, and you identified this business as a significant participation activity below line I, the part of the above carryover that does not exceed the tentative net income appears here.

Significant participation net. *(auto-calc)* This line is calculated as the modified tentative net income less the above part of carryover allowed, provided you identified this business as a significant participation activity, and is posted to Form 8582. However, it will not actually be used in Form 8582 unless the net of ALL significant participation activities throughout the return is a loss (as indicated by the answer to the next question).

Net gain from ALL significant participation activities? *(Road Map line, supported by Form 8582.)* The answer to this question comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. You can access Form 8582 with the Itemize Key at this line, but there is no need to do so because the form is automatically generated and completed upon the final recalculation of the return.

Passive loss unallowed in 2023. *(auto-calc)* Any loss unallowed here because of the passive loss rules is posted here automatically, but it may not be accurate until the final recalculation of the return. It is the proper pro-rated portion of the amount shown on Form 8582 for loss unallowed for all Schedules C together. If line 31, below, reflects a disallowance from Form 8582 or reflects an additional loss due to a carryover, the IRS flag "PAL" will appear beside the line in the final printout. Note that the handling of the carryovers, significant participation amounts, and pro-rating among different Schedule C's for different businesses is all *fully automatic* without requiring

Schedule C

you to complete any passive activity worksheets yourself. However, you should read our instructions for Form 8582 to see if you need to enter any special adjustment to Form 8582, if you have significant participation amounts.

31 NET PROFIT OR LOSS. *(auto-calc)* Computed as tentative net income with losses not at risk, and passive losses unallowed removed, when appropriate. This line plus line 31 from all other copies of Schedule C is *posted to line 3 of Schedule 1.*

32 If you have a loss, check. One of the following questions will automatically be answered Yes if the tentative net income is a loss.

32a All investment is at risk. *(auto-calc)* Yes only if there is NOT an entry for "\$ loss NOT at risk (6198)."

32b Some investment is not at risk. *(auto-calc)* Yes only if there IS an entry for "\$ loss NOT at risk (6198)."

If line 32b is "Yes," complete Form 6198! *(If Premium Level, Road Map line supported by Form 6198.)* Form 6198 is accessible here if you use the Premium Level software.

PART III, COST OF GOODS SOLD AND/OR OPERATIONS. All expenses tied to the product or services actually sold are reported here. (Expenses associated with products not yet sold are generally not deductible until the product is sold.) *You do not need to complete Part III if you have no inventory.*

33 Method(s) used to value closing inventory (1=Cost, 2=Lower of cost or market, 3=Other:itemize). Enter the code for the valuation method from 1 to 3. **CAUTION:** *If you enter 3 for the method, you must describe the method in a supporting statement for this line. See IRS instructions for details.*

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If you must answer Yes, you must explain the change in a supporting statement for this line.

35 Inventory at beginning of year. This entry is generally identical to the end of year inventory reported on line 41 of the *prior* year's Schedule C. *If not, you must explain the difference in a supporting statement for this line.*

36 Purchases (excluding items withdrawn for personal use). Enter all purchases of finished goods here.

37 Cost of labor (excluding yourself). Enter wages, excluding those for the sole proprietor of the business.

38 Materials and supplies. Enter purchases of raw materials here.

39 Other costs. Enter here all other costs associated with products, whether they were sold or not.

40 Add lines 35 through 39. *(auto-calc)* Computed as indicated.

41 Inventory at end of year. Enter as indicated.

42 COST OF GOODS SOLD. *(auto-calc)* Computed as line 40 less line 41, this result is posted to line 4 of Part I of this Schedule.

PART IV, INFORMATION ON YOUR VEHICLE. If you claim car or truck expenses, *you must supply information on the vehicle(s) either here or on Form 4562.* If you do not have to file Form 4562 for any other reason, you **MUST** complete this part. Otherwise, you must complete Section B of Part V of the copy of Form 4562 that supports this copy of Schedule C.

ITEMIZE HERE if reporting 2 or more vehicles. *(Supported by the Vehicle Information Worksheet for Schedule C, Figure 2-11.)* Use this line only if you are claiming car and truck expenses for more than one vehicle. When you itemize this line, a worksheet for supplying the information shown on lines 43 through 47b of Schedule C appears. *The number of worksheets you completed is shown here when you return from the worksheets.* Any information you supply on the worksheets will appear only in supporting statements (with a cross-reference on the printed official schedule), not directly on Schedule C. **CAUTION:** *Do not itemize this line if you have only one vehicle to report; the support will not be printed with the return if you use only one worksheet.*

OTHERWISE, complete lines 43 through 47b. You *must* enter all vehicle information on the following lines, not the supporting worksheets, *if you have only one vehicle to report.*

43 When did you place your vehicle in service for business use. Enter date in the mm/dd/yy format.

44 Total miles you drove your vehicle during 2023. Enter total miles for the year on this line, whether for business or not.

a Business. Enter business part of total miles entered for line 44, but only miles *attributable to the business to which this copy of Schedule C applies.* If greater than zero, your entry here is posted to the line above line 9 labeled "Total 2023 business miles" for use in computing line 9 when the *Standard Mileage Rate Method* is used.

b Commuting. Enter commuting part of total miles entered for line 44.

c Other. *(auto-calc)* Computed as line 44 less lines a and b.

45 Was your vehicle available during off-duty hours? Your answer should generally be Yes if there is mileage on line 44c.

46 Do you (or spouse) have another vehicle available for personal use? Answer Yes or No.

47a Do you have evidence to support your deduction? See next line.

47b If Yes, is the evidence written? There are specific requirements for recordkeeping. Written evidence includes evidence stored electronically. See IRS Pub. 463 for details on what records you must keep.

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Vehicle Info Worksheet for Form Schedule C, Figure 2-11. You must provide information on all vehicles for which you claim car or truck expenses on line 9 of Schedule C. However, you should use this worksheet only if you are claiming more than one vehicle for this business and you are not completing Form 4562 for this business. Otherwise, you must complete the worksheet in Section B of Form 4562 or answer the questions for a single vehicle directly on Schedule C lines 43 through 47b.

Date placed in service for business purposes. Enter the date placed in service for this business in the standard mo/dy/year format. This date could be substantially later than the date you purchased the vehicle.

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VEHICLE INFO WORKSHEET
Date placed in business srvc.
Total miles you drove in 2023
a Business..... 0
b Commuting..... 0
c Other..... 0
Personal use in off-duty hours? No
Other vehicle for personal use? No
Statement of evidence:
a Evidence to support deduc'n? No
b If Yes, is evidence written? No
  
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Total miles you drove this vehicle during 2023 Enter the number of miles traveled by this vehicle during the tax year, whether for business or not.

- a Business.** Enter the number of miles *attributable to the business to which this copy of Schedule C applies.*
- b Commuting.** Enter the number of miles attributable to commuting to and from work.
- c Other.** Enter all miles not included in line a or line b, including business mileage attributable to businesses other than the one to which this copy of Schedule C applies.

Was the vehicle available for personal use during off-duty hours? Answer Yes or No.

Do you (or spouse) have another vehicle available for personal use? Answer Yes or No.

Statement of evidence:

- a Do you have evidence to support your deduction?** Answer Yes or No.
- b If "Yes," is the evidence written?** Answer Yes or No. There are specific requirements for recordkeeping. Written evidence includes evidence stored electronically. See IRS Pub. 463 for details on what records you must keep.

When you return from the worksheets, the number of worksheets for which you entered a mileage for 2023 appears on the line you itemized to access the worksheets. **CAUTION:** *If this number is less than 2, the worksheets are ignored for the official printout and you must supply the information directly on Schedule C lines 43 through 47b instead of the worksheet.*

PART V, OTHER EXPENSES. You must detail in this section all expenses you are claiming for Schedule C that do not fall into the IRS categories of line 8 through 26 and are not associated with cost of goods.

Amortization (Form 4562). (*Road Map line, supported by Form 4562.*)

See line 13, above, for information on how Form 4562 supports Schedule C. After you complete the appropriate copy of Form 4562, the total amortization in Part VI of Form 4562 is posted here.

Other expense itemized. *List any other expenses in a supporting statement for this line.* You should try to classify all remaining expenses into no more than nine categories so that they can fit on the official printed Schedule C without a separate supporting statement. Be sure to include any allowance for bad debts from sales or services that were previously included in income and are known to be uncollectible. (If you later collect any of the amount deducted here, you must report it as other income on line 6 in the year collected.)

48 TOTAL OTHER EXPENSES. (*auto-calc*) The sum of the above two lines. This result is posted to line 27 in Part II of this schedule.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule D / Capital Gains and Losses

Who is it for? Schedule D is used mainly to report the sale or exchange of capital assets, including most properties you own and use for personal purposes, pleasure, or investment. This includes the sale of inherited property, closing or expiration of options, and exchange of like-kind property. The sale of some capital assets (such as cars, furniture, residences not held for the production of income) are reported here only if they resulted in a gain, because they do not qualify for loss deductions. Schedule D is accessible through the Road Map at line 7 of Form 1040.

Historical basis of Form 8949. Starting with the forms for tax year 2011 returns, the IRS removed the spaces on Schedule D for listing the details of transactions for line 1 and 8 and moved the spaces to a Form 8949. Form 8949 satisfies reporting requirements not met by the former Schedule D by means of additional columns for the itemized lists and the separation of transactions into three categories that identify their status with respect to Form 1099-B. The IRS requires that transactions for the three separate categories in the two holding period categories (short-term vs. long-term) be reported on separate Forms 8949 pages, so there can be as many as six pages of Form 8949. The results of the six pages are shown on lines 1a through 3 of Schedule D for short-term transactions and lines 8b through 10 of Schedule D for long-term transactions.

In Tax Preparer, ALL data entry is made on on-screen Schedule D, not Form 8949. In order to simplify the reporting of capital gains and losses, and contrary to IRS instructions, all data entry is performed in the software on Schedule D and its worksheets, and the preparer does not explicitly interact with Form 8949. Form 8949 is automatically created and completed by the software based on your entries on Schedule D and its worksheets, and is printed with the official return when required. There are no user entries required or allowed on Form 8949. Accordingly, you should ignore all IRS instructions to complete Form 8949 before Schedule D because our on-screen Schedule D and built-in worksheets contain all the information that the IRS requires on Form 8949.

TIP: MOST SALES reported on Schedule D are "portfolio" transactions, and NOT SUBJECT TO PASSIVE LOSS LIMITATIONS. Sales of investment holdings are not normally subject to the passive loss rules. However, you must identify such sales by answering Yes to the "Portfolio?" question on the worksheets described below. Otherwise the passive loss rules are automatically implemented and the transactions are posted to Form 8582.

Short-term vs. long-term capital transactions. Short-term and long-term holdings are reported separately because long-term gains are taxed more favorably than short-term gains. The separate sections are nearly identical to each other, but you must enter the proper transactions in the proper sections: Part I for assets held one year or less and Part II for assets held more than one year.

Different treatment for different types of capital gain. As a result of various legislation in the past several years *there are now five different capital gains tax rates: 0%, 15%, 20%, 25%, and 28%*. Which rate applies for any particular sale or distribution depends on a number of factors, including the tax bracket of the taxpayer. Furthermore, the IRS has done little to help you keep track of the different categories. However, the capital gain tax computations require that you separately state 28% rate gain (which now generally applies only to collectibles), unrecaptured section 1250 gain, and qualified dividends. As a result *it is critically important that you use our worksheets* whenever they are available to support a line because they automatically categorize many of these different types, including:

- 1099-DIV worksheets on Schedule B and Form 8814,
- Line 8a or Gain/Loss Worksheets for line 8b, 9, or 10 of Schedule D,
- Schedule K-1 Worksheets for line 12 of Schedule D, .
- Personal Casualty and Theft Worksheets for Sec. A of Form 4684,
- Business Casualty and Theft Worksheets for Sec. B of Form 4684,
- Gain/Loss Worksheets for line 2 of Form 4797,
- Schedule K-1 Worksheets for line 2 of Form 4797,
- Gain/Recapture Worksheets for Part III of Form 4797,
- Form 6252 for current or past installment sales, and
- Entries from other forms above line 11 of Schedule D.

With the aid of these worksheets the tracking of the different categories involves minimal additional effort on the part of users of *Tax Preparer*, in spite of the oversimplified IRS designs for the forms.

Sale of Your Home. Under current law, most taxpayers have no taxable gain on the sale of their home because the law allows an exclusion of *up to \$250,000 of gain (\$500,000 if married filing jointly and meet the qualifying tests)*. However, the exclusion can be less than the stated maximums if you did not occupy and own the home for at least 2 out of the 5 years ending on the date of sale (although there are exceptions for Peace Corp. service outside the U.S., uniformed or foreign service, and intelligence community employees). Moreover, you cannot use the exclusion more than once every two years. You may therefore still have a taxable gain after all. To determine how much gain you can exclude, see IRS Pub. 523. *If you still have a taxable gain after deducting your exclusion, you must report the sale on Schedule D using a worksheet for line 10 (line 3 if held one year or less before its sale), entering the code H in line f of the worksheet and entering the exclusion as a negative number in the line preceding line f labeled "Other adjustments (+ or -). See the boxed paragraph on the next page titled "How to Report Excludable Gains."*

How to Report Excludable Gains. Excludable gains are handled by the adjustments column (g) on IRS Form 8949, which is controlled by our *Gain/Loss Worksheets* for Schedule D accessed from lines 1b, 2, 3, 8b, 9, 10 of our on-screen Schedule D. You merely identify the type of adjustment as a 1-letter code on line f of the worksheet and enter the amount of adjustment (as a negative number for exclusions) on the line above it. Among other exclusions, this approach applies to the sale of your main home (code H), wash sales (code W), and exclusions of gains on sales of qualified small business stock under section 1202 (code Q). See pages 8 through 10 of the IRS *2023 Instructions for Form 8949* for a list of valid codes. *(You may have to answer Yes to "Bypass date checking?" for some transactions, but claiming an exclusion is as easy as making the proper entries for line f of the worksheets and the line above it.)*

CAPITAL LOSS CARRYOVER WORKSHEET (screen 1). If any amount of capital loss was disallowed as a deduction on the prior-year return due to the annual \$3,000 limit on net loss deductions or because net income on the return (reduced by the standard or itemized deduction) was negative, you may have a loss for line 6 and/or 14 of this year's Schedule D. The IRS provides a *Capital Loss Carryover Worksheet* on page D-11 of the *2023 Instructions for Schedule D* to determine the amount for these lines. The software completes this worksheet automatically based on the following four numbers from the prior-year return (*which are automatically entered for a return that is translated from a prior-year return with the tax year retained at 2022*):

2022 Schedule D, line 7. Enter the cited net short-term gain or loss from the Schedule D for tax year 2022. This entry is used to determine the amounts for lines 5 and 10 of the IRS worksheet.

2022 Schedule D, line 15. Enter the cited net long-term gain or loss from the Schedule D for tax year 2022. This entry is used to determine the amounts for lines 6 and 9 of the IRS worksheet.

2022 Schedule D, line 21. Enter (as a positive number) the cited loss, if any, deducted on the return for tax year 2022. This entry is used to determine the amount for line 2 of the IRS worksheet.

2022 Form 1040, line 15. Enter the cited amount from the Form 1040 for tax year 2022. This is the prior-year taxable income. It is used for line 1 of the IRS worksheet.

Results from IRS Worksheet. The IRS's *Capital Loss Carryover Worksheet—Lines 6 and 14* is completed by the software internally based on the preceding four entries, and the results on lines 8 and 13 of the worksheet are shown on the screen:

SHORT-TERM CAPITAL LOSS CARRYOVER FOR for line 6. (*auto-calc*)

Corresponding to line 8 of the IRS worksheet, this result is used for line 6 of the 2023 Schedule D.

LONG-TERM CAPITAL LOSS CARRYOVER for line 14. (*auto-calc*) Cor-

responding to line 13 of the IRS worksheet, this result is used for line 14 of the 2023 Schedule D.

Alternative to itemizing transactions. For returns prior to tax year 2013, you had been required to list all transactions for Schedule D separately, showing the proceeds, cost, and net income for each. But starting with tax year 2013, there is an alternative for transactions that meet a stringent set of conditions. For transactions that qualify, you are allowed to combine all transactions of the same class of holding period (short-term vs. long-term) and provide only three numbers for the aggregate: total proceeds, total cost (or other basis), and net gain or loss (computed as proceeds less cost). These are transactions that would have formerly been itemized at line 1 or 8 of Schedule D (now labeled lines 1b and 8b). New lines 1a (for short-term transactions) and 8a (for long-term transactions) of Schedule D have been added for this purpose. Every transaction included in the aggregate for line 1a or line 8a must satisfy all of the following conditions:

- It must be reported to you on a Form 1099-B (*Proceeds From Broker and Barter Exchange Transactions*) or equivalent statement for the transaction with box 6b checked (indicating that the basis was reported to the IRS).
- The property sold must not be a collectible.
- It would not require any adjustments on line g if you had itemized the transaction on line 1b or 8b. This means you can have no passive activities that have a carryover or disallowed amount and no other adjustments listed on pages 8 through 10 of the IRS *2023 Instructions for Form 8949*, including other nondeductible losses, such as wash sale losses, and gains that are excludable, such as sales from exchanges.

PART I, SHORT-TERM CAPITAL GAINS AND LOSSES (screens 2 through 4).

This section is usually reserved for capital gains and losses on assets held one year or less. However, *hedges* and *personal (nonbusiness) bad debts* are reported here regardless of the holding period.

Short-term sales reported on Schedule D alone. You should report most of your own short-term transactions here, except for installment sales. (You will report transactions by partnerships, S corporations, and fiduciaries in which you have an interest at line 5.) Except for transactions that you include in the combined totals at line 1a, you must supply all information on the Gain/Loss Worksheets provided by the software at lines 1b, 2, and 3 in order to satisfy IRS reporting requirements and to properly automate the passive loss rules. Use these lines **ONLY** for SHORT-TERM sales. Sales are usually reported to you and the IRS on Forms 1099-B or 1099-S. Using one worksheet for each transaction, any number of transactions may be entered, within your disk space limitations.

Separate lines for separate Form 1099-B status. You must separately report transactions based on what information was reported to you by the seller or broker. Lines 1a, 1b, 2, and 3, below, provide this separation, and a separate set of worksheets is available for each line except line 1a.

Schedule D

1a Certain combined transactions. This category is reserved for the aggregate of all transactions that satisfy certain conditions and you choose not to include in line 1b. It provides a convenient alternative to itemizing all transactions for the year. *CAUTION: In order for a transaction to be included on this line, it must satisfy the conditions detailed in the shaded box on the preceding page titled "Alternative to itemizing transactions."*

- d Proceeds (sales price).** Enter the sum of proceeds (box 2a of Form 1099-B) for all transactions that you are reporting on line 1a.
- e Cost or other basis.** Enter the sum of basis (box 3 of Form 1099-B) for all transactions that you are reporting on line 1a.
- h Gain or loss.** *(auto-calc)* Computed as line d *less* line e, this is the net income for all transactions included in line 1a combined.

1b Short-term transactions reported on Form 1099-B with basis reported to the IRS. *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-12a.)* Itemize this line to report short-term transactions reported to you on a Form 1099-B (or equivalent) with your basis (usually original cost) shown in box 3 of the form and box 6b checked (indicating that it was reported to the IRS), other than those included in line 1a, above. The sale of common stock that was both purchased and sold for you by the same broker is usually reported to you this way. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box A checked.*

- d Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 1b combined, this total will also appear on line 2(d) of the appropriate page of the printed Form 8949.
- e Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 1b combined, this total will also appear on line 2(e) of the appropriate page of the printed Form 8949.
- g Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 1b combined, this total will also appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.
- h Gain or loss.** *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 1b combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

2 Short-term transactions reported on Form 1099-B but basis not reported to the IRS. *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-12a.)* Itemize this line to report short-term transactions reported to you on a Form 1099-B (or equivalent) for which your basis is shown but box 6b is NOT checked. The sale of common stock that was sold for you by a different broker than the broker who purchased the stock for you. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box B checked.*

- d Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 2 combined, this total will also appear on line 2(d) of the appropriate page of the printed Form 8949.

e Cost or other basis. *(auto-calc)* Computed as the sum of line e of all worksheets for line 2 combined, this total will also appear on line 2(e) of the appropriate page of the printed Form 8949.

g Adjustments to gain or loss. *(auto-calc)* Computed as the sum of line g of all worksheets for line 2 combined, this total will also appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 2 combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

3 Short-term transactions not reported on Form 1099-B. *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-12a.)* Itemize this line to report short-term transactions not reported to you on a Form 1099-B (or equivalent). The sale of real estate is normally reported to you on a Form 1099-S from your real estate broker, not Form 1099-B, and would therefore be reported here. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box C checked.*

d Proceeds (sales price). *(auto-calc)* Computed as the sum of line d of all worksheets for line 3 combined, this total will also appear on line 2(d) of the appropriate page of the printed Form 8949.

e Cost or other basis. *(auto-calc)* Computed as the sum of line e of all worksheets for line 3 combined, this total will also appear on line 2(e) of the appropriate page of the printed Form 8949.

g Adjustments to gain or loss. *(auto-calc)* Computed as the sum of line g of all worksheets for line 3 combined, this total will also appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 3 combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

The total of sales prices appearing at lines 1a(d), 1b(d), 2(d), and 3(d) must be reconciled with box 2 of the 1099-B and 1099-S forms you receive for short-term sales. *(Lines 8b through 10 of Schedule D, described later, are analogous to lines 1b through 3 but designed for long-term transactions.)*

Schedule D

Gain/Loss Worksheets, Short-term and Long-term, Figures 2-12a and 2-12b.

(Supports lines 1b, 2, and 3 for short-term capital gains and losses, and lines 8b, 9, and 10 for long-term capital gains and losses.) This worksheet follows the format of the columns on the new IRS Form 8949 (since Schedule D itself no longer defines a multi-column format), with several additions that make possible the automation of Form 8582 and other special factors:

SHORT-TERM GAIN/LOSS	
	1099-B status (A, B, or C)
a.	Description....
	Portfolio or nonpassive...? No
	Significant participant...? No
	Entire interest sold.....? No
	Bypass date checking.....? No
b.	Date acquired (mm/dd/yy)
c.	Date sold (mm/dd/yy)
d.	Proceeds (sales price).... 0
e.	Cost or other basis.... 0
	> TENTATIVE NET..... 0
	Sig par net for Form 8582. 0
	PRIOR-year unallowed loss. 0
Net	elsewhere for same activity 0
	Unallowed THIS yr. on 8582 0
	> Net passive adjustment.... 0
	Other adjustments (+ or -) 0
f.	Code(s) from instructions.
g.	Amount of adjustment..... 0
h.	GAIN OR LOSS..... 0

Figure 2-12a. Short-term Gain/Loss Worksheet

Form 1099-B status. (au-

to-calc) This entry is either A, B, C, D, E, or F depending on which line you itemized to reach the worksheet (A if line 1b, B if line 2, C if line 3, D if line 8b, E if line 9, or F if line 10).

- (a) If A or D, the worksheet must be used only to report information on a Form 1099-B (or equivalent) that shows that your basis in the property sold was reported to the IRS (that is, box 6b of Form 1099-B is checked).
- (b) If B or E, the worksheet must be used only to report information on a Form 1099-B (or equivalent) that shows that your basis in the property sold was NOT reported to the IRS (that is, box 6b of Form 1099-B is NOT checked)
- (c) If C or F, the workseet must be used only to report information NOT reported to you on a form Form 1099-B (or equivalent).

a. **Description.** Describe the asset sold (or otherwise disposed) in 25 characters or less.

Qualified small business stock (sec. 1202)? (appears ONLY on long-term worksheets, Figure 2-12b) Enter Yes only if this worksheet relates to a sale at a gain or capital gain distribution for which you are claiming an exclusion under sec. 1202. *CAUTION: You must have held the stock for more than 5 years to qualify for the exclusion.* The IRS requires special reporting procedures for this exclusion. For sec. 1202 stock sales you must complete lines a, c, d, e, and f as you normally would, then enter the code Q on line b and the exclusion (as a negative number) on the line "1202 exclusion elected" (above line g). For capital gain distributions (CGDs) you must include the CGD before exclusion on Schedule D, line 13, first, then

enter the code Q on line f and the exclusion (as a negative number) on the line "1202 exclusion elected" (above line g).

If Yes, for CGD in line 13? *(appears ONLY on long-term worksheets, Figure 2-12b)* If you answered Yes to the preceding question and

the sale is a part of a capital gain distribution (which you will include in line 13 of Schedule D), answer Yes here. If Yes, you will enter no dates or amounts on lines b through e, but will enter the exclusion (as a negative number) on the line above line g labeled "1202 exclusion elected." You must also enter Q at line f, later.

LONG-TERM GAIN/LOSS	
1099-B status (D, E, or F)	
a.	Description.....
	Qlfd small bus stock(1202)? No
	If Yes, for CGD in line 13? No
	Is property a collectible.? No
	Portfolio or nonpassive...? No
	Significant participant...? No
	Entire interest sold.....? No
	Bypass date checking.....? No
b.	Date acquird (mm/dd/yy)
c.	Date sold (mm/dd/yy)
d.	Proceeds (sales price).... 0
e.	Cost or other basis.... 0
[Press PageDown for adjustmtns]	
<hr/>	
>	TENTATIVE NET..... 0
	Sig par net for Form 8582... 0
	PRIOR-year unallowed loss... 0
Net	elsewhere for same activity 0
	Unallowed THIS yr. on 8582 0
>	Net passive adjustment.... 0
	1202 exclusion elected.... 0
	Other adjustments (+ or -) 0
f.	Code(s) from instructions.
g.	Amount of adjustment..... 0
h.	GAIN OR LOSS..... 0
	28% rate gain or loss..... 0
	Amount for 8582 line 3a... 0
	Amount for 8582 line 3b... 0

Figure 2-12b Long-term Gain/Loss Worksheet

Is property a collectible? *(appears ONLY on long-term worksheets, Figure 2-12b)*

Answer Yes if the item qualifies as a collectible, such as a work of art, antique, precious metal, gem, stamps, coins, etc. Long-term gains on collectibles are not eligible for the lowest rates of capital gains tax, and are taxed under the 28% rate rules instead.

Portfolio transaction or other nonpassive activity? You MUST answer

Yes here if the property sold is NOT an interest in a passive activity. Otherwise the information reported here may be used on Form 8582. **REMINDER:** *You must normally answer Yes here for sales of stocks and bonds because such sales are usually considered to be portfolio transactions.*

Significant participant? If you answered No above, you should answer Yes here if you do not satisfy the requirements for material participation, but you can be classified as a significant participant. You are tentatively considered to be a significant participant if you participated in the activity for more than 100 hours but no more

than 500 hours during the tax year, but there is an important escape clause in the law. See our instructions for Form 8582 for details.

Entire interest sold? If you answered No to the portfolio question, your answer here controls the posting to Form 8582. If you answer Yes, only the gains are posted to Form 8582. If you answer No, both gains and losses are posted to Form 8582.

Bypass date checking? Answer Yes to defeat the built-in protections against erroneous date entries. Automatic checks are built into the software to protect you against entering a sale in the wrong section of Schedule D, or entering a sale not made during the return's tax year. If the dates are not appropriate to the line itemized, an INVALID message appears at the date sold entry, and lines g and h are automatically zeroed. However, there are several valid reasons for answering Yes to "Bypass date checking?" including:

SHORT SALES. You typically report short sales as short-term transactions. You must use a worksheet that supports line 1b, 2, or 3 regardless of the dates involved.

INHERITED PROPERTY. Inherited property is generally treated as long-term property regardless of the dates involved. Accordingly, you should use a worksheet that supports line 8b, 9, or 10 and enter INHERITED in place of the date at line b. See our details for line e (Cost or other basis) for special rules that apply to inherited property. **CAUTION:** *Property inherited from someone who died in 2010 is subject to special rules if the estate made a special Section 1022 election. See IRS Pub. 4895. If the special election was made by the estate, enter INH-2010 instead of INHERITED for line b.*

OPTIONS. For expired options you must follow special procedures not supported for e-file. You must file a paper return and report expired options (unless a section 1256 contract, which is reported on Form 6781) as follows:

(1) If a purchased option expired, enter the expiration date at line c, complete lines b and e normally, and leave line d at zero. On Form 8949 of the printed return to be filed, hand-write EXPIRED in column (d) of the row for this transaction.

(2) If a granted option expired, enter the expiration date at line b, complete lines c and d normally, and leave line e at zero. On Form 8949 of the printed return to be filed, hand-write EXPIRED in column (e) of the row for this transaction.

VARIOUS. If you sell a block of stock at one time, but each stock was purchased on a different date and all the stock qualifies for the same treatment (that is, all short-term or all long-term), you can enter VARIOUS in place of the "Date acquired" at line b, but you must then take care to use a worksheet that supports the proper holding period (short-term vs. long-term). **CAUTION:** *You*

cannot use this shortcut for the "Date sold" entry; it only applies to "Date acquired" for Schedule D.

Nonbusiness BAD DEBT. Nonbusiness bad debt is deductible as a short-term capital loss irrespective of the dates involved. To claim the loss, for a worksheet supporting line 1b, 2, or 3, enter BAD DEBT on line a, answer YES to "Bypass date checking?", and enter the unrecoverable personal debt on line e (Cost or other basis").

Worthlessness of stock. If you own stock that is worthless because it is the stock of a bankrupt company or one that is no longer in business, you can generally deduct the loss once the status of the company is final. To indicate this, you can enter BANKRUPT or WORTHLESS in place of "Date sold" at line c.

- b. Date acquired.** Enter date acquired in the mm/dd/yy format (such as 11/13/90). If you answered No to the portfolio question, your entry here affects the posting to Form 8582, since passive activities acquired after October 22, 1986 are treated differently from those acquired before that date. As explained previously, INHERITED, INH-2010, and VARIOUS are also valid entries in some cases. *Special procedure for expired options you were granted:* See the previous instructions for *OPTIONS* in our details for "Bypass date checking?"
- c. Date sold.** Enter date sold in the mm/dd/yy format (such as 03/17/12). The holding period must be consistent with the line itemized (short-term for line 1b, 2, or 3, vs. long-term for line 8b, 9, or 10) and the current tax year or else INVALID will appear here in place of your entry (unless you entered Yes for "Bypass date checking?"). As explained previously, BANKRUPT and WORTHLESS are also valid entries in some cases. *Special procedure for expired options you purchased:* See the previous instructions for *OPTIONS* in our details for "Bypass date checking?"
- d. Proceeds (sales price).** Enter either gross or net proceeds of the sale here. If you received a Form 1099-B (or equivalent) for the sale, use the amount shown in box 2a. If the amount you enter here is a net figure, be sure not to include the costs of the sale (such as commissions and option premiums) in line e, below. (If a purchased option has expired, make no entry here.) If you sold publicly traded securities after August 9, 1993, you may be able to postpone all or part of the gain if you also bought stock (or a partnership interest) in a Specialized Small Business Investment Company; see the paragraph later in these instructions titled "How to Report Excludable Gains" for details on how to report the sale here.
- e. Cost or other basis.** Enter the net purchase price and any costs of the sale not already reflected in line e, above. If shown on a Form 1099-B, enter the amount in box 3. *TIP: If the asset sold is a capital asset held for personal use, and the sale results in a loss, enter here an amount equal to line e so that no loss results (because personal losses are not deductible), and enter PERSONAL LOSS at line*

- a. You must report such a sale even though it is not deductible in order to reconcile your Forms 1099-B and 1099-S with the IRS. (If a granted option has expired, make no entry here.) If this is a fund with reinvestment rights, see IRS Pub 564 (*Mutual Fund Distributions*) for details. If you disposed of bonds between interest dates, see IRS Pub 550 (*Investment Income and Expenses*). For property inherited from someone who died in a year other than 2010, the basis is generally the fair market value on the date of death. Exception for someone who died in 2010: *If the estate made a special Section 1022 election, the recipient's basis may be based on the decedent's basis at the time of death rather than the fair market value at the time of death, subject to certain adjustments. See IRS Pub. 4835 (Tax Treatment of Property Acquired From a Decedent Dying in 2010) for details.*
- > **TENTATIVE NET.** *(auto-calc)* Computed as line d less line e. (This line is no longer accessible to the user because the IRS now provides line g for negative or positive adjustments.)
- Significant participation net for Form 8582.** *(auto-calc)* Taken as the preceding line if you answered Yes to "Significant participant" previously. Otherwise, zero. This result is used in Form 8582 to be combined with other significant participation amounts in order to determine whether there is an overall net gain from all significant participation amounts throughout the return combined.
- PRIOR-year unallowed passive loss.** Enter the short-term unallowed passive loss last year for this activity. Although the total prior passive unallowed losses shown on Schedule D are determined automatically during the translation of the prior-year return, you must allocate that total among all activities in these worksheets, guided by the disallowances shown on the previous year's worksheets.
- Net elsewhere for the same activity.** If other transactions for the same passive activity appear elsewhere on the return, you must enter the net gain or loss from all such other transactions here in order for the allocation of unallowed losses among the various worksheets to be performed in strict conformance with the IRS rules. If the sum of the net on this line plus the net shown above for this particular transaction less the prior-year unallowed loss is an overall gain, all losses for this worksheet are allowed in full (and more of the total disallowance on Form 8582 is allocated to other passive activities).
- Unallowed THIS year on Form 8582.** *(auto-calc)* Computed using the math on the IRS worksheets without requiring you to complete them yourself, this result is assured of full accuracy ONLY when you view the worksheet after the final recalculation of the return.
- > **Net passive adjustment.** *(auto-calc)* Computed as "Unallowed THIS year on Form 8582" less "PRIOR-year unallowed loss." The adjustment will be negative if more than the prior-year unallowed loss is

disallowed this year. *CAUTION: If an amount appears here, be sure to enter 0 for the adjustment code at line b*

Sec. 1202 exclusion elected. *(appears ONLY for long-term worksheets, Figure 2-12b)* If you answered Yes to “Qualified small business stock” and elect to exclude some of the gain under section 1202, you must enter here the amount you are allowed to exclude (as a negative number). The amount you can exclude depends on the date you acquired the stock: 50% if acquired before February 18, 2009 (60% if qualified empowerment zone business stock acquired after December 21, 2000); 75% if acquired after February 17, 2009 but before September 28, 2010; 100% if acquired after September 27, 2010. See IRS 2023 Instructions for Schedule D for details. *CAUTION: If you make an entry here, be sure to enter Q for the adjustment code at line f.*

Other adjustments (+ or -). If you have adjustments other than the preceding two, enter the adjustment here. Enter a positive amount to increase the net income or a negative amount to decrease the net income. See the chart on pages 8 through 10 of the IRS 2023 Instructions for Form 8949 for examples. *CAUTION: If you make an entry here, be sure to enter an adjustment code for line f, below.*

f. Code(s) from instructions. You must enter a letter code for this line if you will have an adjustment at line g, in order to classify the adjustment for the IRS. **See the chart on pages 8 through 10 of the IRS 2023 Instructions for Form 8949 to determine the codes to enter.** The codes include code H to exclude part of the gain on the sale of your main home, code Q to exclude some part of the gain on qualified small business stock under section 1202, code S to claim the excess loss from the sale of business stock at a loss (the first \$50,000 of which – \$100,000 if married filing jointly – is claimed on Form 4797 as an ordinary loss), and code O for adjustments (negative or positive) not defined by other codes, such as a negative adjustment for prior unallowed losses now allowed and a positive adjustment for losses currently disallowed (including passive activity losses). *TIP: You can enter more than one code, if applicable, but you must NOT separate code letters with a space or comma to avert an error for e-file.*

g. Amount of adjustment. *(auto-calc)* Computed as the sum of the preceding three amounts for the long-term worksheets (two amounts for the short-term worksheets, which have no Sec. 1202 exclusion).

h. GAIN OR LOSS. *(auto-calc)* Computed as “TENTATIVE NET” plus “g Amount of adjustment.”

28% rate gain or loss. *(auto-calc; appears ONLY for long-term worksheets, Figure 2-12b)* If you answered Yes to “Is property a collectible?” taken as the preceding line h (GAIN OR LOSS). Similarly, if you answered Yes to “Qualified small business stock (sec.

1202)?" and you entered an amount on the line "Sec. 1202 exclusion elected," taken as the preceding line h. Otherwise, zero.

Amount for Form 8582 line 3a. *(auto-calc; appears ONLY for long-term worksheets, Figure 2-12b)* If you answered No to "Portfolio or non-passive?" and TENTATIVE NET is a gain, taken as TENTATIVE NET. Otherwise, zero. *(This amount is also computed for the short-term worksheets, but is not shown on the screen because of limited space.)*

Amount for Form 8582 line 3b. *(auto-calc; appears ONLY for long-term worksheets, Figure 2-12b)* If you answered No to "Portfolio or non-passive?" and TENTATIVE NET is a loss, taken as TENTATIVE NET as a positive number. Otherwise, zero. *(This amount is also computed for the short-term worksheets, but is not shown on the screen because of limited space.)*

Several amounts from this worksheet are summed with all other worksheets for the same line and posted to Schedule D itself, including amounts for error checking to let you know whether you need to view the worksheets anew to alter your entries for prior unallowed passive losses or to allow the current-year disallowances to be reallocated among the worksheets.

4 Short-term gains and losses from other forms. Short-term capital gains and losses throughout the return are consolidated here:

Installment sale gain on Form 6252. *(Road Map line, supported by Form 6252.)* Any short-term result on Form 6252 that is appropriate for Schedule D is posted here automatically. Five copies of Form 6252 are available for five separate installment sales.

Short-term net in Form 4684 line 15. *(Road Map line, supported by Form 4684.)* Any short-term gain or loss resulting from casualties and thefts of personal property is posted here from Form 4684.

Section 1256 (Form 6781) gain or loss. *(If Premium Level, Road Map line supported by Form 6781.)* Any short-term gains and losses from section 1256 contracts and straddles is reported here, shown on line 8(b) of Form 6781, which you must file.

Like-kind exchange (Form 8824) gain or loss. *(If Premium Level, Road Map line supported by Form 8824.)* If you claim the deferral of any gain under the rules for like-kind exchanges, you must complete Form 8824. The short-term gain or loss resulting on that form is reported here if it applies to Schedule D instead of Form 4797 or Form 6252.

4 Short-term from other forms. *(auto-calc)* The net gain or loss from the preceding total lines appears here.

5 Net short-term gain or loss from Schedule(s) K-1. *(Supported by the Schedule K-1 Short-term Gain/Loss Worksheet, Figure 2-13a.)* Itemize this line to report short-term capital gains and losses reported to you on a Schedule K-1 from partnerships, S corporations, and fiduciaries. The amounts destined for Form 8582 are automatically reflected in the totals that follow line 6.

Sch. K-1 Gain/Loss Worksheets, Short-term and Long-term, Figures 2-13a and 2-13b. (Supports line 5 for short-term and line 12 for long-term capital gains and losses.) These worksheets are used mainly to report capital gain information that appears on the Schedules K-1 that you receive:

α. Description. Identify the entity from which you received the Schedule K-1 in 25 characters or less.

Portfolio transaction or other nonpassive activity? You *MUST* answer

Yes here if the property sold is NOT an interest in a passive activity. Otherwise the information reported here may be used on Form 8582. The Schedule K-1 you received should identify whether or not

SCH K-1 SHORT-TM GAIN/LOSS	
a. Description	
Portfolio or nonpassive?	No
Significant participant?	No
Entire interest sold..?	No
Net income or loss....	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
h. GAIN or LOSS	0

Figure 2-13a. Schedule K-1 Short-term Gain/Loss Worksheet

the transaction qualifies as a portfolio transaction.

Significant participant? If you answered No above, you should answer

Yes here if you do not satisfy the requirements for material participation, below, but you can be classified as a significant participant. You are tentatively considered to be a significant participant if you participated in the activity for more than 100 hours but no more than 500 hours during the tax year, but there is an important escape clause in the law. See our instructions for Form 8582 for details.

Entire interest sold? If you answered No to the portfolio question, your answer here controls the posting to Form 8582. If you answer Yes, only the gains are posted to Form 8582. If you answer No, both gains and losses are posted to Form 8582.

THIS worksheet is for 28% rate Gain or Loss? (*appears ONLY on long-term worksheets for line 12*) Schedule K-1 you received should identify which amounts are 28% rate gain or loss. The 28% rate rules now apply only to collectibles and sec. 1202 exclusions.

Net income or loss. Enter the amount reported on Schedule K-1. Enter a gain as a positive number and a loss as a negative number.

Significant participation net for Form 8582. (*auto-calc*) The preceding net income or loss will appear here if you answered Yes to "Significant participant" above.

PRIOR-year unallowed passive loss. Enter the short-term unallowed passive loss last year for this activity. (Although the *total* of *all* prior unallowed losses is determined during translation of the prior-year return, you must allocate the total among activities in the worksheets, because the worksheets are intentionally not translated.)

Net elsewhere for the same activity. If other transactions for the same passive activity appear elsewhere on the return, you must enter the net gain or loss from all such other transactions here in order for the allocation of unallowed passive losses among the various worksheets to

SCH K-1 LONG-TERM GAIN/LOSS	
a. Description	
Portfolio or nonpassive?	No
Significant participant?	No
Entire interest sold..?	No
THIS w/s for 28% rate G/L?	No
Net income or loss...	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
h. GAIN or LOSS	0
28% rate gain or loss...	0
Unrecaptured sec 1250 gain	0

Figure 2-13b. Schedule K-1 Long-term Gain/Loss Worksheet

be performed in strict conformance with the IRS rules. If the sum of the net on this line plus the net shown above for this particular transaction is an overall gain, all losses for this worksheet are allowed in full (and more of the total disallowance on Form 8582 is allocated to other passive activities).

Unallowed THIS year on Form 8582. *(auto-calc lines)* Computed using the math on the IRS worksheets without requiring you to complete them yourself, this result is assured of *full accuracy ONLY when you view the worksheet after the final recalculation of the return.*

h. GAIN or LOSS. *(auto-calc)* Computed as your entry for "Net income or loss" reduced by prior-year unallowed passive loss and increased by loss unallowed *THIS* year.

28% rate gain or loss. *(auto-calc line, which appears ONLY for long-term worksheets accessed at line 12)* Computed as line h if the answer to the 28% question is Yes, and zero otherwise.

Unrecaptured sec 1250 gain. *(appears ONLY on long-term worksheets for line 12)* Schedule K-1 should identify for you amounts that are unrecaptured sec 1250 gain. Those amounts are subject to a higher tax rate than other long-term capital gains. This amount is used in the tax computations on Schedule D.

Several amounts from this worksheet are summed with all other worksheets for the same line and posted to Schedule D itself, including amounts for error checking to let you know whether you need to view the worksheets anew to alter your entries for prior unallowed passive losses or to allow the current-year disallowances to be reallocated among the worksheets.

6 Short-term capital loss carryover from the Capital Loss Carryover Worksheet. *(auto-calc)* Taken from a result of the *Capital Loss Carryover Worksheet* shown on screen 1 of the current Schedule D, this is the short-term loss carried over from tax year 2022.

Passive Loss Limitations. The next set of lines summarize the interaction with Form 8582 for automatic handling of the passive loss rules for short-term (ST) gains and losses on Schedule D. (The gains and losses destined for Form 8582 will include amounts from significant participation activities if the last time you viewed the worksheets there was NOT a net gain for the aggregate of all significant participation activities throughout the return. You may therefore have to reaccess the worksheets if the answer to "Net gain for ALL significant participation activities" on Form 8582 changes after you last view the worksheets.)

Total ST gain to Form 8582 line 3a. *(auto-calc)* The sum of gains from the preceding worksheets for passive activities.

Total ST loss to Form 8582 line 3b. *(auto-calc)* The sum of losses from the preceding worksheets for passive activities.

Prior ST passive unallowed loss. This is the loss carryover from the prior year stemming from passive loss limitations on sales reported on lines 1b, 2, 3, and 5 of the Schedule D for 2023. This carryover is automatically posted here by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040 (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation). *Nevertheless, you must appropriately distribute this total among the worksheets for lines 1b, 2, 3, or 5 yourself so that the unallowed amounts calculated on the worksheets reflect the proper proration among the worksheets.* An amount on the line "W/S ERROR in prior unallowed losses," described on the next page, will alert you of the need to do so.

Passive ST unallowed loss in 2023. *(Road Map line, supported by Form 8582.)* This disallowance comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. You can access Form 8582 with the Itemize Key at this line, but there is no need to do so because the form is automatically generated and completed upon the final recalculation of the return. *Once the return is complete, you may have to view each worksheet for lines 1b, 2, 3, and 5 so that the unallowed losses are reallocated based upon the final return.* An amount on the line "W/S ERROR in current unallowed losses," described on the next page, will alert you of the need to do so.

Significant participation part of prior unallowed losses. When reporting carryovers for activities that are significant participation activities in 2023, the IRS requires that you include those carryovers in the significant participation net to the extent that they are offset by gains for the same activity. This rule materially affects whether sig-

nificant participation activities will be classified as passive activities. You must enter here the part of the 2022 carryover that is offset by significant participation gains which you have entered on the worksheets for lines 1b, 2, 3, or 5. (See our instructions for Form 8582 for more details on significant participation activities.)

W/S ERROR in prior unallowed losses. *(auto-calc)* Computed as the sum of prior unallowed losses you entered on all the worksheets for lines 1b, 2, 3, and 5, less the total prior unallowed losses shown above (which you entered or "translate" posted). *If this result is nonzero, it means that you have not properly allocated the total prior unallowed losses among all the worksheets you have completed.* You must return to the worksheets and revise the entries. Your record of unallowed loss for each item for the previous year should guide your entries on the worksheets.

W/S ERROR in current unallowed losses. *(auto-calc)* Computed as the sum of unallowed losses computed the last time you viewed the worksheets for lines 1b, 2, 3, and 5, less the total losses unallowed shown above for 2023 (which comes automatically from Form 8582). *If this result is nonzero, allocation of unallowed losses on your worksheets is not up to date, so you must view each worksheet so that the unallowed losses can be reallocated.*

Note that the handling of the carryovers, significant participation amounts, and pro-rating among different schedules does not require you to complete any IRS passive activity worksheets yourself. However, you must generally *view all Gain/Loss Worksheets for lines 1b, 2, 3, and 5 after the final recalculation of the return to ensure that all disallowances are properly reallocated* among all transactions based on the final results on Form 8582.

7 NET SHORT-TERM CAPITAL GAIN OR LOSS. *(auto-calc)* This line is ostensibly the sum of all gains and losses in lines 1a through 6. However, the results are modified by a complex interaction with Form 8582, and this line is automatically updated as Form 8582 changes due to recalculations throughout the return. If the worksheets are not up-to-date with this result, an amount will appear on one of the above W/S ERROR lines to alert you that you should view each worksheet to force its calculation to match the latest calculation which appears here.

Additional step for sec. 1042 elections and SSBIC rollovers. See the IRS Instructions for Schedule D for the statements you must attach to support the sec. 1042 election or SSBIC rollover.

PART II, LONG-TERM CAPITAL GAINS AND LOSSES (screens 5 through 9).

This section is reserved for capital gains and losses on assets *held more than one year*. It differs from the short-term section in its additional lines that relate to 28% rate gain or loss and unrecaptured section 1250 gains – a result of the current complex rules for the capital gains tax. Most other lines, however, have a direct parallel in Part I.

Long-term sales reported on Schedule D alone. You should report most of your own long-term transactions here except installment sales, which you report on Form 6252. (You will report transactions by partnerships, S corporations, and fiduciaries in which you have an interest at line 12.) Except for transactions that you include in the combined totals at line 8a, you must supply all information on the *Gain/Loss Worksheets* provided by the software at lines 8b, 9, and 10 in the same way as you reported short-term sales at lines 1b, 2, and 3. *Details for the Gain/Loss Worksheets that support these lines are given in the prior shaded pages*, which apply to both short-term and long-term holdings.

Separate lines for separate Form 1099-B status. You must separately report transactions based on what information was reported to you by the seller or broker. Lines 8a, 8b, 9, and 10, below, provide this separation, and a separate set of worksheets is available for each line except line 8a.

8a Certain combined transactions. This category is reserved for the aggregate of all transactions that satisfy certain conditions and you choose not to include in line 8b. It provides a convenient alternative to itemizing all transactions for the year. *CAUTION: In order for a transaction to be included on this line, it must satisfy the conditions detailed in the shaded box on the third page of these details for Schedule D titled “Alternative to itemizing transactions.”*

d Proceeds (sales price). Enter the sum of proceeds (box 2a of Form 1099-B) for all transactions that you are reporting on line 8a.

e Cost or other basis. Enter the sum of basis (box 3 of Form 1099-B) for all transactions that you are reporting on line 8a.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e, this is the net income for all transactions included in line 8a combined.

8b Long-term transactions reported on Form 1099-B with basis reported to the IRS. *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-12b, shown previously.)* Itemize this line to report long-term transactions reported to you on a Form 1099-B (or equivalent) with your basis (usually original cost) shown in box 3 on the form and box 6b checked (indicating that it was reported to the IRS), other than those included in line 8a, above. The sale of common stock that was both purchased and sold for you by the same broker is usually reported to you this way. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 2, with box D checked.*

d Proceeds (sales price). *(auto-calc)* Computed as the sum of line d of all worksheets for line 8b combined, this total will also appear on line 2(d) of the appropriate page of the printed Form 8949.

e Cost or other basis. *(auto-calc)* Computed as the sum of line e of all worksheets for line 8b combined, this total will also appear on line 2(e) of the appropriate page of the printed Form 8949.

g Adjustments to gain or loss. *(auto-calc)* Computed as the sum of line g of all worksheets for line 8b combined, this total will also appear on line 2(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 8b combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

Section 1202 exclusions for CGD on worksheets. *(auto-calc)* Computed as the sum of exclusions for all worksheets for line 8b combined.

28% rate gain or loss on worksheets. *(auto-calc)* Computed as the sum of 28% rate amounts for all worksheets for line 8b combined.

9 Long-term transactions reported on Form 1099-B but basis not reported to the IRS. *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-12b, shown previously.)* Itemize this line to report long-term transactions reported to you on a Form 1099-B (or equivalent) for which your basis is shown but box 6b is NOT checked. The sale of common stock that was sold for you by a different broker than the broker who purchased the stock for you is usually reported to you this way. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 2, with box E checked.*

d Proceeds (sales price). *(auto-calc)* Computed as the sum of line d of all worksheets for line 9 combined, this total will also appear on line 2(d) of the appropriate page of the printed Form 8949.

e Cost or other basis. *(auto-calc)* Computed as the sum of line e of all worksheets for line 9 combined, this total will also appear on line 2(e) of the appropriate page of the printed Form 8949.

g Adjustments to gain or loss. *(auto-calc)* Computed as the sum of line g of all worksheets for line 9 combined, this total will also appear on line 2(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 9 combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

Section 1202 exclusions for CGD on worksheets. *(auto-calc)* Computed as the sum of exclusions for all worksheets for line 9 combined.

28% rate gain or loss on worksheets. *(auto-calc)* Computed as the sum of 28% rate amounts for all worksheets for line 9 combined.

10 Long-term transactions not reported on Form 1099-B. *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-12b, shown previously.)* Itemize this line to report long-term transactions not reported to you on a Form 1099-B (or equivalent). The sale of real estate is normally reported to you on a Form 1099-S from your real estate broker, not Form 1099-B, and would therefore be reported here. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 2, with box F checked.*

d Proceeds (sales price). *(auto-calc)* Computed as the sum of line d of all worksheets for line 10 combined, this total will also appear on line 4(d) of the appropriate page of the printed Form 8949.

e Cost or other basis. *(auto-calc)* Computed as the sum of line e of all worksheets for line 10 combined, this total will also appear on line 4(e) of the appropriate page of the printed Form 8949.

g Adjustments to gain or loss. *(auto-calc)* Computed as the sum of line g of all worksheets for line 10 combined, this total will also appear on line 4(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.

h Gain or loss. *(auto-calc)* Computed as line d *less* line e *plus* line g, this is the net income resulting from all worksheets for line 10 combined, and will also appear on line 2(h) of the appropriate page of Form 8949.

Section 1202 exclusions for CGD on worksheets. *(auto-calc)* Computed as the sum of exclusions for all worksheets for line 10 combined.

28% rate gain or loss on worksheets. *(auto-calc)* Computed as the sum of 28% rate amounts for all worksheets for line 10 combined.

The total of sales prices appearing at lines 8a(d), 8b(d), 9(d), and 10(d) must be reconciled with box 2 of the 1099-B and 1099-S forms you receive for long-term sales. *(Lines 1a through 3 of Schedule D, described earlier, are analogous to lines 8a through 10 but designed for short-term transactions.)*

Total section 1202 gain in line 13. *(auto-calc)* Taken from the line below line 13 of Schedule D (later) labeled "Total section 1202 gain in line 13," which stems from box 2c of Forms 1099-DIV reported on this return. This is the amount in capital gain distributions reported on line 13 of Schedule D that is potentially eligible for a 50%, 60%, 75%, or 100% exclusions depending on the date the underlying stock was acquired and whether it is qualified empowerment zone business stock.

Section 1202 exclusion claimed for CGDs on worksheets. *(auto-calc)* This is the sum of exclusions shown on worksheets for lines 8b, 9, and 10 identified as exclusions for CGDs.

ERROR: Excessive exclusion for CGDs. *(auto-calc)* Computed as "Section 1202 exclusion claimed for CGDs on worksheets" less "Total section 1202 gain in 13," but no less than zero, this is the excess amount when 100% exclusion is allowable. **CAUTION:** *If the actual*

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allowed exclusion(s) is less than 100%, the amount shown here will be less than the actual excessive amount. An amount here indicates that either you have claimed too much for the exclusion or you have failed to report the corresponding capital gain distribution and its section 1202 part at line 13.

Additional CGD exclusion may be available. *(auto-calc)* Computed as "Total section 1202 gain in line 13" less "Section 1202 exclusion claimed for CGDs on worksheets," but no less than zero, this is the additional amount allowable when if eligible for a 100% exclusion. *CAUTION: If the actual allowed exclusion is less than 100%, the amount shown here will be more than the actual allowed exclusion.* An amount here indicates that you may be eligible to claim more than you have already claimed for CGDs on the worksheets.

28% Rate Gain/Loss in 8b through 10. *(auto-calc)* The net gain or loss from all worksheets identified as subject to the 28% rate rules is posted here. (Line 8a is intentionally omitted because collectibles do not qualify to be included in line 8a.)

The totals for sales prices appearing at lines 8a(d), 8b(d), 9(d), and 10(d) must be reconciled with box 2 of the 1099-B and 1099-S forms you receive for long-term sales.

11 Long-term gains and losses from other forms. Long-term capital gains and losses throughout the return are consolidated here:

Gain from Form 4797, line 7 or 9. *(Road Map line, supported by Form 4797.)* See the IRS instructions for line 9 of Form 4797 for an explanation of the amount that is automatically transferred here.

28% rate gain in Form 4797, line 7 or 9. The IRS does not provide for 28% gain or loss on Form 4797, but this line is here for completeness.

RIC or REIT gain from Form 2439. If you received a Form 2439 as a shareholder in a regulated investment company (RIC) or real estate investment trust (REIT), you must report here the gain on line 1a of that form. *TIP:* If an amount appears on line 2 of the form, you can claim that amount as a credit at line 13a of Schedule 3 because it is the amount of tax already paid on this gain by the investment company.

28% rate gain in Form 2439. Enter the part of the above line that stems from 28% rate gain or loss, which should be shown in box 1d of the Form 2439 you received.

Installment sale gain on Form 6252. *(Road Map line, supported by Form 6252.)* Any long-term result on Form 6252 that is appropriate for Schedule D is posted here automatically. Five copies of Form 6252 are available for five separate installment sales.

28% rate part of Form 6252. *(Road Map line, supported by Form 6252.)* The part of the above line that stems from 28% rate gain or loss is posted here.

Long-term net in Form 4684 line 15. (*Road Map line, supported by Form 4684.*) Any long-term gain or loss resulting from casualties and thefts of personal property is posted here from Form 4684.

28% rate part of Form 4684. (*Road Map line, supported by Form 4684.*) The part of the above line that stems from 28% rate gain or loss is posted here.

Section 1256 gain or loss from Form 6781. (*If Premium Level, Road Map line supported by Form 6781.*) If you claim the deferral of any gain under the rules for like-kind exchanges, you must complete Form 8824. The long-term gain or loss resulting on that form is reported here if it applies to Schedule D instead of Form 4797 or Form 6252.

28% rate part of Form 6781. (*If Premium Level, Road Map line supported by Form 6781.*) Enter the part of the above line that stems from 28% rate gain or loss.

Like-kind exchange gain or loss from Form 8824. (*If Premium Level, Road Map line supported by Form 8824.*) If you claim the deferral of any gain under the rules for like-kind exchanges, complete Form 8824. Any long-term gain or loss resulting on that form is reported here.

28% rate part of Form 8824. (*If Premium Level, Road Map line supported by Form 8824.*) This is the part of the total for like-kind exchanges that stems from 28% rate gain or loss.

11 Long-term amounts from other forms. (*auto-calc lines*) The net gain or loss from the above entries appears here, for all transactions combined.

28% rate gain or loss in line 11. (*auto-calc*) The sum of the preceding amounts for 28% rate gain or loss appears here.

12 Net long-term gain or loss from Schedule(s) K-1. (*Supported by the Schedule K-1 Long-term Gain/Loss Worksheet, Figure 2-13b.*) Itemize this line to report long-term capital gains and losses reported to you on a Schedule K-1 from partnerships, S corporations, and fiduciaries. *Details for the Gain/Loss Worksheets that support these lines are given in the prior shaded pages,* which apply to both short-term and long-term holdings. The amounts destined for Form 8582 are automatically reflected in the totals that follow line 14.

28% rate gain or loss in line 12. (*auto-calc*) The sum of 28% rate gain or loss in the supporting worksheets appears here.

13 Capital gain distributions. Capital gain distributions for this line come from two sources, as follows.

Reportable CGD from Schedule B. (*Road Map line, supported by Schedule B.*) Taken from the line on our Schedule B labeled "Net taxable CGD," this is the total of capital gain distributions you reported on 1099-DIV Worksheets less the part for a nominee.

28% rate part of Schedule B. (*auto-calc, supported by Schedule B.*) The part of the reportable CGD from Schedule B that stems from 28% rate gain or loss is posted here.

Section 1202 gain part of Schedule B. *(auto-calc, supported by Schedule B.)* The part of reportable CGD from Schedule B that is identified as sec. 1202 gain is posted here.

Reportable CGD from Form 8814. *(Road Map line, supported by Form 8814.)* Your entries on Forms 8814 for the capital gains distributions received by your children are summed and posted here. The nominee part has already been subtracted on Form 8814 from the total.

28% rate part of Form 8814. *(auto-calc, supported by Form 8814.)* The part of reportable CGD from Form 8814 that stems from 28% rate gain or loss is posted here.

Section 1202 gain part of Form 8814. *(auto-calc, supported by Form 8814.)* The part of the reportable CGD from Form 8814 that is identified on the 1099-DIV worksheets on Form 8814 as sec. 1202 gain is posted here.

Reportable CGD from other. Enter any capital gain distributions not included on the preceding lines, excluding any amount attributable to a nominee. The IRS now allows you to report capital gain distributions directly on Schedule D without completing Schedule B. However, we still recommend that you complete Schedule B and supply all information on our Form 1099-DIV Worksheets so that we can ensure that all information on the Forms 1099-DIV you receive is properly used throughout the return.

28% rate gain part. Enter the part of the reportable CGD from other that is 28% rate gain.

Section 1202 gain part of other. Enter the part of the reportable CGD from other that is sec. 1202 gain eligible for an exclusion or partial exclusion.

13 Capital gain distributions. *(auto-calc)* Computed as the sum of total reportable capital gain distributions above, this amount appears on line 13(f) of a printout of Schedule D.

Total section 1202 gain in line 13. *(auto-calc)* Computed as the sum of the section 1202 gain parts for the preceding three sources of your capital gain distributions. This total stems from box 2c of Forms 1099-DIV reported on this return and it is the amount of gain that is potentially eligible for a 50%, 60%, 75%, or 100% exclusions depending on the date the underlying stock was acquired and whether it is qualified empowerment zone business stock. The exclusions are taken on the Gain/Loss Worksheets for lines 8b, 9, and 10 of Schedule D, even though the gain upon which they are based is taken at line 13, all in accordance with IRS instructions.

14 Long-term capital loss carryover from Capital Loss Carryover Worksheet. *(auto-calc)* Taken from line 13 of the Capital Loss Carryover Worksheet shown on screen 1 of the current Schedule D, this is the long-term loss carried over from tax year 2022.

28% rate part of line 14. *(auto-calc)* This amount is the same as line 14 because all loss carryovers are subject to the 28% rate rules.

Passive Loss Limitations. The next set of lines summarize the interaction with Form 8582 for automatic handling of the passive loss rules for long-term (LT) gains and losses on Schedule D. *These lines directly parallel the lines for short-term amounts detailed previously, so the entries are described only briefly here. See the instructions in the earlier short-term section for more detail.*

Total LT gain to Form 8582 line 3a. *(auto-calc)* The sum of gains from the preceding worksheets for passive activities.

Total LT loss to Form 8582 line 3b. *(auto-calc)* The sum of losses from the preceding worksheets for passive activities.

Prior LT passive unallowed loss. This is the loss carryover translated from the prior-year return from passive loss limitations on sales reported on lines 8b, 9, 10, and 12 of the Schedule D for 2022. Analogous to the short-term amounts, you must appropriately distribute this total among the worksheets for lines 8b, 9, 10, and 12 yourself so that the unallowed amounts calculated on the worksheets reflect the proper prorationing among the worksheets. If you fail to do so, a W/S ERROR will appear below to alert you of your omission.

Passive LT unallowed loss in 2023. *(Road Map line, supported by Form 8582.)* This disallowance comes automatically from Form 8582, but an only be determined upon the final recalculation of the return.

Significant participation part of prior unallowed losses. You must enter here the part of the 2022 carryover that is offset by significant participation gains which you have entered on the worksheets for lines 8b, 9, 10, or 12.

W/S ERROR in prior unallowed losses. *(auto-calc)* Computed as the sum of prior unallowed losses you entered on all the worksheets for lines 8b, 9, 10, and 12, less the total prior unallowed losses shown above (which you entered or "translate" posted). *If this result is nonzero, it means that you have not properly allocated the total prior unallowed losses among all the worksheets you have completed.* You **MUST** return to the worksheets and revise the entries. Your record of unallowed loss for each item for the previous year should guide your entries on the worksheets.

W/S ERROR in current unallowed losses. *(auto-calc)* Computed as the sum of unallowed losses computed the last time you viewed the worksheets for lines 8b, 9, 10, and 12, less the total losses unallowed shown above for 2023 (which comes automatically from Form 8582). *If this result is nonzero, you MUST return to all the Gain/Loss Worksheets so that their disallowances can be recalculated based on the final return.* This recalculation is automatic when you view each worksheet.

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Note that the handling of the carryovers, significant participation amounts, and pro-rating among different schedules does not require you to complete any IRS passive activity worksheets yourself. However, you must generally view all *Gain/Loss Worksheets* for lines 8b, 9, 10, and 12 after the final recalculation of the return to ensure that all disallowances are properly reallocated among all transactions based on the final results on Form 8582.

28% gain or loss in lines 8b through 14. *(auto-calc)* Computed as the sum of the 28% rate part of lines 8b through 14, this amount is used in figuring the amounts for Schedule D lines 19 and 20. (Line 8a is intentionally omitted because collectibles do not qualify to be included in line 8a.)

15 NET LONG-TERM CAPITAL GAIN OR LOSS. *(auto-calc)* This line is ostensibly the sum of all gains and losses in lines 8a through 14. However, the results are modified by a complex interaction with Form 8582, and this line is automatically updated as Form 8582 changes due to recalculations throughout the return. If the worksheets are not up-to-date with this result, an amount will appear on one of the above W/S ERROR lines to alert you that you should view each worksheet to force its calculation to match the latest calculation which appears here.

PART III, SUMMARY OF PARTS I AND II (screens 10 and 11). All short-term and long-term gains and losses are combined here into a net amount:

16 Combine lines 7 and 15. *(auto-calc)* Computed as the sum of lines 7 and 15. If a net gain, it is posted to line 7 of Form 1040. If a loss, it is used in the computation for line 21, and line 21 is then posted to line 7 of Form 1040 as a loss. The computation at line 21 limits the loss to no more than \$3,000 (\$1,500 if married filing separately).

17 Are lines 15 and 16 BOTH gains? *(auto-calc)* If Yes, you must complete the rest of this schedule. If No, you can skip lines 18 through 21 and proceed to line 22 because you have no capital gains to be taxed at a lower rate.

INFORMATION FOR TAX COMPUTATIONS. *(This set of entries does not appear on IRS Schedule D but is used by the software to ensure the accuracy of subsequent capital gains tax calculations. Part III of Schedule D continues following this section.)* If both lines 15 and 16 of Schedule D are gains or you have any qualified dividends on line 3a of Form 1040, then tax computations are performed using the *Schedule D Tax Worksheet*, even though the IRS does not always require its use. This worksheet provides the most complete computations involving capital gains because it handles all possible cases, from the most complex cases that require the use of the worksheet to the simple cases covered by the *Qualified Dividends and Capital Gain Tax Worksheet* provided in the IRS 2023 Form 1040 Instructions for line 16 of Form 1040. You must therefore ensure that the following information is accurate in order for the tax computation for line 16 of Form 1040 to be accurate. Once you supply all required information, the software has all the infor-

mation to ensure the accurate computation of tax upon the final recalculation of the return.

Qualified dividends on Form 1040, line 3a. *(auto-calc, supported by Schedule B)* These dividends qualify for the lowest capital gains tax rates, and should be shown on Form 1040, as indicated.

Below information required for Form 1040 tax? *(auto-calc)* The answer will be Yes *only* if *both* lines 15 and 16 of Schedule D are gains *OR* you have qualified dividends on line 3a of Form 1040. If Yes, the lower tax computed using the *Schedule D Tax Worksheet* will be used in place of the conventional tax for Form 1040.

Adjustment required if you file Form 4952. The following entries are required whenever Form 4952 (Investment Interest Expense) is a part of the return in order to properly compute the tax.

Form 4952, line 4e (or elected amount). *(If Standard or Premium Level, Road Map line supported by Form 4952.)* Capital gains no longer automatically qualify as investment income when computing deductible investment interest on Form 4952. However, you can elect to include these gains in Form 4952 if you agree to have them taxed at your regular tax rate rather than the more favorable capital gains tax rates. The amounts on line 4e and 4g of Form 4952 are therefore used in the tax computation. Line 4e is the net capital gain from property held for investment, and is usually reported here unmodified. However, you may want to reduce the part of 4e attributable to 4g if you file Form 1116, in which case you would report a lesser amount here. See IRS Instructions for Form 1116 for details. It is used for line 4 of the Schedule D Tax Worksheet.

Form 4952, line 4g. *(If Standard or Premium Level, Road Map line supported by Form 4952.)* This is the amount you elect to include in investment income. It is used for line 25 of Schedule D, Part IV, and line 3 of the Schedule D Tax Worksheet.

28% Rate Gain Worksheet. This IRS worksheet is computed on the basis of the information shown below, resulting in the gain subject to the highest capital gains tax.

28% rate net in lines 8b through 14. *(auto-calc)* Computed in accordance with the 28% Rate Gain Worksheet, this is the sum of 28% rate gain or loss in lines 8b through 14.

Adjustments to Schedule D total. An adjustment should rarely be necessary but is provided for completeness.

Net loss in Schedule D, line 7. *(auto-calc)* Computed as indicated if line 7 shows a loss.

28% rate net for line 18. *(auto-calc)* Computed as the sum of the first two amounts less the third amount. If a gain, this amount is used for line 18 of Schedule D.

Unrecaptured Section 1250 Gain Worksheet. This IRS worksheet is computed on the basis of the information shown below, resulting in a gain that is the part of long-term capital gains that stems from depreciation taken but not recaptured as short-term gain. It is taxed at a 25% tax rate.

Adjusted unrecaptured section 1250 gain in Form 4797, Part I. (*Road Map line, supported by Form 4797.*) Taken from the results computed following the Part III Summary for Form 4797, this is the amount of unrecaptured section 1250 gain reported in Part I of Form 4797, including amounts reported in Part III of Form 4797 and amounts flowing to Form 4797 through Form 6252 and amounts reported to you on a Schedule K-1 from partnerships and S corporations, limited by net long-term gains on a property-by-property basis. All adjustments are computed in accordance with the IRS's Unrecaptured Section 1250 Gain Worksheet.

Unrecaptured section 1250 gain from Forms 1099-DIV. (*auto-calc line, supported by Schedule B and Form 8814.*) Taken from the 1099-DIV worksheets you completed on Schedule B and Form 8814, this is the part of your reportable capital gain distributions that stems from depreciation of sec. 1250 property.

Unrecaptured section 1250 gain in line 12 from Schedules K-1. (*auto-calc line, supported by Schedule B and Form 8814.*) Taken from the Sch. K-1 Worksheets for line 12, this is the unrecaptured sec. 1250 gain reported to you by estates and trusts.

Other unrecaptured section 1250 gain. Enter here unrecaptured section 1250 gains not included in the preceding lines but reported to you by an estate, trust, real estate investment trust, or mutual fund. (Amounts reported to you by partnerships and S corporations must be entered in the Part III Summary of Form 4797, not here.)

Net loss in 28% rate net. (*auto-calc*) This adjustment is the net loss, if any, in the combination of 28% gain or loss in lines 8b through 14, the adjustment entered previously for 28% rate amount, and any loss on line 7.

Unrecaptured section 1250 gain for line 19. (*auto-calc*) Computed as the sum of the three sec. 1250 lines less the adjustment figured in accordance with the IRS Unrecaptured Section 1250 Gain Worksheet. This result is the total amount taxed at a maximum rate of 25% rather than the more favorable rates on other long-term gains.

PART III concluded. The rest of Part III is automatic. The *Schedule D Tax Worksheet* is also automatic, but we provide you access to it through the Road Map (following line 19) in case you want to see how the tax computations are performed.

18 Amount from 28% Rate Gain Worksheet. (*auto-calc*) Taken as "28% rate net for line 18" if that amount is a gain and the answer to line 17 is Yes; otherwise, zero.

19 Amount from Unrecaptured Section 1250 Gain Worksheet. *(auto-calc)* Taken as "Unrecaptured section 1250 gain for line 19" if the answer to line 17 is Yes; otherwise, zero.

MUST you use the Schedule D Tax Worksheet? *(auto-calc)* Determined from the entries on the preceding lines of Part III, the answer shows you when the IRS requires that the worksheet be used. However, as explained earlier, we use the worksheet under a broader range of circumstances than the IRS requires. Nevertheless, the computation results and printout are the same.

Itemize to see Schedule D Tax Worksheet. *(Road Map line, supported by Schedule D Tax Worksheet.)* While you can access and view the *Schedule D Tax Worksheet* through this line, there is no need to do so (other than curiosity) because it is fully automatic, including its automatic creation. This worksheet is completed and fully accurate whenever *any* capital gains tax is computed for the return, including cases where the IRS instructs you to use the more limited *Qualified Dividends and Capital Gains Tax Worksheet*. While it does not print with the return when you choose to print Complete Returns or All Forms Prepared, you can get a complete printout of the Schedule D Tax Worksheet by choosing to print it alone from our Print Menu.

20 Are lines 18 and 19 BOTH zero? *(auto-calc)* If Yes, you are not required to use the *Schedule D Tax Worksheet*, but it is used by the software anyway in lieu of the IRS's more restrictive *Qualified Dividends and Capital Gain Tax Worksheet*, as explained before. If No, you are required to use the *Schedule D Tax Worksheet*. In either case, you can skip lines 21 and 22 below.

21 Loss deductible this year. *(auto-calc)* If line 16 shows a loss, it is limited here to \$3,000 (\$1,500 if married filing separately) then posted to line 7 of Form 1040.

22 Do you have qualified dividends on Form 1040, line 3a? *(auto-calc)* If Yes, you are instructed to use the *Qualified Dividends and Capital Gain Tax Worksheet* to compute the tax on Form 1040, but we use the less restrictive *Schedule D Tax Worksheet* instead.

If Capital Gain Distribution, can printout be omitted? *(auto-calc)* If your only capital gains are capital gain distributions from box 2a of Form(s) 1099-DIV (reported on line 13 of Schedule D), none of these Form(s) 1099-DIV have an amount in box 2b, 2c, or 2d, and you have no capital losses, this line is answered Yes. Otherwise, No. If Yes, Schedule D will be omitted from an official printout of the complete return and the checkbox at line 7 of the official printout of Form 1040 will be checked. The software checks numerous lines on Schedule D to ensure that the automatic answer to this question satisfies IRS requirements as explained in the IRS *2023 Form 1040 Instructions* for line 7 of Form 1040.

RECONCILIATION. *(Optional)* Even though the IRS no longer provides a line for it, we still recommend that you reconcile your Schedule D entries with

Schedule D

sales reported to you on Forms 1099-B (for stock sales) and 1099-S (for real estate sales). None of the following entries appear on a paper or e-file return. Instead, they are provided for your own use to ensure that you have reported on Schedule D all transactions reported to you.

Total sales on lines 1a through 3, and 8a through 10. *(auto-calc)* Taken from column (d) of the indicated lines, this is the total of all sales reported on the *Gain/Loss Worksheets* for Schedule D and the new lines 1a and 8a.

Total sales on Forms 1099-B and 1099-S. Enter here the total of all sales prices reported on the Forms 1099-B and 1099-S you received for the year that must be reported on Schedule D. *You should NOT report the sale of your main home if all of the gain on the sale was excluded, and should not include the sales amount here.*

Difference (itemize BELOW if not zero). *(auto-calc)* Computed as the difference between the above two lines.

Difference explained (itemize). You can justify any difference shown above in a supporting statement for this line. For example, a difference could exist if you did not receive a Form 1099-B (or equivalent) or 1099-S until the year after the year of sale. You could also explain here any special gain calculations, such as why the basis is different from the cost for the sale of property that was inherited, received as a gift, or as a result of a tax-free exchange or involuntary conversion. *TIP: The IRS does not provide for an explanation for e-file, and ignores it if you supply one.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule E / Supplemental Income and Loss

Who is it for? This schedule is an omnibus form for certain types of income not reported elsewhere. You **MUST** file Schedule E if you own rental property, receive royalties, or receive income reported to you on a Schedule K-1 from a partnership or S corporation, an estate or trust, or farming or fishing. Schedule E is accessible through the Road Map at line 5 of Schedule 1.

Use one Schedule E for all your properties. The IRS requires that the totals from all your properties appear on one and only one Schedule E. In order to most conveniently handle this requirement without limiting the number of properties you can handle, the software provides special worksheets to support Schedule E, with a separate worksheet page available for each separate property, for as many properties as you need to report. The totals required by the IRS are printed on the main form, and the property-by-property details are printed in extra copies of page 1 of Schedule E.

Qualified joint ventures must use Schedule E for rental real estate income.

If you elect treatment as a husband-wife qualified joint venture instead of a partnership for your rental real estate income that is not subject to self-employment tax, you must now use Part I of Schedule E to report the income. This is contrary to former rules that applied to tax years before 2011 which required you to use Schedule C for the rental real estate income and check a box on Schedule C. With the income now reported on Schedule E, it is not subject to self-employment tax but is generally subject to passive loss limitation rules.

When Schedule C is required instead of Schedule E. Even when your income is from rental real estate or royalties, you must report it on Schedule C instead of Schedule E for the following cases:

- ◆ Your rental real estate income is incidental to the main services you provide.
- ◆ The rental period is less than 30 days and you provide significant other services to the renter.
- ◆ You are reporting rental real estate income, but you sell real estate as a business. (Exception: Use Schedule E if the rental real estate is for your own investment portfolio and not a part of the real estate business.)
- ◆ You hold an interest in the actual operation of the property for which you receive the royalties.
- ◆ Your royalties are associated with your profession as a writer, artist, etc.

Form 1099 questions. In an attempt to enforce the use of Form(s) 1099 to report payments to independent contractors and certain other recipients, two questions appear at the top of Schedule E.

A Did you make any payments in 2023 that would require you to file Form(s) 1099? If so, you must answer Yes here and answer the next question. For example, payments to individuals would generally be

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reported on a Form 1099-MISC filed with the IRS, with a copy to the individual. (You do not generally report payments to companies.) For a list of different types of Forms 1099 and the filing requirements for each, see the helpful chart at the end of the IRS 2023 *General Instructions for Certain Information Returns* (available as i1099gi.pdf in the IRS documents section of your *Tax Preparer Control Panel* or the IRS's own website).

B If "Yes," did you or will you file all required Forms 1099? You must answer this question if you answered Yes to line A. Otherwise, your answer is ignored and neither the Yes box nor the No box will be checked on the official printout of Schedule E. (There are stiff penalties for not filing Forms 1099 when you are required to do so.)

PART I, INCOME OR LOSS FROM RENTAL REAL ESTATE AND ROYALTIES.

This section of Schedule E is used to report income from both rental property you own or control and royalties. Rental property for this section includes rental real estate and personal property. Royalties include payments on copyrights of literary or artistic works you own, and payments on oil, gas, and other mineral properties you own.

ITEMIZE BELOW to support lines 1 through 22. Details for ALL property MUST be reported in the *Rental/Royalty Worksheets*, which are accessed by itemizing either line 3 or line 4, as explained below. The information you enter in the worksheets is printed directly on the official Schedule E, using multiple copies of Schedule E, page 1, when more than three properties are reported.

1 and 2. No data are shown for these lines and no entries can be made here. You must enter all information on the worksheets that are accessible from lines 3 and 4, below.

3 Rents received. (*Supported by the Rental/Royalty Worksheet, Figures 2-14a through 2-14d.*) You **MUST** provide property-by-property details on the worksheets you access by itemizing this line and completing lines 1 through 22 on the worksheets. The total that appears here is the sum of line 3 for all worksheets identified for rental real estate, and appears at line 23a as well.

4 Royalties received. (*Supported by the Rental/Royalty Worksheet, Figures 2-14a through 2-14d.*) You **MUST** provide property-by-property details on the worksheets you access by itemizing this line and completing lines 1 through 22 on the worksheets. The total that appears here is the sum of line 4 for all worksheets identified for royalties, and appears at line 23b as well.

5 through 11. No amounts are shown for these lines and no entries can be made here. You must enter all data on the worksheets that are accessible from lines 3 and 4, above.

12 Mortgage interest paid to banks, etc. (*auto-calc*) Computed as the sum of line 12 from all *Rental/Royalty Worksheets*, this line is shown separately here to remind you of the potential need to explain it in a supporting statement. The total on this line also appears at line 23c.

Itemize line 12 if there is a discrepancy with Forms 1098. Even though line 12 is an auto-calc line, it is accessible for you to itemize to provide an explanation if its total is more than the total of all Forms 1098 that you receive from lenders. See IRS Pub. 535 for guidelines. *Exception for e-file: Under the current IRS e-file format, any explanation you provide here is ignored.*

13 Other interest. Itemize here (name/address) if the Form 1098 was received by another. No amount is shown here, but if line 13 on any of the worksheets includes any amount reported on a Form 1098 received by another person with whom you share the interest expense, show the name and address of that person in a supporting statement for this line. *Exception for e-file: The software does not support this statement for e-file. If you must create a supporting statement for this line, you must file a paper return.*

13 through 17. No amounts are shown for these lines and no entries can be made here. You must enter all data on the worksheets that are accessible at lines 3 and 4.

18 Depreciation expense or depletion. Line 18 is special because depreciation must be claimed on Form 4562, but Form 4562 does not identify which amounts on the form apply to which *Rental/Royalty Worksheets* on Schedule E. Consequently, it is your responsibility to allocate depreciation calculated on Form 4562 among the worksheets through your entries on line 18a of the worksheets.

α-Depreciation (from Form 4562). (*Road Map line, supported by Form 4562.*) This line is reserved FOR RENTALS ONLY. When you access Form 4562 here with the Itemize Key, you automatically access the copy of Form 4562 that is linked to Schedule E. When you first complete this copy of Form 4562, you should type "Rental property on Schedule E" as the entry for Business or activity. When you complete depreciation worksheets for Form 4562, identify each property the same way you do on the Rental/Royalty Worksheets. CAUTION: You MUST allocate the total depreciation that appears here among the properties reported on the Rental/Royalty Worksheets yourself, so we recommend you use the Quick Print Key to generate a printout of each depreciation worksheet. (When you return from Form 4562, the total depreciation on that form is posted to line 18a of Schedule E. Note that amortization is not posted to any line on Schedule E because amortization on Form 4562 is not relevant to Schedule E. In addition, investment property, and therefore rental property reported here, is not eligible for the Sec. 179 expense deduction on Form 4562.)

β-Depletion (your entry). This line is reserved FOR ROYALTIES ONLY. Enter here the sum of all depletion to be reported on the worksheets. (Your manual entry is required here because the IRS shares line 18 for both depreciation and depletion, and the calculations must know them separately.) WARNING: You must enter total de-

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pletion here AND allocate it among the supporting Rental/Royalty Worksheets to ensure the proper printouts and the proper application of the passive loss rules.

18 Depreciation expense or depletion. *(auto-calc)* The sum of lines 18a and 18b. The total on this line also appears at line 23d. **CAUTION:** *If the total on this line does not match the sum of line 18 of all Rental/Royalty Worksheets combined (which you can see on an official printout of Schedule E), you must return to the worksheets and correct their entries on lines 18a and 18b so that the sum of amounts on line 18a of all worksheets combined matches the total for line 18a from Form 4562 (above) and the sum of amounts on line 18b of all worksheets combined matches your entry for line 18b (above).*

19 Describe other. The IRS provides only one line for expenses not listed in lines 5 through 18. However, you determine the label for this line through your text entry here. Their intent is for you to use their predefined categories for all but the most unusual expenses. Be sure to choose a description (in 25 characters or less) that is generic enough to apply to all amounts you enter on line 19 of the worksheets.

20 Total expenses. Add lines 5 through 19. Although the IRS form does not show the totals for rental real estate separately from those for royalties, they are kept separate on the screen so that the software can properly automate all calculations.

a-Rental expenses on lines 5 through 19. *(auto-calc; supported by the Rental/Royalty Worksheet, Figures 2-14a and 2-14b.)* Taken from line 20a of all worksheets combined, this total may not be correct if you did not update your entries on line 18a of the worksheets to match the total from Form 4562 on screen 2 of our Schedule E for line 18a. See our instructions for line 18.

b-Royalty expenses on lines 5 through 19. *(auto-calc; supported by the Rental/Royalty Worksheet, Figures 2-14a and 2-14b.)* Taken from line 20b of all worksheets combined, this total may not be correct if you did not update your entries on line 18b of the worksheets to match the total you entered on screen 2 of our Schedule E for line 18b. See our instructions for line 18.

20 Total expenses. *(auto-calc)* Computed as the sum of the preceding two lines, this is the total of all expenses on lines 5 through 19 of the worksheets for all worksheets combined. The total on this line also appears at line 23e. **CAUTION:** This total may not be correct if you did not update your entries on the Rental/Royalty Worksheets to match the entries on lines 18a and 18b on screen 2 of our Schedule E. See our instructions for line 18.

21 Subtract line 20 from line 4. *(auto-calc)* Computed as indicated, this is the income or loss from all rental real estate and royalties combined before the application of passive loss limitations.

Net income for profit rentals. *(auto-calc)* This is the net income shown on the Rental/Royalty Worksheets *for profit rental properties* alone (without regard to PRIOR unallowed losses). The net income for loss properties is determined by comparing this amount to the net for all properties.

Net income for profit royalties. *(auto-calc)* This is the net income shown on the Rental/Royalty Worksheets *for profit royalty properties* alone. The net income for loss properties is determined by comparing this amount to the net for all properties.

Passive Loss Limitations. The properties reported on the *Rental/Realty Worksheets* for lines 1 through 22 are separated into profit properties and loss properties, and the passive loss limitations are applied to the rental loss properties. ***WARNING: This section will operate automatically and accurately only so long as you have made the Rental/Royalty Worksheet consistent with the depreciation and depletion details for line 18.***

Rental/royalty gains and losses for Form 8582 lines 1a, 1b. *(auto-calc lines)* Taken from the Rental/Royalty Worksheets for rental property with active participation.

Rental/royalty gains and losses for Form 8582 lines 3a, 3b. *(auto-calc lines)* Taken from the Rental/Royalty Worksheets for rental property without active participation.

Rental loss included in line 22. *(auto-calc)* This rental loss is "rental net income on worksheets" plus lines 19a and 20a less line 3.

The next two lines hold loss carryovers from the prior-year return, and are taken automatically from that return when you use the translate feature, providing you retained the tax year on that return at 2022. However, ***proper allocation of the following two totals among the Rental/Royalty Worksheets is assured only if you view them on the prior-year return yourself, after final recalculation of that return, before translating the return to this year's format.***

Active rental real estate prior unallowed loss. This is the loss carryover from the prior year's Schedule E stemming from passive loss limitations on active rental real estate activities, translated from the prior-year return as noted above.

Other passive prior unallowed loss. This is the loss carryover from the prior year's Schedule E stemming from passive loss limitations on rentals other than active real estate activities, translated from the prior-year return as noted above.

Total unallowed loss in prior year. *(auto-calc)* Computed as the sum of the above two amounts.

Active rental real estate net loss on worksheets subject to limitation. *(auto-calc)* Computed as the sum of net losses on the worksheets for active participation rental real estate properties for which the overall net is a loss. This is the total of net losses for active rental real estate among which disallowances on Form 8582 should be allocated, and is used in the calculations for Form 8582.

Other passive net loss on worksheets subject to limitation. *(auto-calc)*

Computed as the sum of net losses on the worksheets for properties other than active participation rental real estate for which the overall net is a loss. This is the total of net losses for other than active rental real estate among which disallowances on Form 8582 should be allocated, and is used in the calculations for Form 8582.

Total on worksheets subject to limitation. *(auto-calc)* Computed as sum of the above two lines. This is the total of all net losses on the worksheets that are subject to limitation by Form 8582.

WARNING: Beware errors in worksheet entries. In order for the official printouts to accurately reflect the allowed rental real estate losses on a property by property basis, you must properly allocate the totals for prior unallowed losses, current depreciation, and current unallowed losses among the individual worksheets. You may therefore have to return to the worksheets a couple of times during the preparation of the return to update their entries. You can allocate the prior unallowed losses when you start the return (and they may already be correct if the return is properly translated), and you can allocate the depreciation deductions once Form 4562 is complete. Once these two are correct you must also determine the overall net for each activity among the different forms on which the activity is reported, and enter an accurate number for "net elsewhere for the same activity." But you cannot update the current unallowed losses among the worksheets until the return and its final recalculations are complete. You should then view each worksheet, and the new totals will be automatically allocated among the properties. (Unlike other worksheets, there is NO W/S ERROR LINE to give you a warning when the Rental/Royalty Worksheets are not up-to-date. You must therefore check the worksheets yourself once the return is complete.)

The next two lines show the disallowance for this year, posted here from Form 8582. Proper disallowances are assured after the final recalculation of the return. Although you can access Form 8582 from these lines, there is rarely a need to do so since Form 8582 is automatically generated and completed when needed upon final recalculation of the return. However, in order for these disallowances to be reflected in the Rental/Royalty Worksheets, you must view all Rental/Royalty Worksheets after the return is complete.

Active rental real estate unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* This is the disallowance from Form 8582 for active rental real estate alone, which can be carried over to the next tax year.

Other passive activity unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* This is the disallowance from Form 8582 for all but active rental real estate, which can be carried over to the next tax year.

22 Deductible rental real estate loss after limitation. *(auto-calc)* Computed as the "rental loss in line 22" less the disallowances from Form 8582 (both "Active rental real estate unallowed loss for 2023" and "Other passive activity unallowed loss for 2023").

IMPORTANT: Because the deductible amount on line 22 can change as amounts throughout the return change (because of their impact on Form 8582 calculations), you must return to the *Rental/Royalty Worksheets* after the final recalculation of the return and view each and every worksheet to ensure that the changes in Form 8582 are reflected on the worksheets (so that each worksheet shows the proper disallowance from Form 8582 for that worksheet).

RENTAL/ROYALTY SUMMARY. Select totals from the *Rental/Royalty Worksheets* appear here followed by the final income or loss to be included in the total for Schedule 1, line 5.

23a Line 3 for all rental properties. *(auto-calc)* Taken from line 3 of all worksheets identified for rentals, this amount matches "Total rents received" on screen 1 of our Schedule E.

23b Line 4 for all royalty properties. *(auto-calc)* Taken from line 4 of all worksheets identified for royalties, this amount matches "Total royalties received" on screen 1 of our Schedule E.

23c Line 12 for all properties. *(auto-calc)* Taken from line 12 of all worksheets combined, this amount matches line 12 on screen 2 of our Schedule E ("Mortgage interest to banks").

23d Line 18 for all properties. *(auto-calc)* Taken from line 18 on screen 2 of our Schedule E ("Depreciation or depletion"). **CAUTION:** *If this amount does not match line 18 for all worksheets combined, you must return to the worksheets to properly allocate this amount among the worksheets.*

23e Line 20 for all properties. *(auto-calc)* Taken from line 20 of all worksheets combined, *this amount will be correct only if your allocation of line 18 among worksheets is correct.*

24 Income. Add positive amounts on line 21. *(auto-calc)* The sum of the profit lines "Net for profit rentals" and "Net for profit royalties" at the top of screen 3 of our Schedule E.

25 Losses. Add royalty losses in line 21 and rental real estate losses in line 22. *(auto-calc)* The sum of the "Deductible rental real estate loss" on line 22 plus the royalty loss (determined as the "Net for profit royalties" plus the royalty component of line 20 less the total royalties on line 4).

26 Total income or (loss). *(auto-calc)* Computed as line 24 less line 25, this amount is reflected in the total for Schedule 1 at line 41 of Schedule E.

Enter rental real estate income or loss in line 26 that is NOT from a passive activity. Your entry here does not affect any calculations but alerts the IRS that nonpassive amounts are included in line 26, so that they will take this in-

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to account in their audits. Any amount you enter here will appear with the label NPA on the dotted line for Schedule E line 26.

Rental/Royalty Worksheet, Figures 2-14a through 2-14d. This worksheet not only supports lines 1 through 22 but also summarizes the expenses detailed elsewhere (such as depreciation on Form 4562) to provide the complete profit and loss picture needed for the proper application of the passive loss limitations. *You must take extra care in completing the worksheets for rentals to ensure that the proper amounts are posted to the proper lines of Form 8582.*

1 Physical address of property:

Street address. *(for rental property only)* You must enter the physical location of the property in this

and the next line. Enter here the street address in 25 characters or less. **CAUTION:** *Make no entry here nor on the next 3 lines if this worksheet is used for royalty income.*

City. *(for rental property only)*

Enter the city in 22 characters or less.

State. *(for rental property only)* Enter the 2-letter postal code for the state. **CAUTION:** *For a translated return, no entry will appear here because of a change in format; you must enter the state manually.*

ZIP code. *(for rental property only)* Enter the ZIP code in the standard xxxxx-xxxx or xxxxx format. **CAUTION:** *For a translated return, no entry will appear here because of a change in format; you must enter the ZIP code manually.*

Royalty (vs. rental)? Answer Yes if this worksheet page relates to royalty income. **TIP:** *For royalty income you would normally answer Yes to the following question as well, since royalty income is usually portfolio income and therefore nonpassive.*

Qualifies as nonpassive? Answer Yes if the passive property qualifies for an exemption from the passive loss rules. Do NOT answer Yes just because you think you are not subject to the passive loss limitations due to your income level; the software will decide through Form 8582 whether you qualify for such an exception upon the re-

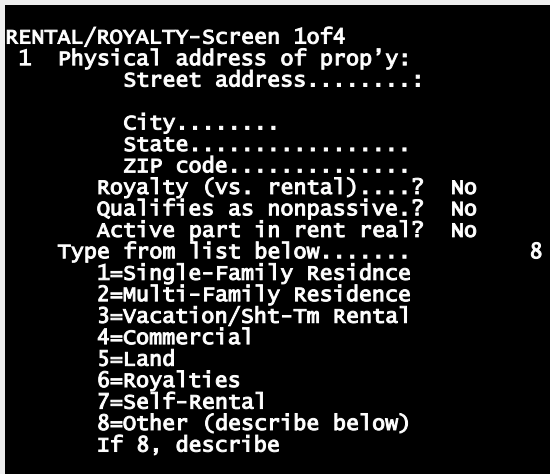


Figure 2-14a. Rental/Royalty Worksheet, Screen 1

calculation of the return, and the property must retain the proper classification for use in other parts of Form 8582. Most royalty property qualifies as nonpassive, but rarely does rental real estate except in the year of sale. Except for low-income housing, rental real estate is considered passive activity property, even though it gets potentially more favorable treatment than other properties under the passive loss rules. EXCEPTION IN THE YEAR OF SALE: *If the sale constituted an entire disposition of the property, and you have an overall loss for that property throughout the return, including prior unallowed losses, you must reclassify the passive property as nonpassive property in the year of sale.* (Property with an overall loss, including the sale, qualifies as nonpassive property for the year of sale, and the previously disallowed losses are allowed in full. Property with an overall gain retains its passive classification, and it qualifies for use on Form 8582 to offset passive losses from other properties.) Exception for real estate professionals: *For any year in which you are a real estate profession, rental activities in which you materially participate are NOT passive activities. See Pub. 527 for other details for real estate professionals.*

Did you actively participate in the operation of the rental real estate activity during the tax year? This question can legitimately be answered Yes FOR RENTAL REAL ESTATE ONLY. To answer Yes you must have significantly participated in making management decisions or arranging for others to provide needed services to renters. ALL real estate rental activities are reported on Form 8582 whether or not you actively participate, but the losses qualify for potentially more favorable treatment if you do actively participate. ("*Material participant*" and "*significant participant*" classifications are not relevant for rental real estate activities because they are ALWAYS classified as passive.)

Type from list below. The IRS has defined 8 codes (from 1 to 8) from which you can make an entry here. If you answered Yes for "Royalty (vs. Rental)?" above, this entry is automatically 6 (the code for Royalties). Otherwise, you can enter any number from 1 to 8, where 8 (the code for Other) is selected for you if you make no entry. *The eight IRS codes are:*

- 1 = Single-Family Residence.** For information on renting residences (which applies to types 1, 2, and 3), see IRS Pub. 527 (*Residential Rental Property*).
- 2 = Multi-Family Residence.**
- 3 = Vacation/Short-Term Rental.** This code applies to dwellings that you use as your home part of the time and rent out the rest of the time, or dwellings that are used for short-term rental.
- 4 = Commercial.**
- 5 = Land.**

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- 6 = Royalties.** This code is automatically used if you identified the worksheet as applying to royalty income rather than rental income.
 - 7 = Self-Rental.** This code is intended to indicate a rental to a business you own (or in which you materially participate).
 - 8 = Other (describe below).** This code is automatically used if you identified no other code and the worksheet is not identified for royalty income. If you choose this code, you must complete the next line.
- If 8, describe.** Describe the "other" type in 25 characters or less. Although the IRS does not provide a place on the official form for this entry, we have cleared an area on the printout below line 2 to print your entry from the 3 worksheets that apply to the page.

2 For each rental real estate... The following entries are intended *only*

for rental real estate, so you should leave these lines at the default zeros and No.

Number of fair rental days. *(for rental property only)*

Enter the number of days during the tax year that you rented the property at fair rental value.

Number of personal use days. *(for rental property only)*

Enter the number of days during the tax year that you used the property for your own personal use. If more than 14 days, you may not be able to deduct all your rental expenses. See IRS 2023 *Instructions for Schedule E* for details.

Qualified joint venture? *(for rental property only)* Answer Yes only if you are a husband-wife team that elected to be treated as a Qualified Joint Venture (QJV) for the purposes of your rental income, and you are not subject to self-employment tax on the income.

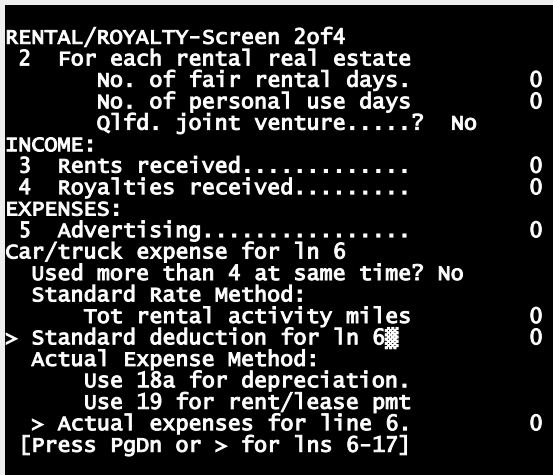


Figure 2-14b. Rental/Royalty Worksheet, Screen 2

INCOME:

3 Rents received. (*for rental pro-property only*) Enter all rental income received during the tax year on this line, including amounts reported to you on Forms 1099-K for 2023.

4 Royalties received. (*for royalties only*) Enter all royalty income received during the tax year on this line.

EXPENSE:

5 Advertising. Enter advertising and marketing expenses here.

Car and truck expenses for line 6. There are two methods of figuring vehicle expenses: *Standard Rate Method* and the *Actual Expenses Method*. You can generally choose the method in the first year you placed the vehicle in service for business or investment purposes, but you *must* use the *Actual Expenses Method* under some circumstances.

Used more than 4 vehicles at the same time? If you use more than 4 vehicles, you are considered to have a fleet and are not eligible to use the Standard Rate Method. *If you answer Yes, the computed amount for "Standard deduction for line 6" (below) will be zero.*

Standard Rate Method. You can use this method only if you used it the first year you placed the vehicle in service. If you use this method, you must *complete Part V of Form 4562* (including lines a, b, and c of the Listed Property Worksheet, but not the \$ entries).

Total rental activity miles. Enter the total miles traveled in 2023 in connection with this rental activity alone.

> **Standard deduction for line 6.** (*auto-calc*) Computed using the preceding two entries at the rate of 65.5 cents per mile for 2023. This is the total deduction allowed for those cars and trucks that you choose to report under the Standard Mileage Rate method.

Actual Expense Method. You **MUST** use this method if you used five or more vehicles at the same time (as in a fleet operation). You **CANNOT** use this method if the vehicle is leased and you used the standard mileage rate in the past. If you use this method, you must report three different types of expenses on three different lines of this worksheet:

Use line 18a for depreciation. To depreciate the vehicle, you must complete the copy of Form 4562 attached to Schedule E. Complete Part V of Form 4562 to claim the vehicle depreciation and provide other information about the vehicle. (Once you complete Form 4562, the total for the form is posted to line 18a of Schedule E itself. *You must then allocate that total among all of your Rental/Royalty Worksheets and enter the appropriate amount on line 18a of each worksheet.*)

Use line 19 for rent or lease payments. If you do not own the car, enter your payments on the "other expenses" line (line 19) and make sure that your description for this line on screen 2 of Schedule E is broad enough to include these payments.

> **Actual expenses for line 6.** Enter here only expenses not reported on line 18 or line 20a, including out-of-pocket expenses.

a Car and truck expenses for line 6. *(auto-calc)* Computed as the greater of "Standard deduction for line 6" or "Actual expenses for line 6," this is the deduction used in line 6.

b Travel for line 6. Enter here the cost of travel other than using your own car.

Meals expenses for line 6. You can generally deduct 50% of the cost of meals associated with the rental activity: However, you can no longer deduct the cost of associated entertainment expenses.

Meals. Enter the total meal expenses for 2023, whether limited to 50% or not. If you use the standard rate rather than actual expenses, the standard rate for 2023 for most cities is \$59 a day for meals and incidental expenses.

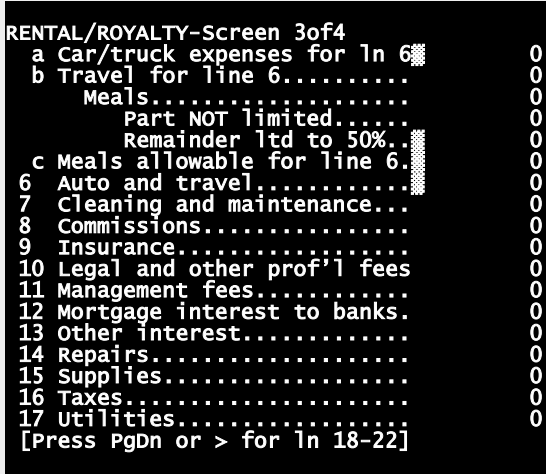


Figure 2-14c. Rental/Royalty Worksheet, Screen 3

For high-cost cities like Los Angeles, San Francisco, Boston, and New York City, the standard rate can be significantly higher. See IRS Pub 463 (*Travel, Entertainment, Gift, and Car Expenses*) and <http://www.gsa.gov/perdiem> for more details.

Part NOT limited. Enter the part of the preceding entry not subject to the usual 50% rule.

Remainder limited to 50%. *(auto-calc)* Computed as "Meals" less "Part NOT limited."

c Meals allowable for line 6. *(auto-calc)* Computed as "Part NOT limited plus 50% of "Remainder limited to 50%."

6 Auto and travel. *(auto-calc)* Computed as the sum of lines a, b, and c, above.

7 through 11. Enter expenses in the listed categories only.

12 Mortgage interest paid to banks, etc. This line is special because the IRS reconciles it with the Forms 1098 they receive from lenders. *If you claim more interest than the Forms 1098 support, you should explain why in a supporting statement for line 12 on screen 2 of our Schedule E (not here in the worksheet).* **CAUTION: If the Form 1098 received is in someone else's name, enter the interest on line 13 (Other interest), not here.**

13 Other interest. Enter here interest for which you did not receive a Form 1098 or for which the payee is not a financial institution. *If the Form 1098 that applies to this amount was received by another person, you should supply the name and address of that person in a supporting statement for the line below line 13 on screen 2 of our Schedule E, not here.*

14 through 17. Enter expenses in the listed categories only.

18 a-Rental depreciation. Before you can complete this entry, you must have an entry for line 18a on screen 2 of Schedule E, normally from the Form 4562 you complete for Schedule E. You must then enter here the part of that total that applies to *THIS* property.

WARNING:
Failure to enter the proper amount here could result in improper application of the passive loss rules. (RE-

MINDER: In-

vestment property, and therefore rental property reported here, is not eligible for the Sec. 179 expense deduction on Form 4562.)

b-Royalty depletion. If the property for which you received royalties for this worksheet is mineral property, you may have a claim for depletion. If so, you must enter the depletion. *Also include this amount in the total you enter for line 18b on screen 2 of our Schedule E. WARNING: Failure to enter the proper amount here could result in improper application of the passive loss rules.*

18 Depreciation or depletion. (*auto-calc*) Taken from line 18a or line 18b depending on your answer to the Royalty question.

19 Other expenses. Enter here the amount for expenses not reflected in lines 5 through 18. If you made an entry for line 19 on screen 2 of our Schedule E, the text you entered there will appear as the label for this line to describe the category for these expenses. TIP: *Thanks to the IRS's restrictive design for Schedule E, only one line is provided for all allowable expenses that don't fall into the IRS categories on lines 5 through 18, and the description you enter for your entry applies to all worksheets. You must therefore enter a description on screen 2 of Schedule E (not this worksheet) that is broad enough to cover them all.*

20 a-Rental expenses on lines 5 through 19. (*auto-calc*) Computed as indicated when the Royalty question is answered No, this result *may*

RENTAL/ROYALTY-Screen 4of4		
18	a-Rental depreciation.....	0
	b-Royalty depletion.....	0
18	Depreciation or depletion..	0
19	0
20	a-Rental expenses on 5to19	0
	b-Royalty expense on 5to19	0
20	Total expenses.....	0
21	Subtract line 20 from 3 & 4	0
	PRIOR-year unallowed loss	0
	Net inclg PRIOR unallowed	0
	Net elsewhere for same activity	0
	Unallowed THIS yr on 8582	0
22	Deductible rental real loss	0
	[Press PgUp or < for lns 6-17]	

Figure 2-14d. Rental/Royalty Worksheet, Screen 4

not be correct until you properly allocate amount on line 20a of screen 2 of our Schedule E to this line.

b-Royalty expenses on lines 5 through 19. *(auto-calc)* Computed as indicated when the Royalty question is answered Yes, this result *may not be correct until you properly allocate amount on line 20b of screen 2 of our Schedule E to this line.*

20 Total expenses. *(auto-calc)* Taken from 20a or 20b depending on your answer to "Royalty (vs. rental?)" on screen 1 of the worksheet.

21 Subtract line 20 from lines 3 and 4. *(auto-calc)* Computed as line 20 less line 3 or line 4, this is the income or loss before the application of passive loss carryovers and limitations. **CAUTION:** *No losses are allowed if the activity is a rental classified as your home. Also note that you may have to file Form 6198 (At-Risk Limitations) if line 21 is a loss, and write "Form 6198" to the left of line 21 on the copy Schedule E you file with the IRS. In either case you must reduce your claims on lines 5 through 19 to allowable amounts because limitations for these cases are not applied elsewhere.*

PRIOR-year unallowed loss. Enter the unallowed loss in the prior tax year for this property as a result of the passive loss limitations (Form 8582). *Although this entry is translated from your prior-year return (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation), it will not generally be correct unless the prior-year worksheet was complete and viewed anew after the entire return was complete.* Moreover, if any losses were unallowed two years ago, the translation may not reflect the proper amount because this is the first year that this worksheet has this line.

Net including PRIOR unallowed. *(auto-calc)* Computed as line 21 less the above prior unallowed loss.

Net elsewhere for same activity. You must enter the net gain or loss reported elsewhere on the return for this same passive activity, computed in the same way as the preceding net, in order for the disallowance computed below to reflect the proper allocation among all passive properties. If this entry when added to the preceding net results in an overall gain, any losses reported on this worksheet are allowed in full, and any remaining unallowed losses shown on Form 8582 are allocated to other properties instead.

Unallowed THIS year on Form 8582. *(auto-calc)* This and the following line are provided to satisfy the printout requirements of the IRS. They do not affect the calculations on the return itself, which fully automates Form 8582 and its disallowances. However, in order for line 22 to be evident to the IRS on a property by property basis, the proper disallowance from Form 8582 must appear here as well. **CAUTION:** *You must view this worksheet AFTER the return is final and complete in order for the proper final reallocation of unallowed losses to take place.* (The final recalculation of the return does NOT involve the supporting worksheets individually, but viewing each worksheet

on the screen forces its recalculation using the amounts posted from Form 8582 to screen 3 of our Schedule E above line 22.)

22 Deductible rental loss. (*auto-calc*) Computed as line 21 plus the prior-year unallowed loss less the above disallowance.

In addition to these visible lines, net income for profit properties and amounts for Form 8582 lines 1a, 1b, 3a, and 3b are computed and carried to Schedule E, as described in the preceding pages.

PART II, INCOME OR LOSS FROM PARTNERSHIPS AND S CORPORATIONS.

All income for this section is reported on the *Partnerships and S Corps Worksheets* described below. The amounts for these worksheets should be available from the Schedules K-1 you receive from the entities. If you report losses for activities for which you are not at risk, you must also file Form 6198 (built into the Premium Level only). See IRS instructions for details.

Husband-and-wife business not always a partnership. A husband and wife who jointly run an unincorporated business are no longer required to file a partnership return and report the income or loss here on Schedule E. Instead, they can each file a Schedule C or F reporting their share of the business. See our details for Schedules C and F for more information.

If basis computation is required for any S corporation reported in line 28, file a PAPER return and ITEMIZE basis computation HERE. See our details for line e of the *Partnerships and S Corps Worksheet* on the next page for conditions under which you must show a basis computation. *If required, you must explain in a supporting statement for this line and file a paper return because the IRS has not yet provided for this statement for e-file.*

27 Are you reporting any prior unallowed losses due to at-risk, excess farm loss, or basis limitations, prior passive losses not reported on Form 8582, or unreimbursed partnership expenses? Note that you do NOT have to answer Yes here for unallowed passive losses if you reported them on Form 8582.

If "Yes," see instructions first. You may need to complete Form 6198!

See "At-Risk Rules" on page E-3 of the IRS *2023 Instructions for Schedule E*. (Form 6198 is built-in for Premium Level software.)

28 YOUR and SPOUSE nonfarm and farm activities. (*Supported by the Partnerships and S Corps Worksheet, Figure 2-15.*) Four separate sets of worksheets are provided: for your nonfarm income, spouse's nonfarm income, your farm income, and spouse's farm income. You must identify the income and losses you report here as passive or nonpassive, using our instructions for Form 8582 as your guide. If you are a general partner or part of an S Corporation, you can generally report your gains and losses on the nonpassive lines if you participated in the business more than 500 hours during the year (that is, you are a "material participant"), or you participated in the activity for more than 100 hours but no more than 500 hours during the tax year and had a net gain overall for the activity (that is, you are a "significant participant"). However, *if you are a limited partner in a limited partnership you seldom qualify for either material participation or significant participation*, so you must usually report all amounts

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on the passive lines. However, there are exceptions, as detailed in our instructions for Form 8582. For example, if you sold your entire interest in the partnership during the year, and you have an overall loss for the year including all gains and losses from the activity, you must report all amounts for the activity as nonpassive amounts throughout the return (and all losses will be allowed in full). For more information, see "How unallowed losses are allowed when you sell" in our instructions for Form 8582.

Partnerships and S Corps Worksheet, Figure 2-15. Accessed at four separate lines for line 28 in Part II, you use this worksheet to report most ordinary income and losses from partnerships and S Corporations. Most of the information is shown on the Schedules K-1 that you receive from the entities, Schedule K-1 (Form 1065) for partnerships and Schedule K-1 (Form 1120S) for S corporations:

PARTNERSHIPS AND S CORPS		
a.	Name	
b.	Ptr or S Corp. (P or S)	
c.	Foreign partnrshp.....?	No
d.	Employer I. D. Number	
e.	Basis computation required?	No
	All @ risk(file 6198 if No)?	No
f.	Any NOT at risk.....	Yes
	Active rental real est?	No
	Significant participnt?	No
	Net elsewhere for same activity	0
	PASSIVE loss on K-1...	0
	PRIOR-year unallowed loss	0
	Unallowed THIS yr on 8582	0
g.	PASSIVE loss(8582)	0
h.	PASSIVE income(K-1)	0
i.	NONPASSIVE loss(K-1)	0
j.	Sec179expense deduction	0
k.	NONPASSIVE income(K-1)	0
	Self-empl net income(Ptr only)	0
	Self-empl gross incm(Ptr only)	0

Figure 2-15. Partnerships and S Corps Worksheet

- a. **Name.** Enter the entity's name in 25 characters or less.
- b. **Partnership or S Corporation (P or S).** Enter P for partnership or S for S Corp. to identify the entity named above.

- c. **Foreign partnership?** Answer Yes only if applicable.
- d. **Employer identification number.** Enter the Employer IDN of the payer in the standard 10-character format (00-0000000).
- e. **Basis computation is required?** Answer Yes if you report a loss, receive a distribution, or receive a loan repayment from an S corporation. If Yes, show the required basis computation in a supporting statement for the line above line 27 on Schedule E labeled "ITEMIZE basis computation HERE" and file a paper return, since the IRS has not yet provided for this statement for e-file.
- All at risk (file 6198 if No)?** Unless you can answer Yes you must complete Form 6198 (built into the software for Premium Level) to determine how much of the loss to report below.
- f. **Any NOT at risk?** (auto-calc) Automatically the opposite of the above answer.

Active rental real estate? Answer Yes if your interest in the partnership qualifies as active rental real estate. Caution: Limited partners in a limited partnership seldom qualify. Only general partners can usually qualify

to answer Yes here. If you can answer Yes, all amounts reported below for passive income or loss will be posted to the Active Rental Real Estate section of Form 8582 for potentially favorable treatment.

Significant participant in the activity? If you answer Yes here, all passive and nonpassive income reported below will be included in the significant participation net for the entire return. See our instructions for Form 8582 for details on what constitutes significant participation. CAUTION: See "Special procedures for significant participation activities," which immediately follows this shaded section, for instructions on changing your entries depending on the final determination on Form 8582 of the overall net gain from significant participation activities.

Net elsewhere for same activity. You must enter the net gain or loss reported elsewhere on the return for this same passive activity, computed using both current gains and losses and prior unallowed losses without limitation from Form 8582, in order for the disallowance computed below to reflect the proper allocation among all passive properties. If this entry when added to the passive net on this worksheet results in an overall gain, any losses reported on this worksheet are allowed in full, and any remaining unallowed losses shown on Form 8582 are allocated to other properties instead.

PASSIVE loss on Schedule K-1. Enter the loss from passive activities here, as reported to you on Schedule K-1, or a reduced amount as determined on Form 6198, which is built into the Premium Level software. Include any section 179 deduction for PASSIVE activities here, NOT on line j. Do NOT include amounts for a Publicly Traded Partnership (PTP); instead, see "Special procedures for Publicly Traded Partnerships (PTPs)," which follows this shaded section, for instructions. CAUTION: If you sell your entire interest in a passive property and the net throughout the return for that property is a net loss, you must report all gains and losses for that property on NON-PASSIVE lines, because the property is reclassified as nonpassive property in the year of sale under these circumstances. For more information, see "How unallowed losses are allowed when you sell" in our instructions for Form 8582.

PRIOR-year unallowed loss. Enter the unallowed loss in the prior tax year for this property as a result of the passive loss limitations (Form 8582). Although this entry is translated from your prior-year return (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation), it will not generally be correct unless the prior-year worksheet was complete and viewed anew after the entire return was complete but before the translation was performed.

Unallowed THIS year on Form 8582. (auto-calc) This entry may not be accurate until the final recalculation of the return is complete and you subsequently view the worksheet. This entry does not affect the TOTALS for line f that are printed on Schedule E itself nor the fi-

nal results of the return, but it affects the individual net for line g in the printed supporting statement for each property. (The reallocation is automatically brought up to date whenever you view the worksheet.) TIP: You may not need to perform this step if the sum of disallowances reported on the worksheets already matches the disallowances reported above line 29b of Schedule E.

- g. PASSIVE loss (Form 8582).** *(auto-calc)* Computed as passive loss on Schedule K-1 less unallowed loss on Form 8582.
- h. PASSIVE income (Schedule K-1).** Enter the income from passive activities here, as reported to you on Schedule K-1.
- i. NONPASSIVE loss (Schedule K-1).** Enter the loss from nonpassive activities here, as reported to you on Schedule K-1, or a reduced amount as determined by Form 6198, which is built into the Premium Level software.
- j. Section 179 expense deduction (nonpassive).** Enter the section 179 expense deduction reported to you on Schedule K-1 *for non-passive activities only*. Sec. 179 deductions for passive activities should be included in your entry for "PASSIVE loss on Schedule K-1," above, not here. **CAUTION: The aggregate of all section 179 deductions throughout the return is limited by law to \$1,160,000 for 2023 (and less if married filing separately), so you may have to report a lesser amount than is reported to you** on Schedule K-1. See our instructions for Form 4562 for details.
- k NONPASSIVE income (Schedule K-1).** Enter the income from nonpassive activities here, as reported to you on Schedule K-1.

Self-employment net income in above. If any of the partnership income above is self-employment income subject to the self-employment tax (social security and Medicare tax), you must enter the amount here. This amount should appear in box 14 (code A) of the Schedule K-1 that you receive from the partnership. **REMINDER: Those who practice their profession in the partnership, such as doctors and lawyers, must enter the total gain or loss here.** Any amount reported here is posted automatically to Schedule SE and reflected in the computation of earned income on Form 1040. (Do not enter amounts here for S Corporations. S Corp. income is not generally considered earned income, but if so it is reported to the taxpayer on a Form W-2 and entered on the *W-2 Worksheets* for accessed at screen 5 of Form 1040, not here.)

Self-employment gross income. If self-employment income is reported above, report here your share of the gross income (before deducting expenses) for the partnership. This amount should appear in box 14 (code B for farming and fishing income or code C for nonfarm income) of the Schedule K-1 that you receive from the partnership. This amount is posted automatically to Schedule SE for use in the optional methods on Schedule SE. Furthermore, if you accessed the

worksheet from one of the farm lines, this amount is automatically reflected in line 42 of Schedule E.

In addition to the above entries, several amounts relating to passive activities are generated from the worksheets and posted to Schedule E itself, for subsequent posting to Form 8582.

Special procedures for significant participation activities. You cannot determine whether to report income or loss from significant participation activities as passive or nonpassive until the final recalculation of the return is complete. You must therefore initially report the income in the passive or nonpassive category based on your best guess, and identify the activity as a significant participation activity on the worksheet. If, after the final recalculation of the return, you find that

1 the net of all significant activities is a gain, but you wrongly reported the amounts as passive, or

2 the net of all significant activities is not a gain, but you reported the amounts as nonpassive,

you must return to the worksheets and correct the reporting. Unlike normal passive activities, *improper reporting for these activities can lead to an erroneous result* for the final return. (The net for all significant participation activities throughout the return is displayed on the first screen of Form 8582.)

Special procedures for Publicly Traded Partnerships (PTPs). PTPs are subject to special handling by the IRS. Even though they are subject to the passive loss rules, they must be handled individually and separately from all other investments. Since passive losses are deductible only to the extent of passive gains, this means that *no overall loss can be claimed for a PTP* except in the year of its sale. In order to prevent any entries from affecting Form 8582 for other activities, you must reduce any losses by the allowed loss for that property, computed as if it were the only passive property on the return, then report the resulting net amounts on the NONPASSIVE lines of the Partnership and S Corps Worksheet. You should also identify the partnership as a Publicly Traded Partnership by ending your description on line a of the worksheets with the letters PTP. (The IRS instructions indicate that you should report some of the amounts on passive lines. But such reporting would cause the automatic involvement of the Form 8582 for the entire return. The only side effect of our reporting approach is that you may have to make an adjustment to line 6 of Form 8582 to remove any passive PTP amounts included.)

Summary for Partnerships and S Corporations. The remaining lines for Part II of Schedule E are automatic except for lines that require entries from the prior-year return for passive losses not allowed:

29a Totals for (g) Passive Income. *(auto-calc)* The sum of all worksheet entries for "PASSIVE income on K-1."

29a Totals for (j) Nonpassive Income. *(auto-calc)* The sum of all worksheet entries for "NONPASSIVE income on K-1."

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Total for YOUR self-employment income. *(auto-calc line)* Summed from the net self-employment income on all worksheets identified as for you

Total for SPOUSE self-employment income. *(auto-calc line)* Summed from the net self-employment income on all worksheets identified as for spouse..

Partnership/S Corp gain for Form 8582 line 1a. *(auto-calc)* Computed as the sum of your entries for "h. PASSIVE income (Schedule K-1)" for all worksheets for you and spouse combined for active rental real estate.

Partnership/S Corp loss for Form 8582 line 1b. *(auto-calc)* Computed as the sum of your entries for "PASSIVE loss on Schedule K-1" for all worksheets for you and spouse combined for active rental real estate.

Active rental real estate prior-year unallowed loss. This is the loss carryover from the prior year Schedule E stemming from passive loss limitations on losses from active rental real estate. It is automatically transferred by the software from the prior-year return when you use the translate feature with tax year retained on the prior-year return at 2022. However, proper allocation among the Partnerships & S Corps Worksheets is assured only if you view them on the prior-year return yourself, after final recalculation of that return, before translating the return to this year's format.

Active rental real estate unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* The proper disallowance for this year appears here from Form 8582 after the final recalculation of the return. However, you must allocate this total among the Partnership/S Corp Worksheets yourself.

Partnership/S Corp gain for Form 8582 line 3a. *(auto-calc)* Computed as the sum of your entries for "h PASSIVE income (Schedule K-1)" for all worksheets for you and spouse combined for other than active rental real estate.

Partnership/S Corp loss for Form 8582 line 3b. *(auto-calc)* Computed as the sum of your entries for "PASSIVE loss on Schedule K-1" for all worksheets for you and spouse combined for other than active rental real estate.

Other passive prior unallowed loss. This is the loss carryover from the prior year Schedule E stemming from passive loss limitations on losses from passive activities other than active rental real estate. It is automatically determined by the software from the prior-year return when you use the translate feature with tax year retained on the prior-year return at 2022. However, proper allocation among the Partnerships & S Corps Worksheets is assured only if you view them on the prior-year return yourself, after final recalculation of that return, before translating the return to this year's format.

Other passive activity unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* The proper disallowance for this year will appear here from Form 8582 after the final recalculation of the re-

turn. However, *you must allocate this total among the Partnership/S Corp Worksheets yourself.*

Significant participation part -- prior unallowed loss. Enter the part of the carryover from last year that relates to each significant participation activity for this year and that does not exceed the gain from each such activity. An entry here affects only the significant participation net used in aggregating all significant participation activities on Form 8582.

W/S ERROR in prior plus 2023 unallowed loss. *(auto-calc)* Computed as the sum of worksheet entries for prior-year unallowed loss and computed current-year unallowed losses, less the prior-year and current-year unallowed losses above. ***WARNING: If an amount appears on this line, your entries on the worksheets for prior-year unallowed loss are inconsistent with the preceding totals for prior unallowed loss, or the unallowed losses for the current year have not been updated on the worksheet.*** You can correct the *latter* problem by viewing the worksheets after the final recalculation of the return so that the automatic reallocations can take place. You can correct the *former* problem only by changing your entries for prior unallowed losses on the worksheets and/or the totals on the form.

29b Totals for

- (g) **Passive loss.** *(auto-calc)* The sum of losses for Form 8582 lines 1b and 3b, plus the prior-year unallowed losses, less the unallowed losses for 2023.
- (i) **Nonpassive loss.** *(auto-calc)* Summed from all four sets of worksheets.
- (j) **Section 179 expense.** *(auto-calc)* Summed from all four sets of worksheets. ***CAUTION: If this total plus section 179 expenses you claim elsewhere on the return exceeds \$1,160,000 for 2023, you must return to the worksheets and reduce your claims such that the aggregate section 179 expense throughout the return is no more than \$1,080,000.*** See Part I of Form 4562 for more detail.

30 Add columns (h) and (k) of 29a. *(auto-calc)* Computed as indicated, this is total income.

31 Add columns (g), (i), and (j) of 29b. *(auto-calc)* Computed as indicated, this is the total loss and section 179 deduction.

32 Total partnership and S corporation income (or loss). *(auto-calc)* Computed as line 30 less line 31. This result is automatically reflected in the total on line 41, later.

PART III, INCOME OR LOSS FROM ESTATES AND TRUSTS. The format for reporting income and loss from estates and trusts is similar to that for partnerships in Part II, and the link with Form 8582 is identical. Access to the re-

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quired supporting worksheets is from the first line of screen 10 of Schedule E, below.

34a Totals for

(d) **Passive income.** (Supported by the Estates and Trusts Worksheet, Figure 2-16.) This is the main access line to the worksheets that support all of Part III. This line reflects the sum of all worksheet entries combined for line "d. PASSIVE income (Schedule K-1)."

(f) **Nonpassive income.** (auto-calc) This line reflects the sum of all worksheet entries combined for "f. NONPASSIVE income (Schedule K-1)."

Estates and Trusts Worksheet, Figure 2-16. Accessible from line 34a(d), the first line of Part III, you use this worksheet to report most income and losses from estates and trusts, whether received or not. Most of the information is shown on the Schedules K-1 (Form 1041) you receive from the estate or trust:

a. **Name.** Enter the name of the entity on the two data entry lines provided. (Entries on the two lines are concatenated into a single 55-character line for printing on the official form.)

ESTATES & TRUSTS WORKSHEET		
a.	Name :	
b.	Employer I. D. Number	
	Active rental real est? No	
	Significant participant? No	
	Net elsewhere for same activity	
	PASSIVE loss on K-1...	0
	PRIOR-year unallowed loss	0
	Unallowed THIS yr on 8582	0
c.	PASSIVE loss (8582)	0
d.	PASSIVE income(K-1)	0
e.	NONPASSIVE loss(Sch K-1)	0
f.	NONPASSIVE income (K-1)	0
	Significant partn net.	0
	Farm or fishing gross in above	0

Figure 2-16. Estates and Trusts Worksheet

b. **Employer identification number.**

Enter the Employer IDN of the payer in the standard 10-character format (xx-xxxxxxx).

Active rental real estate? Answer Yes if your interest in the estate or trust qualifies as active rental real estate. If you can answer Yes, all amounts reported below for passive income or loss will be posted to the Active Rental Real Estate section of Form 8582 for potentially favorable treatment.

Significant participant in the activity? If you answer Yes here, all passive and nonpassive income reported below will be included in the significant participation net for the entire return. See our instructions for Form 8582 for details on what constitutes significant participation. *CAUTION: Special procedures are required when reporting amounts from significant participation activities on this worksheet, as detailed previously.*

Net elsewhere for same activity. You must enter the net gain or loss reported elsewhere on the return for this same passive activity, computed using both current gains and losses and prior unallowed loss-

es without limitation from Form 8582, in order for the disallowance computed below to reflect the proper allocation among all passive properties. If this entry when added to the preceding net results in an overall gain, any losses reported on this worksheet are allowed in full, and any remaining unallowed losses shown on Form 8582 are allocated to other properties instead.

PASSIVE loss on Schedule K-1. Enter the loss from passive activities here, as reported to you on Schedule K-1, or a reduced amount as determined by Form 6198, which is built into the Premium Level. The amount for lines c and d should be reported to you on the Schedule K-1 that you receive. Be sure to enter only loss amounts (negative net income) here, and income amounts (positive net income) on line d, below. *CAUTION: If you sell your entire interest in a passive property and the net throughout the return for that property is a net loss, you must report all gains and losses for that property on NONPASSIVE lines, because the property is reclassified as nonpassive property in the year of sale under these circumstances.*

PRIOR-year unallowed loss. Enter the unallowed loss in the prior tax year for this property as a result of the passive loss limitations (Form 8582). *Although this entry is translated from your prior-year return (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation), it will not generally be correct unless the prior-year worksheet was complete and viewed anew after the entire return was complete.*

Unallowed THIS year on Form 8582. *(auto-calc)* This entry may not be accurate until the final recalculation of the return is complete and you subsequently view the worksheet. This entry does not affect the TOTALS for line c that are printed on Schedule E itself nor the final results of the return, but it affects the individual net for line c in the printed supporting statement for each property. (The reallocation is automatically brought up to date whenever you view the worksheet.) TIP: You may not need to perform this step if the sum of disallowances reported on the worksheets already matches the disallowances reported above line 34b of Schedule E.

- c. **PASSIVE loss (Form 8582).** *(auto-calc)* Computed as passive loss on Schedule K-1 less unallowed loss on Form 8582.
- d. **PASSIVE income (Schedule K-1).** Enter the income from passive activities here, as reported to you on Schedule K-1.
- e. **NONPASSIVE loss (Schedule K-1).** Enter the loss from nonpassive activities here, as reported to you on Schedule K-1. The amount for lines e and f should be reported to you on line 4 of the Schedule K-1 that you receive. If line 4 is negative, enter it as a positive here. If line 4 is positive, enter it as a positive on line f, below.
- f. **NONPASSIVE income (Schedule K-1).** Enter the income from nonpassive activities here, as reported to you on Schedule K-1.

Significant participation net. *(auto-calc)* Computed as income (lines d and f) less losses (lines c and e) when you answer Yes to the significant participant question, above.

Farm or fishing gross in above. If the estate receives any income from farming or fishing, the estate should report the gross income from those sources on the Schedule K-1 (Form 1041) that you receive. You should report here the amount identified as such, for automatic inclusion in line 42 of Schedule E.

In addition to the above entries, several amounts relating to passive activities are generated from the worksheets and posted to Schedule E itself, for subsequent posting to Form 8582, as described next.

Summary for Estates and Trusts. The remaining lines for Part III of Schedule E are automatic except for lines that require entries from the prior-year return for passive losses not allowed:

Estate gain for Form 8582 line 1a. *(auto-calc)* Computed as the sum of your entries for "d. PASSIVE income (K-1)" for all worksheets combined for active rental real estate.

Estate loss for Form 8582 line 1b. *(auto-calc)* Computed as the sum of your entries for "PASSIVE loss on K-1" for all worksheets combined for active rental real estate.

Active rental real estate prior-year unallowed loss. This is the loss carryover from the prior year Schedule E stemming from passive loss limitations on losses from active rental real estate. It is automatically transferred by the software from the prior-year return when you use the translate feature with tax year retained on the prior-year return at 2022. However, proper allocation among the Estates and Trusts Worksheets is assured only if you view them on the prior-year return yourself, after final recalculation of that return, before translating the return to this year's format.

Active rental real estate unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* The proper disallowance for this year will appear here from Form 8582 after the final recalculation of the return. However, you must allocate this total among the Estates and Trusts Worksheets yourself.

Estate gain for Form 8582 line 3a. *(auto-calc)* Computed as the sum of your entries for "d. PASSIVE income (K-1)" for all worksheets combined for other than active rental real estate.

Estate loss for Form 8582 line 3b. *(auto-calc)* Computed as the sum of your entries for "PASSIVE loss on K-1" for all worksheets combined for other than active rental real estate.

Other passive prior unallowed loss. This is the loss carryover from the prior year Schedule E stemming from passive loss limitations on losses from passive activities other than active rental real estate. It is translated from the prior-year return when you use the translate feature with tax year retained on the prior-year return at 2022. However, proper allocation among the Estates and Trusts Work-

sheets is assured only if you view them on the prior-year return yourself, after final recalculation of that return, before translating the return to this year's format.

Other passive activity unallowed loss for 2023. (Road Map line, supported by Form 8582.) The proper disallowance for this year will appear here from Form 8582 after the final recalculation of the return. However, you must allocate this total among the Estates and Trusts Worksheets yourself.

Significant participation part -- prior unallowed loss. Enter the part of the carryover from last year that relates to each significant participation activity for this year and does not exceed the gain from each such activity. An entry here affects only the significant participation net used in aggregating all significant participation activities on Form 8582.

Aggregate net gain from ALL significant participation activities? (Road Map line, supported by Form 8582.) The answer to this question comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. If this answer is different upon the final recalculation of the return than it was when you completed the Estate & Trust or Partnership & S Corp Worksheets, you must return to all those worksheets and move your entries to the proper lines (to passive lines if this answer is No and to nonpassive lines if this answer is Yes).

W/S ERROR in prior plus 2023 unallowed loss. (auto-calc) Computed as the sum of your worksheet entries for prior-year unallowed loss and the computed current-year unallowed losses, less the prior-year and current-year unallowed losses shown above. WARNING: If an amount appears on this line, it means that either your entries on the worksheets for prior-year unallowed loss are wrong or the calculated unallowed losses for the current year are not up-to-date. You can correct the latter problem merely by viewing the worksheets once the return is complete and fully calculated so that the automatic re-allocations can take place. But you can correct the former problem only by changing your entries for prior unallowed losses on the worksheets to more accurately reflect the facts.

34b Totals for

(c) **Passive loss.** (auto-calc) The sum of losses for Form 8582 lines 1b and 3b, plus the prior-year unallowed losses, less the unallowed losses for 2023.

(e) **Nonpassive loss.** (auto-calc) Summed from all four sets of worksheets.

35 Add columns (d) and (f) of 34a. (auto-calc) The sum of lines 34a(d) and 34a(f), this is total income.

36 Add columns (c) and (e) of 34b. (auto-calc) Computed as the sum of lines 34b(c) and 34b(e), this is the total loss.

37 Total partnership and S corporation income (or loss). (auto-calc) Computed as line 35 less line 36.

Schedule E

ES PAYMENT CLAIMED. If estimated taxes were credited to you from a trust (Schedule K-1, box 14(a)) enter the amount here rather than any of the preceding lines. This amount and the label for this line will be printed for the official printout on the dotted line for line 37. ***CAUTION: You must also include this amount in your entries on the Control Form for FEDERAL ESTIMATED TAX PAID so that it will be properly reflected on Form 1040.***

The result on line 37 is automatically reflected in the total on line 41, later.

PART IV, INCOME OR LOSS FROM REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICs). This section is used to report income received as a holder of a *residual* interest in a REMIC. The information for this section is reported to you on a Schedule Q (Form 1066) from the REMIC. ***TIP: If a holder of a regular interest in a REMIC, you must report the income as interest income on Schedule B, line 1, or Form 1040, line 2b, not here.***

38 Totals from worksheets:

Net from REMICs, (d) Schedule Q line 1b. *(Supported by the REMICs Worksheet, Figure 2-17.)* You must report all amounts on the supporting worksheets, described below, using a separate REMIC Worksheet for each Schedule Q received. The total taxable income or loss (line 1b of Schedules Q) from all worksheets combined is posted to this line.

Net from REMICs, (e) Schedule Q line 3b. *(Supported by the REMICs Worksheet, Figure 2-17.)* The total income (line 3b of Schedules Q) from all worksheets combined is posted to this line.

Minimum taxable income, Schedule Q, line 2c. *(Supported by the REMICs Worksheet, Figure 2-17.)* The total excess inclusion (line 2c of Schedules Q) from all worksheets combined is posted to this line.

39 Combine columns (d) and (e). *(auto-calc)* Computed as the sum of lines 38(d) and 38(e), this is the total net income from all REMICs.

The result on line 39 is automatically reflected in the total on line 41, later.

REMICs (Real Estate Mortgage Investment Conduits) Worksheet, Figure 2-17. Accessible from any part of line 38, all information for this worksheet is reported to the taxpayer on a Form 1066, Sch. Q.

- a. **Name.** Enter the REMIC's name in 25 characters or less.
- b. **Employer I.D. Number.** Enter 9-digit EIN in the xx-xxxxxxx format.
- c. **Schedule Q, line 2c (excess).** Enter here the excess inclusion from line 2c of Schedule Q. This special amount is reflected in the income reported on line 37(e) of Schedule E (from line 3b of Schedule Q). It is no longer deductible on Schedule A, thanks to tax reform. It is special because it represents the smallest amount of taxable income that you may report on Form 1040, and is therefore used in the computation of taxable income at line 15 of Form 1040. When this amount is more than the taxable income that would otherwise result on line 15, it is used for line 15 and "Sch. Q" is printed on the dotted line for line 15 on the official printout of Form 1040.

REMICs WORKSHEET		
a.	Name	
b.	Employer I.D. Number	
c.	Sched. Q, line 2c (excess)	0
d.	Sch. Q, line 1b (taxable)	0
e.	Sch. Q, line 3b (income)	0
	Lines d and e combined.	0

Figure 2-17. REMICs Worksheet

- d. **Schedule Q, line 1b (taxable).** Enter here the taxable net income on line 1b of Schedule Q.
- e. **Schedule Q, line 3b (income).** Enter here the income on line 3b of Schedule Q.

Lines d and e combined. *(auto-calc)* Computed as indicated, this the net income from REMICs.

The last line is reflected in line 39 of Schedule E for all worksheets combined.

PART V, SUMMARY. This section holds not only the totals for Schedule E, but also certain farming and fishing income.

Gross farm rental on Form 4835. *(Road Map line, supported by Form 4835.)* Gross income (before deductions) from farm rentals is posted here from line 7 of Form 4835.

40 Net farm rental income or (loss) on Form 4835. *(Road Map line, supported by Form 4835.)* Net income (after deductions) from farm rentals is posted here from line 33 of Form 4835.

Other income not reported elsewhere. This line is provided for write-in amounts when no IRS line applies. You should explain any entry in a supporting statement for this line.

41 TOTAL income or loss. *(auto-calc)* Computed as the sum of lines 26, 32, 37, 39, and 40, plus the above "Other income not reported elsewhere," *this is the grand total for Schedule E, and is posted to line 3 of Schedule 1.*

Schedule E

Reconciliation of gross farming and fishing income. The remaining lines are not posted anywhere and do not affect any calculations, but rather are used to satisfy IRS reporting requirements.

Gross farm self-employment in Part II. *(auto-calc)* Taken from the self-employment gross income lines of all Farm Partnership worksheets for you and spouse.

Gross farming and fishing income in Part III. *(auto-calc)* Taken from the farm or fishing gross line of all Estate and Trust worksheets.

Gross farm rental income in line 40. *(auto-calc)* Taken from the entry above line 40 for farm rental gross.

Other gross farming and fishing income. Enter here any adjustment to the above amounts.

42 Reconciliation of Farming and Fishing Income. *(auto-calc)* Computed as the sum of the above four lines, this total is the sum of gross farm and fishing income throughout the return.

43 Reconciliation for Real Estate Professionals. If a real estate professional, enter the net income or loss you reported anywhere on the return from all rental real estate activities in which you materially participated.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule EIC / Earned Income Credit

Who is it for? The Earned Income Credit is designed to help low income taxpayers who work. If the total investment income on the return (as specially defined for the earned income credit) is no more than \$11,000 for 2023 and all other qualifications are met, any one of the following will result in a credit:

A Three or more children with a valid SSN lived with you, both earned income and adjusted gross income are less than \$56,838 (\$63,398 if married filing jointly) for 2023, and earned income is at least \$1.

B Two children with a valid SSN lived with you, both earned income and adjusted gross income are less than \$52,918 (\$59,478 if married filing jointly) for 2023, and earned income is at least \$1.

C One child with a valid SSN lived with you, both earned income and adjusted gross income are less than \$46,560 (\$53,120 if married filing jointly) for 2023, and earned income is at least \$1.

D No child with a valid SSN lived with you, but you (or spouse if filing jointly) are at least age 25 but under age 65 at the end of 2023, both earned income and adjusted gross income are less than \$17,640 (\$24,210 if married filing jointly) for 2023, and earned income is at least \$1.

The credit is *claimed at line 27 of Form 1040, where Schedule EIC is accessible through the Road Map.*

MANDATORY for Paid Preparers: Returns signed by a paid preparer must include Form 8867 with the return. Because of a long history of abuse, the IRS now places special responsibilities on paid preparers for collecting the proper information to justify claims for the *Earned Income Credit*. Starting with the 2012 filing season (tax year 2011 returns), the IRS requires that paid preparers file Form 8867 (*Paid Preparer's Due Diligence Checklist*) with a return signed by them if the return includes a claim for the *Earned Income Credit*. Form 8867 is automatically created whenever a Schedule EIC exists for the return. However, it is printed with the complete return *only* if there is a credit on Form 1040, line 27, *and* you have identified the return as prepared by a paid preparer. Even though it is automatically generated, you must manually answer all questions on Form 8867 in order to satisfy the IRS's requirement for due diligence. And you may need to supply more information on screen 1 of the form if someone other than the signing preparer was responsible for the proper computation of the earned income credit. (*You can access Form 8867 through the Road Map from screen 1 of our on-screen Schedule EIC.*)

Fully automatic for most taxpayers. Unless you need to make a special adjustment to line 4a of the IRS's *EIC Worksheet B* (detailed later), or you were a nonresident alien any of 2023 (and not married filing jointly), you will generally not have to make any entries on our Schedule EIC. In fact, the schedule is automatically generated and completed by the software when an Earned Income Credit is available based on entries elsewhere in the return. However, you should be aware of what entries are involved in computing the credit so

Schedule EIC

that you are sure to supply all required information elsewhere on the return. (The printed Schedule EIC is used by the IRS *only* for providing information on a qualifying child, and is not otherwise needed to support a claim for credit at line 27 of Form 1040. However, the software requires its on-screen Schedule EIC for its computation of the credit, even for the childless credit, but will omit it from official printouts when the IRS does not require it.) Among the critical entries in the return are the following:

- A** The information you supply on qualifying children *on the Dependents' Worksheets for Form 1040* if you are claiming the credit based on children. Not only is qualification determined there, but all information about the child that is printed on the official Schedule EIC is entered there.
- B** The information you supply on yourself (and spouse, if married) found *on the first two screens of our Form 1040*. This includes valid SSNs that qualify you to work and answers to questions about residency and being an EIC-qualified child of someone else. If you (and spouse, if married) are not a U.S. resident for more than 6 months of the year, you do not qualify for the childless version of the credit. If you (or spouse, if married) are an EIC-qualified child of another, you cannot qualify for any credit. You also do not qualify for the childless version of the credit if neither you nor spouse was at least age 25 but under 65 at year-end, or if either of you was a dependent on someone else's return.
- C** The information you supply on Form 2555, as reflected on lines 8d and 24j of Schedule 1, because the existence of such amounts can disqualify you for the credit.

Your investment income may be lower than you think! You cannot claim the credit if your investment income is too high, but investment income is defined in a unique manner for the purposes of this credit. The IRS's 1040 Instructions state that investment income is just the sum of lines 2a, 2b, 3b, and 7 of Form 1040, which is interest, dividends, and capital gains. But that instruction is grossly oversimplified, and ignores one major subtraction that affects many taxpayers. More complete instructions are provided in IRS Pub. 596 (*Earned Income Credit*), where a 15-line worksheet is provided for computing investment income! (See *Worksheet 1* in IRS Pub. 596 for 2023 returns.) This worksheet involves not only the cited lines of Form 1040 but also various amounts on Schedule E, other parts of Form 1040, and, most critically, Form 4797. Investment income as properly defined in IRS Pub. 596 EXCLUDES from line 7 of Form 1040 the amount of capital gains stemming from sales shown on Form 4797 (line 7(g) or 9(g)). These sales include the sale of business property and rental real estate, and so can be very substantial for some taxpayers. The properly takes account of such subtleties, ensuring the lowest valid amount for investment income.

Due diligence requirements for paid preparers satisfied by Form 8867. The IRS places special responsibilities on paid preparers for collecting the proper information to justify claims for the Earned Income Credit. Paid preparers must have a record of all information requested on IRS Form 8867, *Paid Preparer's Due Diligence Checklist*. *Taxpayers who use a paid preparer must file Form 8867, which must be completed by the preparer, with the return.* See the shaded box on the first page of these details for Schedule EIC. *Form 8867 is automatically created but only partially completed by the software when it determines that you may have a credit on line 27 of Form 1040. However, the preparer must manually answer several additional questions to complete the form.*

On-screen Schedule EIC follows 2023 1040 Instructions for line 27, and IRS Pub. 596. The *printed* Schedule EIC is *only* a printout of information on up to three of your qualifying children; it is not printed when you qualify only for the childless credit. (All required information for a credit based on qualifying children is entered on the *Dependents' Worksheets* for Form 1040.) However our *on-screen* Schedule EIC collects for you information that lets you track how the calculations for the Earned Income are performed, including qualifications for the credit and the EIC worksheets found in the IRS 1040 instructions and IRS Pub. 596.

EIC CHECKLIST. The first part of our on-screen Schedule EIC checks preliminary qualification for the credit.

Nonresident alien any part of 2023? Answer Yes only if the primary taxpayer was a nonresident alien any part of 2023. If Yes, you cannot take the EIC credit unless married to a resident and filing jointly. (Although most nonresident aliens are required to file a Form 1040NR return rather than a Form 1040 return, nonresidents married to residents are not.)

Filing as married filing jointly? *(auto-calc)* Taken from Form 1040, if married filing jointly (MFJ, filing status 2), you may qualify for the credit even if the primary taxpayer was a nonresident alien any of 2023.

Filing status is other than MFS? *(auto-calc)* Taken from Form 1040, if No, meaning that filing status is married filing separately (MFS, filing status 3), you do not qualify for the credit.

Your SSN on Form 1040. *(auto-calc)* Taken from Form 1040, as indicated.

Spouse SSN on Form 1040. *(auto-calc)* Taken from Form 1040, as indicated.

You have the required SSN(s)? *(auto-calc)* You (and spouse, if married) must have a social security card that qualifies you to work. A card that just identifies you, such as cards with numbers starting with 9, are not enough. The software therefore answers No here unless you supplied on our Form 1040 an SSN for you (and spouse, if married) ranging from 1xx-xx-xxxx to 8xx-xx-xxxx.

ELIGIBLE SO FAR? *(auto-calc)* Answered Yes only if you were not a nonresident alien any of 2023 (or you were married filing jointly), and your answers to the last two questions are both Yes.

EIC investment income. *(auto-calc)* Computed from amounts on Form 1040, Schedule 1, Schedule B, Schedule D, Schedule E, and Form 4797 in accordance with Worksheet 1 of the IRS Pub. 596 for 2023 returns, which is a complete representation of the law, unlike the IRS *2023 1040 Instructions*.

Is investment income over \$11,000? *(auto-calc)* If Yes, you cannot take the credit for 2023.

YOU qualifying child of another? *(auto-calc)* Taken from your entry on our Form 1040.

SPOUSE qualifying child of another? *(auto-calc)* Taken from your entry on our Form 1040. If married filing jointly, you cannot claim any credit if someone else can claim a credit based on spouse being their qualifying child.

Qualifying child of another? *(auto-calc)* Answered Yes if the above answer for you (or spouse, if married) is Yes. You cannot claim any credit if someone else can claim a credit based on you being their qualifying child.

Form 2555 exclusion/deduction on Schedule 1. *(auto-calc)* Computed as the exclusion from Form 2555 shown on line 8d of Schedule 1 (but taken as a positive number) plus the foreign housing deduction shown on line 24j of Schedule 1.

You file Form 2555? *(auto-calc)* Answered Yes if there is an amount on the preceding line. If Yes, you cannot take the credit.

ELIGIBLE SO FAR? *(auto-calc)* Answered Yes only if the answers to the first two questions (MFS and SSN questions) are both Yes and the answers to all other questions are No.

Itemize to access Form 8867. *(Road Map line, supported by Form 8867.)*

If the *Earned Income Credit* is claimed and the return is prepared by a paid preparer, the preparer must complete Form 8867 (*Paid Preparer's Due Diligence Checklist*), which must be filed with the return. Failure to comply with all due diligence requirements for the credit can subject the preparer to a \$600 penalty for each credit for 2023. However, *Schedule EIC must be complete before the preparer can complete Form 8867.*

WITH QUALIFYING CHILD. The second part of our on-screen Schedule EIC reflects the information you supplied on the *Dependents' Worksheets* for Form 1040.

Number of EIC-qualified children on Dependents' Worksheets. *(auto-calc)* Taken from the "Number Earned Income Credit qualified" at the bottom of screen 4 of Form 1040, which is determined from your entries on the *Dependents' Worksheets* for Form 1040.

Number used for Schedule EIC (3 maximum). *(auto-calc)* You get the maximum credit when you claim 3 children, so the IRS requires in-

formation on no more than 3 qualifying children. The software therefore prints on the official Schedule EIC only information on the first three Dependents' Worksheets that have qualifying children.

See Dependents' Worksheets for detailed qualifications. All information required to determine qualification for individual children is carried by the *Dependents' Worksheets* for Form 1040. You must complete those worksheets before this screen can show your qualification for the credit.

ELIGIBLE FOR CHILD CREDIT? *(auto-calc)* Answered Yes if eligible in Part I and the preceding number of children is 1, 2, or 3.

WITHOUT QUALIFYING CHILD. The third part of our on-screen Schedule EIC summarizes the results for those who have no qualifying children.

YOU nonresident of the U.S. 6 months or more? *(auto-calc)* Taken from your entry on our Form 1040.

SPOUSE nonresident of the U.S. 6 months or more? *(auto-calc)* Taken from your entry on our Form 1040.

Main home in U.S. more than 6 months? *(auto-calc)* Automatically Yes if either of the preceding two is Yes (except that the answer for spouse is ignored if not married filing jointly).

YOUR age on Form 1040. *(auto-calc)* Taken from your entry on the first screen of our Form 1040.

SPOUSE age on Form 1040. *(auto-calc)* Taken from your entry on the second screen of our Form 1040.

One age at least 25, but under 65? *(auto-calc)* If you (or spouse if married) are of the eligible middle age, you may qualify for the childless credit.

YOU dependent on another return? *(auto-calc)* Taken from your entry on the first screen of our Form 1040.

SPOUSE dependent on another return? *(auto-calc)* Taken from your entry on the second screen of our Form 1040.

Eligible as a dependent on another return? *(auto-calc)* Answered Yes if you (or spouse if married) have a Yes answer above.

ELIGIBLE FOR CHILDLESS CREDIT? *(auto-calc)* Answered Yes if NOT eligible for the child-based credit and the answers to main home, age, and dependency questions are Yes, Yes, and No, respectively.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return, but is provided for private notes or reminders.

EARNED INCOME (IRS EIC Worksheet B). 2023 earned income and the earned income credit are computed using *EIC Worksheet B* in the *IRS 1040 Instructions for 2023*.

Do you have a Schedule SE? *(auto-calc)* Answered Yes only if a Schedule SE has been created for the primary taxpayer ("you").

If so, self-employment income on your Schedule SE. *(auto-calc)* Computed from the copy of Schedule SE for "you" in accordance with

EIC Worksheet B, this is net self-employment income (including any amount from the optional methods) less the deductible part of self-employment tax for "you" (included in Schedule 1, line 15).

Married filing jointly and spouse has a Schedule SE? *(auto-calc)* Answered Yes only if a Schedule SE has been created for the spouse.

If so, self-employment income on spouse's Schedule SE. *(auto-calc)* Computed from the copy of Schedule SE for "spouse" in accordance with *EIC Worksheet B*, this is net self-employment income (including any amount from the optional methods but not reduced by the health insurance deduction on Schedule 1, line 17) less the deductible part of self-employment tax for "spouse" (included in Schedule 1, line 15).

1 Self-employment income on Schedule(s) SE. *(auto-calc)* Computed as the sum of the preceding two amounts.

Your self-employment income if no Schedule SE exists. *(auto-calc)* Computed from amounts available on Form 1040 and Schedule 1 for "you" when no Schedule SE has been created for "you."

Spouse's self-employment income if no Schedule SE exists. *(auto-calc)* Computed from amounts available on Form 1040 and Schedule 1 for "spouse" when no Schedule SE has been created for "spouse."

2 Self-employment income with no Schedule SE. *(auto-calc)* Computed as the sum of the preceding two amounts.

3 Statutory income on Schedule C, line 1 *(auto-calc, supported by Schedule C)* Taken from Schedule(s) C for the appropriate spouse, this answered Yes if NOT eligible for the child-based credit and the answers to main home, age, and dependency questions are Yes, Yes, and No, respectively.

Wages for EIC:

Amount from Form 1040, line 1z. *(auto-calc)* Taken from Form 1040, as indicated, this is the total for taxable wages as reported on Form 1040.

Amounts in Form 1040, line 1z, excludable for EIC:

Clergy income in Schedule SE and Form 1040, line 1z. *(auto-calc)* Taken from our special lines on screen 5 of Form 1040 for you and spouse ("Clergy income with untaxed social security"). If an amount appears here and you have an earned income credit, the flag "CLERGY" will be printed to the left of the amount on Form 1040, line 27, on the official printout to indicate the exclusion of clergy income when computing EIC.

Other exclusions for line 4a. Enter any other amounts included in Form 1040, line 1z, but excludable from earned income for the earned income credit, such as an amount on line 43 of Form 2555 (if included in Form 1040, line 1z).

Amount not in Form 1040, line 1z, includable for EIC:

Nontaxable combat pay (see the section between Parts I and II of our on-screen Schedule 1). *(auto-calc)* Taken from the CERTAIN NONTAXABLE INCOME section that follows line 10 of our on-screen Schedule 1, this is nontaxable combat pay (shown on Form W-2 but not included in box 1 of the form). You can elect to include this nontaxable income in your total for earned income when you compute the EIC, which may be to your advantage if it increases your credit.

Elect to include nontaxable combat pay in EIC calculation? If you answer Yes, the earned income you use when computing the EIC will be increased by the preceding amount. *TIP:* When answering this question, keep in mind that if you make this election, nontaxable combat pay will **NOT** be included in earned income on Schedule 8812 (Additional Child Tax Credit), in accordance with IRS instructions, so you should consider the credit for both schedules combined when deciding whether or not to make the election. If you make this election and there is an amount on the preceding line, the amount will be posted to line 1i of Form 1040.

Amount in Form 1040, line 1z, excludable for EIC:

Nontaxable Medicare waiver payments on Schedule 1, line 8s. *(auto-calc)* If, by your entry on line 8s of Schedule 1, you identified all or part of the Medicare waiver payments reported with wages on line 1a or line 1d of Form 1040, you can choose to exclude those payments from earned income you use for computing the EIC.

Elect to include nontaxable Medicare waiver payments in EIC calculation? If you answer No, the earned income you use when computing the EIC will be decreased by the preceding amount, since they are otherwise included because they are included in Form 1040, line 1z.

4a Net wages for Earned Income Credit. *(auto-calc)* Computed as the wages from Form 1040, line 1z, plus *elected* nontaxable combat pay, less *elected* exclusion of nontaxable waiver payments, less exclusions for clergy income and “Other exclusions for line 4a.”

4b TOTAL EARNED INCOME for Earned Income Credit. *(auto-calc)* Computed as the sum of lines 1, 2, 3, and 4a of this worksheet, this is the earned income used in computing the EIC. *TIP:* You no longer have the option of using earned income from a year prior to the tax year of the return.

5 Is line 4b less than allowed maximum? *(auto-calc)* The maximums are the highest dollar amounts in the IRS’s EIC tables that result in a credit, and depend on the number of qualifying children and filing status. If the answer is No, you have no earned income credit, the rest of the screen is blank, and the word NO will appear to the left of the amount on Form 1040, line 27, on the official printout of Form 1040.

Schedule EIC

- 6 Total earned income from line 4b.** *(auto-calc)* Taken from line 4b only if the answer to line 5 is Yes. Otherwise, zero.
- 7 Credit for line 6 amount in EIC Table.** *(auto-calc)* Computed from the IRS'S EIC Tables using the income in line 6. If the result is zero, you have no earned income credit, the rest of the screen is blank, and the word NO will appear to the left of line 27 on the official printout of Form 1040.
- 8 Adjusted gross income.** *(auto-calc)* Taken from Form 1040, line 11.
- 9 Are line 8 and line 6 the same?** *(auto-calc)* If Yes, the amount on line 7 is your credit and will appear on line 11, below. If No, another lookup in the EIC Tables is required at line 10, below.
- 10 If not and line 8 is less than allowed maximum, credit for line 8 amount in EIC Table.** *(auto-calc)* If the answer to line 9 is No, computed from the IRS'S EIC Tables using the income in line 8. Otherwise, zero. (The result will also be zero if line 8 exceeds the maximum allowable AGI for the number of children claimed.)
- 11 ALLOWED EARNED INCOME CREDIT.** *(auto-calc)* If the answer to line 5 is No, or line 7 is zero, computed as zero. Otherwise, if the answer to line 9 is Yes, computed as the amount on line 7. Otherwise, computed as the lesser of lines 7 and 10.

The result on line 11 is posted to line 27 of Form 1040 as the Earned Income Credit for 2023.

Schedule F / Profit or Loss from Farming

Who must use Schedule F? Schedule F is used to report income as the sole proprietor of a farm business. (Schedule C is used for nonfarm businesses.) You can report only one farm business on any one Schedule F, so five separate copies of Schedule F are built into the software. *Schedule F is accessible through the Road Map at line 6 of Schedule 1.*

And who must not? You must file Schedule C instead of Schedule F if the principal source of income is from agricultural services such as soil preparation, veterinary, farm labor, horticulture, management for a fee or on a contract basis, or you engage in the business of breeding, raising caring for dogs, cats, or other pet animals. Schedule F can be used only for sole proprietorships, and not for partnerships, joint ventures, or corporations. Joint ventures among individuals are generally considered to be partnerships, so a Partnership Return (Form 1065) must generally be filed. Amounts from the Schedules K-1 of that return are then reported on Schedule E, Part II, of each individual's Form 1040 return. However, there is now an exception for a husband-and-wife team, called a "qualified joint venture," as described next.

Husband-wife farm business no longer automatically a partnership. Prior to tax year 2007, a husband and wife who jointly ran an unincorporated farm business were always considered a partnership, whether or not a formal partnership agreement had been made, and had to file a partnership return, as described in the preceding paragraph. Since tax year 2007, a husband and wife team can elect to be taxed as a "qualified joint venture" instead of a partnership. If you make this election, you must file a Schedule F for each spouse, allocating income and expenses among the two schedules in accordance with the spouses' respective participation in the business. There is no formal process for making the election; the mere filing of two Schedules F for the farm business is considered as making the election. But once you report the business income this way, you must continue to do so year after year, unless you have IRS consent to be treated as a partnership instead of a "qualified joint venture."

GENERAL INFORMATION. Your answers to some of the following questions are critical to the proper operation of the software:

Copy number (1 through 5). *(auto-calc)* The number for the copy you selected from the menu appears here automatically.

Spouse owns (not you)? Each of the five available copies of Schedule F can be designated for either spouse. You must identify the proper spouse for each copy so that computations that depend on a spouse's individual self-employment income, such as the self-employment tax, are properly computed.

A Principal product. Describe the main crop or output for the tax year in 25 characters or less.

B Enter code from Part IV. Enter the IRS 6-digit code in Table 2-11 that best describes the source of most of your income. These codes also

appear in Part IV at the end of the form, and on the last screen of the software. (*TIP: If no code in this table fits your business, you may be reporting the income on the wrong form. See the long list of nonfarm business categories in the IRS Instructions for Schedule C. If your business fits one of those categories better than any of the farm categories, you should report the income and expenses for the business on Schedule C, not Schedule F.*)

Table 2-11. Codes for Principal Agricultural Activity

CODE	ACTIVITY
Crop production:	
111100	Oilseed and grain farming
111210	Vegetable and melon farming
111300	Fruit and tree nut farming
111400	Greenhouse, nursery, and floriculture production
111900	Other crop farming
Animal production:	
112111	Beef cattle ranching and farming
112112	Cattle feedlots
112120	Dairy cattle and milk production
112210	Hog and pig farming
112300	Poultry and egg production
112400	Sheep and goat farming
112510	Aquaculture
112900	Other animal production
Forestry and Logging:	
113000	Forestry and logging (including forest nurseries and timber tracts)
Note: This table also appears in Part IV of the official printout of Schedule F.	

C Accounting method:

(1) **Cash?** With the Cash Method you must report income in the year you receive it (in Part I) and expenses in the year you pay them (in Part II). Your answer here controls whether Part I or Part III is used in line 11, below. (Per IRS rules, you can use only one method, cash or accrual, for any one farm, and you can report only one farm business on a single Schedule F.)

(2) **Accrual?** Automatically the opposite of your answer to the Cash question, with this method you report income in the year you earn it (Part III) and expenses in the year you incur them (Part II), whether or not you actually receive or spend the money in the same year.

D Employer ID number (EIN). You must enter the farm's EIN here in the standard 10-character format (00-0000000) if the farm was required to file employment, excise, alcohol, tobacco, or firearms tax returns. If you are using Schedule F as the sole owner of an LLC, be sure to enter your EIN as a sole proprietor of your farming business, not an EIC issued to the LLC. *If you have no EIN, leave this entry blank. DO NOT enter a social security number here.*

E Did you "materially participate" in the operation of this business during 2023? If you can answer Yes, you are not subject to the passive loss limitations, and no gain or loss from this schedule will be used in Form 8582. You can generally answer Yes if you participated in the operation of the business for more than 500 hours during the year. See our instructions for Form 8582 for details.

Were you a "significant participant" in the operation of this business? If you do not satisfy the requirements for material participation, you may be classified as a significant participant. You are tentatively considered to be a significant participant if you participated in the activity for more than 100 hours but no more than 500 hours during the tax year. See our instructions for Form 8582 for details on what constitutes significant participation.

F Did you make any payments in 2023 that would require you to file Form(s) 1099? If so, you must answer Yes here and answer the next question. For example, payments to independent contractors would generally be reported on a Form 1099-MISC filed with the IRS, with a copy to the contractor.

G If "Yes," did you or will you file all required Forms 1099? You must answer this question if you answered Yes to line F. Otherwise, your answer is ignored and neither the Yes box nor the No box will be checked on the official printout of Schedule F. (Note that there are stiff penalties for not filing Forms 1099 when you are required to do so.)

PART I, FARM INCOME - CASH METHOD. Complete lines 1 through 10 if the farm operates on a cash basis. Use Part III instead if the farm operates on an accrual basis.

1a Sales of livestock and other resale items. Enter the total gross income for 2023 from items you bought for resale, regardless of how the income was received. Be sure to include resale items reported to you on Forms 1099-K.

1b Cost or other basis of livestock and other items reported on line 1a. Enter only costs for items reported on line 1a.

1c Subtract line 1b from line 1a. *(auto-calc)* Computed as indicated.

2 Sales of products you raised. Enter all sales of livestock, produce, grains, and other products you raised, regardless of how the income was received. Be sure to include relevant sales reported to you on Forms 1099-K.

3a Cooperative distributions (Form(s) 1099-PATR). Enter the totals from any Forms 1099-PATR that you receive, including ALL patronage dividends.

3b Taxable amount in line 3a. Enter the part of line 3a that is taxable. This is usually the amount on line 3a less the patronage dividends from buying personal items, capital assets, or depreciable assets.

4a Agricultural program payments. Enter both cash and noncash payments, including direct payments, counter-cyclical payments, price

support payments, diversion payments, and cost-share payments, and payments in the form of materials and services reported to you on Forms 1099-G or CCC-182.

4b Taxable amount in line 4a. Enter the full amount from 4a on line 4b unless some of the payments are nontaxable, such as payments received under certain conservation programs. See IRS Pub. 225 (*Farmer's Tax Guide*) for details.

CRP payments included in 4b. If line 4a includes any Conservation Reserve Program (CRP) payments, enter the taxable part here. This amount is not subject to self-employment tax on Schedule SE if you received social security retirement or disability payments in 4b. See Schedule SE for details.

5a Commodity Credit Corporation (CCC) loans reported under election. Enter here loan proceeds from any loans from the Commodity Credit Corporation (CCC) that you elect to report as income when received, *showing the details of the loans in a supporting statement for this line.*

5b CCC loans forfeited. Report the full amount forfeited even if you reported the loan proceeds as income.

5c Taxable amount related to line 5b. If you did *NOT* elect to report the amount forfeited as income, enter here the same amount as line 5b. If you *DID* elect to report the amount forfeited as income, but the amount forfeited is different from your basis in the commodity, you may still have to make an entry here. See IRS Pub. 225 (*Farmer's Tax Guide*) for details.

6 Crop insurance proceeds and federal crop disaster payments. You should report on the following lines total crop insurance proceeds (including disaster payments under the federal disaster assistance acts) actually received in 2023, whether you elect to include them as income this year or next year:

6a Amount received in 2023. Enter total crop proceeds here.

6b Taxable amount in line 6a. Unless you elect to include them as income next year, as indicated by your answer to 8c, enter the full amount on line 8a here.

6c Do you elect to defer the proceeds to 2024, and attach statement?

If you make the election you must *justify it in a supporting statement for this line.* See IRS Pub. 225 (*Farmer's Tax Guide*) for details on what to include. *Exception for e-file: The software does not support this statement for e-file. If you must create a supporting statement for this line, you must file a paper return.*

6d Amount deferred from 2022. If you elected on your 2022 return to include crop insurance proceeds from that year in 2023 income, enter that amount here.

7 Custom hire income. Enter all income received for use of your farm machinery, regardless of how it was received. Be sure to include relevant income reported to you on Forms 1099-K.

8 Other income. Report here any other taxable income not reported elsewhere on this form, including

- barter income,
- gasoline and fuel credits and refunds,
- profit or loss on sales of commodity futures if they were made as a hedge against price changes,
- recapture on Form 4797, line 35 (sections 179 and 280F(b)(2)) that relates to deductions previously taken for this farm,
- any inclusion amount on leased property other than vehicles,
- amount canceled or forgiven on discharge of your business debt,
- recovery of bad debts,
- recapture of credits taken for clean-fuel vehicles, and
- recapture of credit taken for clean-fuel vehicle refueling property.

Accounting method used. Even though you specified the accounting method in line C, earlier, the software may change your choice here depending on your entries in Part I and III of Schedule F:

Gross income from Cash Method. *(auto-calc)* Computed as the sum of lines 1e, 2a, 2b, 3b, 4b, 5a, 5c, 6b, 6d, 7a, 7b, 8a, and 8b.

Gross income from Accrual Method. *(auto-calc)* Computed as the result on line 50 of Part III.

Cash method chosen (vs. Accrual). *(auto-calc)* If only one of the above two totals is nonzero, the corresponding method is chosen and the answer to question C, earlier, is forced to be consistent. But if you inadvertently entered amounts in both Part I and Part III, your previous answer to question C is used to determine the choice.

9 GROSS INCOME. *(auto-calc)* This line is taken as either "Gross income from Cash Method" or "Gross income from Accrual Method" depending on the automatic answer to the preceding question.

The amount on line 9 is used in computing the Farm Optional Method on Schedule SE for the corresponding spouse.

PART II, FARM EXPENSES. You must report all expenses here whether you use the Cash Method or the Accrual Method. **CAUTION:** *If you use the Cash Method, prepaid farm supplies you enter here (supplies not yet consumed by the end of the tax year) cannot exceed 50% of all other expenses combined. You can generally deduct the remaining 50% only in the year those supplies are consumed, but see IRS instructions for exceptions.* (Costs of Goods Sold are considered adjustments to income, not expense deductions, and are reported in Part I or Part III, not here.)

2004 tax bill expanded deductibility of certain expenses. The *American Jobs Creation Act of 2004* added a number of provisions for certain special interest groups. Among these are two groups of expenses applicable to farms that can now be deducted currently rather than amortized over time: certain start-up costs (up to \$5,000), and certain forestation and reforestation costs. The rules apply to costs paid or incurred for these items after the enactment of the bill on October 22, 2004. See IRS Pub. 535 for details.

Car and truck expenses. The rules for deducting vehicle expenses are similar to those detailed for employees on Form 2106. You can generally use either the standard mileage rate method or the actual expenses method described in the details for Form 2106. However, in spite of the IRS label for line 10, the reporting of car expenses on Schedule F involves more than one line of the form. Lines 10, 14, and 24a are all relevant parts of the formula. We therefore provide the following entries to help guide you into the proper reporting of the expenses. **CAUTION:** *You MUST provide information on your vehicle on Form 4562 if you make an entry at line 10.* You must complete columns a through c of Section A and all of Sections B and C of Part V of Form 4562 (accessed at line 14, below).

Used more than four vehicles at the same time? Answer Yes only if you used five or more vehicles in the business at the same time, such as in a fleet operation. **TIP:** *You do not have to answer Yes if you alternated use among several vehicles but never used more than four at any one time.*

Actual expense REQUIRED for ALL. *(auto-calc)* Automatically Yes if you answered Yes above. If you used more than four vehicles at the same time you are not allowed to use the Standard Mileage Rate method for any of the cars. A Yes answer here prevents your use of the following section for the Standard Mileage Rate. You must instead report actual expenses in the section that follows the next one.

for cars and trucks using Standard Mileage Rate Method:

You can use this method only if you owned the vehicle and always used this method for it, or leased the vehicle and used the method for the entire lease period, and did not use the vehicle for hire.

Total 2023 business miles. Enter the total business mileage driven for the entire 2023 calendar year for cars and trucks that you choose to report under the Standard Mileage Rate method.

Deduction for line 10. *(auto-calc)* Computed as zero if the answer to "Actual expense REQUIRED for ALL" is Yes. Otherwise, computed from the preceding mileage entry at the rate of 65.5 cents per mile for 2023. This is the total deduction allowed for cars and trucks you choose to report under the Standard Mileage Rate method.

for cars and trucks using Actual Expense Method:

You cannot use this method if you leased the vehicle and ever used the Standard Mileage Rate method for the vehicle.

Rent or lease payments. Enter total rent or lease payments for cars and trucks. These payments are deducted at line 24a, not line 10, subject to the following limitation.

Inclusion amount from IRS Pub. 463. The IRS publishes an extensive table of inclusion amounts for "luxury vehicles." The amount of lease expenses you can deduct as a business expense is reduced by this inclusion amount. For leases that began in 2023, the reduction applies to vehicles with an initial market value that exceeds \$60,000; for leases begun in 2022, it is \$56,000; for leases begun in 2021, it is \$51,000; and for leases begun after 2017 and before 2021, it is \$50,000. For leases begun after 1986 but before 2018, the reduction generally applies only to vehicles with an initial market value in excess of \$12,800 if begun before 1991, \$13,400 if begun in 1991, \$13,700 if begun in 1992, \$14,300 if begun in 1993, \$14,600 if begun in 1994, \$15,500 if begun in 1995 or 1996, \$15,800 if begun in 1997 or 1998, \$15,500 if begun in 1999 through 2002, \$18,000 if begun in 2003, \$17,500 if begun in 2004, \$15,200 if begun in 2005 or 2006, \$15,500 if begun in 2007, \$18,500 if begun in 2008 through 2012, and \$19,000 if begun in 2013 through 2017. (Slightly higher amounts apply to trucks and vans.) To figure the inclusion amount, which can range from \$1 to a few hundred dollars per year, see IRS Pub. 463 (Travel, Entertainment, Gift, and Car Expenses).

Deduction for line 24a. *(auto-calc)* Computed as the rent or lease payment less the preceding inclusion amount, this total is used at line 24a of Schedule F, not here.

Depreciation – report on Form 4562 for line 14, NOT here. When you use the Actual Expenses method, depreciation is an allowable part of the actual expense you can deduct. However, the IRS requires you to report that depreciation on the copy of Form 4562 for this business, not here. This depreciation will then flow from Form 4562 to line 14 of Schedule F. (The proper copy of Form 4562 is accessed when you itemize line 14 of Schedule F. The proper deduction is then returned to Schedule F when you return from Form 4562. Note that you must also complete the information on vehicles in Part V of Form 4562, irrespective of which expense method you use.)

Other actual expense. All other actual expenses are deducted at line 10. Enter here all expenses not deducted at line 14 or 24a for cars that you choose to report under the Actual Expenses method. Include expenses for gasoline, oil, repairs, insurance, tires, license

plates, etc. *Exception: You can also enter here your parking fees or tolls, irrespective of the expense method you use.* (Parking fees and tolls are the only actual expenses allowed for cars and trucks reported under the Standard Mileage Rate method.)

- 10 Car and truck expenses (Form 4562 required).** *(auto-calc)* Computed as the sum of the deduction for line 10 from the Standard Mileage Rate method plus your entry above for other actual expenses.

Other expenses. All other expenses are deducted through lines 11 through 32:

- 11 Chemicals.** Enter the expenses identified.

Conservation expenses. Allowed expenses are generally expenses to conserve soil or water to prevent erosion of land used for farming. In addition to grading, conditioning, restoration, drainage construction, brush clearing, and planting windbreaks, this includes recovery actions in line with the *Endangered Species Act of 1973*. See IRS Pub. 225 for details.

Conservation expense carryover from 2022. Enter the amount disallowed on line 14 last year because of the limitation described below.

- 12 Conservation expenses (limited).** *(auto-calc)* Computed as the sum of the preceding two entries but no more than one-quarter of line 9 (gross income). Technically, the limit should be based on the gross farming income throughout the return excluding gains from selling assets. You may therefore be justified in overriding this line if you have farm income on another copy of Schedule F or elsewhere on the return. However, you must make sure that the sum of line 12 from ALL copies of Schedule F does not exceed one-quarter of the sum of gross income from ALL copies of Schedule F.

Conservation expense carryover to 2024. *(auto-calc)* Computed as the sum of the two components of line 12 less the limited amount allowed on line 12, this is the disallowed amount of conservation expense, and is carried over to Schedule F for next year.

- 13 Custom hire (machine work).** This expense applies only when you (the machine operator) furnished the equipment. *TIP: If you paid rent or made lease payments on the equipment, you should deduct them at line 24a, not here.*

- 14 Depreciation and section 179 deduction.** *(Road Map line, supported by Form 4562.)* A separate copy of Form 4562 is attached to each separate copy of Schedule F. The proper copy is automatically chosen when you access Form 4562 from this line. When you return from the form, the total depreciation (on line 22 of Form 4562) is posted here, and the total amortization is posted to line 32a.

- 15 Employee benefit programs.** Do not include amounts entered on line 23 for pension and profit-sharing plans, nor amounts for you or your family:

Employee benefit programs NOT in line 23. Enter contributions to employee benefit programs not included in line 23, later, such as accident, health, and life insurance programs, and dependent care assistance programs. You must exclude the sole proprietor of the

business from this entry, but may be able to deduct some of the sole proprietor's health insurance at Schedule 1, line 17.

Credit allocated from Form 8941. *(auto-calc if Standard or Premium Level, supported by Form 8941)* This line is used to report the part of any credit from Form 8941 that applies to this farm. (In the software, the last screen of Form 8941 is used to allocate the credit among your businesses, and the amount that applies to this copy of Schedule F for the proper spouse is posted here.) Form 8941 is a new form for computing a credit for health care payments made to employees by small businesses. The credit is posted to Form 3800, where it is combined with other credits then posted to Schedule 3, line 6a. However, any deduction you claim for health care payments must be reduced by the amount of credit claimed, which is the reason for this line in the software.

15 Employee benefit programs. *(auto-calc)* Computed as "Employee benefit programs NOT in line 23" less "Credit allocated from Form 8941," but no less than zero.

16 Feed purchased. Generally, feed to be consumed in the current year.

17 Fertilizers and lime. Enter here expenses for all types of fertilizer.

18 Freight and trucking. Enter freight and trucking expenses but not general mailing expenses. Also, do not include freight and trucking for items purchased for resale with freight paid.

19 Gasoline, fuel, and oil. Enter energy expenses other than utilities.

20 Insurance (other than health). Enter only farm business insurance, such as property insurance. Health benefits for employees (including accident and health insurance) are reported on line 15, not here.

21 Interest:

21a Mortgage (paid to banks, etc.) interest. Enter only amounts reported to you on a Form 1098 in your name. If the amount you deduct here is larger than the amount shown on the Form 1098, you must *explain in a supporting statement for this line*, using both the description and amount columns.

21b Other. Enter here only amounts not reported to you on a Form 1098. This includes amounts for which no Form 1098 was issued by the recipient and amounts on a Form 1098 that is not in your name. If the latter case applies, you must *supply the name and address of the recipient of the Form 1098 in a supporting statement for this line. Exception for e-file: The software does not support this statement for e-file. If you must create a supporting statement for this line, you must file a paper return.*

22 Labor hired (net):

Labor hired. Enter amount paid for farm labor, including cost of boarding farm labor.

Employment credits. Enter here any employment credits, such as Work Opportunity Credit (Form 5884), Empowerment Zone Employment Credit (Form 8844), and Indian Employment Credit (Form

8845), that are based on wages included above. *CAUTION: Even though Form 5884 is built into the Premium Level, no amounts are posted here automatically since the wages used on Form 5884 may not be included on this copy of Schedule F.*

22 Labor hired (less employment credits). *(auto-calc)* Computed as "Labor hired" less "Employment credits."

23 Pension and profit-sharing plans. Enter the employer's contribution to employee pension and profit-sharing plans.

24 Rent or lease. Deductions must be separated into those for equipment and those for other property.

Vehicles (entered above line 10). *(auto-calc)* This is the amount computed above line 10 for rent and lease payments on cars and trucks, reduced by the IRS inclusion amounts for luxury vehicles. See the details above line 10 of this schedule.

Machinery and equipment. Enter equipment rentals here.

24a Vehicles, machinery, and equipment. *(auto-calc)* Computed as the sum of the preceding two amounts.

24b Other (land, animals, etc.). Enter all other rent and lease payments here, such as for office space, pasture or farm land, and animals.

25 through 29. Enter the expenses identified on each line.

30 Utilities. Enter amounts paid for gas, electricity, water, etc., for business use on the farm. (You cannot deduct the base rate of the *FIRST* phone line into your house.)

31 Veterinary, breeding, and medicine. Enter the expenses identified.

32 Other expenses. Report here all expenses that don't fit into the categories of lines 12 through 31:

a Amortization (Form 4562). *(Road Map line, supported by Form 4562.)* Using the same copy of Form 4562 as supports line 14, the result on line 44 of Form 4562 is posted here.

b Other itemized. You must list any other expenses *in a supporting statement for this line*. Because the space on the IRS Schedule F is limited, you should keep your descriptions in the itemized list to 18 characters or less each. See IRS instructions for examples of other expenses you can deduct. *If you have preproductive period expenses that you capitalize, see the following shaded section for instructions on what to enter in the support for this line.*

33 TOTAL EXPENSES (lines 10 through 32f). *(auto-calc)* Computed as the sum of lines 10 through 32f.

Preproductive Period Expenses. Certain expenses for real or tangible property must be capitalized rather than expensed, such as through amortization computed on Form 4562. However, you may be able to deduct expenses for producing a plant with a preproductive period of more than 2 years. If you elect to deduct the expenses, you report them in the normal manner on lines 10 through 32. However, if you capitalize these preproductive expenses, whether by choice or requirement, the IRS defines a spe-

cial procedure for highlighting this fact. Instead of eliminating these expenses from lines 10 through 32 and claiming a depreciation or amortization deduction on Form 4562, as you would for most capitalized expenses, the IRS instructs you to *enter the full expenses in lines 10 through 32 then cancel them through a matching negative entry in a supporting statement for line 32, with the description "263A" in the support.* You still must claim the capitalized amount through Form 4562, but the above negative procedure is required to flag the existence of these preproductive period expenses in the form.

SUMMARY. Income and expenses are netted here:

Tentative net income. *(auto-calc)* Computed as line 11 less line 35.

\$ amount of loss NOT at risk (Form 6198). If tentative net income reflects a net loss, you must enter the part of the net loss that is NOT at risk here. Your losses for any activity are limited to the amount that you have at risk, which is the amount that you personally stand to lose from that activity. This generally includes cash and the adjusted basis of any property you contributed to the activity plus any amount borrowed for which you are personally liable. Use Form 6198 (built into the Premium Level software) to determine the amount you have at risk, and file the form with your return. (Your entry here will affect the answer to lines 36a and 36b, later.)

Prior unallowed passive loss. This is the loss carryover from the prior year stemming from passive loss limitations on this activity for 2022. *This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040.*

Part allowed in significant participation net. *(auto-calc)* If "Tentative net income" is a loss, no amount will appear here. But if it is a gain, and you identified this farm as a significant participation activity below line E, the part of the above carryover that does not exceed the tentative net income appears here.

Significant participation net. *(auto-calc)* If you identified this farm as a significant participation activity, this line is calculated as "Tentative net income" less the above part of carryover allowed.

Net gain from ALL significant participation activities? *(Road Map line, supported by Form 8582.)* Taken automatically from Form 8582, this answer can be reliable only upon the final recalculation of the return.

Passive loss unallowed in 2023. *(auto-calc line, supported by Form 8582.)* The unallowed loss from Form 8582 for the current year is posted here, but it may not be accurate until the final recalculation of the return. It is the proper pro-rated portion of the amount shown on Form 8582. If line 36 reflects a disallowance from Form 8582 or reflects an additional loss due to a carryover from 2022, "PAL" is printed beside the result on the official printout of Schedule F.

- 34 NET FARM PROFIT OR LOSS.** *(auto-calc)* Computed as line 9 less line 33 with losses not at risk and unallowed passive losses removed. *This result, along with the result from any other copies of Schedule F, is posted to line 6 of Schedule 1.*
- 35 Reserved for future use.** *(auto-calc)* Now always zero, this line was formerly used to report any excess farm loss, which was eliminated by the tax reform bill through 2025.
- 36 Which answer describes your investment in this activity:**
- a All investment is at risk.** *(auto-calc)* Answered Yes *only* if there is NOT an entry for "\$ loss NOT at risk (6198)" below "Tentative net income" at the top of screen 6. Otherwise, No.
- b Some investment is not at risk.** *(auto-calc)* Answered Yes *only* if there IS an entry for "\$ of loss NOT at risk (6198)" below "Tentative net income" at the top of screen 6. Otherwise, No.
- If line 36b is "Yes," itemize here for Form 6198.** *(If Premium Level, Road Map line supported by Form 6198.)* You must complete Form 6198) if line 36b is Yes because some investment is not at risk.

PART III, FARM INCOME - ACCRUAL METHOD. Complete this part *only* if you indicated the accrual method of accounting on line C of this schedule.

- 37 Sales of livestock, produce, grain, and other products.** Enter all sales for 2023 of livestock, produce, grains, and other products you raised, regardless of how the income was received. Be sure to include relevant sales reported to you on Forms 1099-K.
- 38a Total distributions from cooperatives (1099-PATR).** Enter totals of any Forms 1099-PATR you receive, including patronage dividends.
- 38b Taxable amount in 38a.** Enter the part of line 38a that is taxable. This is usually line 38a reduced by patronage dividends from buying personal items, capital assets, or depreciable assets.
- 39a Total agricultural program payments.** Enter both cash and non-cash payments, as detailed in the instructions for line 4a.
- 39b Taxable amount in 40a.** Enter the full amount from line 39a on line 39b unless some of the payments are nontaxable, such as payments received under certain conservation programs. See IRS Pub. 225 (*Farmer's Tax Guide*) for details.
- 40 Commodity Credit Corp. loans:**
- 40a CCC loans reported under election.** Enter loan proceeds described in the instructions for line 5a, *showing the details of the loans in a supporting statement for this line.*
- 40b CCC loans forfeited.** Report the full amount forfeited as detailed in the instructions for line 5b.
- 40c Taxable amount related to line 40b.** Enter the taxable amount as detailed in the instructions for line 5c.
- 41 Crop insurance proceeds.** Enter insurance proceeds detailed in the instructions for line 6.

- 42 Custom hire income.** Enter income received for use of your farm machinery, regardless of how it was received. Be sure to include relevant income reported to you on Forms 1099-K.
- 43 Other income.** Report here any other taxable income, including barter income, fuel credit refunds, and profit or loss on sales of commodity futures if they were made as a hedge against price changes. See the instructions for line 8 for other examples.
- 44 Add amounts in right column of lines 37 through 43.** *(auto-calc)* Computed as the sum of lines 37, 38b, 39b, 40a, 40c, 41, 42, and 43.
- 45 Inventory at beginning of year.** Enter here the starting inventory of all livestock, produce, grains, and other products. *(This amount is taken from last year's line 49 if you started the return by translating a prior-year return with the tax year on the Control Form retained at 2022.)*
- 46 Cost of products purchased during year.** Enter cost of livestock, produce, grains, and other products incurred during the year.
- 47 Add lines 45 and 46.** *(auto-calc)* Computed as indicated.
- 48 Inventory at end of year.** Enter here ending inventory of livestock, produce, grains, and other products.
- Unit-livestock, farm-price method?** Answer Yes if you use the unit-livestock-price method or the farm-price method of valuing inventory. A Yes answer here will result in a unique calculation for lines 49 and 50 to ensure that line 49 is never negative, as instructed by the IRS.
- 49 Cost of products sold.** *(auto-calc)* Normally computed as line 47 less line 48, this is the cost of livestock, produce, grains, and other products sold during the year. However, if you answered Yes to the preceding question, and line 48 is greater than line 47, this line is computed instead as line 48 less line 47.
- 50 GROSS INCOME.** *(auto-calc)* Normally computed as line 44 less line 49. However, if you answered Yes to the question above line 49, and line 48 is greater than line 47, this line is computed as line 44 plus line 49.

The result on line 50 is automatically posted to the "accrual" line above line 9 in Part I of this form, and used for line 9 when the accrual method is chosen.

PART IV, PRINCIPAL AGRICULTURAL ACTIVITY CODES. The codes to be used when completing line B at the beginning of Schedule F appear here. These codes are also shown in Table 2-11 on the second page of these details for Schedule F.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule H / Household Employment Taxes

Who is it for? Schedule H is used to report and pay social security, Medicare, and federal unemployment taxes, and any withholding deducted from wages paid, for any household employees (maids, butlers, cooks, gardeners, baby-sitters, etc.) you may have had during the tax year. If you...

- paid \$2,600 or more in 2023 to any one household worker, *OR*
- withheld any Federal income tax during 2023 on behalf of the worker, *OR*
- paid \$1,000 or more in any one quarter of 2022 or 2023 to all workers combined,

then you must do the following:

- file Schedule H,
- get an employer identification number (EIN) from the IRS, *AND*
- file a Form W-3 with the Social Security Administration, along with Copy A of a Form W-2 for each employee showing the amount of social security and Medicare tax paid on behalf of each employee, *AND*
- give each employee a copy of his or her Form W-2.

To get an EIN, you must file Form SS-4 with the IRS. If you use the Standard Level or Premium Level version of *Tax Preparer*, you can access the latest version of IRS Form SS-4 from the *Documents* choice on the *Tax Preparer Control Panel* menu.bar. You can also get Form SS-4 by downloading it from the forms section of the IRS web site at www.irs.gov/formspubs or by calling 1-800-TAX-FORM to have it sent to you. You can get fileable W-2 forms at many office supply stores as well as the IRS. (The versions of Form W-2 available on the web are not accepted by the IRS for filing.) You can file Forms W-2 and W-3 electronically, as explained at www.ssa.gov/employer, but you'll still need to give each employee a paper copy of Form W-2. *Schedule H is accessible through the Road Map at line 7a of Schedule 2.* (Two copies of the schedule are available, one for each spouse.)

IDENTIFICATION. The spouse to which the copy of Schedule H applies is set by your choice when you entered the form, so the entry for SSN is automatic. However, you must supply your EIN, which is required for all household employers. In addition, if you are filing the form by itself (because you are not required to file Form 1040), you must so indicate in order for information about the taxpayer(s) and paid preparer to be printed in the signature block at the bottom of page 2.

Social security number for this copy. *(auto-calc)* Taken from your entry on Form 1040 using the following answer.

Is this spouse's copy (vs. you). *(auto-calc)* Based on the choice you made when entering this schedule.

Filing this schedule without Form 1040? A Yes answer is appropriate ONLY if you are filing this schedule by itself because you are not otherwise required to file Form 1040. If you answer Yes, the name and address you entered on Form 1040 are shown below and printed in Part IV (Address and Signature) at the bottom of page 2 of the

official Schedule H along with the paid preparer's information you entered in your software's Program Settings. Otherwise, neither is printed. *If Yes, you (and paid preparer, if any) must sign Schedule H in the provided space(s) in Part IV.*

Address (no. and street) or P.O. Box. *(auto-calc)* Taken from your entry on Form 1040 *ONLY* if you indicated on the preceding line that you are filing this schedule by itself. Otherwise, blank.

City or p.o., state. *(auto-calc)* Taken from your entry on Form 1040 *ONLY* if you indicated that you are filing this schedule by itself. Otherwise, blank.

ZIP code. *(auto-calc)* Taken from your entry on Form 1040 *ONLY* if you indicated that you are filing this schedule by itself. Otherwise, blank.

Employer identification number (EIN). Enter your EIN in standard 10-character format (00-0000000). An entry here is *mandatory*. *CAUTION for e-file: You must have a valid EIN to enter here in order to e-file the return. If you do not, you must apply for an EIN and file a paper return with "AppliedFor" entered here.*

CASH WAGES. The information collected in this section allows us to fully automate Schedule H for most taxpayers. However, employers in a credit reduction state and employers in more than one state must provide additional information in a worksheet for Section B, Part II. *TIP: Cash wages in the context of this schedule includes any equivalent form of compensation, such as personal or business checks.*

Total cash wages of ALL employees combined. Include ALL employees, not just those to whom you paid \$2,100 or more. *You should not generally include wages paid to your spouse, your parent, your child under age 21, or anyone under 18 who is a student. However, see IRS instructions for exceptions.*

Disability payments subject to social security and Medicare tax. If your employees received payments *from a state disability plan* that withheld the employee's part of social security and Medicare tax from the payments, enter the total disability payments here. You are liable for the employer's part of the social security and Medicare tax on these payments.

Total taxable wages. *(auto-calc)* Computed as the "Total for ALL employees combined" plus the preceding disability payments. You are liable for FUTA tax on the first \$7,000 of each employee's wages.

Were these for just one employee? If you had only one household employee, then most remaining lines in this section are completed for you automatically. If you had more than one, however, you must enter the required data yourself because there is not yet enough information for the software to do it for you.

Part of above total for those employees to whom you paid \$2,100 or more. Include *ONLY* employees to whom you paid at least \$2,100.

You are liable for social security and Medicare tax only for these employees.

Part subject to Medicare tax. *(auto-calc)* Automatically the same as the preceding line because *ALL* of an individual's wages are normally subject to this tax. You may override this line if any employee qualifies for a special exception.

Part over \$200,000 per employee. If for just one employee, this is automatically the preceding total less \$200,000, but no less than zero. Otherwise, you must determine for each employee the amount of wages that exceed \$200,000, and enter here the sum of all these excess amounts. (\$200,000 is the wage base for withholding for the Additional Medicare Tax for 2023, *below* which no additional Medicare tax applies for *any* filing status.)

Part over \$160,200 per employee. If for just one employee, this is automatically the preceding total less \$160,200, but no less than zero. Otherwise, you must the separately determine the excess for each employee and sum these amounts for this entry. (\$160,200 is the social security wage base for 2023, *above* which no social security tax applies.)

Part subject to Social Security tax. *(auto-calc)* Computed as the wages for those paid \$2,600 or more less the preceding excess amount, this is the amount liable for the federal social security tax.

Total over \$7,000 per employee. If for just one employee, this is automatically "Total taxable wages" computed earlier less \$7,000, but no less than zero. Otherwise, you must determine for each employee the amount of wages that exceed \$7,000, and enter here the sum of all these excess amounts.

Wages subject to FUTA tax. *(auto-calc)* Computed as the "Total taxable wages" computed at the top of screen 2 less the preceding excess amount, this is the amount liable for federal unemployment tax.

Part in 2.7% reduction state. Enter wages subject to FUTA in U.S. Virgin Islands. This entry is used in special computations for line 23 of this schedule in which credit at line 23 is reduced by 2.7% of the wages in the state. See the shaded box on the next page for the meaning and use of "credit reduction state" to which this line applies.

Remainder (no credit reduction). *(auto-calc)* Computed as "Wages subject to FUTA tax" less "Part in 2.7% reduction state," these are the wages eligible for the full credit for FUTA tax already paid.

Credit reduction states. When a state does not repay to the government money it borrowed to pay unemployment benefits, the employer must pay more than the standard FUTA tax on Schedule H. This is accomplished by reducing the amount you are credited for unemployment tax already paid (hence the name "credit reduction state"). For 2023, there are 3 credit reduction states. California and New York have a reduction rate of 0.6% and Virgin Islands has a reduction rate of 3.9% (Virgin Islands refers to the United States Virgin Islands, which is not really a state, of course, but is an unincorporated territory of the United States. Nevertheless, it is treated like a state for the purposes of employment taxes.) If you are an employer in U.S. Virgin Islands, you must enter on the line "Part in 3.9% reduction state" the part of "Wages subject to FUTA tax" that applies to U.S. Virgin Islands so that the proper credit reduction is computed for line 23 in Part II, Section B, of this schedule, and line 10 is properly answered No. For the other credit reduction states (CA and NY), you must enter on the line "Part in 0.6% reduction state" the part of "Wages subject to FUTA tax" that applies to these states. **CAUTION:** You must enter the same amount in the worksheets for line 17. Otherwise, the computation of credit reduction may not be correct at line 23.

WITHHOLDING. The following withholding information is required to properly complete lines 8 and 9 in Part I.

Federal income tax withheld. Enter the total of all amounts withheld on behalf of the employees.

Tax state withheld from disability payments. (*auto-calc*) Assuming that the state does not make an error in its deductions, and no one employee received more than \$160,200 in disability payments for 2023, this line is computed automatically as 7.65% of your previous entry for total disability payments (6.2% for social security tax and 1.45% for Medicare tax).

WHO MUST FILE. This section tests the three circumstances under which you must file this schedule. **CAUTION:** Although the IRS instructs you to skip B and C if A is Yes, and skip C if B is Yes, you must always answer all three questions in order for the software to complete Schedule H for you as much as possible.

A Did you pay ANY ONE household employee cash wages of \$2,600 or more in 2023? (*auto-calc*) Automatically Yes if you made an entry for "Part of above total for those to whom you paid \$2,600 or more."

B Did you withhold Federal income tax during 2023 for any household employee? (*auto-calc*) Automatically Yes if you entered an amount above for "Federal income tax withheld." If Yes, you must complete Part I of this schedule.

C Did you pay TOTAL cash wages of \$1,000 or more in ANY calendar QUARTER of 2022 or 2023 to household employees? Automatically Yes if the previously-computed amount for "Total taxable wages" is \$4,000 or more, because then at least one quarter must have had at least \$1,000 of wages. Otherwise, subject to your own answer.

Must you file Schedule H? *(auto-calc)* If the answer to all three of the above questions is No, you do not have to file this schedule.

Must you complete Part I? *(auto-calc)* If the answer to Question A or Question B is Yes, the answer to this question will be Yes and you MUST complete Part I of this schedule (which is automatically completed for you).

Must you complete Part II? *(auto-calc)* If the answer to Question C is Yes, the answer to this question will be Yes and you MUST complete Part II of this schedule (which is partially completed for you).

PART I, SOCIAL SECURITY, MEDICARE, AND INCOME TAXES. This part is fully automatic based on the preceding answers. If the answer to "Must you complete Part I?" at the bottom of screen 3 is No, all lines will be zero.

1 Total cash wages subject to social security taxes. *(auto-calc)* Taken from the previously-computed result for "Part subject to Social Security tax."

2 Social security tax. *(auto-calc)* Computed as 12.4% of line 1.

3 Total cash wages subject to Medicare taxes. *(auto-calc)* Taken from the previously-computed result for "Part subject to Medicare tax."

4 Medicare tax. *(auto-calc)* Computed as 2.9% of line 3.

5 Total cash wages subject to Additional Medicare Tax withholding. *(auto-calc)* Taken from your previously entry for "Part over \$200,000 per employee," which is the amount of which you are required to withhold a percentage for the new tax, even though that amount may not be the actual tax liability of the employee, which depends on the employee's filing status.

6 Additional Medicare Tax withholding. *(auto-calc)* Computed as 0.9% of line 5.

7 Federal income tax withheld. *(auto-calc)* Taken from your prior entry for "Federal income tax withheld."

Amount withheld from disability payments. *(auto-calc)* Taken from the previously-computed result for "Tax state withheld from disability payments." An amount here will cause the word DISABILITY to be printed beside line 8 on the official printout, as required by the IRS. Your tax liability is reduced by this amount, which is the employee's part already deducted by the state.

8a Total social security, Medicare, and income taxes. *(auto-calc)* Computed as the sum of lines 2, 4, and 7 less the preceding amount withheld from disability payments, this is the FUTA tax stemming from Part I of Schedule H. Before Covid relief, this would be the amount you reported on line 9 of Schedule 2 for household employment taxes if you didn't have to use Part II of this form, or included in the tax figured in Part II. But this amount is reduced if you paid qualified sick and family leave wages during Covid so that line 8d is used for this purpose instead of line 8a.

8b through 8f. Credits for qualified sick and family wages. *(auto-calc lines)* These lines are used to show credits computed based on the qualifying wages and expenses you enter on the lines that follow

Form by Form Details (2024 Edition)

Schedule H

them (lines 8g through 8n). These credits were created for Covid relief for qualified sick and family leave wages paid before April 1, 2021 and qualified sick and family leave wages paid after March 31, 2021 but before October 1, 2021. Non-refundable credits are figured in lines 8b and 8c and reflected in the return by a reduction in household employment taxes included in Schedule 2, line 9. Refundable credits are figured in lines 8e and 8f and reflected in the return as credits on line 13z of Schedule 3.

8g through 8n. Qualified sick and family leave wages and related health plan expenses. These are data entry lines that you must complete if you qualify for the Covid relief credits. They separately show sick leave wages, family leave wages, and health plan expenses allocable to each of them for each of the two date ranges for Covid relief.

9 Did you pay TOTAL cash wages of \$1,000 or more in ANY calendar QUARTER of 2022 or 2023 to household employees? *(auto-calc)* Taken from your answer to Question C (on screen 3).

If the answer to line 9 is No, the rest of Schedule H is not used and the amount on line 8d is posted Schedule 3, line 9, and the amounts on lines 8e and 8f are posted to Schedule 3, line 13z. Otherwise, you must complete Part II.

PART II, FEDERAL UNEMPLOYMENT (FUTA) TAX. You must complete this part if your answer was Yes for Question C. To properly complete this part, you must be familiar with the rules for your state concerning unemployment insurance.

10 Did you pay unemployment contributions to only one state? *In spite of the IRS wording for this line, the answer must be No even when you pay to only one state if any of the wages subject to FUTA tax stem from employment in one of the “credit reduction states” for 2023.* (The answer will be forced to No upon final recalculation if you enter FUTA wages on screen 2 for one of the credit reduction states, or you completed a worksheet in Section B that identifies the state as one of the credit reduction states and has an amount on line (b).)

11 Did you pay all state unemployment contributions for 2023 by April 15, 2024? Answer as indicated.

12 Were all wages that are taxable for FUTA tax also taxable for your state’s unemployment tax? Answer as indicated.

You must complete Section A. *(auto-calc)* If you answered Yes to *all three* questions, above, and you are required to complete Part II, you must complete Section A, below, and leave Section B blank.

You must complete Section B. *(auto-calc)* If you answered No to *any* of the above questions and are required to complete Part II, you must complete Section B and its worksheet, and leave Section A blank.

SECTION A. This section handles the simplest form of FUTA reporting.

13 Name of state where you have to pay unemployment contributions. Use the standard 2-character code for the state. ***CAUTION: If the state is any of the credit reduction states listed at the bottom of screen 2, you must use Section B instead of Section A and leave this entry blank.***

14 Contributions paid to your state unemployment fund. Enter the total you paid in 2023.

Is state experience a 0% rate? If line 14 is zero because your state experience rate is zero, you must confirm this here so that the proper note is printed on the official form for the IRS.

15 Total cash wages subject to FUTA tax. *(auto-calc)* Taken from the prior result for “Wages subject to FUTA tax” (on screen 2).

16 FUTA tax. *(auto-calc)* For 2023, computed as 0.6% of line 15, this is the FUTA tax stemming from Part II, Section A, of Schedule H.

SECTION B. This section handles a more general form of FUTA reporting.

17 Itemize for worksheet. *(Supported by the State Fund Contributions Worksheet, Figure 2-18.)* You must supply the detailed information in the worksheets, which will be reflected in lines 18(g) and (h).

18 Totals, (g) and (h). *(auto-calc lines)* Taken from columns (g) and (h) of the *State Fund Contributions Worksheets*.

19 Add columns (g) and (h) of line 18. *(auto-calc)* Computed as indicated, this total includes only payments made to the state by the regu-

lar filing date of the return (April 15, 2024 for tax year 2023 returns).

Additional amount paid late to state. *(auto-calc)* Taken from your entries for "Additional amount paid after 4/15/2024" on the *State Fund Contributions Worksheets*. This is the total of late payments, which is used in a special computation for line 23.

20 Total cash wages subject to FUTA tax. *(auto-calc)* Taken from the prior result for "Wages subject to FUTA tax" (on screen 2).

21 Multiply line 20 by 6.0%. *(auto-calc)* Computed as indicated.

22 Multiply line 20 by 5.4%. *(auto-calc)* Computed as indicated.

Smaller of line 19* or line 22. *(auto-calc)* Normally computed as indicated, a special computation is used if you paid any amount late. When the special computation applies, the amount for this line is line 8 of IRS Worksheet 1 (*Worksheet for Credit for Late Contributions*) in the IRS's *2023 Instructions for Schedule H*, and is the lesser of line 22 and the sum of line 19 plus 90% of the lesser of the amount late or the amount by which line 22 exceeds line 19. The effect of this special computation is to reduce your credit for payments when any amount is late. Unless line 19 includes an amount for a credit reduction state, this amount is also used for line 23.

0.6% reduction states:

Wages included in line 20. *(auto-calc)* Normally taken from your entry on screen 2 for "Part in 0.6% reduction state," but if that amount is zero and any State Fund Contributions Worksheets are completed with VI as the state for line a, the wages on line b of those worksheets is used here (but no more than the amount on screen 2 for total "Wages subject to FUTA tax").

Credit reduction for line 23. *(auto-calc)* Computed as 0.6% of the preceding amount, this is the amount by which the credit for state FUTA tax liability must be reduced because the specified state is a "credit reduction state" for 2023. This reduction is computed in accordance with the IRS's Worksheet 2 (*Household Employers in a Credit Reduction State*) on page H-12 of the IRS *2023 Instructions for Schedule H*.

Total credit reduction for line 23. *(auto-calc)* Computed as "Credit reduction for line 23," this is the amount of credit *not* allowed in line 23 because of being an employer in a "credit reduction state."

23 Enter the smaller of line 19 or line 22. *(auto-calc)* Computed as "Smaller of line 19* or line 22" less "Total credit reduction for line 23" in accordance with IRS Worksheet 2 (*Worksheet for Household Employers in a Credit Reduction State*) in IRS *2023 Instructions for Schedule H*. This is the total credit allowed for state FUTA tax liability..

24 FUTA tax. *(auto-calc)* Computed as line 21 less line 23, this is the FUTA tax stemming from Part II, Section B, of Schedule H.

State Fund Contributions Worksheet, Figure 2-18. Accessed from line 17 in Part II, Section B, this worksheet is used to claim credit for amounts paid to a state unemployment fund. Up to 5.4% of wages can be deducted from the federal liability.

a. Name of State. Enter the standard 2-character code for the state. *If you enter one of the states listed on screen 2, your credit against your FUTA tax liability is reduced through special calculations at line 23 of Schedule H.*

STATE FUND CONTRIBUTIONS	
a. Name of state.....	
b. Taxable wages.....	0
c. Exp per from.....(mo/yr)	
Exp to.....(mo/yr)	
d. State exp. % rate.....	0
e. Mult b x .054.....	00
f. Mult b by d.....	00
g. Sub f from e.....	00
h. Amt.pd.to state by 4/15/24	00
Add'l amt.pd.after 4/15/24	0
2.4% credit reduc'n state. <input type="checkbox"/> No	

- b. Taxable wages.** Enter wages defined by the state as subject to their unemployment tax, even if you pay no tax because your state experience rate is zero.
- c. State experience period from.** This and the next entry are date entries for the period upon which the state has based your unemployment tax rate. Enter starting date here in the mm/yy format.
State experience period to. Enter ending date here in the mm/yy format.
- d. State experience rate.** Enter the experience rate as a percentage, not a decimal factor, such as 4.9% rather than .049.
- e. Multiply b by .054.** *(auto-calc)* Computed as 5.4% of line c.
- f. Multiply b by d.** *(auto-calc)* Computed as line b times line d divided by 100.
- g. Subtract f from e.** *(auto-calc)* Computed as indicated, this is the dollar amount by which your actual state FUTA tax liability falls short of the state credit limit. *This line is separately totaled among all worksheets and posted to line 18(g) on the official Schedule H.*
- h. Amount paid to state by 4/15/2024.** Enter the total amount actually paid for 2023 to the state unemployment fund by April 15, 2024. Any amount you paid after this date is entered on the next line. **TIP:** If you pay your entire liability on time, this amount should be the same as line f. *This line is separately totaled among all worksheets and posted to line 18(h) on the official Schedule H.*
Additional amount paid after 4/15/2024. Enter the total amount paid for 2023 to the state unemployment fund after April 15, 2024. This amount is stated separately because any amount you paid late is handled in a special way in the computation of line 23.
- 2.4% credit reduction state.** *(auto-calc)* Answered Yes only if your entry for line a is VI, and you have an entry on line b. Employers in this "state" are subject to a credit reduction that is 2.4% of wages.

PART III, TOTAL HOUSEHOLD EMPLOYMENT TAXES. This section collects the results of Parts I and II. However, *if Part II is not used, lines 25 and 26, below, will be zero* and the amount for Schedule 2 will be taken directly from line 8 in part I instead.

25 Amount from line 8d. *(auto-calc)* Computed as indicated, this is the FUTA tax you owe from Part I.

26 Add line 16 (or line 24) and line 25. *(auto-calc)* Computed as indicated, this is the FUTA tax you owe from Part II, using line 16 if Section A was completed or line 24 if Section B was completed.

If the answer to Question C (or line 9) is Yes, meaning that Part II is used, the amount on line 26 is posted to Schedule 2, line 9. Otherwise, the amount on line 8d alone is posted to Schedule 2, line 9. In either case, the amounts on lines 8e and 8f alone are posted to Schedule 3, line 13z, as well.

27 Are you required to file Form 1040? *(auto-calc)* Taken as the opposite of your answer to "Filing this schedule without 1040?" (on screen 1). If No, Part IV is completed on the official printout of Schedule H, as described below.

PART IV, ADDRESS AND SIGNATURE. If you indicated on screen 1 that you are filing Schedule H alone (not with the Form 1040 return), the taxpayer's address that appears below your answer on screen 1 is printed at the bottom of page 2 in Part IV along with any paid preparer information you entered in your Program Settings. Otherwise, this section is left blank on the official printout. *If filing Schedule H alone, you (and your paid preparer, if any) must sign this part of the official printout.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule R / Credit for the Elderly or Disabled

For eligible elderly taxpayers: automatically generated. This schedule is automatically generated when it appears from the results on Form 1040 that a taxpayer or spouse is eligible for this credit on the basis of age and income (unless you chose to block its auto-creation through the Control Form). You will nevertheless have to access Schedule R to supply more information if you received any nontaxable pensions that were NOT reported on line 4a or 5a of Form 1040. (Schedule R is accessible through the Road Map at Schedule 3, line 6d.)

For disabled taxpayers: manually generated. If you qualify for the credit based on disability, you must access Schedule R and supply additional information in order to claim the credit. TIP: You no longer have to file a physician's statement with the return. However, you must keep such a statement with your records if required.

ELIGIBILITY QUESTIONS. Eligibility is determined from your answers to the following questions. Answer all questions separately for you and spouse if married.

YOUR age (from Form 1040 screen 1). (*auto-calc lines*) Taken from your entry on screen 1 of Form 1040 for your age at year-end.

SPOUSE'S age (from Form 1040 screen 2). (*auto-calc lines*) Taken from your entry on screen 2 of Form 1040 for spouse's age at year-end.

Spouse claiming credit...

A was permanently and totally disabled on Jan. 1, 1976 or Jan. 1, 1977, OR on the date retired? Answer Yes if *EITHER* statement is true.

B had not reached the mandatory retirement age of employer's plan by Jan. 1, 2023? You cannot claim the credit for disableds if your employer's retirement plan would have required you to retire by the beginning of the tax year.

C was unable to engage in gainful activity in 2023? You can answer Yes only if, due to your continued disability condition, you were *unable to engage in any substantial gainful activity* in 2023.

D received taxable disability income of (\$). Do *not* include any amount received from an employer's pension plan after reaching mandatory retirement age.

ELIGIBLE TO USE SCHEDULE R. (*auto-calc lines*) Your age(s) and your answers to the above questions for you and spouse are used to determine your eligibility for either the credit for the elderly (65 or older) or the credit for the disabled (under 65), or both.

PART I, FILING STATUS AND AGE. *(auto-calc lines)* The IRS defines 9 categories based on the filing status for the return, ages of taxpayer and spouse, and disability status. The proper category is determined by the software from your entries on Form 1040 and the preceding answers. A Yes will appear for one of the categories (1 to 9) if you qualify for the credit.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

PART II, STATEMENT OF DISABILITY. Complete this part ONLY if a Yes appears in Part I at line 2, 4, 5, 6, or 9. You must answer at least the first question for the appropriate spouse to determine whether or not you need to complete the rest of the section for that spouse. *An identical set of questions appears for you and spouse.*

1 Did you file the required statements in 1983 or before, OR after 1983 but your physician signed Box B? You can answer Yes only if you filed a physician's statement for this disability for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician checked Box B on the statement.

2 Are you unable to engage in gainful activity in 2023? *(auto-calc)* Taken from your answer to Questions C of the earlier eligibility questions for the appropriate spouse.

PHYSICIAN'S STATEMENT REQUIRED? *(auto-calc)* Answered No only if you could answer Yes to *BOTH* of the above two questions.

If a physician's statement is required, you must have a physician sign the statement at the end of the IRS Instructions for Schedule R and keep this signed statement with your records. You should no longer file the statement with your return.

PART III, AMOUNT OF YOUR CREDIT. The computation is based on the above entries plus any adjustment you make to line 13, below. When all calculated entries are zero it means that you are not eligible for the credit.

10 Amount based on answers in Part I. *(auto-calc)* \$5,000, \$7,500, or \$3,750 will appear here based on the Schedule R filing status determined above.

11 Taxable disability income. *(auto-calc)* Taken from your prior entries for taxable disability income, depending on your Schedule R filing status.

12 Line 10, or smaller of lines 10 and 11. *(auto-calc)* Taken as line 10 if line 11 is zero, and the smaller of lines 10 and 11 otherwise.

Nontaxable social security benefits not on Form 1040. Enter here all nontaxable social security (and railroad retirement benefits treated as social security) *not* included in line 5a of Form 1040.

13a Nontaxable part of social security benefits. *(auto-calc)* Computed as line 5a less line 5b of Form 1040 plus the preceding amount.

Nontaxable pensions not on Form 1040. Enter here any nontaxable part of pensions received but not included in line 5a of Form 1040,

Schedule R

including nontaxable veteran's pensions (but NOT military disability pensions) and any other pension, annuity, or disability benefit that is excluded from income under any other provision of federal law (but NOT disability under section 808 of the Foreign Service Act of 1980). *Enter as a negative number here the part of the pension and annuities in line 5a of Form 1040 that is a return of capital.*

13b Nontaxable part of other pensions. *(auto-calc)* Computed as line 5a of Form 1040 less line 5b of Form 1040 plus the above additional amount.

13c Add lines 13a and 13b. *(auto-calc)* Computed as indicated.

14 Amount from Form 1040, line 11. *(auto-calc)* Automatically taken from Form 1040 as indicated, this is the adjusted gross income (AGI) for the return.

15 Amount based on answers in Part I. *(auto-calc)* \$7,500, \$10,000, or \$5,000 depending on the Schedule R filing status.

16 Subtract line 15 from line 14. *(auto-calc)* Computed as indicated.

17 Enter one-half of line 16. *(auto-calc)* Computed as indicated.

18 Add lines 13c and 17. *(auto-calc)* Computed as indicated.

19 Subtract line 18 from line 12. *(auto-calc)* If the sum of the reductions at lines 13c and 17 equals or exceeds the base on line 12, line 19 will be zero and you cannot take the credit.

20 Multiply line 19 by 15%. *(auto-calc)* Computed as indicated.

Amount from Form 1040, line 18. *(auto-calc)* Taken from Form 1040 as indicated, this is the total tax before credits, including taxes in Part I of Schedule 2.

Amounts from Schedule 3, lines 1 and 2. *(auto-calc)* Taken from Schedule 3, as indicated, this is the sum of the *Foreign Tax Credit* and the credit for *Child and Dependent Care Expenses*, which are the only credits to be taken *before* the credit from Schedule R, even though the credit from Schedule R is not reported until line 6c of Schedule 3.

21 Tax liability limit. *(auto-calc)* Computed as Form 1040, line 18, less Schedule 3, lines 1 and 2, but no less than zero. This result matches that from the *Credit Limit Worksheet—Line 21* in the *IRS 2023 Instructions for Schedule R* except that a negative result is disallowed.

22 CREDIT FOR THE ELDERLY OR DISABLED. *(auto-calc)* Computed as the lesser of line 20 or line 21

The result on line 22 is posted to line 6d of Schedule 3.

Schedule SE / Self-Employment Tax

Who is it for. This form is for self-employed taxpayers who owe social security and Medicare tax on their self-employment income. Liable income includes business income, farm income, certain partnership income, and wages from a church that elects exemption from employer social security taxes. *This tax applies no matter how old you are, and whether or not you are already receiving social security benefits.* See IRS Instructions for Schedule SE and IRS Pub. 533 (*Self-Employment Tax*).

Fully automatic for most liable taxpayers. Schedule SE is automatically generated when required based on results on Form 1040, unless you choose to block its auto-creation through the Control Form. However, *you may have to supply additional information directly on Schedule SE if you are a church employee, a minister, or a member of some other special group.* (*Schedule SE is accessible through the Road Map at Schedule 2, line 4.*)

GENERAL INFORMATION. Schedule SE contains a short form (Section A) and a long form (Section B). The software completes the proper one based on your entries.

Social security number for this copy. *(auto-calc)* One copy of Schedule SE is available for each spouse. The social security number entered on Form 1040 for the spouse whose copy you chose when you entered Schedule SE appears here.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also based on the copy you chose.

Who Must File Schedule SE. If you have net self-employment of more than \$433.13 (\$400 divided by 0.9235), or church employee income (other than for services as a minister or member of a religious order) of \$108.28 or more, you must file this schedule.

EXCEPTIONS:

Exempt from Schedule SE tax based on an IRS-approved Form 4361 or 4029? *(auto-calc lines, supported by Control Form)* If you claimed an exemption from this copy of Schedule SE on our Control Form (claiming an approved Form 4361 or 4029 that applies to ALL of your self-employment income), a Yes answer will appear here.

IRS approved your Form 4361 claim not to be taxed, but you have other earnings subject to self-employment tax? If your *ONLY* self-employment income was from earnings as a minister, you do not have to file Schedule SE if you file Form 4361 and receive IRS approval. But if you have more than \$433.13 of *OTHER* self-employment earnings you may have to file Schedule SE anyway. See "ADJUSTMENTS FOR CLERGY" on the next page.

Schedule SE

WAGE AND TIP INCOME. The remaining entries help determine which section you must use, and are then used in the appropriate section:

Qualifying church wages on W-2. If you are an employee of a church or a qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, a tax applies even when your self-employment income is less than \$400, and you must use the Long Schedule SE. (If *CLERGY*, see "Adjustments for Clergy," next, and do not make an entry here.)

Social security wages from Forms W-2 reported on Form 1040. (*auto-calc*) Taken from your entry for social security wages on the W-2 Worksheets for the appropriate spouse.

Adjustment to social security wage total. Enter here any additional wages that qualify for inclusion that were not included as social security wages on the W-2 Worksheet, such as certain railroad retirement compensation, or any special adjustment.

Net social security wages. (*auto-calc*) Computed as the social security wages plus the above adjustment less the Medicare qualified government wages. If you are not eligible for the Short Schedule SE, this result is used for line 8a of the Long Schedule SE.

Unreported tips subject to social security tax. (*If Premium Level, auto-calc line supported by Form 4137.*) Tips not reported to your employer that are subject to social security tax through Form 4137 are reported here from line 9 of Form 4137. This entry is used for line 8b of the Long Schedule SE.

ADJUSTMENTS FOR CLERGY. Because of the way clergy are often compensated for their services, special rules must often be followed for clergy income. You should make entries on the following lines only for clergy who are subject to the social security tax:

Social security wages not taxed on W-2. (*auto-calc*) Taken from the W-2 Worksheets for line 7, this is the amount identified as clergy wages subject to the social security tax but for which withholding on Form W-2 was excepted. It will be added to net and gross nonfarm income for Schedule SE.

Net income on C not social security liable. If you report all ministerial income on Schedule C but that income is exempt from social security tax by way of Form 4361, enter the net income for that Schedule C here so that it can be subtracted from the net nonfarm income posted to Schedule SE from Schedule C.

Gross income on C not social security liable. If you report all ministerial income on Schedule C but that income is exempt from social security tax by way of Form 4361, enter the gross income for that Schedule C here so that it can be subtracted from the gross nonfarm income posted to Schedule SE from Schedule C.

Nontaxable income that is social security liable. Enter here any amount not subject to regular income tax but still subject to the social security tax, such as housing allowance or rental value of your home

provided to you as a minister. This amount will be added to net and gross nonfarm income for Schedule SE. (Note that clergy no longer have to include as self-employment income retirement benefits received from a church plan after retirement and the rental value of a home or an allowance for a home furnished after retirement.)

EXEMPT Notary Public Income. Enter fees received for services performed as a notary public that are reported on a Schedule C. These fees are not subject to the self-employment tax, and are therefore subtracted from the amount in line 2 (whether the short or long form is used) when computing line 3. "EX-EMPT NOTARY" will print next to line 3 on the official printout of Schedule SE if you make an entry here.

FARM SELF-EMPLOYMENT INCOME. Farm self-employment income is computed from amounts on Schedules E and F for the proper spouse, as follows:

Net farm income:

Net profit or loss from Schedule F. *(auto-calc)* Taken from the appropriate spouse's part of line 6 of Schedule 1, where net profit from all Schedules F is posted.

Net farm profit or loss from Schedule K-1. *(auto-calc)* Taken from the net farm self-employment income you identified on the Partnership and S Corp Worksheets in Part II of Schedule E (for the appropriate spouse).

Adjustment to farm net. Enter here any net farm self-employment income for the appropriate spouse not reported on Schedule E or F, or any other special adjustments.

Net farm profit or loss. *(auto-calc)* Computed as the sum of the above three lines.

CRP payments in Schedule F, line 6b. *(auto-calc, supported by Schedule F)* Taken from the amount you identified below line 6b of Schedule F as taxable Conservation Reserve Program payments received (on copies of Schedule F for the appropriate spouse). Thanks to the *Food, Conservation and Energy Act of 2008*, this amount is not subject to social security tax if you received social security benefits during the year.

CRP payments on Schedule K-1 (Form 1065). Enter the Conservation Reserve Program payments reported to you from a partnership on Schedule K-1 (Form 1065), box 20, code X.

Did you receive social security retirement or disability benefits? If Yes, the preceding two CRP payment amounts are not subject to self-employment tax, thanks to the *Food, Conservation and Energy Act of 2008*.

Amount for Schedule SE, line 1b. *(auto-calc)* Computed as the sum of CRP payments if your answer to the preceding question is Yes; otherwise, zero. Unless the Farm Optional Method is used, this amount is used for line 1b of Section A or Section B of Schedule SE (depending on whether the Short Schedule SE or Long Schedule SE is

Schedule SE

used). But if the Farm Optional Method is elected, the net profit used to determine eligibility for the method is reduced by this amount.

Gross farm income:

Gross income from Schedule F. *(auto-calc)* Taken from line 11 of all copies of Schedule F for the appropriate spouse.

Gross farm income from Schedule K-1. *(auto-calc)* Taken from Part II of Schedule E (for the appropriate spouse).

Other gross farm income. Enter any gross farm self-employment income for the appropriate spouse not included above.

Gross farm income. *(auto-calc)* Computed as the sum of the above three lines.

Elect to use the Farm Optional Method? If net farm self-employment income is low, you may choose to use an optional method in order to raise your social security contributions or to ensure a child care or earned income credit. The software will automatically control all limitations that apply to current-year amounts.

FARM OPTIONAL METHOD USED. *(auto-calc)* This answer is Yes only if you elect the method and meet all the monetary requirements computed in Part II of Section B of this schedule.

NONFARM SELF-EMPLOYMENT INCOME. Nonfarm self-employment income is computed from amounts on Schedules C and E, as follows:

Net nonfarm income:

Net profit or loss from Schedule C. *(auto-calc)* Taken from Schedule C through line 3 of Schedule 1.

Amount on Schedule C received as a statutory employee. *(auto-calc)* Taken as the net income on any Schedule C identified as completed for a statutory employee.

Net profit on Schedule C for Schedule SE. *(auto-calc)* Computed as the net profit or loss on Schedule C less the above statutory amount. (Statutory employees have already paid social security and Medicare tax as reported on their W-2 forms.)

Net nonfarm profit or loss from Schedule K-1. *(auto-calc)* Taken from the net nonfarm self-employment income you identified on the Partnership and S Corp Worksheets in Part II of Schedule E.

Adjustment for clergy. *(auto-calc)* Taken from the entries in the previous ADJUSTMENTS FOR CLERGY section as described there.

Other net nonfarm income. Enter here any net nonfarm self-employment income for the selected spouse not reported on Schedule C or Schedule E, or any other special adjustments.

Net nonfarm profit or loss. *(auto-calc)* Computed as the sum of all the above lines.

Gross nonfarm income:

Gross income from Schedule C. *(auto-calc)* From line 7 of Schedules C.

Gross nonfarm income from Schedule K-1. *(auto-calc)* From Part II of Schedule E.

Adjustment for clergy. *(auto-calc)* Taken from the entries in the previous ADJUSTMENTS FOR CLERGY section as described there.

Other gross nonfarm income. Enter any gross nonfarm self-employment income not included above.

Gross nonfarm income. *(auto-calc)* Computed as the sum of all the above lines.

Elect to use the Nonfarm Optional Method? If your net nonfarm self-employment income is low, you may choose to use this optional method in order to raise your social security contributions or to ensure a child care or earned income credit. The software will automatically control all limitations that apply to current-year amounts, but there are further restrictions that depend on earlier years, as follows.

Self-employment net was \$400 or more 2 of the last 3 years? You cannot use the Nonfarm Optional Method unless you can answer Yes. (Only 92.35% of your self-employment income is subjected to the \$400 test, due a deduction based on the rate of this tax.)

Number of years previously used Nonfarm Optional Method. You cannot use the Nonfarm Optional Method unless you can enter 4 or less here, because you cannot use the method more than five times in your lifetime.

NONFARM OPTIONAL METHOD USED. *(auto-calc)* This answer is Yes only if you elect the method and meet all the monetary requirements computed in Part II of Section B of this schedule.

SCHEDULE SE. The official schedule is virtually automatic once you supply the preceding information. However, if you have to complete Form 8919, you will have to enter on line 8c of Schedule SE the amount on line 10 of Form 8919.

Part I, Self-Employment Tax. The tax is figured in this part, which is fully automatic. For 2023, only the first \$160,200 of income is subject to the full 15.3% tax, and all remaining income is taxed at a 2.9% rate. The results on lines 12 and 13 are posted to line 4 of Schedule 2 and line 15 of Schedule 1, respectively.

Part II, Optional Method to Figure Net Earnings. If you answered Yes to one of the Optional Method questions previously, and are otherwise eligible for it, this section is used to determine the income for line 4b of Section B, Part I, and is completely automatic. However, income must be quite low to qualify for one of the Optional Methods:

- **Farm Optional Method.** You cannot use this method for 2023 unless your net farm profits (less qualifying CRP payments) were less than \$7,103 or

Schedule SE

your gross farm income was \$9,840 or less. (Net and gross farm income is shown on screen 2 of this schedule.)

- **Nonfarm Optional Method.** You cannot use this method unless your net nonfarm profits are less than *BOTH \$7,103 AND 72.189% of your total gross nonfarm income*. (The gross and net nonfarm amounts are seen on screen 3 of this schedule.)

Extra line for personal memos. The supporting statement you create for this line is not printed as a part of the official return, but is intended for private notes or reminders for this schedule.

Exempt from filing (NOTARY). *(auto-calc)* Automatically Yes if you made an entry earlier for "EXEMPT Notary Public Income," had less than \$433.14 (\$400 divided by 0.9235) earnings, did *NOT* elect one of the Optional Methods, do not have to file Schedule SE, and owe no self-employment tax. If Yes, Schedule SE will be omitted from printing with the complete official return, and "EXEMPT Notary" will be printed next to line 4 of Schedule 2.

Form 1116 / Foreign Tax Credit**

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. Form 1116 is used to claim credit for income taxes paid to a qualifying foreign country or U.S. possession. It's purpose is to prevent you from being double-taxed on the same income – once by the U.S. and once by the foreign country. Form 1116 is *accessible through the Road Map at line 1 of Schedule 3*. Ten copies of Form 1116 are built into the software.

Prepare Form 1116 only after Form 1040 is complete and final through line 16. Because of the unique structure of Form 1116, you should prepare Forms 1116 only after the return is complete and final through and including tax on line 16 of Form 1040. Especially important are all income items through line 9 of Form 1040 and tax on lump-sum distributions on Form 4972 for line 16(2) of Form 1040. *If any of these amounts change after you prepare Forms 1116, you must itemize to the worksheets accessed at line 1a of Form 1116 and view all worksheets so that they are updated with the new amounts, since worksheets only recalculate when you view them.*

You may qualify for the credit without filing Form 1116. You can claim the credit *without* filing Form 1116 *if all of the following conditions are met:*

- (1) **All foreign income was investment income.** Income that falls into this category includes interest, dividends, royalties, rents, annuities, gain from sale of investment property, and capital gains not associated with your active conduct of a trade or business. *(The IRS confusingly calls this the “passive income” category, but it has no relation to “passive activity income” defined for Form 8582. Rather, it includes “portfolio income” as defined for Schedule D and is therefore “nonpassive income” in the context of Form 8582!)*
- (2) **All foreign income and withholding were reported to you on a qualified statement.** Qualified statements include Form 1099-INT, 1099-DIV, and Schedule K-1.
- (3) **Total foreign taxes do not exceed \$300 (\$600 if married filing jointly).** Only creditable foreign taxes count in this determination.

However, the ability to omit Form 1116 does not give you the ability to ignore its rules. You must still reduce your credit by amounts described in IRS instructions for line 12 of Form 1116, which generally means that you cannot claim credit for taxes on income that you have excluded from U.S. income tax.

CAUTION: *It may be to your benefit to use Form 1116 even when you are qualified to omit it, because you cannot carry over any unused credit to another year if you omit Form 1116.*

Copy 1 is ALWAYS REQUIRED. Unlike other forms for which we provide multiple copies, copy 1 is mandatory for Form 1116 because of the unconventional design of the form by the IRS. The IRS requires that you post the credits from all Forms 1116 to Part IV of a single Form 1116, leaving Part IV blank for all other copies of Form 1116. The result in Part IV of that one Form 1116 is then posted to line 1 of Schedule 3. We have therefore designated copy 1 of Form 1116 as the single copy for which Part IV is completed. As a result, if you do not create a copy 1 of Form 1116, no credit will be posted to Schedule 3. Therefore, whether you need one or more copies of Form 1116, copy 1 must be one of the copies.

IMPORTANT: Use IRS resources for important details. The IRS Instructions for Form 1116 includes several topics that may require your attention, including a list of foreign taxes that are not eligible for the Foreign Tax Credit, situations that may require a redetermination of the credit on an amended return, and adjustment of income to compensate for the lower rates that apply to capital gains. IRS Pub. 514 (*Foreign Tax Credit for Individuals*) provides even more detail on what taxes qualify for the credit and includes helpful filled-in examples for Form 1116. We strongly recommend that you carefully read both documents before preparing Form 1116, unless you are only claiming a credit for foreign taxes paid on interest and dividends received from foreign sources.

Category of income. You must identify the category of income to which this copy of Form 1116 applies. You must use a separate Form 1116 for foreign tax related to each separate category. See the IRS's *2023 Instructions for Form 1116* for more information on each category.

- a **Section 951A income.** Introduced by the IRS for 2018, this is global intangible low-taxed income (GILTI) included by U.S. shareholders of certain foreign corporations, but excludes passive category income (which is category c, below).
- b **Foreign branch income.** Another category introduced for 2018, this is business profits attributable to qualified business units (QBUs) in foreign countries, but excludes passive category income (which is category c, below).
- c **Passive category income.** This is generally portfolio income or other investment income from sources in which you are not an active participant. It is the most popular category because it includes dividends from foreign stocks. It also includes interest, royalties, rents, annuities, gain from sale of investment property, and capital gains not associated with your active conduct of a trade or business. This category includes dividends from a DISC (domestic international sales corporation), or former DISC, and certain distributions from a FSC (foreign sales corporation), or former FSC. (*CAUTION: This category has no relation to "passive activity income" defined by the IRS for Form 8582. Rather, it is related to "portfolio income" as de-*

ined for Schedule D and is therefore “nonpassive income” in the context of Form 8582.)

d General category income. This is foreign income that does not fit into any of the other categories, including wages or salary as an employee, income from your conduct of a business not described in other categories, and gains from sale of inventory or depreciable property from a trade or business not described in any other category. It also includes financial services income. *If it is financial services income, you must report in a supporting statement for this line the type of income and amount for each income item that qualifies as financial services income.*

e Section 901(j) income. This is income derived from certain sanctioned countries. No tax credit is allowed for these countries, but you must still complete Form 1116 through line 16 to determine foreign source taxable income. Unlike the other categories, you must use a separate copy of Form 1116 for each separate country from which you receive section 901(j) income. *The IRS instructs you NOT to use copy 1 of Form 1116 for this category if you are filing more than one Form 1116; nevertheless, the return will show the proper credits even if you do.*

f Certain income re-sourced by treaty. This is income you elect to treat as foreign source income by application of an income tax treaty with the country.

g Lump-sum distributions. These are foreign-source lump-sum distributions from a pension plan. If you elected to have this income taxed using one of the options on Form 4972, a separate limitation applies, as explained later in these details. *The IRS instructs you NOT to use copy 1 of Form 1116 for this category if you are filing more than one Form 1116; nevertheless, the return will show the proper credits even if you do.*

Special handling. Two types of income must be flagged to the IRS for special handling:

Is any passive income in category d because it is high-taxed? Passive income that is taxed by the foreign entity at a rate higher than the highest U.S. tax that could be imposed on that income must be categorized as passive income. If this case applies, you must answer Yes to this question on two copies of Form 1116: the one that applies to passive category income (category c) and the one that applies to general category income (category d). If you answer Yes here, you must adjust line 13 (in Part III of Form 1116) in accordance with IRS instructions for that line. The adjustment must be a positive adjustment on the copy of Form 1116 for general category income, and a negative for the copy for passive category income. A Yes answer here causes the code HTKO to be printed at line i in Part I on page 1 of Form 1116 to flag the situation to the IRS. (A

Yes answer is not allowed for copies of Form 1116 for categories other than category c or category d.)

Is any income passed through to you from a RIC (regulated investment company)? If so, that income does not have to be reported on a country-by-country basis. Instead, all income can be consolidated into a single column of Form 1116, Part I, and a single row in Part II. A Yes answer here causes the code "RIC" to be printed at line i on page 1 of Form 1116 to flag the situation to the IRS.

Any inclusions under Section 951A? If so, you don't need to report those inclusions on a country-by-country basis because they are reported on separate Forms 8992. A Yes answer here causes the code "951A" to be printed at line i on page 1 of Form 1116 to flag the situation to the IRS.

Any inclusions under Section 965? Similarly, a Yes answer here causes the code "965" to be printed at line i on page 1 of Form 1116 to flag the situation to the IRS.

Country or U.S. possession:

h Resident of (2-letter code). Enter the 2-letter code for the country or U.S. possession, or enter US for United States. The codes for all foreign countries and U.S. possessions are shown in Table 2-6 (on page 2-27) of this *Tax Forms Guide*.

Preparation for completing Parts I and II of Form 1116. Before you can complete Parts I and II, you must complete a number of special sections we have provided in order to automate the form. The need for these entries is not evident from the form itself but is buried in the IRS Instructions for Form 1116 and IRS Pub. 514 (*Foreign Tax Credit for Individuals*). You should refer to those sources if you have questions not answered here.

Deductions for lines 3a and 3b. In determining the taxable income attributable to a particular category and country, Form 1116 includes the reporting of expenses that *cannot* be definitely attributable to any one category and country. Those expenses apply to all countries reported on Forms 1116 but are divided among them and the U.S. in proportion to their respective gross incomes. Each column of Form 1116, Part I (and each worksheet that Tax Preparer provides to support them) shows the required prorating, which is generally different for each country. But the expenses to which the prorating is applied are the same for all countries and categories. We therefore provide the expense entries for lines 3a and 3b here to eliminate duplicate data entry that might otherwise be required.

3a Certain itemized deductions or standard deduction. You report here either your standard deduction or a portion of your itemized deductions, depending on which is used for line 12 of Form 1040:

Schedule A used for Form 1040, line 12? (*auto-calc*) Taken from Form 1040, as indicated. If No, all amounts below from Schedule A will be zero and you need make no entries below for line 3a of Form

1116. But if Yes, you must determine the amounts to exclude from selected parts of Schedule A for the purposes of this line.

If Yes, enter Schedule A amounts to exclude. The amounts you must exclude below are amounts that cannot be prorated because they are definitely related to either foreign or U.S. source income. Only amounts that *cannot* be identified as relating to particular income can be prorated.

Medical and dental (Schedule A, line 4). *(auto-calc)* Taken from Schedule A, this is the medical expense deducted.

Part to exclude from line 3a. Enter the part of the preceding amount that applies to a particular category and country, or applies to the U.S. An amount that applies to a particular category and country will be reported on line 2 of the respective worksheet instead.

General sales tax (Schedule A, line 5a). *(auto-calc)* Taken from Schedule A, this is the deduction for general sales tax, if any. If income tax was deducted at Schedule A, line 5a, rather than sales tax, no amount will appear here.

Part to exclude from line 3a. Enter the part of the preceding amount that applies to a particular category and country, or applies to the U.S. An amount that applies to a particular category and country will be reported on line 2 of the respective worksheet instead.

Real estate tax (Schedule A, line 5b). *(auto-calc)* Taken from Schedule A, this is the deduction for real estate tax.

Part to exclude from line 3a. Enter the part of the preceding amount that applies to a particular category and country, or applies to the U.S. An amount that applies to a particular category and country will be reported on line 2 of the respective worksheet instead.

3a Amount for line 3a of all Forms 1116. *(auto-calc)* If itemized deductions were used for Form 1040, line 12, this line is computed as the sum of the preceding amounts from Schedule A less the entered exclusions. Otherwise, the standard deduction used on Form 1040, line 12, appears here. This result is used for line 3a of all worksheets for Form 1116 (except those for category g with a Form 4972 election, as described later).

3b Amount for line 3b of all Forms 1116. Enter any other deductions that do not definitely relate to any particular type of income or country. *Do not include interest expense or losses here;* they will be reported on lines 4 and 5 instead. *You must explain your entry in supporting statements on screen 5, using a separate supporting statement for each column used. Failure to do this will cause an e-filed return to be rejected by the IRS.*

3e Gross income for prorating. The prorating of amounts not definitely related to a particular type of income or country requires a knowledge of the gross income for the type and country, entered on line 3d of the respective worksheet, and the gross income for all sources combined, including the U.S. The latter amount is computed here and is used for line 3e of all worksheets.

Gross income on Form 1040, line 9. *(auto-calc)* Taken from line 9 of Form 1040, as indicated.

Income excluded via Form 2555. *(auto-calc)* Taken from Schedule 1, line 8d, but shown as a positive number. This is the amount by which gross income was reduced in computing Form 1040, line 9, and must be added back to income for the purposes of Form 1116, line 3e.

Other deductions and losses reflected in Form 1040, line 9. For the purposes of lines 3d and 3e, the IRS defines gross income as income without regard to deductions and losses. You must therefore enter any other deductions and losses that reduced income in computing Form 1040, line 9, and must be added back to income for the purposes of Form 1116, line 3e.

- 3e Gross income without exclusions, losses, and deductions.** *(auto-calc)* Computed as Form 1040, line 9, with the preceding two amounts added back to income.

Gross income with exclusions for line 4a worksheet. *(auto-calc)* Computed as the preceding result reduced by the exclusion from Form 2555. The prorating for line 4a is different from that for lines 3a and 3b in that the exclusion from Forms 2555 is not added back to income for the purposes of the former. This result is used on the worksheets in computing the prorated amount for line 4a.

Information for deduction at line 4a. The prorating for line 4a is computed on each worksheet, but the amount to be prorated is the same for all worksheets and is the amount deducted on Schedule A for home mortgage interest and points.

Schedule A, lines 8a through 8c. *(auto-calc)* Taken from Schedule A, as indicated, this is the amount shown on Schedule A for home mortgage interest, including deductible points. If Schedule A was *not* used for Form 1040, line 12, this amount will be zero.

- 4a Amount for line 4a BEFORE pro rate.** *(auto-calc)* If itemized deductions were used for Form 1040, line 12, computed as the preceding amount from Schedule A. Otherwise, zero. This result is prorated on each individual worksheet for Form 1116 in accordance with a worksheet in the IRS instructions. *TIP: If your gross foreign source income (including income excluded on Form 2555) does not exceed \$5,000, you are allowed to allocate all of this home mortgage interest to the U.S. instead of any foreign country. To make this election, use the Override Key to access this computed line and change it to zero.*

Election for category g. Lump-sum distributions (category g) are eligible for favorable tax treatment under certain conditions through Form 4972 (*Tax on Lump-Sum Distributions*). The participant in the plan from which the distributions were made must have been born before January 2, 1936, but if you qualify you may elect a 10-year option or, if capital gains are included, a capital gain election through that form. If you make such an election for the for-

foreign-source lump-sum distribution you report here, you must so identify in this section so that the proper special limitations are applied. When you make this choice the normal instructions for Part III of Form 1116 are replaced by special instructions on the IRS *Worksheet for Lump-Sum Distributions*, all of which is performed automatically by the software based on your following entries and the amounts you report on our worksheets for line 1a, later. **CAUTION:** *You must prepare Form 4972 (if Premium Level, accessible through the Road Map at line 16(2) of Form 1040) before you prepare this copy of Form 1116 in order for the proper calculations to be applied.*

Form 4972, line 6. *(If Premium Level, auto-calc line supported by Form 4972)* The amount on line 6 of Form(s) 4972 for the return is reported here.

Form 4972, line 12. *(If Premium Level, auto-calc line supported by Form 4972)* The amount on line 12 of Form(s) 4972 for the return is reported here.

Elected Form 4972 for this income? You can answer Yes only if you have already prepared a Form 4972 for the return and you have chosen category g for this copy of Form 1116. Amounts from Form 4972 will then appear below.

Form 4972, lines 6 and 12. *(auto-calc)* If the preceding answer is Yes, computed as the sum of amounts from lines 6 and 12 of Form 4972; otherwise, zero. This is the total of all lump-sum distributions reported on the form(s). This total is used for line 17 of this copy of Form 1116 in place of the normal amount.

Foreign source part of the above. Enter the amount you reported on Form 4972 for the foreign-source distribution reported here. Your entry can be no more than the amount on the preceding line. **CAUTION:** *This entry is critical for a Form 1116 that uses the Form 4972 election.* It is used for line 16 of this copy of Form 1116 in place of the normal amount.

Form 4972, line 30. *(auto-calc)* If Form 4972 elected, taken from Form 1040, line 16(2); otherwise, zero. This tax is used for line 19 of this copy of Form 1116 in place of the normal amount.

In addition to the modifications to lines 16, 17, and 19 noted above, if you make this election the computations for lines 18, 20, and 21 are modified as well, as noted in our instructions for those lines. Furthermore, the worksheets you prepare in support of line 1a will have lines 1a through 6 zeroed; you will make monetary entries only in Part II so that line (s) has an amount, which will be reflected in line 8 of Form 1116 and used in the computation at line 21.

PART I, TAXABLE INCOME OR LOSS FROM SOURCES OUTSIDE THE UNITED STATES. After all the preparation in the preceding sections, you are now ready to compute the taxable foreign-source income for the category you selected for this copy of Form 1116. You must use the worksheets accessed at line 1a in this section for all monetary entries for Parts I and II of Form 1116 (lines 1a through 8).

Foreign qualified dividends and capital gains. Because of their favorable tax treatment, qualified dividends and capital gains are handled in a special way on this form. Generally only a fraction of these sources of income are included in foreign-source income for lines 1a and 5 of Form 1116, and the taxable income from all sources for line 17 is reduced in proportion to this type of income from all sources. As a result, both line 16 (for foreign-source income) and line 17 (for all-source income) are adjusted lower than the total income for each, which affects the computation of the credit for this form. However, an exception applies if certain conditions are met, as explained for the next two data entry lines:

Foreign qualified dividends + net capital gains. Enter the sum of your foreign-source qualified dividends plus your foreign-source net capital gains, where *foreign-source net capital gain is defined by the IRS as the amount by which foreign-source net long-term capital gain exceeds foreign-source net short-term capital loss*. The amount you can include in creditable income is reduced by an adjustment factor unless you qualify for an “adjustment exception.”

Schedule D Tax Worksheet, line 18. *(auto-calc)* Taken from the worksheet, as indicated. (The worksheet is form 87 on the Forms Menu.)

Qualify for adjustment exception. *(auto-calc)* Automatically Yes only if both of the following two conditions are met:

(1) Line 18 of the Schedule D Tax Worksheet does not exceed specified thresholds. Although the IRS defines the exception using other worksheets as well, only the Schedule D Tax Worksheet need be considered for *Tax Preparer* because *Tax Preparer* creates the Schedule D Tax Worksheet whenever the specified types of income must be taxed at a reduced rate. Therefore, only the instructions relating to the Schedule D Tax Worksheet in the IRS 2023 Instructions for Form 1116 apply. (The thresholds for 2023 are \$364,200 if married filing jointly or qualifying surviving spouse, and \$182,100 if single, married filing separately, or head of household.)

(2) Foreign qualified dividends + net capital gains is less than \$20,000. This test is based on your preceding entry for “Foreign qualified dividends + net capital gains.”

If you qualify for the exception, none of your entries for qualified dividends, capital gains, or capital losses are reduced, and the taxable income reflects Form 1040 without adjustment. (The tax code is so complex that you can choose to make your own determination of adjustments by consulting IRS sections 1(h)(11)(C)(iv) and 904(b)(2). If you do so, you will have to modify your entries on the worksheets so that the results at lines 1 and 5 match the results of your own determination.)

For category on screen 1. Entries for both Part I and Part II of Form 1116 are supplied on the worksheets that support line 1a and must relate, either directly or through prorating, to the category you specified for this copy of Form 1116. *See the section following Part II for special lines that allow you to create special statements to justify amounts on lines 2 and 8.*

1a Gross income from sources within country entered. *(Supported by the Foreign Source Worksheet, Figures 2-19a and 2-19b.)* You must complete the supporting worksheets for the type of income you previously specified in lines a through j. When you return from the worksheets the sum of line 1a of all worksheets appears here. *(If this copy of Form 1116 is for a lump-sum distribution you reported on Form 4972, the amount on this line will be zero if you properly identified the Form 4972 election earlier.)*

Type of income. This entry applies to all worksheets prepared for this copy of Form 1116. You must identify the type of income reported on the worksheets. For example, you would enter "Interest and dividends" if you chose category c and the type of passive income you reported was comprised solely of interest and dividends. Abbreviate your entry if necessary to fit the 25-character entry width provided.

1b through 5. These lines are visible only on the worksheets you access at line 1a, above. See the details for the Foreign Source Worksheet on the next page.

6 Add lines 2, 3g, 4a, 4b, and 5. *(auto-calc, supported by the Foreign Source Worksheet, Figures 2-19a and 2-19b)* Computed as the sum of line 6 for all worksheets that support line 1a combined.

7 Subtract line 6 from line 1a. *(auto-calc)* Computed as indicated, this is your foreign-source taxable income for the category chosen for *this* copy of Form 1116 (before adjustment).

PART II, FOREIGN TAXES PAID OR ACCRUED. In this section you report the taxes you paid or accrued for each separate country listed in Part I. Lines (h) and (i) of this section are entered below, but lines (j) through (s) are entered on screen 2 of the worksheets that support line 1a, using one worksheet for each separate country or U.S. possession.

Credit is claimed for taxes:

(j) Paid. You would normally answer Yes here if you report income on a cash basis. However, you can elect to use the accrual method for foreign taxes by answering No here; but once you make this election you must make it in all future years as well.

(k) Accrued. *(auto-calc)* Automatically the opposite of your preceding answer.

(l) through (u). These lines are *visible only on screen 3 of the worksheets* you access at line 1a, above. See the details for the Foreign Source Worksheet on the next page.

8 Add lines A through C, column (u). *(auto-calc, supported by the Foreign Source Worksheet, Figures 2-19a and 2-19b)* Computed as the sum of line (u) for all worksheets that support line 1a, this is your total foreign taxes paid or accrued for the category chosen for *this* copy of Form 1116. *If no amount appears here, check your entries in Part II of the worksheets for line 1a because no tax credit will result on this copy of Form 1116 unless an amount appears here.*

Foreign Source Worksheet, Figures 2-19a and 2-19b. This worksheet is required to support Parts I and II of Form 1116. You must use a separate worksheet for each separate country or U.S. possession from which you received income in the category you identified for this copy of Form 1116. Note that each worksheet consists of two screens: screen 1 for Part I lines 1 through 4b, screen 2 for Part I lines 5 and 6 and Part II lines (j) through (s). Limitation for e-file: No more than 3 worksheets for any one copy of Form 1116 (that is, any one income category) are supported by the software for e-file. As a result, if you have more than 3 countries for any one income category, you must file a paper return.

Screen 1 of 3:

PART I, TAXABLE INCOME OR LOSS FROM SOURCES OUTSIDE THE U.S.

i Name country of U.S. possession. Enter the 2-letter country code for the country or U.S. possession from Table 2-6 (on page 2-27) except U.S. Virgin Islands (VQ). Taxes paid to U.S. Virgin Islands are reported on Form 8689 (Allocation of Individual Income Tax to the U.S. Virgin Islands) instead. Taxes paid to any subdivision of the country or U.S. possession also qualify, but you should combine all such amounts (for the selected income category) with any amounts paid directly to the country or U.S. possession, and enter the 2-letter code for the country or U.S. possession here.

FOREIGN SOURCE(screen1of3)
I-TAXABLE INCOME OR LOSS
i Name country or U.S. poss.
Category g with 4972 election? No
If Yes, skip lines 1 through 6
Qlfd divs & capital gains. 0
Taxed at what tax rate:
1=0%, 2=15%, 3=20% 1
Adjustment exception? No
Amount to include in 1a 0
Othr gross for country/cat 0
2555 excls for country/cat 0
1a Gross income from country.. 0
b Used alt basis to determine? No
Answer No if not pers svc emp
or all source comp undr \$250K
INCOME OR LOSS(screen2of3)
2 Expense DEFINITELY RELATED. 0
3 Pro rate other deductions:
a Crtn itemized or std ded... 0
b other deductions..... 0
c Add lines 3a and 3b..... 0
d Gross foreign source inc... 0
e Gross income all sources... 0
f Divide 3d by 3e..... 0
g Multiply 3c by 3f..... 0

Category g with Form 4972

Figure 2-19a. Foreign Source Worksheet, Screens 1 and 2

election? (auto-calc) If this copy of Form 1116 is for a lump-sum distribution (category g) and you indicated on screen 3 that you elected to use Form 4972 for the distribution, the answer here will be Yes. For a Yes answer lines 1 through 6 of this worksheet will be zero, in accordance with IRS instructions, and you should pro-

ceed to Part II on the third screen of this worksheet. Otherwise you must complete the rest of Part I.

Qualified dividends and capital gains. Qualified dividends and capital gains are reported at a reduced amount because of their favorable tax treatment unless you qualify for the “adjustment exception” described earlier in the paragraph *Foreign qualified dividends and capital gains* at the beginning of our details for Part I of Form 1116. The reduction is determined by your next entry for the rate at which this income is taxed and your qualification for the exception. CAUTION: Enter only capital gains here; capital losses are reported separately at line 5.

Taxed at what tax rate: 1=0%, 2=15%, 2=20%. You must specify the rate at which the qualified dividends and capital gains are taxed so that the proper reduction is applied when you are not qualified for an adjustment exception.

Adjustment exception? *(auto-calc)* Answered Yes only if the answer determined on screen 4 of Form 1116 (at the beginning of Part I) is Yes for “Qualify for adjustment exception?” If Yes, no reduction is applied. If No, a reduction is applied in an amount determined by your entry on the preceding line.

Amount to include in line 1a. *(auto-calc)* If the answer to “Adjustment exception?” is Yes, this line is the same as your entry for “Qualified dividends and capital gains” without any reduction. But if the answer to “Adjustment exception” is No, the amount for this line is a reduced amount, as follows: (a) reduced to zero if taxed at a 0% rate, (b) reduced to 0.4054 times your entry for “Qualified dividends and capital gains” if taxed at 15%, or (c) reduced to 0.5405 times your entry for “Qualified dividends and capital gains” if taxed at 20%. These reductions conform with the instructions on pages 9 and 10 of the IRS 2023 *Instructions for Form 1116 (Rev. Dec. 28, 2023)*. TIP: If a more complex reduction applies, you must alter your entry above for “Qualified dividends and capital gains” such that the result on this line is appropriate.

Other gross income from the country or U.S. possession and category. Enter all other income here that applies to the identified category and country. Do not reduce your entry here by any losses or deductions that are reported in lines 2 through 5.

Form 2555 exclusion for the country or U.S. possession and category. Enter any exclusion on Forms 2555 that relates to the specified country and category. This amount will reduce the gross income for the purposes of line 1a.

1a Gross income from sources within country. *(auto-calc)* Computed as the “Other gross income” less “Form 2555 exclusion” plus either (a) the full amount of “Qualified dividends and capital gains” if you qualify for the “adjustment exception” (described previously and

shown at the top of screen 4 of Form 1116), or (b) 0.3788 times "Qualified dividends and capital gains" if you do not.

- 1b Used alternative basis to determine source of compensation?** Answer Yes if line 1a is compensation for personal services as an employee, your total compensation from all sources is \$250,000 or more, and you used an alternative basis to determine its sources. *If you answer Yes, you must provide detailed information in a supporting statement for the line at the top of screen 5.*

Screen 2 of 3:

2 Expenses DEFINITELY RELATED to the income on line 1a. Enter here the expenses that can be identified as pertaining only to the income on line 1a. All other expenses are reported on lines 3 through 5 as a prorated share of expenses in accordance with IRS instructions. If any of these amounts were reported on Schedule A line 4, 5a, or 6, you must also exclude them from the applicable amounts on screen 2 of our Form 1116. *CAUTION: You must explain your entry for line 2 of any worksheet in a separate supporting statement accessible from screen 5 of our Form 1116. Failure to do so will cause an e-filed return to be rejected by the IRS.*

3 Pro rata share of other deductions NOT DEFINITELY RELATED:

- a Certain itemized deductions or standard deduction.** *(auto-calc)* Taken from the result for line 3a on screen 2 of our Form 1116, this is either a portion of itemized deductions or the entire standard deduction depending on whether or not the standard deduction is used for Form 1040, line 12.
- b Other deductions.** *(auto-calc)* Taken from the result for line 3b on screen 2 of our Form 1116, this is other deductions to be prorated among countries (including the U.S.) and categories.
- c Add lines 3a and 3b.** *(auto-calc)* Computed as indicated.
- d Gross foreign source income.** *(auto-calc)* Computed as sum of "Qualified dividends and capital gains" and "Other gross income from the country or U.S. possession and category" entered above line 1a, this is the gross income used for the purposes of prorating the expenses (for the country and category indicated). It is a line 1a without any 0.3788 adjustment for capital gains and with any exclusion from Form 2555 added back to income.
- e Gross income from all sources.** *(auto-calc)* Taken from the result for line 3e on screen 3 of our Form 1116, this is the gross income for the entire return, including all foreign and U.S. sources, for the purposes of prorating expenses.
- f Divide line 3d by line 3e.** *(auto-calc)* Computed as indicated and shown as a decimal to 4 places, this is the fraction of deductions on line 3c to be deducted from income on line 1a.

g Multiply line 3c by line 3f. (*auto-calc*) Computed as indicated, this is the part of deductions on line 3c to be applied to the income for this worksheet (that is, this country and category).

Screen 3 of 3:

4 Pro rata share of interest expense:
α Home mortgage interest. (*auto-calc*) This is a prorated share of the amount for line

FOREIGN SOURCE(screen3of3)		
4	Pro rata interest expense:	
a	Home mortgage interest.....	0
b	Other interest expense.....	0
	Capital losses.....	0
	Other loss for country/cat	0
5	Loss from foreign sources..	0
6	Add lines 2, 3g, 4a, 4b, & 5	0
II-TAXES PAID/ACCRUED(1n8)		
7	Date paid or accrued.....	
In foreign currency:		
m	Dividends.....	0
n	Rents and royalties.....	0
o	Interest.....	0
p	Other foreign taxes.....	0
In U.S. dollars:		
q	Dividends.....	0
r	Rents and royalties.....	0
s	Interest.....	0
t	Other foreign taxes.....	0
u	Total foreign taxes.....	0

Figure 2-19b. Foreign Source Worksheet. Screen 3

4a on screen 3 of our Form 1116. The prorating for line 4a differs from that for line 3 in that the exclusion from Form 2555 is not added back to income when computing gross income. As a result, the prorating fraction is computed as the amount on line 3d reduced by the exclusions on Forms 2555, divided by the amount for "Gross income with exclusions for line 4a worksheet" on screen 3 of our Form 1116. This line is computed as this revised prorating fraction times the amount for line 4a on screen 3 of our Form 1116, in accordance with the IRS *Worksheet for Home Mortgage Interest – Line 4a* (in the IRS Instructions for Form 1116).

b **Other interest expense.** Enter the prorated share of other interest here, including investment interest. *TIP: If your gross foreign source income (including income excluded on Form 2555) does not exceed \$5,000, you are allowed to allocate all of this interest to the U.S. instead of any foreign country. To make this election, enter zero here.*

Capital losses. Like capital gains, capital losses are generally reported at a reduced amount, unless you qualify for the exception described earlier in the paragraph *Foreign qualified dividends and capital gains*. The amount of reduction can be complex if you have a complex Schedule D. But for most situations the income to report is 54.05% of the full amount if your foreign source qualified dividends or capital gain distributions are taxed at 15% or 40.54% if your foreign source qualified dividends or capital gain distributions are taxed at 10%. The amount you enter here will be multiplied by 0.4054 before being included in line 5, below, unless you qualify for the ex-

ception as indicated by a Yes answer for "Qualify for adjustment exception" on screen 2 of Form 1116. **CAUTION:** *If you are required to file Schedule D, you may have to enter a modified amount here such that your entry times 0.4504 produces the proper adjusted amount for line 5. For example, if your foreign source qualified dividends or capital gain distributions are taxed at 15% rather than 10%, then you must increase your entry here by 33.3% so that the the resulting adjustment is 0.5405 times your capital losses rather than 0.4054. See pages 7 through 13 of the IRS Instructions for Form 1116 for details*

Other losses for the country or U.S. possession and category. Enter all other losses not reflected in lines 1 through 4b that apply to the identified category and country.

5 Losses from foreign sources. (*auto-calc*) Computed as "Other losses" plus either (a) the full amount of "Capital losses" if you qualify for the "adjustment exception" (described previously and shown at the top of screen 4 of Form 1116), or (b) 0.3788 times "Capital losses" if you do not. In spite of the vague IRS label for the line, this is the total of losses only for the specified country and category.

6 Add lines 2, 3g, 4a, 4b, and 5. (*auto-calc*) Computed as indicated, this amount is subtracted from line 1a to arrive at the taxable income or loss for the specified country and category.

PART II, FOREIGN TAXES PAID OR ACCRUED. You should have already identified on Form 1116 whether you account for taxes as paid or accrued, which appears as lines (h) and (i) of Form 1116. All other entries for Form 1116, Part II, are provided here.

(l) Date paid or accrued. Generally enter the date in the standard mo/dy/year format. However, if the amount is reported to you on a Form 1099-INT or 1099-DIV in U.S. dollars, enter only "1099 tax" here and skip lines (m) through (p).

In foreign currency. If the tax is reported to you in foreign currency, you must enter the amount in line (k), (l), (m), or (n). You must then convert the amount to U.S. dollars and enter it in line (o), (p), (q), or (r). **CAUTION:** *If you make any entry in this section you must explain your conversion to U.S. dollars in a separate supporting statement accessible from screen 5 of our Form 1116. Failure to do so will cause an e-filed return to be rejected by the IRS.*

(m) Dividends.

(n) Rents and royalties.

(o) Interest.

(p) Other foreign taxes.

In U.S. dollars. *This section is mandatory for all Forms 1116.* You must enter the foreign tax paid here in U.S. dollars. Only the amounts you report here are used in figuring the credit for foreign taxes.

(q) Dividends.

(r) Rents and royalties.

(s) Interest.

(t) Other foreign taxes.

(u) Total foreign taxes. *(auto-calc)* Computed as the sum of lines (q) through (t), this is the amount of tax upon which your foreign tax credit is figured for this copy of Form 1116.

Required statement for line 1b. If you answered Yes to line 1b on any of the worksheets for line 1a, you must justify your answer:

Is line 1b Yes for any worksheet? *(auto-calc)* Answered Yes if any worksheet for line 1a has a Yes answer for line 1b.

If Yes, itemize here for line 1b. *(Supported by the Alternative Basis for Compensation Source Worksheet, Figure 2-20)* If you used an alternative basis to determine the source of the compensation entered for line 1a of any of the worksheets, you must explain how the alternative basis was computed and how it affects the results in a supporting statement for this line. The supporting worksheets guide you through the required explanation in the format required for e-file. See IRS Pub. 514 for more information.

Alternative Basis for Compensation Source Worksheet, Figure 2-20. This worksheet is used to make the required statement when you answer Yes to line 1b on any of the Foreign Source Worksheets, indicating that you used an alternate basis. The format for the required explanation is determined by the IRS:

a. Name of employee.

ee. Enter the full name in 30 characters or less.

b. SSN of employee.

ee. Enter 9-digit SSN in the standard xxx-xx-xxxx format.

c through f. The data entry fields for each of these four line items are provided in two 25-character lines. For an e-file return, the two lines are appended in the e-file output, forming a single continuous 50-character line. For a paper return, the two lines are printed on separate lines in the supporting statements, one under the other:

c. Specific compensation income or fringe benefit. Describe the specific compensation income or the specific fringe benefit for which the alternative basis is used.

ALT. BASIS FOR COMP. SOURCES

a. Name of employee.....:

b. SSN of employee.....

c. Specific compensation inc. or fringe benef.

d. Alt. basis of allocation of source used..

e. How was alt. allocation computed?.....

f. Compare comp. under alt. vs. time or geogrophy

Use 2 25-char. lines for each.

Figure 2-20. Alternative Basis for Compensation Source

- d. **Alternative basis of allocation of source used.** For each such item, describe the alternative basis of allocation of source used.
- e. **How was alternative allocation computed?** For each such item, show how the alternative allocation was computed.
- f. **Compare compensation under alternative vs. time or geography.** Compare the dollar amount of the compensation sourced within and without the United States under both the alternative basis and the time or geographical basis for determining the source.

Itemize statements for worksheets for print columns A, B, and C. Certain amounts you have entered on our worksheets must be justified in the generic supporting statements you create here. The statements are explanatory only, so no amounts are posted to any other part of Form 1116. *e-file TIP: For an e-file return, only the description fields are used in the e-file output and the amount fields are ignored. Furthermore, the description fields for each successive line of the 20-line general itemized list are concatenated together, so you can split words among lines and they will appear together in the e-file output. Limitation for e-file: No more than 3 worksheets for any one copy of Form 1116 (that is, any one income category) are supported by the software for e-file. As a result, if you have more than 3 worksheets for any one income category, you must file a paper return.*

Allocable expenses for lines 2(A), 2(B), and 2(C). You must explain how you determined expenses definitely related to the country and category for each worksheet you prepare. For the on-screen labels, A, B, and C refer to columns in Part I of the printed Form 1116, so you should use the line for 2(A) for amounts entered on the first worksheet, the line for 2(B) for amounts entered on the second worksheet, and the line for 2(C) for amounts entered on the third *and all subsequent worksheets*. *CAUTION: Failure to explain here an entry on line 2 of any worksheet will cause an e-filed return to be rejected by the IRS.*

Allocable deductions for lines 3b(A), 3b(B), and 3b(C). You must explain how you determined deductions NOT definitely related to the country and category for each worksheet you prepare. For the on-screen labels, A, B, and C refer to columns in Part I of the printed Form 1116, so you should use the line for 3(A) for amounts entered on the first worksheet, the line for 3(B) for amounts entered on the second worksheet, and the line for 3(C) for amounts entered on the third *and all subsequent worksheets*. *CAUTION: Failure to explain here an entry on line 3 of any worksheet will cause an e-filed return to be rejected by the IRS.*

Currency conversion for lines 8(A), 8(B), and 8(C). For any worksheet on which you made an entry in line (k), (l), (m), or (n), you must explain how you converted the foreign currencies in lines (k) through (n) to the U.S. currency in lines (o) through (r). For the on-screen labels, A, B, and C refer to rows in Part II of the printed Form 1116, so you should use the line for (A) for amounts entered on the first

worksheet, the line for (B) for amounts entered on the second worksheet, and the line for (C) for amounts entered on the third *and all subsequent worksheet*. *CAUTION: Failure to explain a currency conversion here when you have an entry on line (k), (l), (m), or (n) of any worksheet will cause an e-filed return to be rejected by the IRS.*

If credit claim is due to filing an amended return or a foreign audit, itemize here and identify the additional taxes claimed. This statement is used to support any additional taxes you claim in lines (o) through (r) as a result of an amended return or a foreign audit. You must clearly identify the taxes to which these reasons apply.

PART III, FIGURING THE CREDIT. In this section you figure the credit for this copy of Form 1116.

9 Amount from line 8. *(auto-calc)* Normally computed as indicated, the amount will be zero if for a Form 1116 for category g with a Form 4972 election.

10 Carryback or carryforward (itemize). If you had a foreign tax that you could not claim because it was more than its limitation, you can carryback the unused tax 2 years then carry if forward 10 years. You must make your entry for this line in a supporting statement for this line showing your computation in detail. *Failure to provide support for an entry for this line will cause an e-filed return to be rejected by the IRS.* If for a Form 1116 for category g with a Form 4972 election, an entry here will be ignored in the calculations and printouts. *If for a Form 1116 for category a (section 951A income), leave this line blank.*

11 Add lines 9 and 10. *(auto-calc)* Computed as indicated.

12 Reduction in foreign taxes (itemize). You may have to reduce the tax shown on line 11 for a number of special situations, including tax on excluded or exempt income. See the IRS instructions for line 12 for specific examples. You must make your entry for this line in a supporting statement for this line explaining the reduction in the description fields of the support. *Failure to provide support for an entry for this line will cause an e-filed return to be rejected by the IRS.* If for a Form 1116 for category g with a Form 4972 election, an entry here will be ignored in the calculations and printouts. *TIP: You must enter the reduction as a positive number here; the software will print it within parentheses on the official printout, and will treat it as a negative number in computing line 14.*

13 Taxes reclassified under high tax kickout (HTKO). If you answered Yes to the Special Handling question on screen 1 indicating that some passive income is treated as general income because it is high taxed, you must enter an adjustment here on the copies of Form 1116 for passive or general category income. The amount of adjustment is the amount of foreign taxes that relate to that income. If this is the copy of Form 1116 for passive category income (category c), you must enter the adjustment as a negative number; if this is

- the copy of Form 1116 for general category income (category d), you must enter the adjustment a positive number.
- 14 Combine lines 11, 12, and 13.** Computed as line 11 less line 12 plus line 13, but no less than zero.
- 15 Amount from line 7.** *(auto-calc)* Normally computed as indicated, the amount will be zero if for a Form 1116 for category g with a Form 4972 election.
- 16 Adjustments to line 15 (itemize).** You may have to adjust the taxable income shown on line 15 for a number of special situations, including allocation of losses and recapture of foreign losses. See the IRS Instructions for Form 1116 for specific examples. You must make your entry for this line in a supporting statement for this line explaining the reduction in the description fields of the support. *Failure to provide support for an entry for this line will cause an e-filed return to be rejected by the IRS.* If for a Form 1116 for category g with a Form 4972 election, an entry here will be ignored in the calculations and printouts.
- 17 Combine lines 15 and 16.** *(auto-calc)* Normally computed as indicated. For a Form 1116 for category g with a Form 4972 election, the amount you entered as the foreign source part of Form 4972 lines 6 and 12 appears here.
- 18 Amount from Form 1040, line 15.** This IRS label for this line is misleading because the taxable income on Form 1040, line 15, is just one component of line 18 if there is any qualified dividend or capital gain income, and sometimes is not used at all. Instead, line 18 is computed using the IRS *Worksheet for Line 18 (Worldwide Qualified Dividends and Capital Gains)* on page 23 of the IRS *2023 Instructions for Form 1116*:
- Form 1040, line 15.** *(auto-calc)* Taken from Form 1040, as indicated.
- Worldwide 28% gains.** *(auto-calc)* Taken from line 42 of the Schedule D Tax Worksheet.
- Worldwide 25% gains.** *(auto-calc)* Taken from line 39 of the Schedule D Tax Worksheet.
- Worldwide 20% gains and qualified dividends.** *(auto-calc)* Taken from line 33 of the Schedule D Tax Worksheet.
- Worldwide 15% gains and qualified dividends.** *(auto-calc)* Taken from line 30 of the Schedule D Tax Worksheet.
- Worldwide 0% gains and qualified dividends.** *(auto-calc)* Taken from line 22 of the Schedule D Tax Worksheet.
- Adjustment for line 18.** *(auto-calc)* Computed as zero if “Qualify for adjustment exception” at the top of screen 4 is Yes. Otherwise computed in accordance with the IRS’s *Worksheet for Line 18 (Worldwide Qualified Dividends and Capital Gains)* as the sum of 29.29% of the “Worldwide 28% gains” plus 36.87% of the “Worldwide 25% gains” plus 49.49% of the “Worldwide 20% gains” plus 62.12% of the “Worldwide 15% gains and qualified div-

idents" plus 100% of the "Worldwide 0% gains and qualified dividends," but shown as a negative number (since this is a negative adjustment).

18 Amount from Form 1040, line 15. *(auto-calc)* Normally computed as "Form 1040, line 15" plus "Adjustment for line 18." However, if for a Form 1116 for category g with a Form 4972 election, computed as the total of lines 6 and 12 of all Forms 4972 for the return instead.

19 Divide line 17 by line 18. *(auto-calc)* Computed as indicated (but no more than 1) and shown as a decimal to 4 places.

20 Amount from Form 1040, lines 16, and Schedule 2, line 2. *(auto-calc, NOT shown on screen)* The IRS label for this line is misleading. Normally computed as Form 1040, line 16, plus Schedule 2, line 2, less Form 1040, line 16(2) (*tax on lump-sum distributions from Form 4972*). However, for a Form 1116 for category g with a Form 4972 election, the tax from Form 4972 is added back to the computation so that the result is Form 1040, lines 16, plus Schedule 2, line 2 *alone*. And for a Form 1116 for category e, the amount computed here is zero because no tax credit is allowed for this category even though you must file the associated Form 1116.

21 Multiply line 20 by line 19. *(auto-calc)* Computed as indicated.

22 SMALLER of line 14 or line 21. *(auto-calc)* Normally computed as indicated. However, for a Form 1116 for category g with a Form 4972 election, computed as the lesser of line 8 or line 21. This is the credit for the category specified for this copy of Form 1116 alone.

PART IV, SUMMARY OF CREDITS FROM SEPARATE PARTS III. (*Used ONLY for copy 1 of Form 1116. For all other copies, all amounts in Part III will be zero.*) In this section you combine the credit from all copies of Form 1116 you have prepared and figure the amount to report on line 1 of Schedule 3. **CAUTION:** *This part of the form may be inaccurate until the final recalculation of the return. To see an accurate result NOW, press the Recalc Key (ctrl-B or shift-F8).* (Note that if this is the only copy of Form 1116 created for the return, lines 23 through 30 will be zero and line 22 will be used for line 31.)

23 Credit for taxes on passive category income. *(auto-calc)* Taken as line 22 of all Forms 1116 with category a specified.

24 Credit for taxes on general category income. *(auto-calc)* Taken as line 22 of all Forms 1116 with category b specified.

25 Credit for taxes on passive category income. *(auto-calc)* Taken as line 22 of all Forms 1116 with category c specified.

26 Credit for taxes on general category income. *(auto-calc)* Taken as line 22 of all Forms 1116 with category d specified.

27 Credit for taxes on section 901(j) income. *(auto-calc)* Taken as line 22 of all Forms 1116 with category e specified.

28 Credit for taxes on certain income re-sourced by treaty. *(auto-calc)* Taken as line 22 of all Forms 1116 with category f specified.

- 29 Credit for taxes on lump-sum distributions.** *(auto-calc)* Taken as line 22 of all Forms 1116 with category g specified.
- 30 Add lines 23 through 29.** *(auto-calc)* Computed as indicated.
- 31 SMALLER of line 20 or line 30.** *(auto-calc)* Normally computed as indicated, but taken as line 22 if this is the only copy of Form 1116 for the return.
- 32 Reduction of credit for international boycott operations.** You may have to reduce your credit here if you cooperated with an international boycott and cannot figure the amount of taxes specifically attributable to boycott operations. See the IRS instructions for line 12 (last bullet) and IRS Form 5713 for the amount to enter here. ***CAUTION:*** *Any required reduction must be entered on copy 1 of Form 1116. An entry on any other copy of Form 1116 is ignored in the calculations and printouts in accordance with IRS instructions.*
- 33 FOREIGN TAX CREDIT.** *(auto-calc)* Computed as line 31 less line 32, but no less than zero, this is the credit from all Forms 1116 combined, and is posted to line 1 of Schedule 3.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 1310* / Refund Due a Deceased Taxpayer

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. Form 1310 is used to claim a refund on behalf of a deceased taxpayer, and is usually filed with the final return for the deceased taxpayer. However, you do *not* have to file Form 1310 with the return if

You are surviving spouse of decedent and are filing jointly with the decedent, *or*

You are personal representative of decedent's estate and are attaching a court certificate showing your appointment as the executor or administrator of the estate (or have it on file with the IRS).

Anyone else who files the return and claims the refund *must* file Form 1310. In addition, you must file Form 1310 with an amended return whether or not you are a surviving spouse or court-appointed personal representative.

Refund returns only. Form 1310 is relevant only for returns that show a refund on Form 1040, line 35a. Because of its stand-alone nature, *Form 1310 is accessible from the Forms Menu (as form 16) or from the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.* Two copies are available – one for each spouse.

IDENTITY OF DECEDENT. If the return is a joint return and both spouses are deceased, you must file a separate Form 1310 for each spouse. Copy 1 of Form 1310 is always for the principal taxpayer and copy 2 is always for that taxpayer's spouse.

Decedent's SSN. *(auto-calc)* Taken from Form 1040, this will be the principal taxpayer's SSN if copy 1, and the spouse's SSN if copy 2.

Is spouse the decedent. *(auto-calc)* Automatically No if copy 1, Yes if copy 2.

Tax year decedent due a refund. *(auto-calc)* Taken from the Control Form, this is the tax year for the return for which a refund is being claimed.

Date of death (from 1040). *(auto-calc)* Taken from your entry on Form 1040 for the appropriate spouse. ***CAUTION: Form 1310 will be rejected by the IRS if no date appears here. You MUST enter the date of death on screen 1 of Form 1040 (screen 2 if for spouse).***

IDENTITY OF CLAIMANT. You must supply the name and address where the refund check should be sent.

First name and initial. Enter your first name and initial in 15 characters or less.

Last name. Enter last name in 25 characters or less.

Full name in e-file format. *(auto-calc)* Your combined first and last names are reformatted into 35 characters or less in a format required for e-file.

e-file name control. *(auto-calc)* Usually the first four characters of the last name, which follows the first < symbol in the preceding entry.

Full name for printouts. *(auto-calc)* Your combined first and last names are reformatted into 35 characters or less for official printouts. You should enter this result in the "In care of" line on screen 3 of Form 1040. The IRS requires that Form 1040 show the name of the person responsible for filing the return in this entry.

Your social security number. Enter your 9-digit SSN.

Home address. Enter address without Apt. No. in 35 characters or less.

Apt. no. Enter apartment number in 10 characters or less.

City. Enter city in 22 characters or less.

State. Enter the standard 2-character state code.

ZIP code. Enter the ZIP code in 10 characters or less.

Do you have valid proof of death? If you answer Yes, the phrase "have valid proof of death" will be printed on the official printed Form 1310 under box C, below, to reaffirm the death to the IRS. You should not file the proof with the return, but rather retain it for future inquiry from the IRS. **CAUTION:** A Yes answer is mandatory for any Form 1310 that must be filed with the Form 1040 return. Accordingly, an e-file return will be rejected by the IRS if you answer No.

PART I, CHECK THE BOX THAT APPLIES TO YOU. You must identify status with respect to the decedent:

A Surviving spouse seeking reissuance of refund check. *If Yes, do not file Form 1310 with the return.* Instead, send the completed Form 1310 along with the refund check to your local IRS office, or the IRS center where you filed the associated return. The IRS will then issue a check for the refund in your name alone.

B Court-appointed or certified personal representative. *If Yes,* and you are filing the original final return for the decedent, do not file Form 1310 with a Form 1040 return because you only need proof of your appointment by the court. However, if you are filing an amended return (Form 1040X) or Form 843, do include Form 1310 along with the court certificate.

If "Yes," was court certificate previously filed with the IRS? If you previously sent to the IRS a copy of the court certificate that shows your appointment as the personal representative for the estate, you do not need to do so again. Instead, if you answer Yes here the phrase "Certificate Previously Filed" will be printed near the bottom of the official printed Form 1310.

C Person other than A or B, claiming for decedent's estate. All others must answer Yes here. If you answer Yes, you must proceed to Part II, below. **CAUTION for e-file:** You must answer Yes here for an e-filed Form 1040 return to be accepted by the IRS. If line C does not apply, you must omit Form 1310 from the return.

PART II, COMPLETE THIS PART ONLY IF YOU CHECKED BOX C ABOVE. If you are neither the surviving spouse nor the personal representative, you must justify your claim to the refund in your answers to the following questions:

1 Did the decedent leave a will?

2a Has a court appointed a personal representative?

2b If "No," will one be appointed?

If you answered "Yes" to 2a or 2b, a personal representative must file the return.

3 As person claiming refund, will you pay out refund according to laws of state where decedent was legal resident? If not, you cannot claim a refund until you submit proof to the satisfaction of the IRS that you are entitled to it.

PART III, SIGNATURE AND VERIFICATION. For a paper return you *must* sign and date the official printed Form 1310 and file it with the return. **CAUTION:** *For e-file returns the jurat is displayed on the screen and you must complete the following two lines or else the return will be rejected by the IRS:*

Signed by (enter full name). Technically, for an e-file return, the claimant should read the on-screen jurat and enter his or her name here in 35 characters or less. For an e-file return, this entry takes the place of a signature, so it is not completed automatically even though it should be the same as the name entered on screen 1.

Date signed by claimant. Enter, in the standard mo/dy/yr format, the date the preceding entry was made.

Form 2106 / Employee Business Expenses

Who is it for? This form is used to report expenses incurred as an employee and reimbursements received for such expenses from your employer. However, this form is no longer applicable to most employees because of the severe restrictions stemming from tax reform. It is now used only to deduct expenses for four favored employee classes, as highlighted in the shaded box that follows. *Form 2106 is accessible through the Road Map at line 12 of Schedule 1, "Disabled's expense (2106)" component of line 16 of Schedule A, and "Excess reimbursed on 2106" above line 1h of Form 1040.* Five copies of Form 2106 are built into the software for reporting expenses as an employee for each of five different employers, and each copy can be used by either spouse, but you must identify the spouse for whom each form is completed. (Note that the IRS has eliminated Form 2106-EZ, so you must now always file Form 2106 instead. 2017 was the last tax year for which you could file Form 2106-EZ in place of Form 2106.)

Most employees don't qualify for Form 2106. Thanks to tax reform, only certain targeted groups are now allowed to deduct employee business expenses. The deduction is now restricted to Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. These targeted groups will continue to deduct expenses directly on Schedule A without restriction for impairment-related work expenses, and on Schedule 1 for all other qualifying expenses. But the deduction for all other types of employees, which was formerly subject to a 2% of AGI floor, is no longer available at all.

Other changes due to tax reform:

Entertainment expenses no longer deductible. In the past, business-related expenses for entertainment were deductible along with meals. However, the tax reform bill nixed entertainment expenses so that only meals (actually 50% of meals) are now deductible. Furthermore, only meals that are separately stated from entertainment are deductible.

Favorable treatment for employees subject to DOT limits eliminated. In the past, employees subject to the DOT (Department of Transportation) hours of service limits were allowed to deduct 80% of the cost of business meals during a period of duty covered by those limits. However, the tax reform bill nixed the favorable treatment for employees so that those meals are subject to 50% reduction just like they are for all other employees. (The favorable treatment is *still* available for the self-employed. The tax reform bill only nixed it for employees.)

GENERAL INFORMATION. You must identify for whom this form is completed:

Copy number (1 through 5). *(auto-calc)* Automatically the copy you chose when you accessed the form.

Is spouse the employee (vs. you)? Your answer determines which name and SSN to print on the schedule.

Occupation. Enter the occupation in which expenses were incurred, in 25 characters or less.

PART I, EMPLOYEE BUSINESS EXPENSES AND REIMBURSEMENTS. This is the main part of the form. Part II supports it with details on vehicle expenses. Part I follows a two-column form: column A for all expenses other than meals (which we label "A-NoMeals"), and column B for meals expenses alone (which we label "B-Meals").

Step 1, Enter Your Expenses. Lines 1 through 4 relate only to column A (NoMeals) expenses; line 5 relates only to column B (Meals) expenses. For all lines you must enter only amounts attributable to business use:

Rural mail carrier allowance. Qualifying rural mail carriers can treat the entire qualified reimbursement for vehicle expense as their allowed expense. Those who qualify should enter their equipment maintenance allowance here. No amounts from Part II of Form 2106 will be used if you make an entry here. Your entry will be used for the vehicle expense in line 1 and will also be included in the total reimbursements at line 7. Since these amounts cancel each other on the form, you should not file Form 2106 unless there are other expenses to deduct.

1 Vehicle expenses from line 22 or line 29. *(auto-calc)* If you entered an amount on the preceding line, that amount appears here. Otherwise this line is computed as the sum of lines 22 and 29 in Part II. (The determination of whether the standard mileage method or the actual expenses method is used is made on each Vehicle Expense Worksheet in Part II, and the appropriate amount is included in either line 22 or line 29 for each worksheet, but not both.)

2 Parking fees, tolls, and local transportation. *(No Meals)* You can include here airplane expenses that didn't involve overnight travel, but not commuting to and from work.

3 Travel expense while away from home, including lodging, airplane, car rental, etc. *(No Meals)* Include expenses for temporary business assignments for periods of one year or less, excluding meals. For days that you do not claim meal expenses you can use an optional method for computing incidental expenses at the rate of \$5 a day.

4 Other (excluding meals):

Other itemized. *(No Meals)* Enter in a supporting statement for this line all other business expenses not included in lines 1 through 3, except meals, depreciation, and amortization. Include expenses for education (tuition and books), home office, trade publications, busi-

ness gifts, etc. See IRS Pub. 463 (*Travel, Gift, and Car Expenses*) and Pub. 529 (*Miscellaneous Deductions*) for limitations, and Pub. 587 (*Business Use of Your Home*) for special instructions for home office expenses.

Non-vehicle depreciation (Form 4562). (*Road Map line, supported by Form 4562.*) The result on line 21 of the copy of Form 4562 attached to this copy of Form 2106 is posted to this line. *Do NOT claim car depreciation on this copy of Form 4562; car depreciation is claimed in Part II of Form 2106, and included in line 1, above.*

Amortization (Form 4562). (*Road Map line, supported by Form 4562.*)

The result on line 42 of the copy of Form 4562 that is attached to this copy of Form 2106 is posted to this line.

4 Business expenses not in lines 1 through 3. (*auto-calc*) Computed as the sum of the above three expense lines.

5 Meals expenses. (*Meals*) Enter actual full expenses for allowable expenses for meals while away from home overnight and other business meals. *Note that entertainment expenses can no longer be included in this entry, nor meals that are not stated separately from entertainment.* See the shaded box on the first page of these details for Form 2106. (Expenses for meals will be reduced by 50% at line 9.) Instead of using actual costs, you can figure away from home meals at rates periodically set by the IRS for specific localities. For 2023, the standard rates for meals plus incidental expenses range from \$59 a day in most localities to more than \$80 a day for high-cost cities like Los Angeles, San Francisco, Boston, and New York City. See IRS Pub 463 (*Travel, Entertainment, Gift, and Car Expenses*) and <http://www.gsa.gov/perdiem> for more details.

6 TOTAL EXPENSES. (*auto-calc*) Lines 1 through 4 are summed into 6A (No Meals), and line 5 is used for 6B (Meals).

Step 2, Enter Reimbursements Received From Your Employer for Expenses Listed in STEP 1. If your employer reimbursed you for any of the above expenses, you must report so here if not included in wages reported to you in box 1 of Form W-2:

for expenses in line 1 to 4 (Column A, Other than meals):

Rural mail carrier allowance. (*auto-calc*) Taken from your entry above line 1, this is the amount reimbursed by the U.S. Postal Service.

Part in W-2 box 12, code L. Include only amounts separately identified on Form W-2 and reported under code "L" in box 12 of W-2, and *NOT* amounts already reported as income in box 1 of W-2. You must enter here only the part related to expenses on lines 1 through 4, and *NOT* for meals. (NOTE: If an employer-provided vehicle is not reported at full annual lease value, see instructions for line 25 of the Vehicle Expense Worksheet, detailed later.)

Other employer-paid amounts for line 7, column A. Include other amounts not reported as income on Form 1040 that relate to expenses on lines 1 through 4, and *NOT* for meals.

7 Reimbursements Not in Form W-2 box 1. A-No Meals. *(auto-calc)* Computed as the sum of the preceding three amounts.

Expenses in lines 1 through 4. *(auto-calc)* Computed as the sum of lines 1 through 4.

EXCESS IN 7, Column A for Form 1040, line 1h. *(auto-calc lines)* If line 7, column A, exceeds the total for lines 1 through 4, you have been overpaid and must report the excess as income. This excess is automatically posted to Form 1040, screen 6, for inclusion in line 1h of Form 1040, and is assigned as wages for the appropriate spouse.

for expenses in line 5 (Column B, Meals):

Part in W-2 box 12, code L. Include only amounts separately identified on Form W-2 and reported under code "L" in box 12 of W-2, and *not* reported as income in box 1 of W-2. You must enter here *only* the part related to expenses on line 5, and *only* for meals.

Other employer-paid amounts for line 7, column B. Include other amounts not reported as income on Form 1040 that relate to expenses on line 5 for meals.

7 Reimbursements Not in Form W-2 box 1. B-Meals. *(auto-calc)* Computed as the sum of the preceding two amounts.

Step 3, Expenses to Deduct on Schedule A. The IRS title for this section is misleading because deductions are not always reported on Schedule A, and income can result in this section as well:

8 Subtract line 7 from line 6. A-No Meals. *(auto-calc)* Computed as indicated separately for column A.

8 Subtract line 7 from line 6. B-Meals. *(auto-calc)* Computed as indicated for column B

9A Amount from line 8. A-No Meals. *(auto-calc)* Computed as indicated.

9B See instructions for amount to enter. B-Meals. *(auto-calc line, Meals)* Computed as 50% of the line 8, column B. This is the deductible part of meal expenses. (Although the IRS label for line 9 of the 2023 Form 2106 instructs you to "see instructions for amount to enter" for column B, this label is really a carryover from 2022 when certain meals provided by restaurants were eligible for a full deduction rather than a 50% deduction. But that benefit expired at the end of 2022, so *all* meals are now allowed only a 50% deduction.)

10 Add amounts on line 9. *(auto-calc)* Computed as 9A plus 9B.

DEDUCTIBLE AMOUNTS IN LINE 10. Where and how much you can claim as a deduction depends on which targeted group applies to you:

Total expenses from line 10. *(auto-calc)* Taken from line 10, as indicated, this is the maximum deduction allowed for targeted employees..

Armed Forces Reservists:

Qualified expenses for travel more than 100 miles from home. If you are a member of the Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, or Coast Guard Reserve, enter the part of line 10 that is attributable to the cited travel.

Deduction for Schedule 1, line 12. *(auto-calc)* Computed as the lesser of the preceding entry or "Total expenses from line 10."

Fee-basis Government Officials:

Expenses for services as an F.B.O. If you were a fee-basis state or local government official who is compensated at least in part on a fee basis, enter the part of line 10 that is attributable to that job.

Deduction for Schedule 1, line 12. *(auto-calc)* Computed as the lesser of the preceding entry or the amount for "Total expenses from line 10" less "Deduction for Schedule 1, line 12" for Armed Forces Reservists.

Qualified Performing Artists:

Performing-arts related expenses. Enter the part of line 10 that is attributable to performing-arts-related expenses. The following entries are used to determine whether or not you are qualified to report this amount on Schedule 1, line 12.

Performing Artist gross income. Enter gross income from your activities as a performing artist.

Expenses over 10% of Performing Artist income? *(auto-calc)* Automatically Yes if "Performing-arts related expenses" exceeds 10% of "Performing Artist gross income." If the result is No, you do not qualify for the favored treatment.

Number of Performing Artist employers who paid you at least \$200 each. Unless you have at least two employers who paid you \$200 or more as a performing artist during the tax year, you do not qualify for the favored treatment.

AGI (before deduction) \$16,000 or less? *(auto-calc)* Answered Yes only if the AGI on Form 1040, line 11, plus any amount already on Schedule 1, line 12, for performing artists, is \$16,000 or less. If the result is NO, you do not qualify for the favored treatment.

Deduction for Schedule 1, line 12. *(auto-calc)* If the preceding answer is Yes, the number on the line before that is 2 or more, the answer for "Expenses over 10% of Performing Artist income" is Yes, and if married filing separately you lived apart from spouse all year, computed as the lesser of "Performing-arts related expenses" or the amount for "Total expenses from line 10" less "Deduction for Schedule 1, line 12" for Armed Forces Reservists and Fee-basis Government Officials. Otherwise, zero.

Disabled Individuals:

Impairment-related work expense. If you have physical or mental disability that requires attendant care at your place of work, enter the impairment-related work expenses included in line 10, including attendant care and certain other expenses that allow you to work.

Deduction for Schedule A, line 16. *(auto-calc)* Computed as the lesser of the preceding amount or the amount for "Total expenses from line 10" less "Deduction for Schedule 1, line 12" for Armed Forces Reservists, Fee-basis Government Officials, and Qualified Performing Artists.

Nondeductible balance:

Remaining balance of line 10. *(auto-calc)* Computed as the amount on line 10 less the three amounts for "Deduction for Schedule 1, line 12" and less the amount for "Deduction for Schedule A, line 16," this is the balance that is no longer deductible because of tax reform. It would previously have been allowed as a miscellaneous deduction on Schedule A subject to a 2% of AGI floor.

PART II, VEHICLE EXPENSES. This part is used to determine the expenses claimed for line 1 of Part I. Both the Standard Mileage Rate Method and the Actual Expenses Method are supported and fully automated. The software ensures that the most favorable method is used when allowable as long as you supply all information in the *Vehicle Expense Worksheets* that support this part of the form, using a separate worksheet page for each separate vehicle.

Section A-General Information. Lines 11 through 17 and 23 through 38 are supported by the *Vehicle Expense Worksheets*, one for each vehicle. Lines 18 through 21, however, apply to all vehicles as a whole, and are answered directly on Form 2106:

- 11 Date vehicle was placed in service.** *(auto-calc)* You MUST enter all dates on the Vehicle Expense Worksheets that support the next line, so you are not allowed to make an entry here. Only dates entered on the worksheets (or a reference to the supporting statement) will appear on the official printout of Form 2106.
- 12 Total mileage vehicle was driven during 2023.** *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* The total mileage posted here from the worksheet includes both business and personal mileage.
- 13 Business miles included on line 12.** *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* The business part of the mileage is posted here from the worksheet.
- Standard mileage rate miles.** *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* This is the business mileage driven during the tax year *only for vehicles identified on the worksheets as using the Standard Mileage Rate method.*
- 14, 15.** The entries for these lines appear only on the individual *Vehicle Expense Worksheets* for each vehicle.
- 16 Commuting miles included on line 12.** *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* This is the commuting mileage entered on line 16 of all worksheets.

17 Other personal miles. *(auto-calc)* Computed as line 12 less lines 13 and 16.

18 Do you or spouse have another vehicle available for personal use? All taxpayers who claim vehicle expense deductions must answer.

19 Was your vehicle available for personal use during off duty hours permitted? All must answer.

20 Do you have evidence to support your deduction? All must answer.

21 If "Yes," is the evidence written? You must answer if you answered Yes to the preceding question.

Standard Mileage Rate vs. Actual Expenses. There are two alternative methods for deducting vehicle expenses. The Standard Mileage Rate method makes it unnecessary to keep detailed expense records for the vehicle, allowing a deduction that is just your business mileage times a standard rate set by the IRS each year. You cannot deduct any other expenses for the car when you use this method, including depreciation, gasoline, insurance, etc. The Actual Expenses method, on the other hand, allows your deduction to be determined from out-of-pocket expenses plus depreciation. There are restrictions on the use of each method, but if you qualify for either one for a particular car, you can use the method that gives you the largest deduction, and the software ensures this choice on our *Vehicle Expense Worksheets*, described later. Among the considerations in selecting the method are:

- If you use more than one vehicle at the same time in the business, such as a fleet operation, you **MUST** use the Actual Expense method for ALL vehicles in the business. Note that if you alternate use of more than one vehicle, but never use them at the same exact time, you are not subject to this restriction.
- For a leased vehicle, you cannot use the Standard Mileage Rate method if you ever used the Actual Expense method for the vehicle after December 31, 1997.
- For a vehicle you own, you cannot use the Standard Mileage Rate method in any year unless you use it in the first year you placed it in business service.
- You cannot use the Standard Mileage Rate method for a vehicle you use for hire.
- If you previously used the Standard Mileage Rate method but want to use the Actual Expense method this year, your depreciation deduction must be based on straight-line depreciation. An accelerated method (ACRS or MACRS) is not allowed.

For additional information, see IRS Pub. 463.

Section B-Standard Mileage Rate. The standard rate is one rate for 2023::

22 Multiply line 13 by \$0.655. *(auto-calc)* The IRS label for this line is misleading because the mileage on line 13 includes mileage for vehicles that use the actual expenses method rather than the standard rate method. Furthermore, for multiple vehicles, it is possible that

not all vehicles use the same method. Therefore, our on-screen line that follows the IRS's line 13 (Standard mileage rate miles) is used in the calculations rather than line 13. So, for tax year 2023, line 22 is computed as "Standard mileage rate miles" times \$0.655.

Section C-Actual Expenses. This entire section, lines 23 through 29, is supported by the Vehicle Expense Worksheets, one for each vehicle.

23 through 26. The entries for these lines appear only on the individual Vehicle Expense Worksheets.

Additional notes (itemize). Any additional details you choose to supply in a supporting statement for this line will appear in the official printout as a supporting statement for line 27.

27 Multiply line 26 by % on 14. *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* Taken from line 27 of all worksheets supporting this copy of Form 2106, this is the total of actual expenses, exclusive of depreciation.

28 Depreciation from lines 38. *(auto-calc)* Taken from the result for Section D, below.

29 Add lines 27 and 28. *(auto-calc)* Computed as indicated, this is the total of actual expenses, including depreciation, for vehicles identified on the worksheets as using the Actual Expenses method.

The sum of line 22c (mileage rate deduction) and line 29 (actual expenses deduction) is posted to line 1 of Part I of Form 2106.

Section D-Depreciation of Vehicles. Depreciation is only relevant to the Actual Expenses Method, and is shown individually for each vehicle on the Vehicle Expense Worksheets.

RULES for SUVs. The "SUV loophole" was tightened for certain sport utility vehicles (SUVs) acquired after October 22, 2004. Under prior law, you were not subject to the usual restrictions on annual deductions for vehicles if the SUV was rated at 6,000 pounds gross vehicle weight or more. As a result, because of the increase in the section 179 ceiling to \$100,000 for 2003, you could generally deduct the entire cost of a heavy SUV in the first year if used mostly for business! The *American Jobs Creation Act of 2004* took a first step at closing the loophole. For heavy SUVs placed in service after October 22, 2004 but rated at no more than 14,000 pounds gross weight, the maximum section 179 deduction is now \$25,000. However, there is still no annual limit on other depreciation, so a large first-year deduction is still available. (You should identify these vehicles as Vehicle Type 4 on our Vehicle Expense Worksheet so that the proper limitations are applied.)

30 through 37. The entries for these lines appear only on the Vehicle Expense Worksheets, described next.

38 Smaller of line 35 or line 37. *(Supported by the Vehicle Expense Worksheet, Figures 2-21a and 2-21b.)* The total from all worksheets is posted here, then used in line 28, above.

Vehicle Expense Worksheet, Figures 2-21a and 2-21b. The Vehicle Expense Worksheet provides all of the detail required for Part II of the official Form 2106. Whether you use the Actual Expenses Method or the Standard Mileage Rate Method, you MUST use the worksheet to report the detail, using a separate worksheet page for each separate vehicle. The worksheet is accessible at lines 12, 13, 16, 27, and 38. Limitation for e-file: Because of the IRS format for e-file, no more than 4 vehicles are supported by the software for e-file. As a result, if you have more than 4 vehicles to report, you must file a paper return.

Vehicle identification. Identify vehicle in 10 characters or less.

Date vehicle acquired – mm/dd/yy. Enter the date you purchased or otherwise acquired the vehicle, in the standard date format. The date you enter here is initially used for the next line, as the date business use started. It is also used in a special prorationing for line 14 when the date on the next line is after this date and after January 1 of the current tax year.

```
VEHICLE EXPENSE-Screen1of2
  Vehicle identification...
  Date veh. acquired-mm/dd/yy
11 Date placed in svc-mm/dd/yy
12 Total miles driven in 2023 0
13 Business miles on line 12. 0
14 Percent of business use... 0
15 Avg daily rnd-trip commutg 0
16 Commuting miles on line 12 0
17 Other personal miles..... 0
Mthd:1=StdRate,2=Actual,3=Best 1
23 Gas,oil,repair,insurnc,etc 0
24a Vehicle rentals..... 0
24b Inclusion amount..... 0
24c Subtract 24b from 24a..... 0
25 Value employer-prov(w-2).. 0
26 Add lines 23, 24c,& 25.... 0
27 Multiply 26 by % on 14.... 0
28 Depreciation from line 38. 0
22 or 29 Vehicle expns claimed 0
```

11 Date placed in service- mm/dd/yy. Figure 2-21a. Vehicle Expense Worksheet, Screen 1

If different from the above date, enter the date the vehicle was placed in service for business use. If in the current tax year and later than the preceding date, this date is used to specially prorate the result for line 14 for those who started a new job in which a car is required (when the old job did not require one). If the car is newly purchased and immediately put into business use, as indicated by both dates being the same, no prorationing will result. (TIP: The prorationing of line 14 is not required if you have records to prove your nonbusiness mileage for the car starting on the date placed in service. If this is the case, change "Date vehicle acquired" to be the same as "Date placed in service" and enter on lines 12 and 13 only the mileage starting on the "Date placed in service" rather than the mileage for the entire year.) This date is also used as the starting date for depreciation in lines 30 through 38.

- 12 Total miles vehicle was driven during 2023.** Include both personal and business mileage for the months starting at the beginning of the tax year or the immediately preceding date, whichever is later.
- 13 Business miles included on line 12.** Enter the business part of the total mileage here. Do NOT include commuting mileage.
- 14 Percent of business use.** (*auto-calc*) Normally computed as the ratio of line 13 to line 12 (expressed as a percentage). However, if the date started for business use is in the current tax year, a special prorationing may be used.
- 15 Average daily round-trip commuting distance.** Enter here the mileage from home to the first business stop and from the last business stop to home, averaged over the months of business use. (Used by IRS for auditing information only.)
- 16 Commuting miles included on line 12.** Enter the part of total mileage attributable to commuting to and from work.
- 17 Other personal miles.** (*auto-calc*) Computed as line 12 less lines 13 and 16.
- 18 through 22.** These lines appear on Form 2106 itself, not this worksheet, because they apply to ALL vehicles.
- Method: 1=Standard Rate, 2=Actual Expenses, 3=Best.** Using the previously described rules as a guidance (in the shaded section titled "Standard Mileage Rate vs. Actual Expenses"), enter 1 if you must use the Standard Mileage Rate method for this vehicle, 2 if you must use the Actual Expense method for this vehicle, or 3 if you can use the best method (the one with the highest deduction). *TIP: If you choose method 1, you do not have to complete lines 23 through 28, which relate only to the Actual Expense method.* (The Standard Mileage Rate for 2023 is 65.5 cents per mile, which is applied at line 22 of Form 2106.)
- 23 Gasoline, oil, repairs, vehicle insurance, etc.** Enter all out-of-pocket expenses here.
- 24a Vehicle rentals.** Enter rental expenses here.
- 24b Inclusion amount.** You may have to reduce your rental deduction by an inclusion amount if the lease term began after June 18, 1984 and the term of the lease was 30 days or more. For leases that began in 2023, the reduction applies to vehicles with an initial market value that exceeds \$60,000; for leases begun in 2022 it is \$56,000; for leases begun in 2021, it is \$51,000; and for leases begun after 2017 and before 2021, it is \$50,000. For leases begun after 1986 but before 2018, the reduction generally applies only to vehicles with an initial market value in excess of \$12,800 if begun before 1991, \$13,400 if begun in 1991, \$13,700 if begun in 1992, \$14,300 if begun in 1993, \$14,600 if begun in 1994, \$15,500 if begun in 1995 or 1996, \$15,800 if begun in 1997 or 1998, \$15,500 if begun in 1999, 2000, 2001, or 2002, \$18,000 if begun in 2003, \$17,500 if begun in 2004, \$15,200 if begun in 2005 or 2006, \$15,500 if begun

in 2007, \$18,500 if begun in 2008 through 2012, and \$19,000 if begun in 2013 through 2017. (Slightly higher amounts apply to trucks and vans.) To figure the inclusion amount, which can range from \$1 to a few hundred dollars per year, see IRS Pub. 463 (Travel, Gift, and Car Expenses).

24c Subtract line 24b from line 24a. *(auto-calc)* Computed as indicated.

25 Value of employer-provided vehicle (on W-2). Enter here the value of an employer-provided vehicle only if included with wages in box 1 of Form W-2 at full annual lease value. If not reported at full annual lease value, include the amount in line 7 of Form 2106 rather than here if claiming a deduction for vehicle expenses.

26 Add lines 23, 24c, and 25. *(auto-calc)* As indicated.

27 Multiply line 26 by the percentage on line 14. *(auto-calc)* Computed as indicated.

28 Depreciation from line 38. *(auto-calc)* This amount is computed after you complete lines 30 through 38, below.

22 or 29 Vehicle expense claimed. *(auto-calc)* This is the claim that will be reflected in the totals on Form 2106. This result is controlled by your choice of method above line 23. If you chose method 1, this result will be reflected in line 22 of Form 2106 based on the Standard Mileage Rate method, using the mileage on line 13. For this method, the deductible expense for 2023 is the business mileage times 65.5 cents per mile. If you chose method 2, this result will be reflected in line 29 of Form 2106 based on the Actual Expense method, and is computed as line 27 plus line 28. If you chose method 3, the result for either line 22 or line 29 is shown here, whichever is greater. (Note that when the Standard Mileage Rate is used, whether by your choice or the software's optimization, calculated results for lines 27, 28, and 29 appear as zero on the official printout of Form 2106 in order to mitigate any confusion about which method is used for a particular vehicle. To further minimize confusion you can zero all actual expense entries for this vehicle, since they are not needed in this case.)

Paging among screens. Press the Page Down Key (or >) to continue to lines 30 through 38 of this worksheet. (The Page Up Key, or <, will return you to lines 11 through 29.)

Screen 2 of Vehicle Expense Worksheet. Depreciation for the Actual Expenses Method is computed in lines 30 through 38. See Figure 2-21b.

Eligible for special allowance? A first-year special allowance (popularly called "bonus depreciation") is available for nearly all new and used vehicles acquired after September 27, 2017 and placed in service during the tax year. For vehicles placed in service in 2023, the percentage of cost or basis allowed is 80% Note that both new and used vehicles qualify if purchased after that date. (No special allowance is allowed for vehicles purchase before September 28, 2017 because the former allowance was phased out to zero.) *The*

software will allow you to answer Yes here only if the percent of business use on line 14 of this worksheet is more than 50%, the date acquired is after 12/31/2007, and the date placed in service (line 11) is within the tax year of the return.

Elect out of special allowance? If you elect out of the special allowance, you must elect out for all other property of the same class throughout the return, including all copies of Form 4562.

1=regular, 2=OEM electric, 3=truck, 4=big SUV, 5=exempt. This

entry is used to control the ceiling on depreciation for passenger vehicles, often called the "luxury car limitation," which are shown later in Table 2-12, and apply a limitation on sec. 179 deductions for big SUVs not subject to these limitations. For most vehicles,

	Eligible for spec. allowance? No	
	Elect out of spec. allowance? No	
	1=reg,2=elec,3=truck,4=SUV	1
	(5=exempt. See instr'ns.)	
30	Cost or other basis.....	0
	Sc.179exp.&PRIOR spec allow	0
31	Sec.179 & spec allow(2023)	0
32	Multiply ln30 by ln 14....	0
	Deprec'n in past years	0
	Recovery period(years)	0
	Farm or elect 150% DB.? No	
	MUST use mid-qtr convn? No	
33	Method (DB,ACRS,orSL)....	
	Month sold (if this year).	0
	Percentage this year.....	0
34	Multiply 32 by % on 33....	0
35	Add lines 31 and 34.....	0
36	Limitation amount.....	0
37	Multiply 36 by % on 14....	0
38	Smaller of ln 35 or 37....	0

1 is the appropriate entry. **Figure 2-21b. Vehicle Expense Worksheet, Screen**

Enter **2** if the vehicle was produced by an original equipment manufacturer (OEM) and designed to run primarily on electricity. The ceiling on depreciation for OEM electric vehicles that were placed in service after August 5, 1997 but before January 1, 2007 is approximately triple that for regular cars. (*NEW: No special treatment is available for electric cars placed in service in 2007 and later.*) Enter **3** if the vehicle is a passenger truck or van (including minivans and SUVs built on a truck chassis) rated at 6,000 pounds gross vehicle weight or less. The ceiling on first-year depreciation is \$300 higher for trucks and vans than it is for regular cars. Enter **4** if the vehicle is an SUV (or other passenger vehicle) rated at more than 6,000 pounds gross vehicle but no more than 14,000 pounds. This class of vehicle is not subject to the limitations in Table 2-12, but is subject to a reduced maximum for sec. 179 deduction of \$25,000. Enter **5** for vehicles not fitting into any of these categories, which are vehicles excepted from all ceilings. Excepted vehicles include ambulances, hearses, and taxicabs.

30 Cost or other basis. Enter the total cost (including sales tax paid after 1986) BEFORE adjusting it for prior depreciation or reducing it to

account for nonbusiness usage. However, reduce the basis by any diesel fuel tax credit, electric vehicle credit or clean-fuel vehicle deduction you claimed, and increase the basis by any recapture on Form 4797, line 35 that applies to this vehicle.

Section 179 deduction and PRIOR special allowance. If the vehicle is new this year, enter the section 179 deduction to be taken. Your entry may be reduced in accordance with Table 2-12. The reduced amount will also be reflected in line 31, below, and the depreciable basis (line 32) will be reduced by the deduction taken. On the other hand, if the vehicle was placed in service in a prior year, enter here the section 179 deduction actually taken in the past plus any basis reduction required for a previously claimed special allowance or the Investment Tax Credit (ITC) and any adjustment required for past years when you used the standard mileage method at 12 cents per mile since 1994. For this case your entry will *not* be reduced and will *not* be reflected in line 31. Instead, it will be used *only* to properly compute the depreciable basis for line 32. Also include here any special depreciation allowance taken in the past.

31 Section 179 deduction and special allowance (2023). *(auto-calc)* If "Date placed in service" lies in the current tax year and the business use percentage on line 14 exceeds 50%, then this line is computed as the preceding section 179 deduction plus (if you indicated eligibility for it and didn't elect out) a special allowance. The special allowance is figured as 80% of the business basis for 2023 remaining after subtracting the section 179 deduction from the product of line 30 and line 13. Otherwise, this line is computed as zero.

32 Multiply line 30 by line 14. *(auto-calc)* This is the basis for depreciation. In spite of the label for this line, the line is computed as the //cost (line 30) times the percentage of business use (line 14), *less* either line 31 (if business use started this year) or the entry above line 31 (if business use did *not* start this year).

Depreciation in past years. You must include all past depreciation allowed, whether taken or not, including past sec. 179 expense and past special allowance taken. In other words, except for years you used the Standard Mileage Rate, you have to compute past depreciation as if you had used the Actual Expense method for all the other years. This entry is used to determine any additional depreciation you can deduct now because prior depreciation was reduced by the limitations on luxury cars, which are shown in Table 2-12.

Recovery period (years). This entry is checked against the law and changed to the closest legal period if it is improper.

Farm or elect 150% DB method? Since 1990, property used in a farming business cannot be depreciated at the 200% declining balance rate. If the declining balance method is chosen, property used in a farming business **MUST** be depreciated at a 150% rate instead. In addition, nonfarm property can be depreciated at 150% by

election (in order to avoid the complications of the alternate minimum tax). In either case, answer Yes here to force 150% DB for classes where 200% DB would be used otherwise.

MUST use mid-quarter convention? Normally you must use the mid-quarter convention when more than 40% of the value of all property placed in service in the same year is placed in service in the last quarter of the year. You therefore cannot answer this question properly without considering ALL of the property (including other property in addition to cars) you start depreciating this year on the tax return.

33 Method (DB, ACRS, or SL). The method is restricted for cars: if the vehicle is placed in service after June 18, 1984 and used 50% or less for business, the method should be SL, and the software ensures this. The IRS prefers standard entries like MACRS, ACRS, and SL, but the software will accept any entry starting with MA, AC, or DB as a MACRS/ACRS type, and any entry starting with SL or S/ as an SL type. Everything else is taken as manual entry, for which you can enter any percentage, below.

Month sold (if this year). Enter month from 1 to 12 to indicate a sale.

Percentage this year. *(auto-calc)* This line normally shows the percentage deduction resulting from the automatic calculations. But if you entered an unrecognized method above, you can make any manual entry here yourself.

34 Multiply line 32 by the percentage on line 33. *(auto-calc)* Normally computed as indicated, this is the depreciation deduction before luxury car and business use limitations are applied. If the vehicle was sold during the current year, the appropriate percentage is applied based on year and month the vehicle was placed in service and month sold.

35 Add lines 31 and 34. *(auto-calc)* Computed as indicated.

36 Limitation amount from table. *(auto-calc)* The limitations on depreciation plus section 179 deductions are shown in Table 2-12. If you entered 4 or 5 for the vehicle type, indicating that no limitation applies, zero will appear here and on line 38.

37 Multiply line 36 by the percentage on line 14. *(auto-calc)* Computed as indicated, this is the limitation that applies this year.

38 Smaller of line 35 or line 37. *(auto-calc)* Computed as indicated, this is the total depreciation deduction allowed this year, including section 179 expense and any special first-year allowance. It is used in line 28, above, as a component of total actual expense in line 29.

For more details on the depreciation methods used, see the instructions in this manual for the Listed Property Worksheet for Form 4562. Also see IRS *2023 Instructions for Form 2106*.

Table 2-12. Limitations on Cars

<u>DATE PLACED IN SERVICE</u>		<u>TAX YEAR</u>	<u>MAXIMUM</u>
1/1/18	through 12/31/18	3rd	\$ 9,600
"	" "	4 & more	\$ 5,760
1/1/19	through 12/31/19	3rd	\$ 9,700
"	" "	4 & more	\$ 5,760
1/1/20	through 12/31/20	3rd	\$ 9,700
"	" "	4 & more	\$ 5,760
1/1/21	through 12/31/21	3rd	\$ 9,800
"	" "	4 & more	\$ 5,860
1/1/22	through 12/31/22	2nd	\$18,000
"	" "	3rd	\$10,800
"	" "	4 & more	\$ 6,460
1/1/23	through 12/31/23	1st	\$12,200 (*)
"	" "	2nd	\$19,500
"	" "	3rd	\$11,700
"	" "	4 & more	\$ 6,960

(*) If special allowance elected for this property, raised by \$8,000 if purchased after September 27, 2017.

NOTES:

1. The above table applies to most taxpayers, but the software supports the limitations for earlier years as well, since you can continue to deduct depreciation until the entire cost (or other basis) is deducted.
2. Actual limitation is THE ABOVE AMOUNT MULTIPLIED BY THE BUSINESS USE PERCENTAGE. (After the recovery period has expired, the remaining depreciation not taken because of the above limitations can be deducted subject to these limitations each year until fully depreciated.)

Form 2120* / Multiple Support Declaration

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form must be filed by those who claim a dependent for whom they did not provide more than 50% of the dependent's support unless the dependent is a qualifying child. You must have provided more than 10% of the support, no-one else can have provided more than 50% of the support, and you must have signed statements from all others who provided more than 10% of the support relinquishing their claim to an exemption for the dependent in the current tax year.

Use a separate Form 2120 for each dependent. You must use each Form 2120 for just one dependent. *Five copies are provided* by the software, which are accessible only from the Forms Menu (as form 18) or through the Road Map from the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.

Form 2120 not required for a qualifying child. Since tax year 2005, you do *not* have to file this form for a dependent who is your "qualifying child" in accordance with the current definition in the IRS *2023 Form 1040 Instructions*. By this definition, *a qualifying child is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendent of any of them, who is under age 19 at year-end 2023 (or a student under 24, or a permanently and totally disabled person of any age), who does not provide over half of his or her own support for 2023, and who lived with you more than half of 2023.* If the child is a qualifying child of more than one person and lived with neither more than half the year, the IRS will apply the rules summarized in their Form 1040 Instructions, including giving the dependency to the parent with whom the child lived longer or, if lived with both the same amount of time, the parent with the higher AGI. *It is not up to the parents to decide which parent will claim the dependency.*

During calendar year 2023, the eligible persons listed below EACH paid over 10% of the support of:

First name of person supported. Enter the first name and initial of the dependent in 10 characters or less.

Last name of person supported. Enter the last name in 15 characters or less.

I have a signed statement from each eligible person waiving his or her right to claim this person as a dependent for any tax year that began in the above calendar year:

Eligible supporters (itemize). *(Supported by the Eligible Person Worksheet, Figure 2-22.)* The number of persons you properly identify in the supporting worksheets for this line appears here

Eligible Person Worksheet, Figure 2-22. You must identify ALL other persons who provided more than 10% of the support for the dependent named on this form.

First Name. Enter in 10 characters or less.

Last Name. Enter in 15 characters or less.

Social security number. You *MUST* enter the person's SSN.

U.S. address:

Street address. Enter here the person's street address or P.O. box in 30 characters or less.

City. Enter city in 22 characters or less.

State. Enter the standard 2-letter state code.

ZIP code. Enter the standard 5-digit (xxxxx) or 9-digit (xxxxx-xxxx) ZIP code.

Foreign address (if none above):

Street address. Enter here the person's foreign street address or P.O. box in 30 characters or less. *For a person with both a domestic address and a foreign address, you must choose which to enter on this worksheet. If you enter both, an e-file return will be rejected by the IRS.*

City. Enter foreign city in 30 characters or less.

Province or Sstate. Enter the foreign province or state in 15 characters or less.

Country code. Enter the standard 2-letter country code. *See Table 2-6 on page 2-27 for a list of official country codes.*

Postal code. Enter the foreign postal code in 15 characters or less.

Have a signed statement from him or her? You *MUST* have a signed statement from the person stating that he or she will not claim the dependent on his or her return for the applicable year. Do NOT send the statement to the IRS, but keep it with your records.

```

ELIGIBLE PERSON WORKSHEET
First Name.....
Last Name.....
Soc. sec. no. ....
U.S. address:
Street address.....:
City.....
State.....
ZIP code.....
Foreign address (if none abv):
Street address.....:
City.....:
Province/state.....
Country code.....
Postal code.....
Have signed stmt from him/her? No
  
```

Figure 2-22. Eligible Person Worksheet

Form 2210 & 2210-F / Underpayment of Estimated Tax

Why a penalty? The penalty computed through Form 2210 or Form 2210-F is a nondeductible charge that the IRS imposes when prior withholding plus estimated tax payments fall substantially short of the tax liability for the year. *This form is automatically generated when a penalty appears likely.* You will have to access this form yourself, however, to provide additional information for a lower penalty. *Form 2210 (and 2210-F) is accessible through the Road Map at line 38 of Form 1040.* Form 2210-F is integrated into our on-screen Form 2210; the software determines your eligibility for Form 2210-F based on the information on screen 2 and, if eligible, computes the penalty based on Form 2210-F and prints Form 2210-F in place of Form 2210 when you choose to generate an official printout of the return. Note that Form 2210 (or Form 2210-F) assesses a penalty only through April 15, 2024. The IRS alone computes interest and penalties after that time and sends a bill to the taxpayer. There is no IRS form for computing the post-April 15 interest and penalties.

TIP: Most taxpayers can omit Form 2210 from the return. After a long history of confusing and often inconsistent instructions, and frequent errors on the part of taxpayers in completing the form, the IRS now encourages taxpayers to let the IRS compute the penalty! *Unless you need to supply more information to justify a lower penalty, you can let the IRS figure the penalty for you.* *If you file Form 2210 and compute the penalty yourself, you must pay the penalty with the return; but if you let the IRS compute the penalty, you do NOT have to pay the penalty until the IRS bills you.* And, as long as you file your return by its regular due date (April 15, 2024 for tax year 2023 returns) and pay any tax due (other than the penalty), you will not be charged interest on the unpaid penalty if you pay the amount billed within 10 days of the billing date. In any case, we provide the form with its full automation so that taxpayers are not caught unaware of a penalty they may owe.

More favorable Form 2210-F for farmers and fishermen built-in. If your gross income from farming or fishing is at least two-thirds of your gross income from all sources for 2022 or 2023, you qualify for the simpler Form 2210-F, which imposes less severe penalties than Form 2210. The penalty through Form 2210-F is computed based only on the number of days after January 15, 2024 that all tax due is paid; *there is NO penalty for late quarterly payments for periods before January 15.* You also owe no penalty if you *file Form 1040 and pay all tax due by March 1, 2024.*

Form 2210 is a complex 3-page form plus a full page worksheet. The form is split in the software into two interrelated parts, each of which is independently accessible from the Forms Menu:

- **Form 2210, Main Form – form 19 on the Forms Menu.** The first two pages of the form, plus a full-page worksheet, are supported by our main form. In addition, Form 2210-F, a separate 1-page form that pro-

vides a lower penalty for farmers and fishermen, is integrated into our main form, and is printed instead of the regular Form 2210 if you qualify. Unless you choose the Annualized Income Installment Method, described later, this main form is the only form you will use.

- **Form 2210, Schedule AI – form 20 on the Forms Menu.** The last page of Form 2210 is actually a separate schedule (Schedule AI, Annualized Income Installment Method) that modifies the penalty computation on the first two pages of Form 2210 for a lower penalty for those who receive most of their annual income in later months of the year. It is used to justify lower payments required in earlier quarters based on lower income in those quarters. Schedule AI is accessible through the Road Map from screen 1 of Form 2210 by itemizing any of the four in the ANNUALIZED INSTALLMENTS section of that screen.

DATE TO BE FILED AND PAID. This information is used in computing special exceptions and reduced penalties for early filing and payment.

Date return filed. You must enter the date the return will be filed in the mm/dd/yy format.

Tax due on Form 1040, line 24 less line 33. *(auto-calc)* Computed as line 24 less line 33 of Form 1040, but no less than zero, this is the amount of tax you owe before adding any underpayment penalty.

\$ NOT paid when return filed. If you will not be paying the entire tax due when filing the return, enter the amount of underpayment here.

Tax paid when return filed. *(auto-calc)* Computed as the tax due less the above underpayment.

Estimated tax paid by 1/15/2024. *(auto-calc)* Taken from "TOTAL for Form 1040, line 26" on the first screen of our Control Form, where you enter estimated tax payments made for 2023.

There are decided benefits for early filing when you pay tax with the return. Dates earlier than 1/15/2024 produce no extra benefit because the IRS does not pay interest for early payments. Conversely, dates later than 4/15/2024 produce no extra penalty on this form because Form 2210 is *NOT* designed for computing the penalty for late returns, but only for computing the penalty for insufficient withholding or quarterly estimated tax payments. However, if you pay on or before January 31, 2024, any tax paid with the return will be considered as an additional estimated tax payment made by January 15, 2024 for the purposes of this form. Better yet, if you qualify as a farmer or fisherman, dates on or before March 1, 2024 will result in no penalty if you pay all tax due by that time. (Note that if an amount is due on a Saturday, Sunday, or federal holiday, the IRS will consider the payment timely if you pay on the next business day.)

AMOUNT OF WAIVER REQUESTED. All or part of the penalty may be eligible for a waiver under special circumstances delineated by the IRS. To claim a waiver you must itemize the below line and explain the reason. TIP: To request a FULL waiver before knowing the penalty, enter an amount larger than the largest penalty you expect.

Waiver requested (itemize). Explain your justification for a waiver in a supporting statement for this line, with the amount to be waived in the amount column. *CAUTION: The circumstances under which the IRS will accept a waiver are very narrow. Enter an amount here ONLY if your underpayments are a result of retirement after reaching age 62 or you suffered a casualty, disaster, retirement, or disablement during the tax year that has been specifically allowed by the IRS as reasonable cause for a waiver.* You may also have to attach official documentation of the event.

ANNUALIZED INSTALLMENTS. (Not relevant if qualified for Form 2210-F, since the penalty for that form is based solely on the number of days late after January 15, 2024.) *You can skip this section* if your income is received relatively uniformly throughout the year, or you receive more income in the first half of the year than you do in the second half of the year. It will be to your benefit to complete Schedule AI of Form 2210 (Annualized Income Installment Method), which supports these lines, *only* if you can show that you received more income in later quarters than in earlier quarters:

Annualized installments for 1st quarter, 2nd quarter, 3rd quarter, and 4th quarter. (*Road Map lines, supported by Form 2210 Schedule AI.*) For 2023, the results on line 27(a), 27(b), 27(c), and 27(d) of Schedule AI of Form 2210 appear on these four lines after you complete this supporting schedule.

FEDERAL INCOME TAX WITHHELD. The IRS allows you to assume that withholding from wages is equal in all four quarters. However, it may be to your benefit to override the below automatically computed amounts with the actual exact amounts if you have a penalty and your wages in the first half of the year significantly exceed your wages in the second half of the year.

Tax withheld on Form 1040, line 25d. (*auto-calc*) Taken from Form 1040 as indicated.

Excess FICA tax on Schedule 3, line 11. (*auto-calc*) Taken from line 11 of Schedule 3, this is the excess social security and RRTA tax caused by more than one employer deducting these taxes.

Other federal income tax withheld. Enter here all other applicable withholding, including any credit from Form 4469.

TOTAL federal income tax withheld. (*auto-calc*) The sum of the above three amounts, this result is used for line 6 of Form 2210. It may be to your advantage to determine an accurate quarter-by-quarter breakdown of this total, as explained in the next.

Part withheld in (a) 1st quarter, (b) 2nd quarter, (c) 3rd quarter, and (d) 4th quarter. (*auto-calc lines*) The above total is divided equally among all four quarters and displayed here. *If you can show that your actual payments were unequal, and these actual payments result in a lower penalty, you should use the Override Key (F8 or Ctrl-O) to access and change these computed amounts, and explain the change in a supporting statement for each changed line.*

FORM 2210-F QUALIFICATION (for farmers and fishermen). Qualifying farmers and fishermen benefit from a simpler calculation, a lower penalty, and sometimes even zero penalty. But qualification can be difficult to determine if the taxpayer has nonfarm income as well. The IRS allows you to use the more favorable rules for farmers and fishermen if your gross income from farming and fishing is at least 2/3 of your annual gross income from all sources for *EITHER* 2022 or 2023. The software can help with the determination for 2023, but *you* must answer the following question for 2022:

2/3 of 2022 gross income is from farming and fishing? In order to answer this question, you must compute gross farm and nonfarm income in the same way as we detail for 2023 below.

2023 gross income from farming and fishing is determined here:

Schedule F, line 9. *(auto-calc)* This is the gross income reported on Schedule F for 2023.

Farm gross on Schedule K-1s and Form 4835. *(auto-calc)* Computed from entries on Schedule E, this is the sum of self-employment gross on the Partnership and S Corps Worksheets for farm activities (in Part II of Schedule E) plus the gross farm rental income from Form 4835, which appears above line 39 of Schedule E (in Part V).

Other farm gross on Schedule SE. *(auto-calc)* Taken from Schedule SE, this is the entry you made on Schedule SE for gross farm self-employment income not reported on Schedule E or F.

Other farm gross (Form 4797, etc.). Use this line to report all gross farm income not included above. If it stems from Form 4797 or Schedule D, you will have to separately sum items sold for a profit and items sold for a loss, and enter here only the gain from those items sold for a profit.

2023 FARM Gross. *(auto-calc)* The sum of the above four lines.

2023 gross income from other businesses is determined here:

Form 1040, line 9 less amounts from Schedules C, D, E, and F, and Form 4797. *(auto-calc)* Computed as total income on Form 1040 less net income from the cited sources (shown on line 3 of Schedule 1, line 7 of Form 1040, and lines 5, 6, and 4 of Schedule 1, respectively).

Nonfarm gross on Schedules C, K-1s, and SE. *(auto-calc)* Computed as the sum of line 7 of Schedule C, self-employment gross on the Partnership and S Corps Worksheets for nonfarm activities (in Part II of Schedule E), and the entry you made on Schedule SE, if any, for gross nonfarm self-employment income not reported on Schedule E or F.

Nonfarm gross on Schedule E, Part I. *(auto-calc)* Computed as the sum of rent and royalty gross income included in line 4 of Schedule E.

Nonfarm gross on Schedule D, Form 4797, and others. Use this line to report all gross nonfarm income not included above. If it stems from Form 4797 or Schedule D, you will have to separately sum items sold for a profit and items sold for a loss, and enter here only

the gain from those items sold for a profit. You may also have to determine gross amounts in Parts III and IV of Schedule E. (Parts I and II of Schedule E are handled automatically.)

2023 NONFARM Gross. *(auto-calc)* The sum of the above four lines.

2/3 of 2023 gross income is from farming and fishing. *(auto-calc)* Answered Yes if the above 2023 FARM Gross divided by the sum of 2023 FARM Gross and 2023 NONFARM Gross is at least 2/3.

QUALIFIED FOR FORM 2210-F. *(auto-calc)* Answered Yes if either of the "2/3 of..." questions is answered Yes.

Filed and paid full tax due by 3/1/2024. *(auto-calc)* Answered Yes if the entry for "Date return filed" on screen 1 is 3/1/2024 or earlier AND "Tax paid when return filed" matches "Tax due on Form 1040."

QUALIFY FOR ZERO PENALTY. *(auto-calc)* Answered Yes if both of the preceding two questions are answered Yes.

If the last question is answered Yes, no penalty is due. But if you filed and paid after March 1, 2024, you must claim a waiver by itemizing the waiver line on screen 1 and explaining your qualification for a waiver.

PART I, REQUIRED ANNUAL PAYMENT. The quarterly overpayment or underpayment is computed here:

Itemize to access Control Form. *(Road Map to the Control Form.)* Because lines 2 and 8 depend critically on entries found only on the Control Form, this line is provided for easy access to that form. *You may have to make an adjustment to line 2, or enter amounts from the prior-year return for line 8, on the Control Form.*

1 2023 tax after credits. *(auto-calc)* Transferred automatically from line 22 of Form 1040, which itself is computed as total tax on line 18 less total nonrefundable credits on line 21 of Form 1040.

2 Other taxes (from Control Form). *(auto-calc)* Taken from the line "Tax for 2210 line 2" on screen 3 of the Control Form, this is the sum of amounts on Schedule 2 listed in the IRS instructions for this line (shown on page 3 of the 2023 Instructions for Form 2210) *plus any adjustment you make on the Control Form line labeled "Other adjustment for 2210 line 2".* (See our instructions for the Control Form for examples of valid adjustments.)

Refundable credits for line 3:

Earned income credit. *(auto-calc)* Taken from line 27 of Form 1040.

Additional child tax credit. *(auto-calc)* Taken from line 28 of Form 1040.

American opportunity credit (Form 8863, line 8). *(auto-calc)* Taken from line 29 of Form 1040 (from Form 8863, line 8, which is only the refundable part of the credit on Form 8863).

Premium tax credit. *(auto-calc)* Taken from line 9 of Schedule 3 (from Schedule 8962, line 26).

- Credit for Federal tax paid on fuels.** *(auto-calc)* Taken from line 12 of Schedule 3.
- Qualified sick and family leave credits.** *(auto-calc)* Taken from lines 13b and 13h of Schedule 3.
- Credit determined under section 1341(a)(5)(B).** *(auto-calc)* Taken from line 13d of Schedule 3.
- 3 Refundable credits.** *(auto-calc)* Computed as the sum of the preceding 7 lines.
- 4 Current year tax.** *(auto-calc)* Computed as the sum of lines 1 through 3. *(If less than \$1,000, no penalty is due.)*
- % required to avoid penalty.** *(auto-calc)* Normally 90%, but 66-2/3% if qualified for Form 2210-F.
- 5 Multiply line 4 by above %.** *(auto-calc)* Computed as indicated. The IRS imposes penalties only for falling short of this portion of the tax liability on line 4.
- 6 Withholding taxes.** *(auto-calc)* Taken from the "TOTAL federal income tax withheld" computed on screen 1 of Form 2210 (in the section "FEDERAL INCOME TAX WITHHELD").
- 7 Subtract line 6 from line 4.** *(auto-calc)* Computed as indicated, this is the amount by which prior payments have fallen short of line 4. *If line 7 is less than \$1,000, no penalty is due*, and the remainder of the form is automatically zero.
- Adjusted tax paid in 2022 (from Control Form).** *(auto-calc)* Computed from entries on screen 3 of the Control Form in the same way as line 4 of Form 2210, but for 2022.
- Full-year return filed in 2022 (from Control Form)?** *(auto-calc)* Taken from your entry on screen 3 of the Control Form. If you filed no return for 2022 or filed a return for less than a full year, you do not qualify for an exclusion based on your 2022 tax. **CAUTION: You MUST enter Yes for this line on the Control Form or else the exception based on prior-year tax will not be considered.**
- 8 Maximum required annual payment based on prior year's tax.** *(auto-calc)* If the answer to the above question is Yes, the above tax paid in 2022 is posted to this line for most taxpayers, and a zero result means no tax was paid and hence no penalty can result. If the answer is No, however, line 8 is not only zero but is ignored in subsequent calculations. *Note that the amount that appears here may be higher than the 2022 tax if 2022 AGI exceeded \$150,000 (\$75,000 if married filing separately on the current-year return). In that case the amount is 110% of the prior-year tax.*
- 9 REQUIRED ANNUAL PAYMENT.** *(auto-calc)* Computed as the smaller of line 5 or line 8. If line 9 (required annual payment) is no more than line 6 (withholding), you do not owe a penalty. However, if line 9 is no more than withholding plus estimated tax payments, you may still owe a penalty, as computed on this form!

PART II, REASONS FOR FILING. This section shows whether you might benefit from filing Form 2210 yourself, rather than letting the IRS compute the penalty. *The answers for reasons A through D are automatic* based on your entries on the first screen and the result on the completed Form 2210. Therefore *the answers may not be correct until the final recalculation of the return.*

- A You request a waiver of your entire penalty.** *(auto-calc)* Answered Yes only if there is a penalty and you entered in your support for "Waiver requested (itemize)" an amount no less than that penalty.
- B You request a waiver of part of your penalty.** *(auto-calc)* Answered Yes only if there is a penalty and you entered in your support for "Waiver requested (itemize)" an amount less than that penalty.
- C You use the annualized income installment method.** *(auto-calc)* This question is automatically Yes only if you completed Schedule AI of Form 2210 and it resulted in an entry on at least one of the lines on screen 1 in the section "ANNUALIZED INSTALLMENTS."
- D You treat withholding from wages as paid when it was actually withheld instead of evenly on payment due dates.** *(auto-calc)* This answer is Yes only if you overrode any of the quarterly amounts for tax withheld shown at the bottom of screen 1 of Form 2210 in the section "FEDERAL INCOME TAX WITHHELD" and the resulting amounts in the four quarters are significantly unequal.
- E You file(d) a joint return in 2022 or 2023, but not both, and line 8 is smaller than line 5.** Answer Yes if applicable.

PAYMENT HISTORY. A summary of payments appears here for use in Form 2210 or 2210-F.

- Tax applied from prior year.** *(auto-calc)* Taken from your entry for "Federal tax applied from 2022" on screen 1 of the Control Form, this is the amount of a 2022 overpayment that is applied to estimated tax for 2023 (from line 36 of the 2022 Form 1040).
- Other tax pre-paid in (a)1st quarter, (b)2nd quarter, (c)3rd quarter, and (d)4th quarter.** *(auto-calc lines)* Taken from your entries on screen 1 of the Control Form for this return.
- Tax paid with this return.** *(auto-calc)* Taken from the result for the line "Tax paid when return filed" on screen 1 of Form 2210, this amount can be less than the tax due.
- Tax paid with this return by January 31, 2024.** *(auto-calc)* Identical to the above line if the date you entered for "Date return filed" is 1/31/2024 or earlier. Otherwise, zero.
- Quarterly payments equal.** *(auto-calc)* All payments for the four quarters, including the tax withheld in each quarter in addition to the above entries, are added quarter by quarter, and compared to each other. If they are essentially equal, a Yes appears.

FORM 2210-F METHOD. If qualified for Form 2210-F, lines 1 through 16, below, are computed, and Form 2210-F is printed with the return in place of Form 2210. (Lines 1 through 11 are analogous to Form 2210, Part I, lines 1 through 9, with a little more calculation detail shown.)

1 2023 tax after credits. *(auto-calc)* Taken from line 1 of Form 2210, Part I when Form 2210-F is used; otherwise zero.

2 Other taxes. *(auto-calc)* Taken from line 2 of Form 2210, Part I when Form 2210-F is used; otherwise zero.

3 Add lines 1 and 2. *(auto-calc)* Computed as indicated.

4 Refundable credits. *(auto-calc)* Taken from line 3 of Form 2210, Part I when Form 2210-F is used; otherwise, zero.

5 Reserved for future use. This line is no longer used on Form 2210-F.

6 Current year tax. Subtract line 4 from line 3. *(auto-calc)* Computed as indicated.

7 Multiply line 13 by 66-2/3%. *(auto-calc)* Computed as indicated.

8 Withholding taxes. *(auto-calc)* Taken from line 6 of Form 2210, Part I when Form 2210-F is used; otherwise zero.

9 Subtract line 8 from line 6. *(auto-calc)* Computed as indicated. If less than \$1,000 you do not owe a penalty.

10 Tax shown on your 2022 tax return. *(auto-calc)* Taken from line 8 of Form 2210, Part I when Form 2210-F is used; otherwise zero.

11 REQUIRED ANNUAL PAYMENT. *(auto-calc)* Taken from line 9 of Form 2210, Part I when Form 2210-F is used; otherwise zero.

12 Estimated tax payments and withholding. *(auto-calc)* Computed as the "TOTAL federal tax withheld," shown on screen 1 plus, from the preceding PAYMENT HISTORY, the "Tax applied from prior year" plus the four quarterly payments (a, b, c, and d) plus the amount of "Tax paid with this return by 1/31/2024."

13 UNDERPAYMENT. *(auto-calc)* Computed as line 11 less line 12. There will be no penalty unless this result is greater than zero.

14 Date the amount on line 13 was paid (or 4/15/2024 if earlier). *(auto-calc)* If "Tax paid when return filed" matches "Tax due on Form 1040," on screen 1, then "Date return filed" is used here. Otherwise, 4/15/2024 is entered.

15 Number of days FROM 1/15/2024 to line 14. *(auto-calc)* Computed as indicated.

Tentative penalty. *(auto-calc)* Computed as 0.08 times line 13 times line 15 divided by 365 for 2023.

Amount WAIVED. *(auto-calc)* Taken from your entry in the supporting statement for "Waiver requested (itemize)" on screen 1.

16 PENALTY. *(auto-calc)* Computed as the tentative penalty less the waiver amount you entered, but no less than zero. If qualified for Form 2210-F, this amount is posted to line 38 of Form 1040.

PART III, PENALTY COMPUTATION. The rest of the form shows how the penalty is computed when Form 2210-F does not apply. It corresponds to page 2 of Form 2210 along with the IRS *Worksheet for Form 2210, Part III, Section B* in the IRS *2023 Instructions for Form 2210*. (If Form 2210-F is used, all lines in this part are zero.)

Section A—Figure Your Underpayment:

One-fourth of line 9 (a)1st quarter, (b)2nd quarter, (c)3rd quarter, and (d)4th quarter. *(auto-calc lines)* The liability on line 9 is divided equally among all four quarters.

10 Required installments (a)4/15/2023, (b)6/15/2023, (c)9/15/2023, and (d)1/15/2024. *(auto-calc lines)* All four quarters of this line will be one-fourth of line 9 unless you claimed a special exception.

11 Tax paid and withheld (a)1st quarter, (b)2nd quarter, (c)3rd quarter, and (d)4th quarter. *(auto-calc lines)* Composed of withholding amounts appearing on screen 1 and other amounts appearing in the "PAYMENT HISTORY," each quarter is computed independently. All four quarters include "Tax withheld" and "Other tax pre-paid" for the corresponding quarter. But the first quarter result additionally includes the tax applied from the prior year's return, and the fourth quarter includes the tax paid with the return by January 31. **CAUTION:** *If you are a household employer who made advance EIC payments to the employee, you must use the Override Key to access each line and increase the result by the amount of advance payments attributable to wages paid in the relevant quarter of 2023.*

Lines 12 through 19 are automatic, but intentionally deviate from IRS instructions. The rest of Part III, Section A, is automatic, but it may not match the method you expect. The form has confused taxpayers for years, partly because the IRS instructions change each year, are never quite precise enough, and are often self-contradictory. In fact, starting with tax year 2010, the IRS even removed the familiar lines that follow line 18 to show how the penalty is computed, instead referring you to the instructions and a one-page worksheet! *The IRS admits the problem in their official instructions for Form 2210 which states: "We realize that there are different ways to figure the correct penalty. You do not have to use the method prescribed by Form 2210 as long as you enter the correct penalty on the penalty line of your return."* We follow a self-consistent method that results in the proper penalty, but may result in different intermediate results for number of days late and quarterly penalties. (We still show on-screen the way we compute the penalty, even though the lines are no longer on the official form. You can therefore override parts of the computation to benefit from early payments, as described in the next paragraph. The on-screen lines represent a variation of the IRS *Worksheet for Form 2210, Part III, Section B* on page 7 of the IRS *2023 Instructions for Form 2210*.)

Override is possible, but use it sparingly. If you made your estimated tax payments early in any quarter, you may be justified in overriding the comput-

ed results. In accordance with IRS regulations, overpayments from a prior period are used to cover underpayments for subsequent periods, and subsequent quarterly payments are used to reduce prior underpayments before they are applied to the tax liability for the current quarter. In our computation of days when a required amount remains unpaid, we assume that the payments for subsequent quarters are paid on the due date for that quarter. As a result, the penalty is applied to the entire payment period, even if the payment that covers the prior underpayment may have been made earlier. *TIP: You can use the Override Key to change the number of days late if this assumption is inappropriate.*

Section B—Figure The Penalty:

The last 3 screens of Form 2210 sh2023w the automatically calculated number of days late and penalty for each quarter in various rate periods. For 2023, the rate periods are April 16, 2023 through June 30, 2023, July 1, 2023 through September 30, 2023, October 1, 2023 through December 31, 2023, and January 1, 2024 through April 15, 2024. For 2023, the annual percentage rates used to compute the penalty in each quarter of each rate period are 7%, 7%, 8%, and 8%, respectively. These results are guided by the IRS *Worksheet for Form 2210, Part III, Section B—Figure the Penalty* on page 7 of the IRS *2023 Instructions for Form 2210.*

SUMMARY. Part III is concluded here, showing the result of the penalty computation for Form 2210. and results from this and all other methods is shown:

Sum of penalty in all columns combined. *(auto-calc)* Computed as the sum of all penalties computed in Section B for all four quarters in all four rate periods.

Amount WAIVED. *(auto-calc)* Taken as the amount for “Waiver requested (itemize)” on screen 1, which is based on your entries in the supporting statement for that line. .

19 PENALTY. Total on Worksheet for Form 2210, Part III, Section B. *(auto-calc)* Computed as “Sum of penalty in all columns combined” less the above waiver, but no less than zero, this corresponds to the result on line 14 of the IRS *Worksheet for Form 2210, Part III, Section B—Figure the Penalty.* This is the total penalty for Form 2210, and will be zero if Form 2210-F is used instead of Form 2210.

Net penalty in ANY part. *(auto-calc)* The penalty from Form 2210 or Form 2210-F, whichever is used, is shown here. Therefore, the amount on this line will be the amount on line 16 of Form 2210-F if qualified for Form 2210-F, or the amount on line 19 of Form 2210 otherwise, and is posted to line 38 of Form 1040.

Always print page 2 with page 1? If you use Form 2210 to compute the penalty (rather than Form 2210-F), the IRS does *not* require you to compute the penalty and include page 2 (*Penalty Computation*) with the return when you request a waiver of the entire penalty. As a result, if you answer No to

this question, page 1 *alone* will be printed for an official printout of Form 2210 when line A (Request WAIVER of entire penalty?) in Part II (Reasons for Filing) is answered Yes, and your explanation for the waiver will be cross-referenced at Part II, Box A, on page 1 of Form 2210. Otherwise, page 2 will be printed in addition to page 1 and your explanation for the waiver will be cross-referenced at line 19 of Form 2210 for 2023. ***EXCEPTION for e-file: You MUST answer Yes here for an e-file return in which you request a full waiver because the IRS requires the explanation for the waiver to be referenced at line 19 of Form 2210, so page 2 must be included in the e-file output.*** (This question has no effect on a return that uses Form 2210-F instead of Form 2210.)

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. It is intended for private notes or reminders only.

SCHEDULE AI - Annualized Income Installment Method. (*This schedule is accessible directly from the Forms Menu (as form 20) or through the Road Map at one of the four lines in the "ANNUAL INSTALLMENTS" section of screen 1 of Form 2210.*) Unless you qualify for Form 2210-F, it will be to your benefit to complete Schedule AI of Form 2210 if you can show that you received more income in later months of the year than in earlier months. You can then minimize your overall penalty, often eliminating the penalty altogether if your quarterly estimated tax payments were in line with your actual income for the quarters.

Part I, Annualized Income Installments. The basic approach for the installment method is to refigure income and deductions for each of three periods starting January 1st but ending before the end of the year, then compute tax for each of these periods as if the amounts shown for that period continued to the end of the year. In other words, if taxable income for the first period, 1/1/2023 through 3/31/2023, was \$10,000, the required tax for that period would be automatically figured on \$40,000, since the full year is 4 times as long as the specified period. (Analogously, the full year is 2.4 times as long as the second period, 1/1/2023-5/31/2023, and 1.5 times as long as the third period, 1/1/2023-8/31/2023. The fourth period is the full year.) With this approach, the required tax for the shorter periods will be less than that for the longer periods if most of the income was earned in the later months of the year.

Amounts entered for each period? In order to prevent the use of the results for this schedule before you supply the required information, ***this schedule is not recognized on Form 2210 until you answer Yes to this question***, to confirm that you are supplying the required information.

The following entries appear for each of four installment periods for 2023: (a) 1/1/2023-3/31/2023, (b) 1/1/2023-5/31/2023, (c) 1/1/2023-8/31/2023,

and (d) 1/1/2023-12/31/2023. You must complete the entries for the first 3 periods to demonstrate how income and expenses vary throughout the year, but the entries for the last period (the entire year) are fully automatic. *TIP: To help you with the following entries, you can page down to the screens for the fourth period (screens 7 and 8) to see the corresponding amounts for the ENTIRE year.* (Although some computed lines in Schedule AI are missing from the screen, all necessary lines appear on official printouts.)

1 Enter AGI for period shown. Enter AGI for the period computed the same way as line 11 of Form 1040.

Amounts for figuring capital gains tax. Because of the current complexities of the capital gains tax, the computation of tax on Schedule AI is greatly complicated by the need for several numbers from Schedule D in addition to a knowledge of qualified dividends and a couple of amounts from Form 4952. To help you with your entries for Schedule D amounts, you can create three separate tax returns with a mock Schedule D for each of the first three periods in order to determine the amounts for lines 7, 15, 18, and 19 of Schedule D for each period. in Schedule AI. You must then make entries in the 7 lines that follow line 1, above, for each of the first three periods!

2 Annualized amounts. *(auto-calc, not shown on-screen)* The amounts for the four periods are fixed as 4, 2.4, 1.5, and 1 for the four successive periods on this form.

3 Annualized income. *(auto-calc)* Computed as line 1 times the number on line 2 for the period for which you are making this entry.

4 Itemized deductions for the period. If itemized deductions are used for line 12 of Form 1040 rather than the standard deduction, enter here the part of itemized deductions on Schedule A that apply only to the period shown. Your entry is limited to no more than the total on line 17 of Schedule A.

5 Annualized amounts. *(auto-calc, not shown on-screen)* The amounts for the four periods are fixed as 4, 2.4, 1.5, and 1 for the four successive periods on this form.

6 Multiply line 4 by line 5. *(auto-calc)* Computed as indicated, this is the annualized version of the itemized deductions on line 4 (that is, itemized deductions for the period projected to the entire year).

7 Full amount of standard deduction. *(auto-calc)* Computed as the full-year standard deduction to which you are entitled. This amount will be zero if you answered Yes to "MFS: Itemizes or dual-status alien" on screen 4 of Form 1040, since you are *required* to itemize deductions in that case.

8 LARGER of line 6 or line 7. *(auto-calc)* Computed as indicated, you get the benefit of using the standard deduction for the period if greater than the annualized version of itemized deductions for the period, even if you itemized deductions on the full-year return.

- 9 Qualified business income deduction.** If you have an amount on line 13 of Form 1040, you must enter the part of that amount that applies only to the period for which you are making this entry.
- 10 Add lines 8 and 9.** *(auto-calc)* Computed as indicated, this is the total deduction for the period annualized.
- 11 Subtract line 10 from line 3.** *(auto-calc)* Computed as indicated.
- 12 Form 1040 filers, enter -0-.** *(auto-calc)* Always zero for Form 1040 returns, this line applies only to estates and trusts.
- 13 Subtract line 12 from line 11.** *(auto-calc)* Computed as indicated, this is the taxable income for the period annualized.
- Form 8615 tax for the period.** If this return is for a child with investment income who uses Form 8615, you must compute the tax using a manually-prepared Form 8615 based on the taxable income appearing on line 13 of this part of Form 2210. (You can compute the tax for the child with the aid of the software by preparing a separate return using the annualized amounts for the period that appear above this line, along with the correspondingly annualized investment income.)
- 14 Tax on amount on line 13.** *(auto-calc)* If Form 8615 is used, the preceding entry is used here. Otherwise, computed automatically based on tax tables, tax rate schedule, or capital gains tax computations, whichever applies.
- 15 Self-employment tax from line 36.** *(auto-calc)* Computed as indicated for the period, line 36 is the result of Part II of this Schedule AI, described later.
- 16 Other taxes for the period.** Enter other taxes for the period, which is the part of "16 Other taxes for entire year" on screen 8 of this form that applies to the period for which you are making this entry. Your entry can be no more than the amount computed for the entire year. (The amount for the entire year is comprised of the "other taxes" on line 2 of Form 2210 (which is computed on the Control Form) *plus* the additional tax from Form 4972 on line 16(2) of Form 1040 *plus* the alternative minimum tax from Form 6251 on line 1 of Schedule 2 *less* the self-employment tax on line 4 of Schedule 2.)
- 17 Total tax. Add lines 14, 15, and 16.** *(auto-calc)* As indicated.
- 18 Credits allowed for the period.** Enter credits for the period that are reported for the entire year on line 21 of Form 1040 (nonrefundable credits) and line 3 of Form 2210 (refundable credits).
- 19 through 27.** *(auto-calc lines)* These lines are automatically computed for each period. The result on line 27 for each period is posted to the line for the appropriate quarter on screen 1 of Form 2210, for use in line 10 of Form 2210 in place of the usual amount for that quarter.

CAUTION: *If you have self-employment income you MUST complete Part II of Schedule AI (lines 28 through 36) for the result on line 27 to be accurate.*

Part II, Annualized Self-Employment Tax. If either spouse has self-employment income, you must supply separate information on the self-employment income and wages for each period and for each spouse so that the self-employment tax for each period is properly computed.

1st self-employment entries are spouse's (vs. you)? Although the IRS has provided only one copy of Form 2210, Schedule AI, Part II, you must complete two copies of this part if both spouse's have self-employment income. The software provides the needed two copies on this one form, but if only one of the two spouses has self-employment income, you must ensure through your answer to this question that the first copy of this part is used for the spouse with self-employment income. (If only you, or both you and spouse, had self-employment income, you can leave this entry at its original No answer.)

The two copies for this part each have their own set of data entry lines for the following three items for each installment period. You need complete only the first set if only one spouse had self-employment income. For each item, the amount for the entire year as it appears on Form 1040 is displayed first.

28 Net self-employment (x.9235). *(auto-calc)* The amount shown here for the entire year (the fourth period on the form) is taken from line 4 of Schedule SE, Section A (Short Schedule SE), or line 6 of Schedule SE, Section B (Long Schedule SE), for the appropriate spouse. Note that the amount is only 92.35% of the full self-employment income for the year, in accordance with IRS rules. You must enter on the lines that follow this auto-calc line the appropriate amounts for the other three periods using the same 92.35% multiplier.

28 for 1/1/2023-8/31/2023 ONLY. Enter self-employment income *for the third period* figured in the same way as the automatically computed line 28 for the entire year.

28 for 1/1/2023-5/31/2023 ONLY. Enter self-employment income *for the second period* figured in the same way as the automatically computed line 28 for the entire year.

28 for 1/1/2023-3/31/2023 ONLY. Enter self-employment income *for the first period* figured in the same way as the automatically computed line 28 for the entire year.

29 Prorated social security limit. *(auto-calc, not shown on-screen)* The amounts for the four periods are fixed for 2023 at \$40,050, \$66,750, \$106,800, and \$160,200 for the first, second, third, and fourth period, respectively.

Amount for line 30 on Form 4137, line 10. If you file Form 4137 (*Social Security and Medicare Tax on Unreported Tip Income*), enter the amount on line 10 of that form, which is the unreported tips for the year subject to social security.

Amount for line 30 from Form 8919, line 10. If you file Form 8919 (*Un-collected Social Security and Medicare Tax on Wages*), enter the

amount on line 10 of that form, which is the wages for the year from which social security tax was *not* withheld.

30 Wages subject to social security tax. (*auto-calc*) The amount shown here for the entire year (the fourth period on the form) is the sum of the preceding two amounts *plus* the wages reported on W-2 Worksheets for line 1a of Form 1040 (for the appropriate spouse).

30 for 1/1/2023-8/31/2023 ONLY. Enter part of the automatically computed line 30 for the entire year *for the third period*.

30 for 1/1/2023-5/31/2023 ONLY. Enter part of the automatically computed line 30 for the entire year *for the second period*.

30 for 1/1/2023-3/31/2023 ONLY. Enter part of the automatically computed line 30 for the entire year *for the first period*.

31 through 36. (*auto-calc lines*) These lines are automatically computed for each period. Once this part of the form is complete, line 15 in Part I of Schedule AI is updated to reflect the results on line 36 for each period.

Form 2350* / Application for Extension of Time to File U.S. Income Tax Return

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. In spite of the rather broad name of this form, *this is a very specialized kind of extension that is appropriate only for U.S. citizens and resident aliens living abroad who need extra time in order to meet residency tests* for the special tax treatment that is afforded them. The special treatment includes the foreign earned income exclusion, the foreign housing exclusion, and the foreign housing deduction, all *claimed through Form 2555*. If your request for an extension is approved, the IRS will generally grant an extension to a date 30 days after you expect to meet either the bona fide residence test or the physical presence test (but see line 3, below, for an exception). If your request is denied, you must file your return on time reporting all income from both U.S. and foreign sources and pay tax on that income without benefit of the special tax treatment. (*"On time" in this context means by the due date of your return, not including extensions. If your tax home and residence are outside the U.S. and Puerto Rico on April 15, 2024, your due date is June 17, 2024 instead of April 15, 2024.*) If you later meet one of the residency tests, you can file an amended return (Form 1040X) to claim a refund, backed by a revised return that reflects a foreign earned income exclusion and/or foreign housing benefit. For more details, see IRS Pub. 54 (*Tax Guide for U.S. Citizens and Resident Aliens Abroad*). Form 2350 is accessible through the Road Map above line 10 of Schedule 3.

Extension of time to file, not extension of time to pay. Like other extension forms, Form 2350 does not grant you any extra time to pay any tax due. Therefore, to avoid penalties you must enter on this form the tax you expect to owe and pay it when you file the form (before the regular due date of the return). Note that the regular due date for this purpose is April 15, 2024, even when you are allowed until June 17, 2024 to file the return.

Extension for Gift or GST tax. Under current IRS rules, extension of time to file your U.S. Individual Income Tax Return (Form 1040) now also extends the time to file Form 709 (*United States Gift (and Generation-Skipping Transfer) Tax Return*). However, you must use Form 8892 to pay any tax due for the Form 709 return.

EXTENSION REQUEST for Form 2555 filers ONLY.

I request an extension of time until (enter mo/dy/year)... Enter the date you expect to meet one of the residency tests (plus 30 days) in the standard mo/dy/year format.

...to file my income tax return for the calendar year 2023, or other tax year ending... Usually, leave this line blank. An entry is appropriate here only if your tax year is other than the calendar year, which is rarely allowed and is not supported by the software.

...because my tax home is in a foreign country and I expect to qualify for special tax treatment by meeting the "bona fide residence test" or the "physical presence test." The special tax treatment is claimed on Form 2555 once you meet either test.

2 Were you previously granted an extension of time to file for this tax year? Answer Yes if you were already granted an extension but now need more time.

3 Will you need additional time to allocate moving expenses? If you move early in the year all of your moving expenses are attributed to excluded foreign earned income so that no moving expenses are deductible. However, if you move within 120 days of the end of the year you can allocate some of your moving expenses to U.S. earned income and some to excluded foreign earned income. If you must allocate some of your moving expenses to excluded income and answer Yes here, the IRS may grant an extension to a date 90 days after the end of the year following the year of the move.

4a Date you first arrived in the foreign country. Enter the date in the standard mo/dy/year format.

4b Date qualifying period begins... The qualifying period is the period during which you meet the tax home test and either residency test. Enter the date in the standard mo/dy/year format.

...and ends. The qualifying period ends when you no longer maintain your tax home in the country or no longer meet either residency test. Enter the date in the standard mo/dy/yr format.

4c Your foreign home address. Try first to enter the complete address in the provided 35 character data entry line. If you need more room, use the 15-character data entry line that follows it. The two entries are concatenated into a single 50-character line on the official print-out.

4d Date you expect to return to the United States. Enter the date in the standard mo/dy/year format.

Estimate of Amount You Owe. *(auto-calc)* Computed from Form 1040 as the tax on line 24 less payments on line 33 (excluding any amount from Form 2350), plus the estimated tax penalty on line 38, but no less than zero.

5 Amount of income tax paid with this form. Using the preceding line as your guide, enter the amount you want to pay when you file this form. This is the amount you must pay when filing Form 2350 and is posted to the Form 2350 component of Schedule 3, line 10.

CAUTION: If the return you file later has a higher tax liability than you pay here, you may owe a penalty when you file your return.

SIGNATURE AND VERIFICATION. The form must be signed, but the IRS provides some flexibility. Usually the taxpayer would acknowledge the jurat on the official printed Form 2350 by signing and dating that form, and, if married filing jointly, both spouses must generally sign. A person who prepared the form for you can sign instead of you if that person is an attorney, CPA, or enrolled agent, or has a power of attorney from you.

If one spouse must sign for both spouses...

Itemize HERE to explain why. The IRS allows one spouse to sign for both if you provide a good reason for it. The reasons you provide in a supporting statement for this line will be cross-referenced on the printed form and printed on a separate page.

RETURN LABEL. The bottom of the official form contains a notice that will be mailed to you once the IRS has made its decision on your request for extension. This notice also serves as a return label, so you must confirm the address to which you want the notice sent. To have the notice sent to the taxpayer at the address you entered on Form 1040, do not make any entries below; the software will complete the label on the printed form based on the information you supplied on Form 1040. However, if you want the notice sent elsewhere, you must provide the different address here.

Do you want to the answer to your request for an extension sent to a different address? The return label will use the address you supply below if you answer Yes here. Otherwise, the address you supplied on Form 1040 will be used. (The taxpayer's name always appears on this label, but you can add an agent's name later if this is the address for the agent. Note that the address on Form 1040 is always used for the top of Form 2350, irrespective of what you enter here.)

Number and street or P.O. Box. Enter the street address in 35 characters or less.

City or town, and state. Enter city and state in 35 characters or less.

ZIP code. Enter ZIP code in the standard XXXXX or XXXXX-XXX format. If a Foreign Address, leave this entry blank, but complete the following additional lines.

If a Foreign Address. You must enter additional information if the preceding entries are for a foreign addresses. These entries will be printed on the return label below your entry for city and state.

Country name. Enter the name of the country in 25 characters or less.

Province, county. Enter the foreign province or counter in 17 characters or less.

Postal code. Enter the foreign postal code in 17 characters or less.

If this is an agent's address, enter the agent's name here. If you make an entry here, it will be printed on the return label below the taxpayer's name and will be preceded by the phrase "In care of:"

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 2441 / Child and Dependent Care Expenses

Who is it for? If you paid someone to care for your child or other qualifying person so that you could work or look for work during the tax year, you may be able to reduce your taxes with this credit. The amount of credit depends on your expense, the amount of your earned income, and the number of qualifying people. On the other hand, if your employer provided the care or paid a third party for care, you may have either additional income tax or a partial credit based on the circumstances. Form 2441 is used to handle all of these scenarios. *Form 2441 is accessible through the Road Map at line 2 of Schedule 3 and line 1e of Form 1040.*

You may be considered an employer of the person who took care of your child. If you paid cash wages of \$2,600 or more to any one household worker during tax year 2023, or total cash wages of \$1,000 or more in any calendar quarter to all household workers combined, you may have to file Schedule H with your return. See our instructions for Schedule H for details.

Special procedures for employer-provided care. If your employer provided child or dependent care for you or paid for the care in your behalf, you will generally see the amount of benefit in box 10 of the Form W-2 provided by the employer. Form 2441 is used to reconcile this amount with your actual expenses and determine any credit available or an increase in taxable income. In either case, you must always identify the employer in Part I of this form (through the Care Provider Worksheet, detailed later) and reconcile benefits with expenses in Part III. You may also still have a credit in Part II if the employer does not cover all your expenses.

If care is provided by the employer either at a facility owned by the employer or by an employee who tasked with child care for other employees, data entry on our Care Provider Worksheet must be performed in a special way. You must enter the employer's name as the care provider and enter "See W-2" in place of the address, then leave all other lines blank (such as EIN and dollar amount). The software performs the latter for you based on a Yes answer on the worksheet for "Employer-provided?"

QUALIFICATIONS. Initial qualifications are determined here and special adjustments to earned income are entered. *CAUTION: You MUST answer these questions or else no credit will be computed.*

Main Qualification. You must be able to answer Yes to the following question or else you cannot claim a credit on this form.

Had care to work or seek work? To qualify for the credit you must have paid someone to care for your child or other dependent so that you could work or look for work. If married filing jointly, your spouse must *also* have worked or sought work or else you cannot answer Yes here. *If No, you do not qualify to claim a credit on Form 2441.*

Additional requirements if MFS (Married Filing Separately). Special requirements apply to married taxpayers who file separately.

Spouse apart last 6 months of the year? To qualify for the credit when married filing separately, you must have lived apart from your spouse during the last 6 months of 2023. *TIP: This answer is automatically Yes if you answered Yes to "MFS: Spouse lived APART ALL year?" below your entry for Filing Status on screen 4 of Form 1040. However, if you were apart for only part of the year, but at least the last 6 months, you must answer Yes here yourself.*

Child/s/dependent's main home more than 1/2 year? To qualify for the credit when married filing separately, the child or dependent must have lived with you in your main home for more than half of 2023.

Paid over half of home expenses? To qualify for the credit when married filing separately, you must have paid over half the cost of keeping up your home for 2023.

If MFS, meet MFS requirements? *(auto-calc)* Answered Yes if married filing separately and the answer to the preceding 3 questions and the Main Qualification question to all questions preceding this one is Yes. Otherwise, No. If Yes, you qualify for the credit as a *single taxpayer* so your spouse's earned income is not involved in the computation of the credit. *If Yes, the box that precedes Part I of the IRS form is checked on the official printout of Form 2441.*

Qualify for credit in Part II. *(auto-calc)* If *not* married filing separately, you qualify if your answer to the Main Qualification question is Yes. If married filing separately, however, you qualify only if your answers for all questions is Yes.

Qualify for exclusion in Part III. *(auto-calc)* You qualify if your answer to the Main Qualification question is Yes, irrespective of your filing status.

Everyone can use Part III to report taxable income. Even if the preceding two answers are No, you should still use Form 2441 to report taxable income resulting from receipt of employer-paid benefits when you had no qualifying person nor care provider for which you could claim the credit.

Earned income for Form 2441 unique. As of tax year 2007, earned income used in computing your credit for this form does not include nontaxable employee compensation. For example, parsonage allowances, meals and lodging furnished for the convenience of the employer, voluntary salary deferrals, and certain military allowances and payments are no longer included. (The software properly omits these items in its automatic computation of earned income for this form.) However, you can elect to include nontaxable combat pay when computing the credit in Part II or the deduction or exclusion in Part III, and you don't have to make the election in both parts.

EARNED INCOME for Form 2441. You must have at least some earned income in order to get a credit on this form and, if married filing jointly, the other spouse must have income as well. Earned income as defined for this form is detailed in the IRS *2023 instructions for Form 2441* and IRS Pub. 503 (*Child and Dependent Care Expenses*). It includes all taxable wages (and income treated as wages by the IRS, such as excess reimbursements from Forms 2106, 2441, and 3903) except taxable scholarships not reported to you on a Form W-2, and all self-employment income on line 3 of Schedule SE (Short or Long) less any deduction on line 15 of Schedule 1 for that spouse. The software automatically computes this version of earned income separately for each spouse. However, you may have adjustments to the automatically-computed earned income as follows:

ELECTIONS for nontaxable combat pay. Although nontaxable employee compensation is not automatically included in earned income for this form, you can elect to include nontaxable combat pay. You and spouse can make separate elections, and you can make different elections for Part II and Part III. **CAUTION:** *In order for nontaxable combat pay to be included, you must not only make the following elections but must also enter the pay in our special section "CERTAIN NONTAXABLE INCOME" following line 10 of our on-screen Schedule 1.*

YOU elect inclusion of nontaxable combat pay in your earned income for Part II? If Yes, line 4 will be increased by your nontaxable combat when computing the credit in Part II.

YOU elect inclusion of nontaxable combat pay in your earned income for Part III? If Yes, line 18 will be increased by your nontaxable combat when computing the deduction or exclusion in Part III.

SPOUSE elects inclusion of nontaxable combat pay in spouse's earned income for Part II? If Yes, line 5 will be increased by spouse's nontaxable combat when computing the credit in Part II *if married filing jointly.*

SPOUSE elects inclusion of nontaxable combat pay in spouse's earned income for Part III? If Yes, line 19 will be increased by spouse's nontaxable combat when computing the deduction or exclusion in Part III *if married filing jointly.*

SPECIAL ADJUSTMENTS for students, disableds, and a deceased spouse. If you were unable to work any months of the year because you were a student or disabled, you may be considered to have earned income of up to \$250 per month (\$500 if claiming at least two children) for those months as long as the other spouse worked. See the IRS Instructions for Form 2441 for the complex details of this provision. If filing a joint return and one spouse died during the tax year, the surviving spouses earned income should be used for both spouses.

YOUR special adjustment. If you were unable to work any months of the year because you were a student or disabled, enter up to \$250 per month (\$500 if claiming at least two children). If died during the year, enter an adjustment to make your earned income match the

surviving spouse's earned income. *(You can no longer include non-taxable employee compensation on this line as you could prior to tax year 2007.)*

SPOUSE special adjustment. The same adjustment as described above for the main taxpayer applies for the spouse. However, if both spouses were nonworking students or disableds in the same months, only one spouse is allowed the special \$250 (or \$500) per month adjustment. *(You can no longer include nontaxable employee compensation on this line as you could prior to tax year 2007.)*

EARNED INCOME to be used. The following amounts are determined from the taxable earned income on the return plus amounts resulting from the preceding elections and adjustments:

YOUR EARNED INCOME for Part II. *(auto-calc)* Computed as your earned income based on Form 1040, Schedule 1, and Schedule SE amounts for taxable earned income plus the your special adjustment and your nontaxable combat pay, if elected for Part II.

YOUR EARNED INCOME for Part III. *(auto-calc)* Computed as your earned income based on Form 1040, Schedule 1, and Schedule SE amounts for taxable earned income plus the your special adjustment and your nontaxable combat pay, if elected for Part III.

SPOUSE'S EARNED INCOME for Part II. *(auto-calc)* Computed as spouse's earned income based on Form 1040, Schedule 1, and Schedule SE amounts for taxable earned income plus spouse's special adjustment and spouse's nontaxable combat pay, if elected for Part II.

SPOUSE'S EARNED INCOME for Part III. *(auto-calc)* Computed as spouse's earned income based on Form 1040, Schedule 1, and Schedule SE amounts for taxable earned income plus spouse's special adjustment and spouse's nontaxable combat pay, if elected for Part III.

Child Care Benefits provided by Employer (for Part III). In order for this section to be accurate, *you must have entered amounts paid by your employer on the W-2 Worksheets for line 1a of Form 1040.* These entries form the basis for the following lines, which are used in Part III of the form in determining amounts that are properly excluded from income:

YOUR W-2 box 10 (excluding box 1). *(auto-calc, supported by your W-2 Worksheets for line 1a of Form 1040)* This is the part of box 10 of Form W-2 that is *not* included in box 1 of Form W-2, as computed on the W-2 Worksheets you completed for you. This is generally the lesser of \$5,000 or the amount in box 10.

Part of above YOU forfeited (including carryover to 2024). If you did not actually incur the entire amount reported to you in box 10 of Form W-2 and not in box 1, and therefore did not receive the benefit, enter that amount here. (If allowed by the plan, you may be able to carry forward to 2024 the

amount not used in 2023, and use it in a defined grace period, rather than permanently forfeiting it.)

SPOUSE W-2 box 10 (excluding box 1). *(auto-calc, supported by spouse's W-2 Worksheets for line 1a of Form 1040)* If married filing jointly, this is the part of box 10 of Form W-2 that is *not* included in box 1 of Form W-2, as computed on the W-2 Worksheets you completed for spouse (generally the lesser of \$5,000 or the amount in box 10). Otherwise, this line is zero.

Part of above SPOUSE forfeited (including carryover to 2024). If spouse did not actually incur the entire amount reported to spouse in box 10 of Form W-2 and not in box 1, and therefore did not receive the benefit, enter that amount here. (If allowed by the plan, the spouse may be able to carry forward to 2024 the amount not used in 2023, and use it in a defined grace period, rather than permanently forfeiting it.)

YOUR self-employment or partnership benefit received. Enter the benefits your received from your own sole proprietorship or a partnership in which you are a partner. You will not receive a Form W-2 for this amount.

Part of above YOU forfeited (including carryover to 2024). If you did not actually incur the entire amount available to you, enter that amount here.

SPOUSE self-employment or partnership benefit received. Enter the benefits your spouse received from spouse's own sole proprietorship or a partnership in which spouse is a partner. Spouse will not receive a Form W-2 for this amount.

Part of above SPOUSE forfeited (including carryover to 2024). If spouse did not actually incur the entire amount available, enter that amount here.

TOTAL benefits for line 12. *(auto-calc)* Computed as the sum of all benefits received, before any forfeitures. This result is used for line 12 in Part III of this form.

Forfeited amounts carried over to 2024. If any of the amounts you included in the lines "Part of above ... forfeited (including carryover to 2024)" were for carryover to 2024, enter that carryover here. You must have already included this amount in your entries for "Part of above ... forfeited (including carryover to 2024)," and your entry here is limited to no more than the sum of those entries. This entry is not used in the current-year return, but will be used next year when you translate this return into a return for tax year 2024.

Carryover from 2022 for line 13. If the employer's plan allowed you to carry forward any unused amount from 2022 to use during a grace period in 2023, enter that amount here. This entry is used for line 13 in Part III of this form.

TOTAL forfeitures and carryovers for line 14. *(auto-calc)* Computed as the sum of all amounts entered on previous lines identified as "Part

of above ... forfeited (including carryover to 2024)." This result is used for line 14 in Part III of this form.

NET BENEFITS for line 15. *(auto-calc)* Computed as "TOTAL benefits for line 12" plus "Carryover from 2022 for line 13" less "TOTAL forfeitures and carryovers for line 14." This result is used for line 17 in Part III of this form.

Self-employment or partnership part of amount for line 12. *(auto-calc)* Computed as the part of line 12 attributable to self-employment or partnerships. This result is used for line 22 in Part III of this form.

Net employee benefits in amount for line 15. *(auto-calc)* Computed as the net benefits for line 15 less the preceding self-employment/partnership part of current benefits.

PART I, PERSONS OR ORGANIZATIONS WHO PROVIDED THE CARE. All supporting details on the expenses and the care providers must be supplied here.

1 Itemized qualified expense. *(Supported by the Care Provider Worksheet, Figures 2-23a and 2-23b.)* You **MUST** itemize this line and supply the information requested, using a separate worksheet page for each care provider. The amount appearing on this line when you return from the worksheets, detailed below, is the total actually paid in 2023, whether expense was incurred in 2023 or prior to 2023.

Extra line for PAPER statement. If you need to explain the claim, or any omissions on the worksheet, do so in a supporting statement for this line. For example, if you do not enter each care provider's SSN or EIN on the worksheet, you must explain why here unless it is explained on the worksheet under "Special conditions." You must show that you have clearly requested the information from the care provider and that the care provider did not comply with the request.

1(d) Total paid in 2023. *(auto-calc)* The total amount on line 1 appears here.

Part incurred and paid in 2023. *(auto-calc)* Taken from the corresponding worksheet line for qualified expenses.

Total incurred in 2023. *(auto-calc)* Taken from the corresponding worksheet line for qualified expenses.

Care Provider Worksheet, Figures 2-23a and 2-23b. You *MUST* use these

worksheets to report in detail the expenses paid and the expenses incurred, in order for Form 2441 to be properly automated. Moreover, if you do not provide all the information requested on the worksheet, the IRS may disallow the credit. *TIP: If you don't know the identifying information for the care provider, you can use a Form W-10 for the care provider to complete and return to you.* (The form is available from the IRS web site for forms, which you

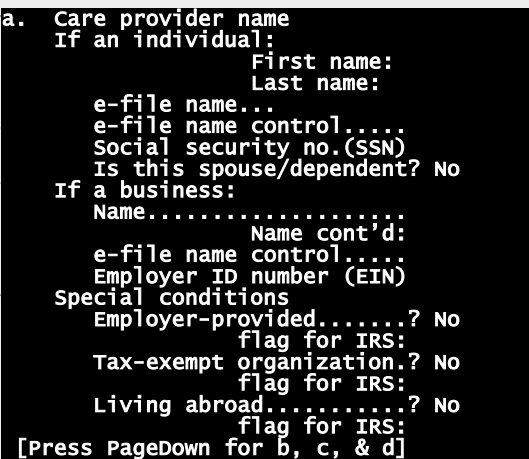


Figure 2-23a. Care Provider Worksheet, Screen 1

can reach from our web site at www.howardsoft.com/links.htm.) The worksheet relies on your careful distinction among expenses incurred and paid in different years.

- a. **Care provider's name.** To conform with IRS specifications for e-file, you must identify whether the care-provider is an individual or a business, and enter the corresponding name and IDN. You must therefore complete only one section (individual or business), not both. *TIP: If the care is employer-provided (that is, provided by persons who are employed by the employer for this purpose), use only the business section and enter the employer's name as the business name.*

If an individual:

- First name.** Enter the first name in 15 characters or less.
- Last name.** Enter the last name in 15 characters or less. The last name will be printed *below* the first name on the official printout.
- e-file name.** *(auto-calc)* The name is reformatted for e-file into a single line with the < symbol preceding the last name, as required by the IRS for e-file.
- e-file name control for the above.** *(auto-calc)* The 4-character name control for the care provider is automatically generated from the last name (usually the first four characters of the last name).
- Social security number (SSN).** Enter the SSN in the standard xxx-xx-xxxx format. If you have an entry for first or last name, above, your entry of the SSN here is mandatory unless one of the special conditions, below, apply. *TIP: If the care provider has no SSN, see "Special conditions" below to indicate the reason to the IRS.*
- Is this spouse/dependent?** If the care provider is your spouse or dependent, you cannot claim expenses paid to that person. *If you an-*

swer Yes here, no expenses you enter on this worksheet will be counted on Form 2441.

If a business:

Name. If the care provider is a business and you did not complete the section for an individual, above, complete the lines in this section. Enter here the business' name in 15 characters or less. *If you need more space, use the following line as well; the second line will be printed below the first line on the official printout.* **TIP:** *If provided by employer or employee(s) of employer (other than a 3rd party paid by employer), enter employer's name here.*

Name continued. Enter a continuation of the business name here in 15 characters or less.

e-file name control for the above. This entry is mandatory for e-file but unnecessary for paper returns. For an e-file return, enter a 4-character name control here. This is usually the first four characters of the business name. However, there are many special cases, so you should consult our 5-page document Instructions for Entry of Name Controls for Businesses, which is available online on the E-FILE ALERTS page of our "Check Web for Updates" site (accessible from the Tax Preparer Control Panel).

Employer ID number (EIN). Enter the EIN of the business in the standard xx-xxxxxxx format. **TIP:** *If the care provider has no EIN, or the care is employer-provided, leave this entry blank and see "Special conditions" below for instructions on how to indicate to the IRS your reason for making no entry here.*

Special conditions:

Employer-provided? If your employer provided the care at work or provider is employed by the employer, the IRS instructs you to enter the employer's name as the provider but leave all other entries blank (EIN, address, and amount). **TIP:** *This special condition does not apply if your employer paid a third party on your behalf.*

flag for IRS. (auto-calc) The flag "SEE W-2" will appear here if you answered Yes to the preceding question. This flag is printed in place of the address on the official form, as required by the IRS..

Tax-exempt organization? If you have not supplied an SSN or EIN because the care provider is a tax-exempt organization, answer Yes here. **TIP:** *You will not be able to answer Yes here if you have an entry for either SSN or EIN because this special flag is intended to explain a missing SSN or EIN.*

flag for IRS. (auto-calc) The flag "TAX-EXEMPT" will appear here if you answered Yes to the preceding question. This flag is printed in place of the SSN/EIN on the official form, as required by the IRS.

Living abroad? If you have not supplied an SSN or EIN because the individual or business is a foreign entity with no U.S. identification number, answer Yes here. When you answer Yes here, a flag is generated on the next line, which is printed in the SSN/EIN column of the

official printout of Form 2441. *TIP: You will not be able to answer Yes here if you have an entry for either SSN or EIN because this special flag is intended to explain a missing SSN or EIN.*

flag for IRS. *(auto-calc)* The flag "LAFCP" will appear here if you answered Yes to the preceding question. This flag is printed in the SSN/EIN column of the official form.

b. Address (unless employer-provided). You must generally enter the address of the individual or business on the first set of lines that follow. However, *for an e-file return, if the address is a foreign address, you must use the special lines for a foreign address instead.*

CAUTION: For a translated return, all prior-year entries are posted to the street address and city lines alone because the state and ZIP code did not have separate lines last year.

b. Address (unless employer-provided)	
Street address..	
City.....	
State.....	
ZIP code.....	
e-file ONLY: If foreign, use these lines instead:	
Foreign address.	
Foreign city...	
Foreign province or state.	
Fgn. country (2-ltr code).	
Foreign postal code.....	
c. ID no. (SSN or EIN).....	
Total amt paid in 2023....	0
Part incurred pre-2023	0
Net paid & incurred in 2023	0
Add'l incurred in 2023	0
Total amt incurred in 2023	0
Expense qualifies for 2441	No
d. Amount paid (in 2023)	
	0

Figure 2-23b. Care Provider Worksheet, Screen 2

Therefore, you must enter the state and ZIP code manually.

- Street address.** Enter number and street in 25 characters or less.
- City.** Enter the city in 22 characters or less.
- State.** Enter the standard 2-character code for the state.
- ZIP code.** Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

e-file ONLY: If a foreign address, use these lines instead. For a paper return, because of the restricted space on the official form, you must enter a foreign address on the preceding lines, abbreviating as necessary to fit. *The following lines are ignored for a paper return.* However, they are required for an e-file return. *If you enter a foreign address here you must leave the preceding address lines blank.*

- Foreign address.** Enter the street address of the foreign location in 25 characters or less.
- Foreign city.** Enter the city in 22 characters or less.
- Foreign province or state.** Enter the province or state in 15 characters or less.
- Foreign country (2-letter code).** Enter the official country code for the country as shown in Table 2-6 on page 2-27.

Foreign postal code. Enter the postal code in 15 characters or less.

- c. **Identifying number (SSN or EIN).** *(auto-calc)* The ID number to be printed on the official form is shown here. If there is an entry for the business name, the EIN entered will be shown here and printed in the SSN/EIN column of the printout. Otherwise, the SSN for the individual will be shown here and printed.

Total amount paid in 2023. Enter the dollar amount paid to the care provider during 2023. The amount you enter must be the total of qualifying expenses you ACTUALLY PAID during 2023, whether incurred in 2023 or not, and NOT any expense paid in any other year. Do NOT enter here amounts for employer-provided benefits unless they were paid to you or paid to a third party, nor amounts for days you were off from work due to illness.

Part incurred before 2023. Enter the part of the above amount paid in 2023 that was actually incurred before 2023. Your entry here can be no more than the above amount paid in 2023.

Net paid and incurred in 2023. *(auto-calc)* Computed as the amount paid in 2023 less the amount incurred before 2023.

Additional amount incurred in 2023. Enter any amount incurred in 2022 but not paid in 2022. Do NOT enter here any amounts for employer-provided benefits unless they were paid to you or paid to a third party. Also do NOT include amounts for days you were off from work due to illness, because those expenses do not qualify in the IRS's mind! (Note that even though most babysitting services qualify, some other services do not. Check IRS Pub.503, Child and Dependent Care Credit, if in doubt.)

Total amount incurred in 2023. *(auto-calc)* Computed as the net paid and incurred in 2023 (computed above) plus the additional amount incurred in 2023 (entered above).

Expense qualifies for Form 2441? *(auto-calc)* Answered Yes only if you answered Answer No to the question below line a and made an entry for the care provider's IDN at line c.

- d. **Amount paid (in 2023).** *(auto-calc)* Normally taken as your entry for "Total amt paid in 2023," but zero if the answer to the preceding question is No.

When you return from the worksheets, the various amounts from the worksheets are posted to Form 2441.

PART II, CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES. The credit is computed in this part using the expenses listed in line 1 and line 2 and the employer payments listed in Part III.

2 Information about your qualifying persons. This is the section of Form 2441 where you must identify each person that qualifies you for the credit.

Number of qualifying persons. *(auto-calc, supported by the Qualifying Person Worksheet, Figure 2-24.)* Taken as the total number of worksheets for which "Person counted" is Yes. *(As clarified in the IRS 2023 Instructions for Form 2441, you do not have to have expenses for a child in order for that child to be counted. This is important because the limit on expenses that count for the credit is doubled if you have 2 or more qualifying persons.)*

* **Amount incurred and paid in 2023.** *(Supported by the Qualifying Person Worksheet, Figure 2-24.)* You **MUST** itemize this line and supply the information requested, using a separate worksheet page for each qualifying person. The total expenses allocated in the worksheets among the qualifying persons appears here.

>> **Discrepancy with line 1 worksheet.** *(auto-calc)* Computed as the "Amount incurred and paid in 2023" under line 2 less the "Part incurred and paid in 2023" under line 1. If these two amounts don't match, a non-zero amount will appear here to alert you of the inconsistency. You must return to the worksheets in Part I and II and resolve the difference before continuing. Otherwise the software will use the lesser of the two amounts in the remainder of the form.

3 Amount of qualified expense. *(auto-calc)* Normally computed as the lesser of "Part incurred and paid in 2023" under line 1 and "Amount incurred and paid in 2023" under line 2, but no more \$3,000 if there is just one qualifying person, and no more than \$6,000 if there are two or more qualifying persons. However, if there are deductible benefits on line 24 or excluded benefits on line 25 of this form, the amount at line 31 is used here in place of the stated amount.

Qualifying Person Worksheet, Figure 2-24. You **MUST** use these worksheets to report in detail the expenses incurred and paid in 2023 on behalf of each person cared for, identifying each by name and SSN. Dependent children under age 13 and disabled dependents who live with you generally qualify. In addition, children of divorced or separated parents who lived apart from the claiming parent may still qualify under some circumstances. See *IRS Pub.503 (Child and Dependent Care Credit)* for detailed requirements. *If you do not provide all the information requested on the worksheet, the IRS may disallow the credit or may tax all employer-provided benefits.*

a. Qualifying person's name. Enter the first and last name of the child or dependent as follows:

First name. Enter the first name in 10 characters or less.

Last name. Enter the last name in 15 characters or less.

e-file name. *(auto-calc)* The name is displayed here in e-file format, with a < symbol to flag the last name and any suffix like Jr. Furthermore, suffixes like 3rd are changed to Roman numerals in accordance with IRS e-file specifications.

e-file name control. *(auto-calc)* The name control is displayed in accordance with IRS e-file specifications. This is usually the first four characters of the last name.

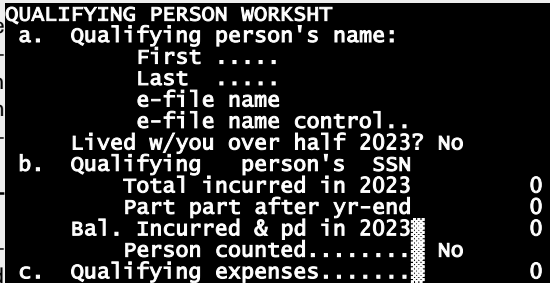


Figure 2-24. Qualifying Person Worksheet

Lived with you over half of 2023? To qualify, the child or dependent must have lived with you more than 6 months of the year. *If you answer No here, this person and the expenses you enter on this worksheet will NOT be counted on Form 2441.*

b. Qualifying person's SSN. You must enter a valid Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN) or Adoption Taxpayer Identification Number (ATIN) for the person with only one exception: If the person was a child who was born and died during the tax year, you can enter DIED here. *If you do not make a valid entry here, this person and the expenses you enter on this worksheet will NOT be counted on Form 2441. CAUTION: If you entered DIED here, you must file a paper return because you must document the events with a copy of the birth certificate and death certificate of the child.*

Total amount incurred in 2023. Enter the amount incurred in 2023 for the care of the person named above.

Part paid after year-end. Enter the amount incurred in 2023 but not actually paid until 2024.

Balance incurred and paid in 2023. *(auto-calc)* Computed as the total amount incurred less the part paid after year-end.

Person counted. *(auto-calc)* Answered Yes only if you answered Yes to the question above line b and you made a valid entry for SSN at line b. *As clarified in the IRS 2023 Instructions for Form 2441, you do not have to have expenses for a child in order for that child to be counted in determining the limit on expenses at line 3 of Form 2441.*

c. Qualifying expenses. *(auto-calc)* Normally taken from the "Balance incurred and paid in 2023" computed above, but zero if this person is not counted. This amount is included in the total for line 2 when you return to Form 2441 from this worksheet.

Credit for 2023 amounts. Lines 4 through 9a are fully automatic based on your prior entries:

- 4 Your EARNED INCOME.** *(auto-calc)* Taken as your earned income computed on the second screen of this form.
- 5 If MFJ (married filing jointly), spouse's earned income. ALL OTHERS, amount from line 4.** *(auto-calc)* Taken as line 4 if *NOT* married filing jointly or the answer for "MFS, but single for 2441" is Yes. If married filing jointly, taken as spouse's earned income computed in the first screen of the form.
- 6 Smallest of lines 3, 4, and 5.** *(auto-calc)* Computed as indicated. *Notice that the credit is limited to the earned income of the spouse who has the lesser income, if filing married filing jointly.*
- 7 Amount from Form 1040, line 11.** *(auto-calc)* Taken from line 11 of Form 1040 (AGI), adjusted by any changes in taxable amount in Part III of this form not already reflected in that total.
- 8 Decimal amount that applies.** *(auto-calc)* The decimal amount is computed based on the above adjusted gross income (AGI). The decimal amount ranges from .35 for incomes \$15,000 and below to .20 for incomes above \$43,000.
- 9a Multiply line 6 by line 8.** *(auto-calc)* Computed as indicated.

Credit for 2022 expenses paid in 2023. Expenses for the prior tax year that you paid in the current tax year qualify for the credit as well, but the decimal amount that applies may be different. This recomputation of the applicable decimal amount ensures that there is no advantage nor disadvantage to deferring or accelerating child and dependent care expenses from one year to another. **CAUTION:** *To claim 2022 expenses paid in 2023, you must complete the worksheet for line 1 in Part I of Form 2106 in addition to the worksheet for the following line.*

Persons qualified in 2022. *(Supported by the Prior-Year Qualifying Person Worksheet, Figures 2-25a and 2-25b)* The total number of qualifying worksheets you create for this line appears here. You **MUST** itemize this line and supply the information requested, *including the SSNs for the qualifying persons*, using a separate worksheet page for each. The information on the worksheets will be printed in a supporting statement for the return with a cross-reference at line 9, as required by the IRS.

Expenses incurred in 2022 and paid in 2022. *(Supported by the Prior-Year Qualifying Person Worksheet, Figures 2-25a and 2-25b)* The total of line d of the preceding qualified worksheets appears here.

Expenses incurred in 2022 and paid in 2023. *(Supported by the Prior-Year Qualifying Person Worksheet, Figures 2-25a and 2-25b)* The total of line c of the qualified worksheets appears here.

- >> **Discrepancy with line 1 worksheet.** *(auto-calc)* Computed as the amount on the preceding line less the total of "Part incurred pre-2023" for all qualifying worksheets for line 1. If these two amounts don't match, a non-zero amount appears here to alert you of the in-

consistency. You *must* return to the worksheets to resolve the discrepancy before continuing.

YOUR 2022 earned income. Enter your earned income from the prior-year return computed in the same manner as the current year.

SPOUSE 2022 earned income. Enter spouse's earned income from the prior-year return computed in the same manner as the current year.

Filing status in 2022. Enter the filing status used for the purposes of this form in 2022. Unless the filing status entered is 2 (for married filing jointly), the spouse's earned income will not be considered in computing the credit for the 2022 amounts.

Carryover from 2022 to 2023. *(auto-calc)* First, the amount of 2022 expenses within the 2022 limits is computed as the minimum of the appropriate earned income for 2022, the 2022 expenses paid in 2022 and 2023 as shown above, and \$3,000 (or \$6,000 if two or more persons qualified in 2022). Then the amount already claimed in 2022 is deducted. The result is the amount still eligible for credit.

AGI from 2022 Form 1040, line 11. Enter here the adjusted gross income on the *PRIOR*-year return.

Decimal amount that applies. *(auto-calc)* The applicable decimal amount is based on the above entry for prior-year AGI in the same way as line 8 is based on the current-year AGI.

9b Qualified 2022 expenses paid in 2023 times the decimal that applies. *(auto-calc)* Computed as the above carryover from 2022 times the above decimal amount. If an amount appears here the code "CPYE" and this amount is printed next to line 9 on the official printout. A reference to a supporting statement will also appear next to line 9. The supporting statement will show the information you entered on the *Prior-Year Qualifying Person Worksheets* and any of the above lines that have a nonzero amount will be included as well in order to explain your calculation to the IRS (for a paper return). Special requirement for e-file: The IRS does not support for e-file the explanation in the format we provide. You must therefore explain the calculation in the spaces provided on screen 2 of each *Prior-Year Qualifying Person Worksheet*.

Credit on 2022 worksheet line e. *(auto-calc)* Computed as the sum of line e of all worksheets combined, this amount will be the same as line 9b, above, once all worksheets are updated.

>> Discrepancy with line 9b. *(auto-calc)* Computed as "Credit on 2022 w/s line e" less "Qualified 2022 expenses paid in 2023 times the decimal that applies." If an amount appears here, you must itemize "Persons qualified in 2022" again and view ALL worksheets you have prepared so that line e will be recalculated on each worksheet.

Credit for 2023 expenses and 2022 expenses paid in 2023. The final credit for Form 2441 is computed here.:

9 Sum of amounts on lines 9a and 9b. *(auto-calc)* Computed as indicated, this is the tentative credit before limitation. (This line is labeled on the IRS form like our line 9a, since the calculations for line 9b represent a special provision not handled on the preprinted IRS form.)

Amount on Form 1040, line 18. *(auto-calc)* Taken from Form 1040 as indicated, this is the total tax before credits.

Amount on Schedule 3, line 1. *(auto-calc)* Taken from Schedule 3 as indicated, this is the foreign tax credit.

10 Tax liability limit. *(auto-calc)* Computed as "Amount on Form 1040, line 18" less "Amount on Schedule 3, line 1," this is the tax balance available for reduction by this credit. (This is the result of the *Credit Limit Worksheet* in the *IRS 2023 Instructions for Form 2441*.)

Credit limited by above tax balance? *(auto-calc)* Answered Yes if the amount on line 10 is less than the amount on line 9. Otherwise, No.

11 CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES. *(auto-calc)* Computed as the smaller of line 9 or line 10. (This result will be zero if you are ineligible for the credit.)

The result on line 11 is posted to line 2 of Schedule 3.

SPECIAL PROCEDURE to satisfy IRS reporting requirements for prior-year expenses. Because the allocation among the *Prior-Year Qualifying Person Worksheets* (detailed next) of the allowed credit on line 9b can only be determined once all worksheets have been prepared and the information that precedes line 9b has been completed, you must itemize and view ALL of the worksheets in order for the amount on line e of the worksheets to properly reflect the results on line 9b. The calculations for Form 2441 will be correct whether or not you do this, but the supporting statement printout will be confusing if you don't, and an e-file return could be rejected because of inconsistencies.

Prior-Year Qualifying Person Worksheet, Figure 2-25. This worksheet is similar to the one that supports line 2 of Form 2441 (Figure 2-24), but it relates to amounts incurred in 2022 rather than 2023. *If you do not provide all the information requested on the worksheet, the IRS may disallow the credit or may tax all employer-provided benefits. (CAUTION: This worksheet is NOT translated from the prior return. You MUST enter any required information anew.)*

```

PRIOR-YR QUALIFYING PERSON
a. Qualifying person's name:
   First .....
   Last .....
   Lived w/you over half 2022? No
b. Qualifying person's SSN
   Total incurred in 2022           0
   Part paid in 2023                 0
   Part paid in 2022                 0
   Person counted..... No
c. Incurred '21,pd'22..... 0
d. Incurred & pd '21..... 0
e. Allowed credit..... 0
   (View w/s after return is
   complete to update line e)
[Press PgDn for e-file return]

```

Figure 2-25a. Prior-Year Qualifying Person Worksheet. Screen 1

- a. **Qualifying person's name (First and Last).** Enter the first and last name of the qualified person. The entries are limited to 10 characters for the first name and 15 characters for the last name in accordance with IRS processing limitations.
- Lived with you over half of 2022?** To qualify, the child or dependent must have lived with you more than 6 months of the prior year. *If you answer No here, this person and the expenses you enter on this worksheet will NOT be counted on Form 2441.*
- b. **Qualifying person's SSN.** You must enter a valid social security number for the person with only one exception: If the person was a child who was born and died during the tax year, you can enter DIED if you attach a copy of the child's birth certificate to the return. *If you do not make a valid entry here, this person and the expenses you enter on this worksheet will NOT be counted on Form 2441.*
- Total incurred in 2022.** Enter the amount incurred in 2022 for the care of the person named above.
- Part paid in 2023.** Enter the part of the above amount not actually paid until 2023.
- Part paid in 2022.** *(auto-calc)* Computed as the "Total incurred in 2022" less the "Part paid in 2023."
- Person counted.** *(auto-calc)* Answered Yes only if you answered Yes to the question above line b and you made a valid entry for SSN at line b. (You do not have to have expenses for the child in order for the child to be counted.)
- c. **Incurred in 2022, paid in 2023.** *(auto-calc)* Taken as the "Part paid in 2023" if the person is counted. Otherwise zero.
- d. **Incurred and paid in 2022.** *(auto-calc)* Taken as the "Part paid in 2022" if the person is counted. Otherwise zero.

e. Allowed credit. *(auto-calc)* The calculation for this line is based on results on Form 2441 for all worksheets combined. The amount on calculated for line 9b of Form 2441 is allocated among the worksheets in proportion to the amount shown on line c of each worksheet. As a result, this calculation will be accurate only after all worksheets are complete and you have returned to Form 2441 so that the worksheet totals can be recomputed. You must therefore return to the worksheets after line 9b is updated with the final calculation of the credit in order for this line to be correct.

e-file ONLY: Explain how line e computed. This section of the worksheet is required because the IRS only recognizes lines a and b of the worksheet for e-file and requires a separate explanation of the calculation of allowed credit for each qualifying person. You must therefore use the provided twelve 25-character data entry lines to satisfy their reporting requirements, as follows:

Lines 1 through 12.

Each line provides a 25-character entry, so you must explain in 300 characters or less. If there is only one worksheet (one qualifying person for the prior year), it will suffice for you to summarize the lines shown on screen 5 of Form 2441 through line line 9b. But if there is more than one worksheet, you must also explain that the allowed credit for each qualifying person is their prorata share of the total on line 9b, allocated in proportion to the amount incurred in 2022 but paid in 2023.

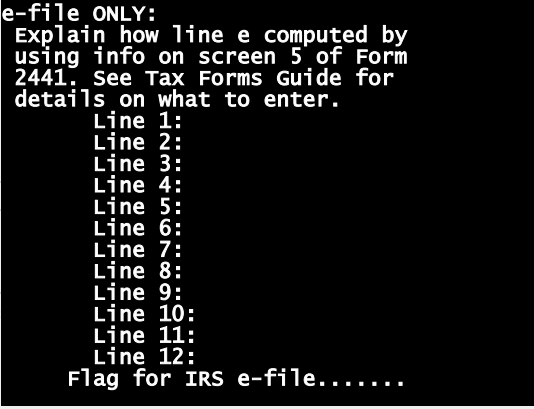


Figure 2-25b. Prior-Year Qualifying Person Worksheet, Screen 2

Flag for IRS e-file. *(auto-calc)* The flag “CPYE” is shown here if there is an amount on line e. Otherwise, there is no credit to report and this worksheet can be removed if you are sure that a zero credit is appropriate.

PART III, EMPLOYER-PROVIDED DEPENDENT CARE BENEFITS. Taxable payments from the employer are reported here. Up to \$5,000 of the payments is nontaxable as long as neither the expenses on line 3 nor the earned income on line 6 is less.

- 12 **DEPENDENT CARE BENEFITS received.** *(auto-calc)* Taken from "TOTAL benefits for line 12" on screen 3 of this form.
- 13 Amount carried over from 2022 and used in 2023 during the grace period. *(auto-calc)* Taken from "Carryover from 2022 for line 13" on screen 3 of this form.
- 14 **Amount forfeited, if any.** *(auto-calc)* Taken from "TOTAL forfeitures and carryovers for line 14" on screen 3 of this form.
- 15 **Combine lines 12 through 14.** *(auto-calc)* Computed as line 12 plus line 13 less line 14. *If the result is zero, the remainder of this section is left blank.*
- 16 **QUALIFIED EXPENSES incurred in 2023.** *(auto-calc)* If line 15 has an amount, taken from "Total incurred in 2023" shown below line 1.
- 17 **SMALLER of line 15 or 16.** *(auto-calc)* As indicated.
- 18 **Your EARNED INCOME.** *(auto-calc)* When Part III is used, taken as "Your earned income for Part III" computed on the second screen of this form, which excludes any part stemming from line 26 of this form. Otherwise zero.
- 19 **If MFJ, spouse's earned income. ALL others, amount from line 20.** *(auto-calc)* If Part III is used, then if married filing jointly, or if married filing separately and the answer to "MFS, but single for 2441" is No, taken as "Spouse's earned income for Part III" computed on screen 2 of this form, which excludes any part stemming from line 26 of this form. Otherwise, taken as line 18 if Part III is used and zero if not.
- 20 **Smallest of line 17, 18, or 19.** *(auto-calc)* Computed as indicated.
- 21 **\$5,000 (\$2,500 if married filing separately and required to enter spouse's earned income on line 19).** *(auto-calc)* Computed as indicated.
- 22 **Is any amount on line 12 from your sole proprietorship or partnership?** *(auto-calc)* Answered Yes only if "Self-employment and partnership part of line 12" on screen 3 of this form is nonzero.
Amount from your sole proprietorship or partnership. *(auto-calc)* Taken as "Self-employment and partnership part of line 12" on screen 3 of this form.
- 23 **Subtract line 22 from line 15.** *(auto-calc)* Computed as indicated.
- 24 **DEDUCTIBLE BENEFITS.** *(auto-calc)* Computed as the smallest of line 20, 21, or 22, this is the amount you can deduct from the sole proprietor or partnership income on your return. ***CAUTION: You must enter this deduction on Schedule C, E, or F, whichever is applicable. This allowed deduction is not posted anywhere automatically.***

25 EXCLUDED BENEFITS. *(auto-calc)* Computed as the smaller of line 20 or 21 less "Deductible benefits" on line 24. This is the amount of benefits excluded from taxation.

26 TAXABLE BENEFITS. *(auto-calc)* Computed as line 23 less line 25, but no less than zero, this is the taxable amount to be reflected in line 1e of Form 1040.

Spouse's part of line 26. *(auto-calc)* Computed as spouse's portion of line 26 prorated to spouse's portion of line 17 less self-employment and partnership part. Your and spouse's parts are separately identified to ensure that earned income used in other parts of the return is properly allocated to the proper spouse.

Expenses after benefits. The balance of eligible expenses after taking employer contributions into account is computed here:

27 \$3,000 (\$6,000 if two or more qualifying). *(auto-calc)* Computed as \$6,000 if the number of persons claimed at line 2 is two or more, \$3,000 if the number is one, and zero otherwise.

28 Add lines 24 and 25. *(auto-calc)* Computed as indicated.

29 Subtract line 28 from line 27. *(auto-calc)* Computed as indicated.

30 Line 2, column (c) excluding amount on line 28 above. *(auto-calc)* Computed as the amount incurred and paid in 2023 as identified below lines 1 and 2, less line 28 (which is deductible benefits on line 24 plus excluded benefits on line 25).

31 SMALLER of line 29 or 30. *(auto-calc)* Computed as indicated, this result is used for line 3 of Form 2441 when Part III is used.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 2555* / Foreign Earned Income

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used by U.S. citizens (or U.S. resident aliens) living abroad to claim an exclusion for a limited portion of income earned abroad and to claim an exclusion for employer-paid housing included in income. Form 2555 is *accessible through the Road Map at lines 8d and 24j of Schedule 1*; two copies are available, one for each spouse.

For Use by U.S. Citizens and Resident Aliens Only. This form can be used only by citizens and resident aliens whose tax home is in a foreign country throughout the period used in meeting the Bona Fide Residence Test or the Physical Presence Test, both of which are described later. If you are a resident alien qualifying under the Bona Fide Residence Test, you must be a citizen of a country with which the United States has an income tax treaty in effect (listed in IRS Pub. 901, *U.S. Tax Treaties*). Whether a citizen or a resident alien, any time in a country on which the United States has imposed travel restrictions (only Cuba in 2023, excluding service at the U.S. Naval Base in Guantamano Bay) does not count in any of the time tests, and any income earned or housing expenses are not qualified.

Service in a combat zone qualifies. U.S. Citizens or residents serving abroad in support of the U.S. Armed Forces in a designated combat zone qualify as having a tax home in a foreign country. If qualified, you can satisfy the Physical Presence Test even though your regular abode is in the United States.

INITIAL QUALIFICATIONS. You can use this form only if you are a *U.S. citizen or resident alien*. If resident alien, you must be a citizen or national of a country with an income tax treaty with the United States.

Social security number for this copy. (*auto-calc*) The social security number entered on Form 1040 for the spouse whose copy you chose when you entered Form 2555 appears here.

Is this spouse's copy (vs. you)? (*auto-calc*) This answer is also based on the copy you chose.

BONA FIDE RESIDENCE TEST:

Were you a bona fide resident of a foreign country for an uninterrupted period that includes the entire tax year? The IRS is rather vague on what constitutes "bona fide" residency, but you are generally considered a bona fide resident if you are in the foreign country for an indefinite stay and make your home in the country. By contrast, you are not a bona fide resident if you go to the foreign country for a predefined temporary period and return to the United States when the period has ended. See the IRS instructions and IRS Pub. 54 for more detail.

PHYSICAL PRESENCE TEST:

Were you physically present in a foreign country for at least 330 days in any continuous 12-month period? In determining your qualification, you can count only full 24-hours days (midnight to midnight). See the IRS Pub. 54 for more detail. *TIP: If qualifying because of service in a combat zone as described in the shaded box on the previous page, you are qualified to use this test.*

WAIVER:

If both answers above are No, are you CLAIMING WAIVER of time requirements? If so, you must answer Yes here and explain your reason in a supporting statement for this line. Valid reasons for a waiver include having to leave the country because of war, civil unrest, etc., but you must be able to show that you could have met the time requirement had you not been required to leave.

Was your tax home in a foreign country for the entire period of bona fide residency or physical presence? You must be able to answer Yes to use this form.

Was all the foreign earned income earned as an employee of the U.S. government? Income paid to you by the U.S. government as its employee does not qualify as foreign earned income, but is taxed as if you lived in the United States. Consequently, if you answer Yes here, you do not qualify to use Form 2555.

QUALIFIED so far to use Form 2555? (*auto-calc*) Computed as Yes only if you answer Yes to one of the first three questions, No to the last question, and Yes to the question before the last one.

PART I, GENERAL INFORMATION. Here you must provide your foreign address, identify your employer, and answer questions about yourself and your residency:

1 Your foreign address. Enter the street address in 35 characters or less.

... **city.** Enter the foreign city in 35 characters or less.

... **province or state.** Enter the province or state in the format used by the country of residence in 15 characters or less.

... **country code.** Enter the standard 2-letter code shown in Table 2-6 (on page 2-27). *CAUTION: You are not qualified to use Form 2555 for U.S. possessions or Antarctica,*

... **postal code.** Enter the foreign postal code in the format used by the country of residence in 15 characters or less.

2 Your occupation. Enter your occupation in 15 characters or less.

3 Employer's name. Enter the name of the employer who pays you for your work in a foreign country in 35 characters or less.

4a ... U.S. address. Enter the employer's U.S. address, if any, in this set of lines. Enter the street address in this first 25-character entry line.

... **city.** Enter the U.S. city in 22 characters or less.

- ... **state.** Enter the U.S. state in the standard 2-character abbreviation.
- ... **ZIP code.** Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.
- 4b ... foreign address.** Enter the employer's foreign address in this set of lines. Enter the street address in this first 25-character entry line.
- ... **city.** Enter the foreign city in 25 characters or less.
- ... **province/state.** Enter the province or state in the format used by the country of residence in 15 characters or less.
- ... **country code.** Enter the standard 2-letter code shown in Table 2-6 (on page 2-27).
- ... **postal code.** Enter the foreign postal code in the format used by the country of residence in 15 characters or less.
- 5 Employer is (answer Yes to all that apply):**
 - a A foreign entity?**
 - b A U.S. company?**
 - c Self?**
 - d A foreign affiliate of a U.S. company?**
 - e Other?**

Specify if e. You must make an entry here in 15 characters or less if you answered Yes to line e, above. Supporting statements for this line are ignored by the IRS, so you must abbreviate your entry if necessary to fit into the 15-character space on the form.

- 6a If you previously filed Form 2555 or 2555-EZ, enter the last year you filed the form.** Enter zero if the entry does not apply.
- 6b If not, skip to line 7.** If you entered a year on line 6a, you must continue to line 6c. Otherwise, the box for line 6b on the printed Form 2555 will be checked and you must skip to line 7.
- 6c Have you ever revoked either of the exclusions?** If Yes, you must continue to line 6d. Otherwise, you must skip to line 7.
- 6d If you answered "Yes," enter the type of exclusion and the tax year for which the revocation was effective.** (*Supported by the Revoked Exclusions Worksheet, Figure 2-26.*) You must supply the required information in the supporting worksheet provided, detailed next.

Revoked Exclusions Worksheet. (*Figure 2-26; supports line 6d of Form 2555*) Use a separate worksheet for each separate tax year.

Type of exclusion revoked: You can answer Yes to either or both of the following questions.

Foreign earned income? Answer Yes if the Foreign Earned Income Exclusion was revoked.

Housing? Answer Yes if the Housing Exclusion was revoked.

Tax year for which revoked. Enter the 4-digit tax year for which the exclusion was revoked. Each worksheet applies to only one tax year. You must use additional worksheets if the revocation applies to more than one tax year

Flags. The flags to be used on the official return are controlled by your answers to the above questions. The flags for e-file are required to be one of the verbose phrases noted below, but the flags for printouts are briefer due to the limited space on the printed form.

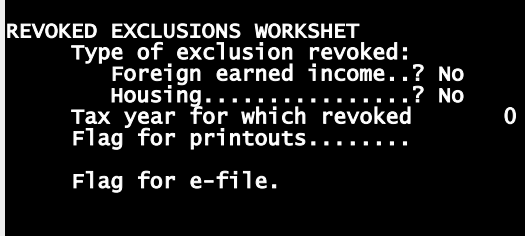


Figure 2-26. Revoked Exclusions Worksheet

- Flag for printouts.** The flag for printouts will be *Earned Income, Housing, or Earned Income and Housing.*
- Flag for e-file.** The flag for e-file will be *FOREIGN EARNED INCOME EXCLUSION, HOUSING EXCLUSION, or FOREIGN EARNED INCOME EXCLUSION AND HOUSING EXCLUSION.*

- 7 Of what country are you a citizen/national?** Enter the country of citizenship in 25 characters or less.
- 8a Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home?** You can answer Yes if the living conditions at your foreign tax home were dangerous, unhealthful, or otherwise adverse. If so, you can include the costs for both homes in your entry for housing expenses at line 28.
- 8b If "Yes," enter the city and country of the separate foreign residence and the number of days during the tax year that you maintained that residence.** You must supply the required information in a supporting statement for this line, using the text column to enter the city and country in 30 characters or less and the amount column to enter the number of days (as a 3-digit number, 365 or less for 2023).
- 9 List your tax home(s) during your tax year and date(s) established.** (*Supported by the Tax Home Worksheet, Figure 2-27.*) You must supply the required information in the supporting worksheet provided, which is detailed next. (The number that appears on this line is the number of worksheets you have completed.)

Tax Home Worksheet. (*Figure 2-27; supports line 9 of Form 2555*) Use a separate worksheet for each separate tax home.

- Tax home (identify).** Describe the tax home in 30 characters or less.
- Date established.** Enter the date that you established the home as your tax home in the standard xx/xx/xxxx format.

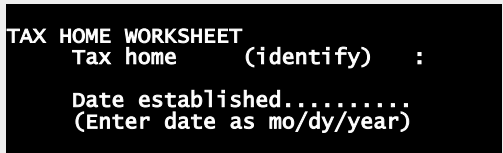


Figure 2-27. Tax Home Worksheet

PART II, TAXPAYERS QUALIFYING UNDER BONA FIDE RESIDENCE TEST.

You can use this part only if you claimed on screen 1 that you meet this test.

Qualified to use this part? *(auto-calc)* Answered Yes only if you claimed on screen 1 that you meet the Bona Fide Residence Test and you are otherwise qualified to use Form 2555.

10 Date bona fide residence began. Enter the date in the standard xx/xx/xxxx format.

Are you still a bona fide resident? Answer Yes if the residence has not yet ended.

If not, date ended. If you answered No above, enter the termination date in the standard xx/xx/xxxx format.

11 Kind of living quarters in foreign country:

a Purchased house?

b Rented house or apartment?

c Rented room?

d Quarters furnished by employer?

12a Did any of your family live with you abroad during any part of the tax year? If no, skip to line 13a.

12b If "Yes," who and for what period? You must enter the relationship and the period of residency for each related party *in a supporting statement for this line*. **CAUTION for e-file:** For an e-file return you must enter the information strictly in the following format: relationship in the first 11 characters of the text field and period of residency in the remaining 19 characters of the text field, using a separate line for each family member. The only valid entries for relationship are CHILD, SON, DAUGHTER, FOSTERCHILD, GRANDCHILD, PARENT, GRANDPARENT, SISTER, BROTHER, NIECE, NEPHEW, AUNT, UNCLE, SPOUSE, NONE, and OTHER. (Note that these entries differ slightly from those valid for dependents on Form 1040, such as no space between FOSTER and CHILD, and no entries for step children or half brother or sister.)

13a Have you submitted a statement to the authorities of the foreign country where you claim bona fide residence that you are not a resident of that country? If you answer Yes and the foreign country determines that you are exempt from their income tax laws because of your statement (or has not yet made a determination), you are not qualified as a bona fide resident.

13b Are you required to pay income tax to the country where you claim bona fide residence? If you answer Yes to 13a and No here, you are not qualified as a bona fide resident and should not complete the rest of Part II.

14 If you were present in the U.S. or its possessions during the tax year, itemize income earned in the U.S. on business. (Supported by the U.S. Income Worksheet, Figure 2-28.) If in the U.S. anytime during the year, supply the information on the supporting worksheet, using a separate worksheet for each separate period of presence in the U.S.

U.S. Income Worksheet. (*Figure 2-28; supports line 14 of Form 2555*) Use a separate worksheet for each separate visit to the U.S. during the tax year.

a Date arrived in U.S. Enter the arrival date in the standard xx/xx/xxxx format.

b Date left U.S.
Enter the departure date in the standard xx/xx/xxxx format.

U.S. INCOME WORKSHEET	
a	Date arrived in U.S.
b	Date left U.S.
c	No. days in US on business 0
d	Inc. earned in US on busin 0

Figure 2-28. U.S. Income Worksheet

c Number of days in U.S. on business. Enter the number of days in the tax year that are within the period from line a to line b that you were in the U.S. for a business purpose.

d Income earned in U.S. on business. Enter income earned for the days in line c. You must show how you computed this entry in a separate supporting statement at the line below line 14, above. **CAUTION:** *You must include this income on Form 1040 and/or Schedule 1 but not Part IV of Form 2555.*

*** Itemize computations here.** You must show in a supporting statement for this line how you computed the U.S. income you entered in line d of the worksheets for line 14. *Format for e-file: The IRS ignores the amount column in your support for this line, so you must restrict your explanation to the text column of the support.* **CAUTION:** You must include this income on Form 1040 and/or Schedule 1 (such as line 1a of Form 1040 for wages, line 3 of Schedule 1 for non-farm self-employment, etc.), but must not include it in any entries in Part IV of this form (which is intended only for foreign income).

15a List any contractual terms or other conditions relating to the length of your employment abroad. Two 35-character lines are provided for your entries for this line. (*For e-file, supporting statements for this line are not recognized by the IRS.*)

15b Enter the type of visa under which you entered the foreign country. Enter the type in 25 characters or less.

15c Did the visa limit the length of your stay or employment in a foreign country? If "Yes," you must provide an explanation *in a supporting statement for this line (using only the description column).*

15d Did you maintain a home in the U.S. while living abroad? If Yes, provide details at the next line.

15e If "Yes," itemize here to supply the address of your home, whether it was rented, the names of the occupants, and their relationship to you. (*Supported by the U.S. Home Maintained Worksheet, Figure 2-29.*) You must supply all required information on the supporting worksheet for this line. (The number shown on this line is the number of homes identified in the support.)

U.S. Home Maintained Worksheet. (Figure 2-29; supports line 15e of Form 2555) Use a separate worksheet for each home maintained in the U.S.

Street address. Enter the street address of the U.S. home in 30 characters or less.

City. Enter the U.S. city in 22 characters or less.

State. Enter the standard 2-letter code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

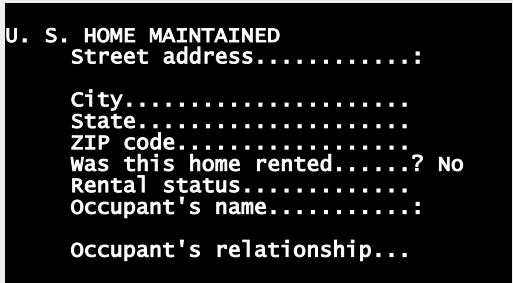


Figure 2-29. U.S. Home Maintained Worksheet

Was this home rented? Answer Yes if you did not own the home.

Rental status. (auto-calc) The word "RENTED" appears here if you answered Yes to the preceding question. Otherwise, blank. The result is used on an official printout and in e-file output.

Occupant's name. Enter the name in 30 characters or less.

Occupant's relationship. Enter the occupant's relationship to you in 11 characters or less. *CAUTION for e-file: The only valid entries for relationship are CHILD, SON, DAUGHTER, FOSTERCHILD, GRANDCHILD, PARENT, GRANDPARENT, SISTER, BROTHER, NIECE, NEPHEW, AUNT, UNCLE, SPOUSE, NONE, and OTHER. (Note that these entries differ slightly from those valid for dependents on Form 1040, such as no space between FOSTER and CHILD, and no entries for step children or half brother or sister.)*

PART III, TAXPAYERS QUALIFYING UNDER PHYSICAL PRESENCE TEST. You can use this part only if you claimed on screen 1 that you meet this test.

Qualified to use this part? (auto-calc) Answered Yes only if you claimed on screen 1 that you meet the Physical Presence Test and you are otherwise qualified to use Form 2555.

16 The physical presence test is based on the 12-month period from... Enter the starting date in the standard xx/xx/xxxx format.

...through. Enter the ending date in the standard xx/xx/xxxx format, which should be exactly one year later than the first date.

17 Enter your principal country of employment during your tax year. If Enter the country in 35 characters or less.

18 If you traveled abroad during the 12-month period entered on line 16, complete the (a) to (f) on the supporting worksheet by itemizing here. (Supported by the Tax Home Worksheet, Figure 2-30.) You must complete this worksheet if you traveled outside the foreign country you specified for the Physical Presence Test anytime during the tax year. Otherwise, answer Yes for the next line.

If **NO** travel, answer **Y** here. If you answer Yes, the phrase “PHYSICALLY PRESENT IN A FOREIGN COUNTRY OR COUNTRIES FOR THE ENTIRE 12-MONTH PERIOD” will be printed for line 18 to explain why you are not completing the worksheet, as required by the IRS.

**** Itemize computations here.** If you completed the worksheet for line 18, explain in a supporting statement for this line how you determined your entry or entries for line f of the worksheet (*Income earned in U.S. on business*).

Travel Abroad Worksheet. (*Figure 2-30; supports line 18 of Form 2555*) Use a separate worksheet for each separate trip. You can exclude travel for less than 24 hours that did not involve travel over international waters or the United States.

TRAVEL ABROAD DURING LN 16		
a	Name country....	
b	Date arrived.....	
c	Date left.....	
d	Full days in country.....	0
e	Days in U.S. on business..	0
f	Inc. earned in US on busin	0

Figure 2-30. Travel Abroad Worksheet

a Name of country. Enter the name in 25 characters or less. *Do not*

exclude travel to the United States during your “physical presence” period.

b Date arrived. Enter the arrival date in the standard xx/xx/xxxx format.

c Date left. Enter the departure date in the standard xx/xx/xxxx format.

d Full days present in country. Enter the number of full days in the tax year that are within the period from line b to line c that you were in the country.

e Number of days in U.S. on business. If your entry for line a was United States, enter the number of days in the tax period that are within the period from line b to line c that you were in the U.S. for a business purpose.

f Income earned in U.S. on business. Enter income earned for the days in line e. You must show how you computed this entry in a separate supporting statement at the line below line 18, above. **CAUTION:** *You must include this income on Form 1040 and/or Schedule 1 but not Part IV of Form 2555.*

PART IV, ALL TAXPAYERS.

2023 Foreign Earned Income. Your 2023 foreign earned income is reported in this part, which must be completed no matter what makes you eligible to use Form 2555. You must enter here all 2023 income earned for services performed in a foreign country, and must not include an income earned in the U.S. (as reported on the worksheets for lines 14 and 18):

19 Total wages, salaries, bonuses, commissions, etc. Enter all income earned in a foreign country as an employee.

20 Allocable share of income for personal services performed:

20a In a business or profession. Enter all self-employment income earned in a foreign country as an individual.

20b In a partnership. List partnership's name, address, and type of income (itemize). (*Supported by the Partnership Foreign Earned Income Worksheet, Figure 2-31.*) If you had foreign earned income as a member of a partnership, you must supply all required information on the supporting worksheet for this line, described next.

Partnership Foreign Earned Income Worksheet. (*Figure 2-31; supports line 20b of Form 2555*) Use a separate worksheet for each separate partnership in which you were a partner and provided services in a foreign country.

Name of partnership. Enter the name in 15 characters or less.

Foreign address. Enter the street address in 25 characters or less.

" **city.** Enter the foreign city in 25 characters or less.

" **province or state.** Enter the province or state in 15 characters or less.

" **country.** Enter the official 2-letter code for the country as shown in Table 2-6 on page 2-27 of this *Tax Forms Guide*.

" **postal code.** Enter the postal code in 15 characters or less.

Type of income. Describe in 25 characters or less.

Amount of income. Enter your share of income from the partnership for your personal services, including self-employment income.

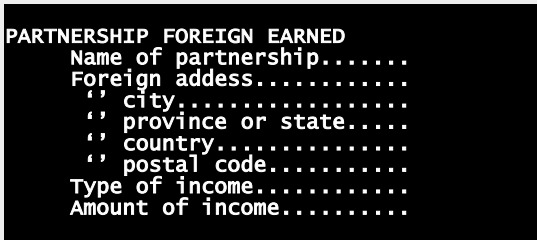


Figure 2-31. Partnership Foreign Earned Income Worksheet

21 Noncash income (market value of property or facilities furnished by employer):

21a Home (lodging). Show how market value was determined in a supporting statement for this line.

21b Meals. Show how the value was determined in a supporting statement for this line.

- 21c Car.** Show how market value was determined in a supporting statement for this line.
- 21d Other property or facilities. (List type and amount.)** When you itemize this line you must follow an IRS-specified format by entering the type or category in the 30-character text column of the support and the market value for that type in the amount column. *TIP for e-file: Even though the official form provides a space for listing other types of property, the IRS ignores this detail in their e-file specification. Therefore, if you expect to e-file the return, you can enter just the total amount for line 21d without itemizing.*
- 22 Allowances, reimbursements, or expenses paid on your behalf for services you performed:**
- 22a Cost of living and overseas differential.** No supporting statement is required for lines 22a through 22e.
- 22b Family.**
- 22c Education.**
- 22d Home leave.**
- 22e Quarters.**
- 22f For any other purpose. (List type and amount.)** You must itemize any purpose not covered by lines 22a through 22e *in a supporting statement for this line*, entering the type in the 30-character text column of the support and the value in the amount column of the support.
- 22g Add lines 22a through 22f. (auto-calc)** Computed as indicated.
- 23 Other foreign earned income. (List type and amount.)** You must itemize any other foreign earned income *in a supporting statement for this line*, entering the type in the 30-character text column of the support and the value in the amount column of the support.
- 24 Add lines 19 through 21d, line 22g, and line 23. (auto-calc)** Computed as indicated.
- 25 Total amount of meals and lodging included on line 24 that is excludable.** Examples include meals and lodging that were provided to you for your employer's convenience and on your employer's business premises. See IRS instructions for this line and IRS Pub. 54 (the section entitled *Exclusion of Meals and Lodging*).
- 26 2023 FOREIGN EARNED INCOME. (auto-calc)** Computed as line 24 less line 25.

PART V, ALL TAXPAYERS.

- 27 Enter amount from line 26. (auto-calc)** Taken from the result in Part IV, as indicated.

The check boxes below line 27 on the IRS Form 2555 are automatically completed based on your entries in the next two sections.

PART VI, TAXPAYERS CLAIMING THE HOUSING EXCLUSION AND/OR DEDUCTION. The tentative housing exclusion is figured in this part.

28 Qualified housing expenses for the tax year. Enter the total reasonable expenses paid or incurred, either by you or on your behalf, for housing. You can include the expenses for a second foreign household if you answered Yes to line 8a. See page 3 of the IRS Instructions for a detailed explanation of what else qualifies for inclusion in this line.

29a Enter location where housing expenses incurred. You should make an entry here only if the city and country where the housing expenses were incurred appear in the IRS table of *2023 LIMITS ON HOUSING EXPENSES* on the last few pages of the IRS *2023 Instructions for Form 2555*. The table lists foreign cities for which the IRS allows more than the normal \$36,000 limit for 2023. If your city is not listed in this table, do not make an entry here; you cannot claim more than the \$36,000 limit for 2023 in this case.

Number of days in your qualifying period that fall within your 2023 tax year. Enter the number of days as indicated, which is limited to 365 for 2023. You must make an entry here whether or not you were allowed to make an entry on line 29a.

Full-year housing expense limit. If you made no entry at line 29a, the entry at this line is automatically \$36,000 for 2023. But if the location you entered at line 29a appears in the IRS table (*2023 LIMITS ON HOUSING EXPENSES*), you can enter here the higher amount in the table. You can enter an amount between \$36,000 (30% of the \$120,000 maximum exclusion for 2023) and \$114,300 (the highest amount in the table, which applies only to Hong Kong for 2023). If you lived in more than one foreign location during the qualifying period, you must prorate the amount in accordance with the amount of time spent in each location, using \$36,000 for locations not listed in the IRS table.

29b Limit on housing expenses. *(auto-calc)* Computed as the preceding limit times your entry, above, for number of days within 2023 divided by the number of days in a year (365 for 2023). This result matches the result of the IRS *Limit on Housing Expenses Worksheet –Line 29b* on page 5 of the IRS *2023 Instructions for Form 2555*, even though the IRS uses a different approach to arrive at it.

30 Smaller of line 28 or line 29b. *(auto-calc)* Computed as indicated.

31 Number of days in your qualifying period that fall within your 2023 tax year. *(auto-calc)* Taken from your prior entry, above, for number of days within 2023.

32 Multiply \$52.60 by the number of days on line 31. *(auto-calc)* Computed as indicated except when line 31 is 365 for 2023, in which case \$19,200.00 is used for 2023 in accordance with IRS instructions.

33 Subtract line 32 from line 30. *(auto-calc)* Computed as indicated, but no less than zero.

34 Enter employer-provided amounts. Enter the total amount of wages, rent, housing expenses, and fair-market-value of property in kind that your employer provided to you or on your behalf. This amount should be included in gross income on your Form 1040. *If self-employed and all your foreign earned income is from your self-employment, enter zero here;* you cannot take the housing exclusion computed in this part of the form, but you may be able to take the housing deduction in Part IX.

35 Divide line 34 by line 27. *(auto-calc)* Computed as indicated, but no more than 1.0. (We carry the result to four places, one place more accurate than the IRS requires.)

36 HOUSING EXCLUSION. *(auto-calc)* Computed as line 33 multiplied by line 35, but no more than line 34.

The result on line 36 is used in all remaining parts of the form to determine the amount to either be excluded at line 8d of Schedule 1 and/or deducted at line 24j of Schedule 1.

PART VII, TAXPAYERS CLAIMING THE FOREIGN EARNED INCOME EXCLUSION. The tentative foreign earned income exclusion is figured in this part. If you completed Part VI then this part is fully automatic. Otherwise you must make an entry for line 38 in order to figure the exclusion.

Elect OUT of this exclusion? If you elect *NOT* to claim the foreign earned income exclusion, lines 38 through 42 will be forced to zero. Otherwise, these lines are computed as described below.

37 Maximum foreign earned income exclusion. *(auto-calc)* Computed as \$120,000 for tax year 2023, this is the maximum exclusion allowed.

38 Number of days in your qualifying period that fall within your 2023 tax year. *If you completed Part VI, your entry for line 31 is used here automatically.* Otherwise, you must enter the number of days within the tax year that you meet both the tax home test and the bona fide residence or physical presence test. (Up to 365 days can be entered for tax year 2023.)

39 Divide line 38 by the number of days in your 2023 tax year. *(auto-calc)* Computed as indicated, but no more than 1.0.

40 Multiply line 37 by line 39. *(auto-calc)* Computed as indicated.

41 Subtract line 36 from line 27. *(auto-calc)* Computed as indicated.

42 FOREIGN EARNED INCOME EXCLUSION. *(auto-calc)* Computed as the smaller of line 40 or line 41.

% of foreign earned income. *(auto-calc)* Computed as 100 times the exclusion on line 45 divided by the foreign earned income on line 22, this percentage can be useful in figuring deductions related to excluded income, as described in IRS Pub. 54 (*Tax Guide for U.S. Citizens and Resident Aliens Abroad*).

The result on line 42 is used in the next parts of the form to determine the amount to be excluded at Schedule 1, line 8d.

PART VIII, TAXPAYERS CLAIMING THE HOUSING EXCLUSION, FOREIGN EARNED INCOME EXCLUSION, OR BOTH. The exclusion to be taken at Schedule 1, line 8d, is figured here.

43 Add lines 36 and 42. *(auto-calc)* Computed as indicated.

44 Deductions allowed in figuring your adjusted gross income (Form 1040, line 11) that are allocable to the excluded income. You must explain your deductions *in a supporting statement for this line*, entering each deduction in the amount column of the support and a 30-character explanation of your entry in the text column. Include all deductions you entered throughout the return that relate to the foreign earned income for which an exclusion is claimed. (The deductions are used in full elsewhere on the return, but are taken back here when you claim the exclusion so that you do not get credit for the same amount twice.) See the IRS instructions for details.

45 FOREIGN EARNED INCOME EXCLUSION. *(auto-calc)* Computed as line 43 less line 44.

The result on line 45 is posted to Schedule 1, line 8d, as a negative number, thereby excluding the amount from the total income on Schedule 1 (at line 10 of Schedule 1) and total income for the return (at line 9 of Form 1040).

PART IX, TAXPAYERS CLAIMING THE HOUSING EXCLUSION. If the tentative housing exclusion in line 36 is not fully reflected in line 45, you may be able to take a deduction at Schedule 1, line 24j, as figured here. (A deduction will result only if Form 2555 line 33 is more than line 36 and line 27 is more than line 43.)

46 Subtract line 36 from line 33. *(auto-calc)* Computed as indicated.

47 Subtract line 43 from line 27. *(auto-calc)* Computed as indicated.

48 Enter the smaller of line 46 or line 47. *(auto-calc)* Computed as indicated.

49 Housing deduction carryover from 2022. If line 47 is more than line 46 and you could not deduct all of your 2022 housing deduction because of the 2022 limit, complete the *Housing Deduction Carryover Worksheet--Line 49* on page 6 of the *IRS 2023 Instructions for Form 2555* and enter the result of that worksheet here. *(If line 46 is more than line 47 you may be able to deduct some or all of the excess on your return for tax year 2023. However, if it is also limited on the 2023 return, you cannot carry it over to any later year.)*

50 HOUSING DEDUCTION. *(auto-calc)* Computed as the sum of lines 48 and 49..

The result on line 50 is posted to Schedule 1, line 24j, thereby excluding the amount from adjusted gross income computed for Form 1040, line 11.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 2848* / Power of Attorney & Declaration of Representative

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. See the separate Partnership Edition manual for details on the version of Form 2848 that is built into the Partnership Edition software.

Purpose. This form is used to authorize a qualifying individual to represent you before the IRS. To qualify, this individual must be eligible to practice before the IRS. Form 2848 must NOT be filed with the taxpayer's return. Instead, you must send the form to one of the special locations listed in the IRS instructions or, if completed for a specific use, to the office handling the specific matter. Each spouse must now complete his or her own Form 2848; the form cannot be used to give authorization to represent both spouses of a joint return. Because of its stand-alone nature, Form 2848 is accessible only from the Forms Menu (as Form 24) or from the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map. Two copies are available, one for each spouse.

Representatives you appoint must be qualified. Form 2848 requires that the representative to whom you give the power of attorney be one of a select group of individuals, such as an attorney, CPA, enrolled agent, registered tax return preparer, or other person qualified to represent you before the IRS. You identify this person in Part I, but that person must complete and sign Part II to declare qualification as your representative. **BOTH PARTS MUST BE COMPLETED, SIGNED, AND DATED.**

PART I, POWER OF ATTORNEY. This part of the form is completed and signed by the taxpayer. The representatives to whom you want to give the power of attorney are identified here along with the powers you want to give to them.

1 Taxpayer information. Except for the plan number and daytime phone, all entries for this line are completed for you based on your entries on Form 1040.

Social security number for this copy. (auto-calc) This entry is taken from the SSN entered on Form 1040 for the spouse whose copy you chose when you entered Form 2848.

Is this spouse's copy (vs. you)? (auto-calc) This answer is also automatic based on your choice when you entered.

Plan number (3-digit). This entry is not applicable to individuals, but applies only to employee plans that file a Form 2848 for the plan.

Street address. (auto-calc) Constructed from your entries for "Street address" and "Apt., Suite, Bldg., etc." on screen 3 of Form 1040 page 1, the entry can be as long as 45 characters long. Although only the first 35 characters are shown on the screen, the entire 45 character entry is printed in an official printout of the form.

City and state. *(auto-calc)* Constructed from your entries for "City or p.o." and "State" on screen 3 of Form 1040 page 1, the entry can be as long as 26 characters long. Although only the first 25 characters are shown on the screen, the entire 26 character entry is printed in an official printout of the form.

ZIP code. *(auto-calc)* Taken from your entry for "ZIP code" on screen 3 of Form 1040 page 1.

Daytime telephone number. Enter the taxpayer's daytime phone.

- 2 Representative(s).** You must fully identify the representatives you appoint. The form provides space for only four representatives, but you can appoint more in a supporting statement for the special line that follows these entries. *For each representative you must supply the following information:*

For first 4 representatives, enter on screens 2 through 5:

Name. Enter the full name in 35 characters or less.

Address. Enter the street address or P.O. box in 35 characters or less.

City, state, and ZIP code. Enter in 35 characters or less.

To be sent notices and communications? Answer Yes only if you want this representative to be sent copies of any notices that the IRS sends to you. *TIP: This question appears on the form only for the first two representatives because the IRS will not send copies to more than two representatives.*

CAF Number. The IRS maintains a Centralized Authorization File (CAF) to keep track of appointed representatives and the tax matters and periods for which they have been given power of attorney. The first time a representative is appointed by anyone, he or she is assigned a lifetime 9-digit CAF number, and uses this number thereafter as identification to the IRS. *TIP: If no CAF number has yet been assigned to a representative you choose, enter NONE here and the IRS will assign a number for the future.*

PTIN. If the representative is a paid preparer, enter the Preparer Tax Identification Number (PTIN) assigned by the IRS to the preparer. Enter the PTIN in the standard Pxx-xx-xxxx format. *CAUTION: An entry here is required for any representative who is an unenrolled return preparer. However, if the representative has applied for one but has not yet received it, enter here APPLIED FOR.*

Telephone number. Enter the representative's daytime phone number in 15 characters or less.

Fax number. Enter the representative's fax number in 15 characters or less.

Answer Yes if any are new. Answer Yes for each of the following lines that are different on this form from the entries in the CAF. Answer Yes to *all* that apply.

Address. Answer Yes only if changed from the address used when the CAF number was assigned.

Telephone number. Answer Yes only if changed from the number used when the CAF number was assigned.

Fax number. Answer Yes only if changed from the number used when the CAF number was assigned..

If more than 4 representatives, provide above information in support of the following line at the bottom of screen 5:

Itemize HERE to identify others. Use this line to supply the same information as above for additional representatives you appoint.

3 Acts authorized. You must identify the type of tax or penalty for which you are giving the representative(s) the power of attorney, including the related form number and the specific years (or other period) for which you want to grant the power of attorney. *For each category you must supply the following information:*

For first 3 categories, enter the following information on screen 6:

Description of matter. Enter here the type of return to which the representation applies, such as an individual income tax return or employment return, in 35 characters or less.

Tax Form Number. Enter the related form(s), such as Form 1040 or Form 941.

Years or periods. Enter the range of years (or other period) for which you want to grant the power of attorney.

If more than 3 categories, provide above information in support of the following line at the bottom of screen 6:

Itemize HERE for others. Use this line to supply the same information as above for additional categories. The itemized list will be cross-referenced on the official printout on the title line for line 3.

4 Specific use not recorded on CAF. Some uses of the power of attorney are not recorded on the CAF, such as requests for private rulings or requests to change accounting methods, which are generally one-time uses. Answer Yes here only if the CAF does not apply. See IRS instructions for a list of examples. If you answer Yes, you should send Form 2848 to the office handling the specific matter rather than one of the addresses in the IRS instructions.

5a/5b Additions/deletions to acts authorized. The official Form 2848 lists specific acts that are automatically authorized for or excluded from the power of attorney. However, you can modify the authorized acts through your entries of additions on line 5a and deletions on line 5b.

5a Additional acts authorized. Use this section to identify *additions to the acts automatically authorized* by the power of attorney.

Access my IRS records via an Intermediate Service Provider (ISP). Answer Yes only if you authorize the representatives to access my IRS records over the internet.

Authorize disclosure to third parties. Answer Yes only if you authorize the representatives to request disclosure of tax information to a third party.

Substitute or add representatives. Answer Yes only if you authorize the representatives to substitute another representative or add additional representatives.

Sign a return. Answer Yes only if you authorize the representatives to sign certain returns on your behalf.

Explain above additions. If you answered Yes to any of the preceding three questions, you can provide more detail here in 35 characters or less. (You can itemize if you need more room.)

Other acts authorized. Answer Yes only if you give other authorities as detailed in an itemized list for the next line. If Yes, you must explain on the next line.

Explain if "Other." If you answered Yes to the preceding question, list the other additional acts authorized in 35 characters or less, or in a supporting statement for this line.

5b Specific acts not authorized. Use this section to identify deletions to acts otherwise automatically authorized by this power of attorney.

List specific deletions to acts otherwise authorized. List the acts specifically not authorized in 35 characters or less, or in a supporting statement for this line.

6 Retention/revocation of prior power(s) of attorney. Normally the IRS will revoke a prior power of attorney when they receive this form if it applies to the same tax matters and periods as listed in line 3. However, you can modify this practice as follows:

Do you not want to revoke a prior power of attorney? If you answer Yes, the prior power(s) of attorney you filed remain in force and will not be revoked.

7 Signature of taxpayer. The form must be hand signed by the taxpayer identified in line 1 (you or spouse). (You can provide a PIN number for use by a representative in future electronic filing. However, Form 2848 itself cannot currently be filed electronically.)

PART II, DECLARATION OF REPRESENTATIVE. This part of the form must be completed by hand and signed by all representatives listed in line 2. Once you complete Form 2848, the representatives must complete, by hand, the bottom of Form 2848 page 2, after reading the detailed declaration in Part II of this form and detailed IRS instructions referenced in Part II. **CAUTION:** If a representative is an unenrolled return preparer (item h in the declaration), a PTIN must be entered for that representative.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 3468 / Investment Credit

CAUTION: Details for Form 3468 are not yet updated for tax year 2023! Because of the extensive expansion of Form 3468 from 3 pages for 2022 to 10 pages for 2023, and an extensive redesign of its structure, the details are not yet provided here. In the meantime, we recommend that you use the IRS 2023 Instructions for Form 3468 alone.

For Form 1065 returns, see separate Partnership Tax Forms Guide for additional details. While the meanings of entries on Form 3468 are the same for Form 1065 (partnership) returns as they are for Form 1040 (individual) returns, most calculated lines are zero for a partnership return, the posting of results is more complex, and additional entries are required for some credits. See the separate *Partnership Tax Forms Guide (2023 Edition)* for details.

Purpose. Form 3468 is used to claim credit for a business's investment in certain favored property, including rehabilitation property, energy projects, and specialized manufacturing. In the Form 1040 software, Form 3468 is accessible through the Road Map from Form 3800. (See the separate *Partnership Tax Forms Guide* for access information for the Form 1065 software, and other details unique to the *Partnership Edition* software.)

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 3 or 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and automatically posted to Form 3800 accordingly. If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 that it is not a Category A credit and manually enter the credit on the appropriate line of Form 3800. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on Form 3800.

PART I, INFORMATION REGARDING THE ELECTION TO TREAT THE LESSEE AS THE PURCHASER OF INVESTMENT CREDIT PROPERTY.

Complete this section only if you are claiming credit on Form 3468 for any property you do not own. You can claim the credit only if you elect to be treated as the purchaser by completing this section. See IRS section 48(d) (as in effect on November 4, 2008) for information on the requirements of the election. All information for this section is entered on the supporting worksheet, accessed from line 4, below.

- 1 **Name of lessor.** See supporting worksheet, below.
- 2 **Address of lessor.** See supporting worksheet, below.
- 3 **Description of property.** See supporting worksheet, below.
- 4 **Amount for which you were treated as having acquired the property.** (Supported by the Lessor Worksheet, Figure 2-32.) The sum of amounts you enter on the supporting worksheet appears here. All

other information appears only in the worksheets and on the official printouts.

Lessor Worksheet. (Figure 2-32, supports lines 1 through 4 of Form 3468) Use a separate worksheet for each lessor from whom you lease property for which you claim an investment credit.

1 Name of lessor.

Enter the name of the person or business from which you lease the property in 30 characters or less.

2 U.S. or foreign address. Enter the address of the main office or place of business of the lessor. Enter

only a domestic address or a foreign address, not both:

U.S. street address. If a domestic address is chosen, enter the street address in 25 characters or less.

U.S. city. If a domestic address is chosen, enter the city in 22 characters or less.

U.S. state. If a domestic address is chosen, enter the 2-letter mailing code for the state. (See Table 2-5 on page 2-26).

U.S. ZIP code. If a domestic address is chosen, enter the ZIP code in the xxxxx or xxxxx-xxxx format.

OR Foreign street address. If a foreign address is chosen, enter the street address in 25 characters or less.

foreign city. If a foreign address is chosen, enter the foreign city in 25 characters or less.

foreign province/state. If a foreign address is chosen, enter the foreign province or state in 15 characters or less.

foreign country. If a foreign address is chosen, enter the 2-letter code for the country, as shown in Table 2-6 on page 2-27.

foreign postal code. If a foreign address is chosen, enter the foreign postal code in 15 characters or less.

3 Description of property. Describe leased property in 30 characters or less.

4 Amount treated as acquired. Enter your investment in the leased property. The total of line 4 for all worksheets combined is used for line 4 of the official printed form.

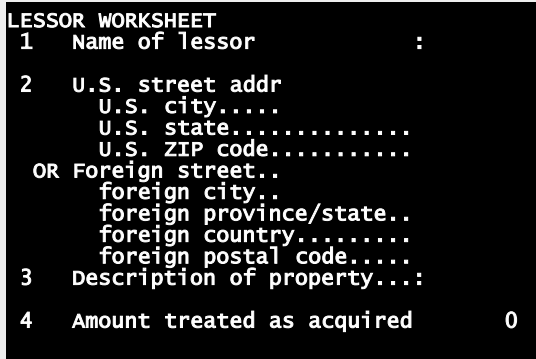


Figure 2-32. Lessor Worksheet

PART II, QUALIFYING ADVANCED COAL PROJECT CREDIT, QUALIFYING GASIFICATION PROJECT CREDIT, QUALIFYING ADVANCED ENERGY PROJECT CREDIT, AND ADVANCED MANUFACTURING INVESTMENT CREDIT. This part includes four separate credits, as implied by the compound title. *The credits in this part are subject to reduction by the tentative alternative minimum tax (via Form 3800), and can result in no allowable current-year credit if an alternative minimum tax exists on line 1 of Schedule 2. (Credits in Part III are not subject to this limitation.)*

5 Qualifying advanced coal project credit. See the IRS *2023 Instructions for Form 3468* for details on what qualifies for this credit and the reduction required for certain financing.

a Qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i). Enter your basis in eligible property necessary for the gasification of coal.

x 20% ... **5a.** *(auto-calc)* Computed as 20% of the above entry.

b Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii). Enter your basis in eligible property, which does not use an integrated gasification combined cycle.

x 15% ... **5b.** *(auto-calc)* Computed as 15% of the above entry.

c Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii). Enter your basis in eligible property, which has equipment that separates and sequesters at least 65% of the project's total carbon dioxide emissions.

x 30% ... **5c.** *(auto-calc)* Computed as 30% of the above entry.

6d Total. Add lines 5a, 5b, and 5c. *(auto-calc)* Computed as indicated.

6 Qualifying gasification or advanced energy project credit. Two separate credits are reported together here. See the IRS *2023 Instructions for Form 3468* for details on what qualifies for these credits.

a Qualified investment in property placed in service during the tax year (a) of advanced energy project property or (b) of qualified gasification property for which credits were allocated or reallocated after October 3, 2008, and that include equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions. Enter your basis in eligible property.

x 30% ... **6a.** *(auto-calc)* Computed as 30% of the above entry.

b Basis of qualified investment in property other than in a above placed in service during the tax year. Enter your basis in eligible property. This category includes a category that first went into effect on August 9, 2005.

x 20% ... **6b.** *(auto-calc)* Computed as 20% of the above entry.

6c Total. Add lines 6a and 6b. *(auto-calc)* Computed as indicated.

7 Advanced manufacturing investment credit. This credit was created by legislation known as the CHIPS Act of 2022 (*Creating Helpful Incentives to Produce Semiconductors*), which provides incentives for the domestic manufacturing of semiconductors. See the IRS *2023 Instructions for Form 3468* for details about this credit, which is *available only for property placed in service after calendar year 2022*.

Basis of qualified investment in advanced manufacturing investment facility property placed in service during the tax year. The credit is available only for property placed in service after December 31, 2022, and is therefore was not available for a 2022 Form 1040 tax return. However, is available on a 2023 return of a partnership or S corporation that has a fiscal year that overlaps part of 2023, but the resulting distributive share to an individual will be reported on that individual's 2023 Form 1040 return, even though it appears on the 2023 return of a partnership or S corporation with a fiscal year that includes parts of calendar years 2022 and 2023. For other requirements for the credit, see IRS *2023 Instructions for Form 3468* for details.

x **25%. (*auto-calc*)** For a Form 1040 return, computed as 25% of the above entry only for tax years after 2022. Otherwise, zero. (For a Partnership return with a fiscal year that starts in February, 2022 or later, credit is available for property placed in service in the portion of the fiscal year that lies in calendar year 2023.)

Elect to treat as a deemed payment? Partnerships and S Corporations can elect to treat the credit as a deemed payment applied against tax due on their return. If a partnership or corporation of which you are a member made this election, they will report to you only amounts for which the election was not made. You cannot include a credit for which the election was made on your Form 1040 tax return. (For a partnership return, the partnership makes the election, not the partner, and makes the election by answering Yes here.)

8 Reserved for future use. (*auto-calc*) Computed as zero because the line is not used this year, and hasn't been used since tax year 2011.

9 Applicable unused investment credit from cooperatives. Cooperative organizations defined under IRS section 1381(a) must allocate to patrons of the cooperative any investment credit not used by the cooperative because of tax liability limitations. Patrons must enter their allocated share of the unused credit here.

10 Add lines 5d, 6c, 7, and 9. (*auto-calc*) Computed as indicated, this is the total credit for Part II of Form 3468, before applying any passive activity or tax liability limitations. This credit is posted to screen 3 of the main Form 3800.

Credit for Form 3800, Part III, line 1a. (*auto-calc*) Computed as the amount on line 10 less the amount on line 7 if you answered Yes to "Elect to treat as a deemed payment?" Otherwise, equal to the amount on line 10.

PART III, REHABILITATION CREDIT AND ENERGY CREDIT. This part includes the rehabilitation credit that has existed for years for old and historic buildings. It also includes energy credits. Unlike the credits in Part II of this form, the credits in this part are not reduced by the tentative alternative minimum tax (via Form 3800).

11 Rehabilitation credit. This credit applies only to certain older buildings. See the IRS 2023 *Instructions for Form 3468* for qualifications and detailed reporting requirements (to be entered in supporting statements). Thanks to tax relief legislation for victims of various storms, multiple credit rates apply.

a Electing under sec. 47(d)(5). You can elect to take your qualified rehabilitation expenditures into account for the tax year in which actually paid (or, for self-rehabilitated property, when capitalized), instead of when the building is placed in service. You must answer Yes here to take the election and so indicate on Form 3468, but note that the election applies to all later tax years as well, and is not revocable without IRS consent. See IRS section 47(d) for more details.

b Date on which the 24-month or 60-month measuring period begins. Enter the beginning date for the 24-month qualifying period within which the rehabilitation expenses or adjusted basis exceed \$5,000. A 60-month period is allowed if a written architectural plan and specifications are completed before the rehabilitation begins.

... and ends. Enter the ending date for the qualifying period here.

c Adjusted basis of building at beginning date Enter the adjusted basis on the indicated date, or, if later, the first day of the holding period.

d Qualified rehabilitation expenditures incurred during the period on line 11b. Enter the amount incurred during the qualifying period.

Pre-1936 buildings:

e Pre-1936 buildings under transition rule. This 10% credit generally expired at the end of 2017 but is still available under a transition rule for amounts paid or incurred after 2017 under certain conditions. See the IRS 2023 *Instructions for Form 3468 for conditions*. If qualified under the transition rule, enter qualified expenditures for amounts paid or incurred by the end of 2023. Do not include certified historic structures, even if in service before 1936, because they qualify for a higher credit at line 11f, below. No credit is allowed if not qualified under the transition rule.

x 10% (.10). (auto-calc) Computed as 10% of the preceding entry, this is the traditional credit for pre-1936 buildings.

Certified historic buildings:

Certification required. To be eligible for the increased credit for certified historic structures, you must have received certification of completed rehabilitation work from the National Park Service (NPS). The NPS will assign a project number once approved. (See IRS 2023 *Instructions for Form 3468* for requirements to be considered a certi-

fied historic structure and circumstances under which you can claim the credit before receiving certification.)

f Certified historic structures under transition rule. This 20% credit generally expired at the end of 2017 and was replaced by a 4% credit spread over 5 years. However, the full 20% is still available under a transition rule for amounts paid or incurred after 2017 under certain conditions. *See the IRS 2023 Instructions for Form 3468 for conditions.* If qualified under the transition rule, enter here qualified expenditures for amounts paid or incurred by the end of 2023. *If not qualified under the transition rule, you may still qualify for a 4% credit at line 11g.*

x **20% (.20).** *(auto-calc)* Computed as 20% of the preceding entry, this is the traditional credit for certified historic structures.

g Certified historic structures after 2017 not under transition rule. If not qualified for the 20% credit only because of failure to qualify under the transition rule, you generally qualify for the newly modified version of the credit that amounts to a 4% credit for each of 5 years. If qualified, enter here qualified expenditures for amounts paid or incurred by the end of 2023.

x **4% (.20).** *(auto-calc)* Computed as 4% of the preceding entry, this is one-fifth of the credit to be claimed for 5 years.

For property on line 11f or 11g, complete lines 11h and 11i.

h Is the amount on line 11f from a pass-through entity? Answer Yes here only if you do not own the property, but the credit is passed through to you from a pass-through entity (partnership, S corporation, etc.). If you are claiming credit reported to you from a pass-through entity (other than an electing large partnership), you are not required to supply information on the National Park Service (NPS) certification.

Pass-through entity's EIN. If you answered Yes above, enter the EIN of the entity here in the standard xx-xxxxxx format, and skip the next two entries. *TIP: Your entry here will be erased if you answered No to the preceding question.* (You can enter more than one EIN in a supporting statement for this line, but the return will then not be eligible for e-file.)

NPS project number. If you answered No above, enter the project number assigned by the National Park Service (NPS) on this line and the date approved on the next line. *TIP: Your entry here will be erased if you answered Yes to the preceding question.* (You can enter more than one NPS project number and date in a supporting statement for this and the next line, but the return will then not be eligible for e-file.)

i Date NPS approved Request for Certification of Completed Work. Enter the date of final certification of completed work received from the Secretary of the Interior in the standard mm/dd/yy format. *TIP: Your entry here will be erased if you answered Yes to the preceding*

question. If certification is not received by the time this tax return is filed, attach a copy of the first page of your application for certification (NPS Form 10-168, Historic Preservation Certification Application, Part 2--Description of Rehabilitation. For an e-file return, answer Yes to the Form 3468 question on screen 6 of our e-file form (form 90 on the Forms Menu) and send the page to the IRS with Form 8453 as a cover page, which is printed when you choose to print Form 90. (If credit was claimed for this project in prior years before certification of completed work was received, itemize this line using the F10 key and supply an explanation, including the amount of credit claimed in prior years.)

12 Energy credit. Credits for a wide variety of favored energy properties are claimed here. Many of these credits had lower credit rates for 2022 because they were being phased out. However, most of them have now returned to the full 30% credit before phaseout. See *IRS 2023 Instructions for Form 3468* for detailed requirements that apply to *all* energy property and detailed definitions and requirements that apply to each *specific* type of property.

a Basis of property using geothermal energy placed in service during the tax year. Enter your basis of any property placed in service during the tax year that uses geothermal energy..

x 30% ... 12a. (auto-calc) Computed as 30% of line a. (For 2021, the credit rate was 10% for this property.)

b Basis of property using solar illumination or solar energy placed in service during the tax year that is attributable to periods after 2005, the construction of which began before 2020 or after 2021. Enter your basis in the described property only. Property for which construction began in 2020 or 2021 is entered on line c instead.

x 30% ... 12b. (auto-calc) Computed as 30% of line b.

c Basis of property using solar illumination or solar energy placed in service during the tax year, the construction of which began in 2020 or 2021. Enter your basis in the described property.

x 30% ... 12c. (auto-calc) Computed as 30% of line c. (For 2021, the credit rate was 26% for this property.)

d Reserved for future use. This line is not used for 2023, so you cannot make an entry here.

Qualified fuel cell property:

e Basis of property placed in service during the tax year that was acquired after 2005 and before October 4, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after 2005 and before October 4, 2008. Enter your basis in the described property.

x 30% ... 12e. (auto-calc) Computed as 30% of line e.

f Applicable kilowatt capacity of property on line 12e. The fuel cell power plant must generate at least 0.5 kilowatt of electricity, so your entry is zeroed if less than 0.5. In addition, your entry is rounded to the nearest whole number, as required by the IRS.

- x \$1,000 ... 12e. *(auto-calc)* Computed as 1,000 times line e.
- 12g The smaller of line 12e or line 12f. *(auto-calc)* Computed as indicated.
- h Basis of property placed in service during the tax year that is attributable to periods after October 3, 2008, the construction of which began before 2020 or after 2021.** Enter your basis in the described property.
- x 30% ... 12h. *(auto-calc)* Computed as 30% of line h.
- i Applicable kilowatt capacity of property on line 12h.** The fuel cell power plant must generate at least 0.5 kilowatt of electricity, so your entry is zeroed if less than 0.5. In addition, your entry is rounded to the nearest whole number, as required by the IRS.
- x \$3,000 ... 12h. *(auto-calc)* Computed as 3,000 times line h.
- 12j The smaller of line 12h or 12i. *(auto-calc)* Computed as indicated.
- k Basis of property placed in service during the tax year, the construction of which began in 2020 or 2021.** Enter your basis in the described property..
- x 30% ... 12k. *(auto-calc)* Computed as 30% of line k. (For 2021, the credit rate was 26% for this property.)
- l Applicable kilowatt capacity of property in line 12k.** The fuel cell power plant must generate at least 0.5 kilowatt of electricity, so your entry is zeroed if less than 0.5. In addition, your entry is rounded to the nearest whole number, as required by the IRS.
- x \$3,000 ... 12kl *(auto-calc)* Computed as 3,000 times line l.
- 12m Lesser of line 12k or 12l. *(auto-calc)* Computed as indicated.
- n Reserved for future use.** This line is not used for 2023.
- o Reserved for future use.** This line is not used for 2023.
- p Reserved for future use.** This line is not used for 2023.

Qualified microturbine property:

- q Basis of property placed in service during the tax year that was acquired after 2005, the basis attributable to construction, reconstruction, or erection by the taxpayer after 2005.** Enter your basis in the described property.
- x 10% ... 12q. *(auto-calc)* Computed as 10% of line q.
- r Kilowatt capacity of property in m above.** Your entry is rounded to the nearest dollar. The microturbine power plant must generate less than 2,000 kilowatts of electricity to qualify for the credit.
- x \$200 ... 12n. *(auto-calc)* Computed as 200 times line r if line r is less than 2,000. Otherwise, zero.
- s Lesser of line 12q or 12r. *(auto-calc)* Computed as indicated.**

Combined heat and power system property:

- t Basis of property placed in service during the tax year.** Enter only the basis attributable to property constructed, reconstructed, or erected (or acquired) after October 3, 2008.
- x 10% ... 12t. *(auto-calc)* Computed as 30% of line t for a 2023 Form 1040 return or later..

u Electrical capacity of the property measured in (choose one). You can specify the capacity of the system in either megawatts or horsepower:

Megawatts. If you enter megawatts, include the decimal part. The property is not qualified if it has a capacity larger than 50 megawatts, so the "Multiplier for line 12q," below, and the result for line 12v will be zero if you enter a number larger than 50.

Horsepower. You can make an entry here only if you made no entry for megawatt capacity. The property is not qualified if it has a capacity larger than 67,000 horsepower, so the "Multiplier for line 12u," below, and the result for line 12v will be zero if you enter a number larger than 67,000.

Multiplier for line 12u. *(auto-calc)* If you entered capacity in megawatts, normally computed as 15 divided by "Megawatts" (but no more than 1), but zero if "Megawatts" exceeds 50. If you entered capacity in horsepower, normally computed as 20,000 divided by "Horsepower" (but no more than 1), but zero if "Horsepower" exceeds 67,000.

v Multiply line 12t by line 12u. *(auto-calc)* Computed as indicated.

Qualified small wind energy property:

w Basis of property placed in service during the tax year that was acquired after October 3, 2008, and before 2009 and the basis attributable to the construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before 2009. Enter your basis in the described property, as defined in the IRS instructions for this line.

x 30% ... 12w. *(auto-calc)* Computed as 30% of line w.

x The smaller of line 12w or \$4,000. *(auto-calc)* Computed as indicated.

y Basis of property placed in service during the tax year that is attributable to periods after 2008, the construction of which began before 2020 or after 2021. Enter your basis in the described property, as defined in the IRS instructions for this line and line 12w. Unlike the earlier property reported on line 12w, there is no \$4,000 limit on the amount of credit you can claim.

x 30% ... 12y. *(auto-calc)* Computed as 30% of line y.

z Basis of property placed in service during the tax year, the construction of which began in 2020 or 2021. Enter your basis in the described property, as defined in the IRS instructions for this line and line 12w.

x 30% ... 12z. *(auto-calc)* Computed as 30% of line z. (For 2021, the credit rate was 26% for this property.)

aa Reserved for future use. This line is not used for 2023.

Waster energy recovery property:

bb Basis of property placed in service during the tax year. Enter your basis in the property described in the IRS instructions for this line.

x 10% ... 12bb. *(auto-calc)* Computed as 30% of line bb.

Geothermal heat pump property:

cc Basis of property placed in service during the tax year. Enter only the basis attributable to property constructed, reconstructed, or erected (or acquired) after October 3, 2008.

x 10% ... 12cc. *(auto-calc)* Computed as 30% of line cc for a 2023 Form 1040 return or later.

Qualified investment credit facility property:

dd Basis of property placed in service during the tax year. Qualified investment credit facilities are defined in the IRS instructions for this line, and include a number of facilities placed in service after 2008 (certain wind facilities, closed-loop and open-loop biomass facilities, geothermal and solar energy facilities, landfill gas facilities, hydropower facilities, marine and hydrokinetic renewable energy facilities, and offshore wind facilities.) Credits for some of these facilities were being phased out in 2021, but were restored to a full 30% credit for 2022. Enter your basis in the properties defined in the IRS instructions for this line (in the IRS *2023 Instructions for Form 3468*).

x 30% ... 12dd. *(auto-calc)* Computed as 30% of line dd.

ee Reserved for future use. This line is not used for 2023.

ff Reserved for future use. This line is not used for 2023.

gg Reserved for future use. This line is not used for 2023.

hh Other energy credits and special adjustments. This line is a catch-all for (a) specialized credits not shown on the IRS 2023 Form 3468 and (b) credits adjustments that may be provided for certain uses or sources for property claimed on other lines of Form 3468. Specialized credits include credits for energy storage technology, biogas property, microgrid controllers, and clean hydrogen production facilities as energy property. Adjustments include bonus amounts for credits claimed elsewhere on Form 3468 for such characteristics as domestic content, energy communities, and low-income communities. Your entry for this line, which *must be a credit not on this form or an adjustment to credits claimed elsewhere on this form, and must be supported by a statement that provides the details required by the IRS*, as detailed in the IRS *2023 Instructions for Form 3468*. A two-page worksheet is provided at the end of the IRS instructions to help you determine the amount of credit to enter on this line for 15 different credits not reported elsewhere on this form. **CAUTION:** *If you make an entry on this line, you must file a paper return because the IRS does not yet support this line for e-file.*

13 Applicable unused investment credit from cooperatives. Cooperative organizations defined under IRS section 1381(a) must allocate to patrons of the cooperative any investment credit not used by the cooperative because of tax liability limitations. Patrons must enter their allocated share of the unused credit here.

14 Add lines 11e, 11f, 11g, 12a, 12b, 12c, 12g, 12j, 12m, 12s, 12v, 12x, 12y, 12z, 12bb, 12cc, 12dd, 12hh, and 13. *(auto-calc)* Computed as indicated, this is the total of credits in Part III before applying any passive activity or tax liability limitations.

SUMMARY OF PARTS II AND III. *(This summary applies only to Form 1040 returns. For Form 1065 returns, see the separate Partnership Tax Forms Guide 2023 Edition.)* The final destination of results from Form 3468 is summarized here.

Credit for Form 3800, Part III, line 1a. *(auto-calc)* Taken as the amount below line 10 of Form 3468, this amount is subject to the most severe tax limitations on Form 3800. In fact, no current-year credit will be allowed if there is an alternative minimum tax on line 1 of Schedule 2. This amount is posted to the top of screen 3 of our main on-screen Form 3800, where *you control by your entry below that posting how much is properly a category A credit (General Business Credit from a Non-passive Activity)*, which is the only category for which Part III of Form 3800 is automatically created and completed. You must manually enter any remaining amounts on the appropriate other copies of Form 3800, Part III. (Category A credits are always claimed on copy 2 of the 10 copies of Form 3800, Part III that we provide.)

Credit for Form 3800, Part III, line 4a. *(auto-calc)* Taken as the amount on line 14 of Form 3468, this amount is subject to less severe tax limitations on Form 3800. This amount is posted to the top of screen 4 of our main on-screen Form 3800, where *you control by your entry below that posting how much is properly a category A credit (General Business Credit from a Non-passive Activity)*, which is the only category for which Part III of Form 3800 is automatically created and completed. You must manually enter any remaining amounts on the appropriate other copies of Form 3800, Part III. (Category A credits are always claimed on copy 2 of the 10 copies of Form 3800, Part III that we provide.)

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return, but is provided for private notes or reminders.

Form 3800 / General Business Credit

CAUTION: Details for Form 3800 are not yet updated for tax year 2023! Because of the extensive expansion of Form 3800 from 3 pages for 2022 to 8 pages for 2023, and an extensive redesign of its structure, the details are not yet provided here. In the meantime, we recommend that you use the IRS 2023 Instructions for Form 3800 alone.

Purpose. Form 3800 is used to collect the results from more than two dozen forms for claiming business credits in order to integrate the limitations and carryovers for those credits. In fact, even though you prepare a form designed for a particular business credit, if the form is designed to be reported on Form 3800 then its credit is not reflected on Schedule 3 or Form 1040 until it is reflected on Form 3800. Form 3800 is therefore required (in addition to the form designed for the credit) to claim any of the credits listed in Part III of Form 3800 (which comprises page 3 of Form 3800), or to claim any carryback or carryforward of any of these or most other general business credits. Fortunately, *Form 3800 is created for you by the software whenever you prepare a credit form to which it applies, and is tentatively completed for you initially as a general business credit from a non-passive activity. However, you must make additional entries if a different category applies or the credit is special in any way. Form 3800 is accessible through the Road Map at line 6a of Schedule 3.*

Multiple copies for Part III. Part III of Form 3800 is special because there can be multiple copies of that part of Form 3800 alone because the IRS requires a separate copy of Part III for each separate category of credit: non-passive, passive, carryforward, carryback, or eligible small business credit carryforward. The results for all copies are then carried back to Parts I and II of the single-copy Form 3800. Part III is accessible through the Road Map from several screens of Form 3800 Parts I and II.

Additional entries may be required on Form 3800. Although the stated purpose of Form 3800 is to consolidate business credits figured elsewhere, there are a number of situations where you must make additional entries and redefine the categories for the credits. The IRS defines 8 categories (3 of which are no longer used but still appear on the form), and each copy of Form 3800, Part III, can only be used for a single category. In addition, there can be multiple copies for some categories, conceivably resulting in many more copies of Form 3800, Part III, than there are categories. And the IRS also reserves a copy as a consolidated copy, required to summarize credits for two of the categories.

Software fully automates the most common case. Even though the IRS design for Form 3800 is complicated, *Tax Preparer* fully automates the reporting for the most common category: *general business credit from a non-passive activity*. When you complete a form that must pass its results through Form 3800 before it can be reflected on Schedule 3, then the soft-

ware automatically creates Form 3800, including the copy of Form 3800, Part III, reserved for *general business credit from a non-passive activity*, posts the results of the form on the proper lines of Form 3800, and computes and posts the credit to Schedule 3. *However, if you have any credit that falls under any of the following categories, you will have to make manual entries on Form 3800*, including, in some cases, additional copies of Form 3800, Part III:

- **You have any credit from pass-through entities, such as partnerships, estates, and trusts.** You must enter the EIN (employer identification number) of the entity on the copy of Form 3800, Part III, used to report the credit, using multiple copies of Form 3800, Part III, when more than one partnership applies to a particular credit.

- **You have any credit from a passive activity.** You must report the credit (before passive activity limitations) on the copy of Form 3800, Part III, reserved for passive activities, and include the allowed amount (usually from Form 8582-CR, not built into the software) in Part I or II of Form 3800, whichever applies. *If the credit is from a business credit form built into the Premium Level (Forms 3468, 5884, 6478, 6765, 8586, 8846, 8910, 8936, and 8941), you must also enter on screen 3 or 4 of Form 3800 the amount of credit to which the passive activity rules apply (on the appropriate line labeled "Part NOT category A"), so that the credit is not posted to the copy of Form 3800, Part III, that is reserved for the "general business credit from a non-passive activity."*

- **You have any credit carryforwards or carrybacks from other years.** You must report a carryforward on a copy of Form 3800, Part III, reserved for carryforwards, and report a carryback on a copy of Form 3800, Part III, reserved for carrybacks. (If the carryforward is from an ESBC, you must use the copy reserved for ESBC carryforwards.)

In addition, if you have credit from both passive and non-passive activities (categories A and B), you must also prepare a consolidated Form 3800, Part III, that combines the amounts on one form (in addition to the required separate copies for categories A and B).

Form 3800 is mandatory. You must always use Form 3800 whenever you have any of the credits listed in Part III of Form 3800. *You cannot deduct any of these credits through Schedule 3 without Form 3800.* You must also use Form 3800 to claim any carryback or carryforward of any of these credits (or other general business credits that appeared on Form 3800 for any other year).

Rules for carryforwards and carrybacks. The rules for carryback and carryforward of unused credits allow you to carry back unused credits only 1 year, to the prior-year return (except for ESBCs). For ESBCs, you can carry back unused credits up to 5 years. After using the carryback, you can carry forward any remaining credits for 20 years. However, if there has been a change in the marital status since the year of the credit, you may need to refigure the credit as detailed in the IRS instructions for Form 3800.

On-screen instructions (screens 1 and 2 of Form 3800). Because of the complex nature of the IRS structure for this form, the software uses screens 1 and 2 of Form 3800 to highlight the organization of credits on this form. Central to this organization is the separation of credits into predefined IRS categories, which are defined next.

CATEGORIES. The IRS requires that you separate all business credits into their predefined categories, below, and that you prepare at least one separate Form 3800, Part III (page 3 of Form 3800) for each category that applies to you. A knowledge of the categories is therefore essential.

Eligible Small Business Credit (ESBC) expired. The special treatment for eligible small businesses has expired, and only carryforwards of its credit can now be claimed. For the purposes of this form, an eligible small business was a business with average annual receipts of no more than \$50 million over a 3-year period that preceded the tax year of the credit claim. This test applied to corporations, partnerships, and individuals (sole proprietors). Furthermore, in order for claims passed through to partners to qualify for the favorable treatment, *both* the partner and the partnership had to pass the average annual receipts test. For ESBCs, carryovers could be carried back 5 years instead of the usual one, and could offset both the regular tax and the alternative minimum tax. However, since the credit has expired, only carryforwards are now possible.

Eight IRS-defined categories are indicated by the letters A through H, and are separated into two groups of four categories each, four for General Business Credit (GBC) and, originally, four for Eligible Small Business Credit (ESBC). In addition, we defined a category I for a copy of Form 3800, Part III, that consolidates credits from all separate copies of Form 3800, Part III (one for each category used).

- A – GBC from a non-passive activity.** This is the category that applies to most credits for most taxpayers, and is the one that is assumed by the software to fully automate Form 3800. *You will have to make entries on Form 3800 yourself only for credits that do not fall into this category, or credits in this category that originate from a pass-through entity (such as a partnership) or from a form not supported by the Premium Level software.* If any of these exceptional cases apply to you, you will have to make entries on screens 3 and 4 of Form 3800 (detailed next) and specific copies of Form 3800, Part III. *Copy 2 of Form 3800, Part III is reserved for this category, and is the copy you will generally use for this category.* You can use copy 10 of Form 3800, Part III (the unattached copy) if you need to report amounts in this category from more than one pass-through entity for a particular credit.
- B – GBC from a passive activity.** If the passive activity rules apply to your credit, you must not only make entries on screens 3 and 4 of Form 3800, and the applicable copy of Form 3800, Part III, but must also generally prepare a Form 8582-CR (*Passive Activity Credit Limitations*, not built into the software) to determine the amount to enter on line 3 of Form 3800,

Part I, or line 33 of Form 3800, Part II, depending on whether the credit is listed on line 1 or line 4 of Form 3800, Part III, respectively. *Until you make an entry on line 3 or 33, no passive activity credits from this category will flow to Schedule 3, where the credits are combined with other nonrefundable credits and then deducted from your tax on Form 1040. Copy 3 of Form 3800, Part III is reserved for this category, and is the copy you will generally use for this category.* You can use copy 10 of Form 3800, Part III (the unattached copy) if you need to report amounts in this category from more than one pass-through entity for a particular credit.

- C – GBC credit carryforwards.** Any general business credit not used in the past because of tax liability limitations falls into this category *after* it has been carried back one year (five years for oil and gas production from marginal wells). You will enter the carryforward on the applicable copy of Form 3800, Part III. In addition, since the carryforward is no longer computed on the IRS form designed for the credit, you must, in a supporting statement for line 4 of Form 3800, Part I, or line 34 of Form 3800, Part II (depending on whether the credit is listed on line 1 or line 4 of Form 3800, Part III, respectively), provide a schedule describing your computation of the carryforward from a prior year that you are claiming on your 2023 return. *Copy 4 of Form 3800, Part III is reserved for this category, and is the copy you will always use for this category.*
- D – GBC credit carrybacks.** This category applies only to amended returns for 2023 (using Form 1040X for 2023), for credits you claim for tax year 2024 that are limited by tax liability (or, in the case of credits for oil and gas production from marginal wells, credits you claim for 2024 through 2025). As a result, you cannot use this category for the 2023 tax year until you claim the original credit on your return for tax year 2024, which you won't do until the 2024 filing season. The unused credit will then be entered on the applicable copy of Form 3800, Part III. *Copy 5 of Form 3800, Part III is reserved for this category, and is the copy you will always use for this category.*
- E – Reserved.** This category was originally designed for ESBCs from non-passive activities. However, because the ESBC has expired, this category is no longer available.
- F – Reserved.** This category was originally designed for ESBCs from passive activities. However, because the ESBC has expired, this category is no longer available.
- G – ESBC credit carryforwards.** Any eligible small business credit not used in the past because of tax liability limitations falls into this category after it has been carried back five years. You will enter the carryforward on the applicable copy of Form 3800, Part III. In addition, since the carryforward is no longer computed on the IRS form designed for the credit, you must attach a schedule describing your computation of the carryforward to claim this year in a supporting statement for line 34 of Form 3800, Part II.

Copy 8 of Form 3800, Part III is reserved for this category, and is the copy you will always use for this category.

H – Reserved. This category was originally designed for ESBCs carrybacks. However, because the ESBC has expired, this category is no longer available.

When you are required to complete more than one Form 3800, Part III, for credits in categories A or B, you are additionally required to complete a separate copy of Form 3800, Part III, that shows the sum of amounts from all copies from both categories combined. Although not really a category, the copy of Form 3800, Part III, on which these sums are entered is identified by a check in the box for the letter I:

I – Consolidated Part III. This category applies only when you are filing more than one Part III that uses the category A or B. *Copy 1 of Form 3800, Part III is reserved for this category, and is the copy you will always use for this category.* You must manually complete this copy of Part III when required, but no amounts are posted from this copy to Form 3800, Parts I and II, because it is only an informational form to satisfy IRS reporting requirements. *(The IRS rules for e-file require that this copy of Part III be the first copy of Part III when it is required. That is why copy 1 of Form 3800, Part III, is used for this category rather than copy 9, even though the letter I follows the other 8 letters and this copy cannot be completed until copies 2 and 3 are complete.)*

In addition to the 9 copies of Form 3800, Part III, defined above, the software provides a 10th copy that is unattached to the return. You can use it to enter data for any additional copy of Part III that you must complete for category A, B, E, or F. However, it is not integrated with the return and *its use prevents you from e-filing the return.*

Credit from built-in forms (screens 3 and 4 of Form 3800). As an aid to the automation of Form 3800, credits from business credit forms that are built into the software for the Premium Level are posted to this section of the on-screen Form 3800. The total credits are shown here, but separated into Form 3800 categories by you on separate copies of Form 3800, Part III. Screen 3 is used for credits that are reported on line 1 of Form 3800, Part III, and screen 4 is used for credits that are reported on line 4 of Form 3800, Part III. *TIP: If you are using software for the Economy Level or the Standard Level, you must manually enter here any amounts from any forms not built into your level of the software.*

Credits for Part III, lines 1a through 1zz (screen 3 of Form 3800). Credits in this section are *not* allowed against Tentative Minimum Tax.

Investment credit in Form 3468, Part II only. *(Road Map line, supported by Form 3468.)* Taken from line 10 of Form 3468, this is the investment credit only for qualifying advanced coal, gasification, advanced energy projects. *Other energy credits and rehabilitation credits (in Part III of Form 3468) are shown in the section for line 4 of Form 3800, Part III, not here.*

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 1a of copy 2 of Form 3800, Part III, which is automatically created for you.*

Increasing research credit on Form 6765. (*If Premium Level, Road Map line supported by Form 6765.*) The result on line 38 of Form 6765 is reported here. *You must have taxable income from the activity to which the research relates in order to claim any credit for the current year, as explained in the following box.*

Special treatment for research credit carryovers. Because research credit carryovers are subject to the same special limitations to attributable tax as current-year research credits, both carryforward and carryback of research credits are treated as current-year credits instead of carryovers after the limitations are applied. The amount for copy 2 of Form 3800, Part III, is therefore increased in accordance with the following computations.

Research credit carryforward. Carryforward of prior research credit is entered here, separately from all other carryforwards (which are reported at line 4 of Form 3800, Part I), so that it can be limited to the associated tax liability, as required by law, as explained below.

Research credit carryback. Carryback of research credit from 2023 or later is entered here, separately from all other carrybacks for this section (which are reported at line 5 of Form 3800, Part I), so that it can be limited to the associated tax liability, as required by law, as explained below. *TIP: Your entry will be zeroed if you have not created a Form 1040X (Amended Income Tax Return) for the return, since this line applies only to carrybacks from returns filed for 2023 or later.*

Taxable income attributable to research credit claims. (*If Premium Level, Road Map line supported by Form 6765.*) *For Premium Level software, the taxable income identified on Form 6765 as taxable income for the activity (including the amount from pass-through entities) appears here automatically. For Economy and Standard Level software, you must enter here the taxable income attributable to the business for which the increasing research credit is claimed (e.g., line 31 of the copy of Schedule C for that business).* The software uses this entry to limit research credits to the tax attributable to the business from which they stem, as required by law. However, if there is more than one business for which you are claiming the credit, you may have to override the computed result for Part III, below, based on a separate computation for each separate business enterprise.

Total taxable income (Form 1040, line 15). (*auto-calc*) Taken from Form 1040 as indicated, this is the taxable income for the return.

Increasing research credit for Part III. (*auto-calc*) Computed as the lesser of (a) the sum of "Research credit from Form 6765," "Research credit carryforward," and "Research credit carryback" or (b) the maximum research credit allowed (described next). *The maximum research credit allowed for the year is computed as the net tax on line 11 of this form times the ratio of "Taxable income attributable line (but no less than zero and no more than one).* However, if different research credits stem from different businesses, you may need to override this line as noted above. If the result is less than the sum of research credits entered, the credit has been limited by its associated tax liability, and the remainder is a Section 41(g) carryover.

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 1c or 4i of copy 2 of Form 3800, Part III, which is automatically created for you.*

Eligible small business. (*If Premium Level, Road Map line supported by Form 6765.*) If qualified as an eligible small business for the purposes of Form 6765 and so indicated on screen 1 of Form 6765, Yes appears here. Otherwise, zero. *If Yes, the part of research credit for category A is posted to line 4i of Form 3800, Part III, rather than line 1c.* (The amount on line 4i can be applied against the AMT, whereas the amount on line 1c cannot.)

Low-income housing credit (carryforward only). Enter here only the carryforward for buildings placed in service before 2008, for credits that were claimed in Part I of Form 8685 in earlier revisions of Form 8586. This amount is used for line 1d of the appropriate copy of Form 3800, Part III *The credit for buildings placed in service in 2008 or later is shown on the next screen and is used for line 4d Form 3800, Part III.*

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 1d of copy 2 of Form 3800, Part III, which is automatically created for you.*

Alternative motor vehicle credit on Form 8910. (*If Standard or Premium Level, Road Map line supported by Form 8910.*) Only the amount on line 9 of Form 8910, which is the business part of the credit, is reported here. (The personal part of the credit, on line 15 of Form 8910, is reported at line 6c of Schedule 3, not here.)

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your*

entry here is subtracted from the amount on the preceding line is posted to line 1r of copy 2 of Form 3800, Part III, which is automatically created for you.

Qualified plug-in electric drive motor vehicle credit on Form 8936. (*If Premium Level, Road Map line supported by Form 8936.*) The business use part of this credit is reported here, from line 14 of Form 8936. (The personal part of the credit, on line 23 of Form 8936, is reported at line 6c of Schedule 3, not here.)

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 1y of copy 2 of Form 3800, Part III, which is automatically created for you.*

Credits for Part III, lines 4a through 4z (screen 4 of Form 3800). Credits in this section *are* allowed against Tentative Minimum Tax.

Investment credit in Form 3468, Part III, line 20. (*Road Map line supported by Form 3468.*) Taken from line 14 of Form 3468, this is the investment credit from Part III of Form 3468. *The investment credit from Part II is shown in the previous section for line 1 of Form 3800, Part III, not here.*

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 4a of copy 2 of Form 3800, Part III, which is automatically created for you.*

Work opportunity credit on Form 5884. (*If Premium Level, Road Map line supported by Form 5884.*) Form 5884 (*Work Opportunity Credit*) provides a credit for employers who hire people from certain targeted groups. First-year wages (and second-year wages for welfare recipients) generally qualify. The result on line 4 of Form 5884 is reported here.

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 4b of copy 2 of Form 3800, Part III, which is automatically created for you.*

Biofuel producer credit on Form 6478. (*If Premium Level, Road Map line supported by Form 6478.*) Form 6478 provides a credit for the producer of second-generation biofuel. The credit is \$1.01 per gallon. The result on line 4 of Form 6478 is reported here.

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your*

entry here is subtracted from the amount on the preceding line is posted to line 4c of copy 2 of Form 3800, Part III, which is automatically created for you.

Low-income housing credit in Form 8586, Part II. *(If Premium Level, Road Map line supported by Form 8586.)* The result on line 14 of Form 8586 (for property placed in service *after 2007*) is reported here. *The credit for buildings placed in service before 2008 is shown in the previous section for line 1 of Form 3800, Part III, not here.*

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 4d of copy 2 of Form 3800, Part III, which is automatically created for you.*

Employer taxes on certain tips credit on Form 8846. *(If Premium Level, Road Map line supported by Form 8846.)* Form 8846 provides a credit for employer social security and Medicare taxes paid on certain employee tips. The result on line 6 of Form 8846 is reported here.

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 4f of copy 2 of Form 3800, Part III, which is automatically created for you.*

Small employer health insurance premiums credit on Form 8941. *(If Standard or Premium Level, Road Map line supported by Form 8941.)* Form 8941 provides a credit for health insurance premiums paid on behalf of employees. The result on line 16 of Form 8941 is reported here.

Part NOT category A. If any amount on the preceding line does *not* qualify as a category A credit (GBC from a non-passive activity), you must enter the amount here. *The amount remaining after your entry here is subtracted from the amount on the preceding line is posted to line 4h of copy 2 of Form 3800, Part III, which is automatically created for you.*

ACCESS TO FORM 3800, PART III. Because Part III, and only Part III, of Form 3800 can have more than one copy, it is treated as a separate form in the software. The copy reserved for category A credits is completed for you for the credits listed on screens 3 and 4 of Form 3800. However, you will need to access an appropriate copy of Form 3800, Part III, if (a) you have to enter any EINs for pass-through entities, (b) you have credit from forms not shown on screen 3 or 4 of Form 3800, or (c) you have a credit that does not qualify as a category A credit.

ITEMIZE HERE for Form 3800, Part III. (*Road Map line, supported by Form 3800, Part III.*) 10 copies of Form 3800, Part III are built into the software, but only 7 are accessible for tax year 2022. Copy 1 is a special consolidated copy (category I), copies 2 through 9 are designed for IRS categories A through H, and copy 10 is an unattached copy. Copy 2 (for category A) is automatically created and completed upon the final recalculation of the return if you have any credits shown on screen 3 or 4 of Form 3800 for Category A. All other copies are created only when you access them, either at this line or one of the Road Map lines in Parts I and II of Form 3800.

PART I, CURRENT YEAR CREDIT FOR CREDITS NOT ALLOWED AGAINST TENTATIVE MINIMUM TAX (TMT). Credits reported on lines 1a through 1zz of Form 3800, Part III, are summarized here. All amounts come automatically from the copies of Form 3800, Part III, that you prepare and the automatically-created and completed copy 2 for forms with amounts on screens 3 and 4 of Form 3800. However, you must explain how you figured any carryforwards in a supporting statement below line 4, below.

- 1 General business credit from line 2 of all Parts III with box A checked.** (*Road Map line, supported by Form 3800, Part III.*) Taken from line 2 of copy 2 of Form 3800, Part III, this is the current-year general business credit from non-passive activities.
- 2 General business credit from line 2 of all Parts III with box B checked.** (*Road Map line, supported by Form 3800, Part III.*) Taken from line 2 of copy 3 of Form 3800, Part III, this is the current-year general business credit from passive activities.
- 3 Passive activity credits allowed for 2023.** You must generally complete Form 8582-CR (not built into the software) in order to figure the amount to enter here. *Enter only the part of allowed credits associated with the credits on line 2, above.*
- 4 Carryforward of general business credit to 2023 from line 2 of all Parts III with box C checked.** (*Road Map line, supported by Form 3800, Part III.*) Taken from line 2 of copy 4 of Form 3800, Part III, this is the carryforward of unused general business credit from prior years.

ITEMIZE details for lines 4 and 5. (*Supported by the Carryforward/Carryback Worksheet, Figure 2-33a through 2-33d.*) Because the credit forms do not include computations of carryovers, you must figure the amounts to enter on copy 4 of Form 3800, Part III, yourself. The IRS requires you to explain your computation by stating the amount claimed this year separately for each carryback year and each carryforward year, as shown on the supporting worksheet.

- 5 Carryback of general business credit from 2023.** (*Road Map line, supported by Form 3800, Part III.*) Taken from line 2 of copy 5 of Form 3800, Part III, this is the carryback of unused general business credit from tax year 2023. This line therefore applies only to

amended returns prepared for 2023 in 2024 or later, so no entry will appear here unless you have created a Form 1040X (*Amended Income Tax Return*) for the return. Use the worksheet for the preceding line to explain the amount appearing here.

- 6 **Add lines 1, 3, 4, and 5.** (*auto-calc*) Computed as indicated, this amount is subjected to tax liability limitations on lines 7 through 17 in Part II of Form 3800.

Carryforward/Carryback Worksheet. (*Figure 2-33a through 33d*) Use a separate worksheet for each original credit leading to an amount on line 4 or 5.

- a. **Identify credit.** Enter the type of credit in 25 characters or less, such as ITC credit, alcohol, credit, etc.
- b. **Tax year credit originated.** Enter, in a 4-digit entry, the tax year when the credit was originally claimed but not fully deducted.
- c. **Credit amount.** Enter the amount of the original credit before limitation of amount deducted that year.
- d. **Credit allowed that year.** Enter the amount actually deductible for the original year.

CARRYFWD/CARRYBK WORKSHEET	
a. Identify credit.	
b. Tax year credit originated	0
c. Credit amount.....	0
d. Credit allowed that year..	0
Credit carrybacks:	
e. 1st carryback year.....	0
f. Credit allowed that year..	0
g. 2nd carryback year.....	0
h. Credit allowed that year..	0
i. 3rd carryback year.....	0
j. Credit allowed that year..	0
k. 4th carryback year.....	0
l. Credit allowed that year..	0
m. 5th carryback year.....	0
n. Credit allowed that year..	0
ESBCs qualify for 5-yr carry-back. All others, only 1-year.	
Carryforwards on next scrn	

Figure 2-33a. Carryforward/Carryback Worksheet. Screen 1

Credit carrybacks: Note that only ESBCs qualify for 5 years of carrybacks. All other types are limited to just one year.

- e. **1st carryback year.** Enter, in a 4-digit entry, the first year to which the unallowed credit was carried back.
- f. **Credit allowed that year.** Enter the amount actually deductible for the year in line e.
- g. **2nd carryback year.** Enter, in a 4-digit entry, the second year to which the unallowed credit was carried back.
- h. **Credit allowed that year.** Enter the amount actually deductible for the year in line g.
- i. **3rd carryback year.** Enter, in a 4-digit entry, the third year to which the unallowed credit was carried back.
- j. **Credit allowed that year.** Enter the amount actually deductible for the year in line i.

- k. **4th carryback year.** Enter, in a 4-digit entry, the fourth year to which the unallowed credit was carried back.
- l. **Credit allowed that year.** Enter the amount actually deductible for the year in line k.
- m. **5th carryback year.** Enter, in a 4-digit entry, the fifth year to which the unallowed credit was carried back.
- n. **Credit allowed that year.** Enter the amount actually deductible for the year in line m.

Credit carryforwards: All types of credit are eligible for 20 years of credit carryforward. However, *only 13 years are supported by the software for e-file. Therefore, if you have more than 13 carryforward years, you must file a paper return.*

- o. **1st carryforward year.** Enter, in a 4-digit entry, the first year to which the unallowed credit was carried forward.
- p. **Credit allowed that year.** Enter the amount actually deductible for the year in line o.
- q. **2nd carryforward year.** Enter, in a 4-digit entry, the second year to which the unallowed credit was carried forward.
- r. **Credit allowed that year.** Enter the amount actually deductible for the year in line q.
- s. **3rd carryforward year.** Enter, in a 4-digit entry, the third year to which the unallowed credit was carried forward.
- t. **Credit allowed that year.** Enter the amount actually deductible for the year in line s.
- u. **4th carryforward year.** Enter, in a 4-digit entry, the fourth year to which the unallowed credit was carried forward.
- v. **Credit allowed that year.** Enter the amount actually deductible for the year in line u.
- w. **5th carryforward year.** Enter, in a 4-digit entry, the fifth year to which the unallowed credit was carried forward.
- x. **Credit allowed that year.** Enter the amount actually deductible for the year in line w.
- y. **6th carryforward year.** Enter, in a 4-digit entry, the sixth year to which the unallowed credit was carried forward.
- z. **Credit allowed that year.** Enter the amount actually deductible for the year in line y.
- aa. **7th carryforward year.** Enter, in a 4-digit entry, the seventh year to which the unallowed credit was carried forward.
- ab. **Credit allowed that year.** Enter the amount actually deductible for the year in line aa.
- ac. **8th carryforward year.** Enter, in a 4-digit entry, the eighth year to which the unallowed credit was carried forward.
- ad. **Credit allowed that year.** Enter the amount actually deductible for the year in line ac.
- ae. **9th carryforward year.** Enter, in a 4-digit entry, the ninth year to which the unallowed credit was carried forward.
- af. **Credit allowed that year.** Enter the amount actually deductible for the year in line ae.

Credit carryforwards:	
o.	1st carryforward year..... 0
p.	Credit allowed that year.. 0
q.	2nd carryforward year..... 0
r.	Credit allowed that year.. 0
s.	3rd carryforward year..... 0
t.	Credit allowed that year.. 0
u.	4th carryforward year..... 0
v.	Credit allowed that year.. 0
w.	5th carryforward year..... 0
x.	Credit allowed that year.. 0
y.	6th carryforward year..... 0
z.	Credit allowed that year.. 0
aa.	7th carryforward year..... 0
ab.	Credit allowed that year.. 0
ac.	8th carryforward year..... 0
ad.	Credit allowed that year.. 0
ae.	9th carryforward year..... 0
af.	Credit allowed that year.. 0
More carryfws on nxt scrn	

Figure 2-33b. Carryforward/Carryback Worksheet. Screen 2

- r. **Credit allowed that year.** Enter the amount actually deductible for the year in line q.
- s. **3rd carryforward year.** Enter, in a 4-digit entry, the third year to which the unallowed credit was carried forward.
- t. **Credit allowed that year.** Enter the amount actually deductible for the year in line s.
- u. **4th carryforward year.** Enter, in a 4-digit entry, the fourth year to which the unallowed credit was carried forward.
- v. **Credit allowed that year.** Enter the amount actually deductible for the year in line u.
- w. **5th carryforward year.** Enter, in a 4-digit entry, the fifth year to which the unallowed credit was carried forward.
- x. **Credit allowed that year.** Enter the amount actually deductible for the year in line w.

- y. **6th carryforward year.** Enter, in a 4-digit entry, the sixth year to which the unallowed credit was carried forward.
- z. **Credit allowed that year.** Enter the amount actually deductible for the year in line y.
- aa. **7th carryforward year.** Enter, in a 4-digit entry, the seventh year to which the unallowed credit was carried forward.
- ab. **Credit allowed that year.** Enter the amount actually deductible for the year in line y.
- ac. **8th carryforward year.** Enter, in a 4-digit entry, the eighth year to which the unallowed credit was carried forward.
- ad. **Credit allowed that year.** Enter the amount actually deductible for the year in line y.
- ae. **9th carryforward year.** Enter, in a 4-digit entry, the ninth year to which the unallowed credit was carried forward.
- af. **Credit allowed that year.** Enter the amount actually deductible for the year in line ae.
- ag. **10th carryforward year.** Enter, in a 4-digit entry, the tenth year to which the unallowed credit was carried forward.

- ah. **Credit allowed that year.** Enter the amount actually deductible for the year in line ag.
- ai. **11th carryforward year.** Enter, in a 4-digit entry, the eleventh year to which the unallowed credit was carried forward.

Credit carryforwards cntd:		
ag	10th carryforward year....	0
ah	Credit allowed that year..	0
ai	11th carryforward year....	0
aj	Credit allowed that year..	0
ak	12th carryforward year....	0
al	Credit allowed that year..	0
am	13th carryforward year....	0
an	Credit allowed that year..	0
All qualify for 20-yr carryfwd but the software supports only 13 for e-file. So... remaining entries are for paper returns.		
ao	14th carryforward year....	0
ap	Credit allowed that year..	0
aq	15th carryforward year....	0
ar	Credit allowed that year..	0
as	16th carryforward year....	0
at	Credit allowed that year..	0
More carryfwd on nxt scrn		

Figure 2-33c. Carryforward/Carryback Worksheet Screen 3

- aj. **Credit allowed that year.** Enter the amount actually deductible for the year in line ai.
- ak. **12th carryforward year.** Enter, in a 4-digit entry, the twelfth year to which the unallowed credit was carried forward.
- al. **Credit allowed that year.** Enter the amount actually deductible for the year in line ak.
- am. **13th carryforward year.** Enter, in a 4-digit entry, the thirteenth year to which the unallowed credit was carried forward.
- an. **Credit allowed that year.** Enter the amount actually deductible for the year in line am.

e-file limitation: Although business credits qualify for a 20-year carryforward, *the software supports only 13 for e-file. As a result, if you have entries for any of the following lines, you must file a paper return.*

- ao. 14th carryforward year.** Enter, in a 4-digit entry, the fourteenth year to which the unallowed credit was carried forward.
- ap. Credit allowed that year.** Enter the amount actually deductible for the year in line ao.
- aq. 15th carryforward year.** Enter, in a 4-digit entry, the fifteenth year to which the unallowed credit was carried forward.
- ar. Credit allowed that year.** Enter the amount actually deductible for the year in line aq.
- as. 16th carryforward year.** Enter, in a 4-digit entry, the sixteenth year to which the unallowed credit was carried forward.
- at. Credit allowed that year.** Enter the amount actually deductible for the year in line as.
- au. 17th carryforward year.** Enter, in a 4-digit entry, the seventeenth year to which the unallowed credit was carried forward.

Credit carryforwards cntd:	
au. 17th carryforward year...	0
av. Credit allowed that year..	0
aw. 18th carryforward year...	0
ax. Credit allowed that year..	0
ay. 19th carryforward year...	0
az. Credit allowed that year..	0
ba. 20th carryforward year...	0
bb. Credit allowed that year..	0

Figure 2-33d. Carryforward/Carryback Worksheet, Screen 4

- av. 18th carryforward year.** Enter, in a 4-digit entry, the eighteenth year to which the unallowed credit was carried forward.
- aw. Credit allowed that year.** Enter the amount actually deductible for the year in line aw.
- ay. 19th carryforward year.** Enter, in a 4-digit entry, the nineteenth year to which the unallowed credit was carried forward.
- az. Credit allowed that year.** Enter the amount actually deductible for the year in line ay.
- ba. 20th carryforward year.** Enter, in a 4-digit entry, the twentieth year to which the unallowed credit was carried forward.
- bb. Credit allowed that year.** Enter the amount actually deductible for the year in line ba.

PART II, ALLOWABLE CREDIT. The credit on line 6 may be applied to the first \$25,000 of your net tax liability (after deducting nonrefundable personal credits) plus 75% (or less if a tentative minimum tax applies) of the tax liability in excess of \$25,000:

Form 1040, line 16. *(auto-calc)* Taken from Form 1040, as indicated, this is the tax before additions from Schedule 2.

Schedule 2, line 2. *(auto-calc)* Taken from Schedule 2, as indicated, this is the excess advance premium tax credit repayment from Form 8962.

7 Regular tax before credits. *(auto-calc)* Computed as the sum of the preceding two amounts.

8 Alternative minimum tax. *(auto-calc)* Taken as Form 6251, line 11.

9 Add lines 7 and 8. *(auto-calc)* Computed as indicated.

10a Foreign tax credit. *(auto-calc)* Taken from Schedule 3, line 1.

Schedule 3, lines 2 through 5. *(auto-calc)* Taken from Schedule 3, as indicated.

+ **Form 1040, line 19.** *(auto-calc)* Taken from Form 1040, as indicated, this is the child tax credit and credit for other dependents.

+ **Form 8834, line 7.** *(auto-calc)* Taken from Schedule 3, line 6i, this is the passive activity credit allowed this year for previously claimed *Qualified Electric or Plug-in Electric Vehicle Credit*.

+ **Other personal credits in Schedule 3, line 6c (from Forms 8396, Form 8839, Form 8859, Form 8936, and Schedule R).** *(auto-calc)* Taken from the corresponding components of Schedule 3, line 7. These credits are, respectively, the *Mortgage Interest Credit (Schedule 3, line 6g)*, the credit for *Qualified Adoption Expenses (Schedule 3, line 6c)*, the *D.C. First-Time Homebuyer Credit (Schedule 3, line 6h)*, the *Clean Vehicle Credits (Schedule 3, lines 6f and 6m)*, and the *Credit for the Elderly or the Disabled (Schedule 3, line 6d)*. The amount from Form 8912 (*Credit to Holders of Tax Credit Bonds, (Schedule 3, line 6k)*) is intentionally omitted because it is specifically disallowed from Form 3800, line 10b, in accordance with IRS instructions for Form 3800, line 10b.

10b Certain allowable credits. *(auto-calc)* Computed as the sum of the preceding personal credits, these are specific credits included in line 20 of Form 1040.

10c Add lines 10a and 10b. *(auto-calc)* Computed as indicated, this is the total of credits that reduce the regular tax *before* business credits.

11 NET INCOME TAX. *(auto-calc)* Computed as line 9 less line 10c, this is the regular tax less nonrefundable personal credits.

12 NET REGULAR TAX. *(auto-calc)* Computed as line 7 less line 10c, but no less than zero, this is the regular tax plus the AMT less nonrefundable personal credits.

Spouse has investment credit too? This answer is used only if married filing separately, ensuring the proper limitations at line 13.

- Your % in a controlled group.** The limitations are prorated among members of a controlled group, so a member of a section 38(c)(3) controlled group must enter his or her percent of ownership here.
- 13 25% of the excess of line 12 over \$25,000.** *(auto-calc)* Computed as indicated for most taxpayers. However, the \$25,000 figure is reduced to \$12,500 if married filing separately and you answered Yes to the above question. The \$25,000 is also multiplied by the preceding percentage if a nonzero percentage is entered.
- 14 Tentative minimum tax.** *(auto-calc)* Taken from Form 6251, line 9.
- 15 Greater of line 13 or line 14.** *(auto-calc)* Computed as indicated.
- 16 Subtract line 15 from line 11.** *(auto-calc)* Computed as indicated, but no less than zero, this is the limitation on credits in line 6.
- 17 Smaller of line 6 or line 16c.** *(auto-calc)* Computed as the lesser of line 6 or line 16c.
- 18 Multiply line 14 by 75%.** *(auto-calc)* Computed as line 14 times 0.75, this is 75% of the tentative minimum tax.
- 19 Greater of line 13 or line 18.** *(auto-calc)* Computed as indicated.
- 20 Subtract line 19 from line 11.** *(auto-calc)* Computed as indicated, but no less than zero.
- 21 Subtract line 17 from line 20.** *(auto-calc)* Computed as indicated, but no less than zero.
- 22 Combine the amounts from line 3 of all Parts III with box A, C, or D checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 3 of copies 2, 4, and 5 of Form 3800, Part III, this is the general business credit from Form 8844 treated as non-passive.
- 23 Passive activity credit from line 3 of all Parts III with box B checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 3 of copy 3 of Form 3800, Part III, this is the passive activity credit from Form 8824 allowed this year.
- 24 Passive activity credits allowed for 2023.** You must generally complete Form 8582-CR (not built into the software) in order to figure the amount to enter here. *Enter only the part of allowed credits associated with the Form 8824 credits on line 23, above.*
- 25 Add lines 22 and 23.** *(auto-calc)* Computed as indicated.
- 26 Smaller of line 21 or line 25.** *(auto-calc)* Computed as indicated, this is the empowerment zone and renewal community employment credit allowed.
- 27 Subtract line 13 from line 11.** *(auto-calc)* Computed as indicated, but no less than zero.
- 28 Add lines 17 and 26.** *(auto-calc)* Computed as indicated.
- 29 Subtract line 28 from line 27.** *(auto-calc)* Computed as indicated, but no less than zero.
- 30 General business credit from line 5 of all Parts III with box A checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 5 of copy 2 of Form 3800, Part III, this is the sum of

general business credits *not* subject to tax liability limitations (those entered on lines 4a through 4z of Form 3800, Part III).

- 31 Reserved.** *(auto-calc.)* This line does not apply for 2023, so it is always zero.
- 32 Passive activity credits from line 5 of all Parts III with box B checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 5 of copy 3 of Form 3800, Part III, this is the sum of GBCs from passive activities.
- 33 Passive activity credits allowed for 2023.** You must generally complete Form 8582-CR (not built into the software) in order to figure the amount to enter here. *Enter only the part of allowed credits associated with the credits on line 32, above.*
- 34 Carryforward of general business credit to 2023 from line 5 of Part III with box C checked and line 6 of Part III with box G checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 5 of copy 4 of Form 3800, Part III, and line 6 of copy 8 of Form 3800, Part III, this is the carryforward of unused GBC for credits listed in lines 4a through 4z and unused ESBC for all credits from prior years. *See the line following line 38 for information about your entry here that you must provide in a supporting statement for that line.*
- 35 Carryback of general business credit from 2024 from line 5 of Part III with box D checked.** *(Road Map line, supported by Form 3800, Part III.)* Taken from line 5 of copy 4 of Form 3800, Part III, this is the carryback of unused GBCs for credits listed in lines 4a through 4z of Form 3800, Part III. This line applies only to amended returns prepared for 2024 in 2025 or later, so no entry will appear here unless you have created a Form 1040X (*Amended Income Tax Return*) for the return. *See the line following line 38 for information about your entry here that you must provide in a supporting statement for that line.*
- 36 Add lines 30, 33, 34, and 35.** *(auto-calc)* Computed as indicated.
- 37 Smaller of line 29 or line 36.** *(auto-calc)* Computed as indicated.
- 38 CREDIT ALLOWED FOR THE CURRENT YEAR.** *(auto-calc)* Computed as the sum of lines 28 and 37. This is the total credit allowed in the current year from all parts of Form 3800, and is posted to line 6a of Schedule 3.

Itemize to explain computation. Itemize this line to explain any special computations, including an explanation for your entries for lines 34 and 35 with the kind of information reported on the worksheet for line 4. *We do not provide a worksheet for this section like we do for lines 4 and 5 because the IRS does not allow such a worksheet here for e-file. You must therefore give the details in your own words in a supporting statement for this line. CAUTION for e-file: For e-file, the IRS ignores the amount column in your support, so you must restrict your explanation to the text column of the support.*

Carryover of general business credit. *(auto-calc)* Computed as the sum of credits before limitation less line 32, this is the amount of credit disallowed because of the limitations applied in Part II of the form. This carryover is generally allowed to be carried back one year (5 years for ESBCs) then carried forward 20 years. (Limitations applied to research credits in Part I of the form are stated separately, below.)

Research Sec. 41(g) carryover. *(auto-calc)* Computed as the amount of research credit disallowed at line 1c due to the special limitation to tax liability applicable to taxable income from the business to which the credit applies.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return, but is provided for private notes or reminders.

Multiple copies for Part III. Unlike Parts I and II of Form 3800, there are multiple copies of Part III of Form 3800 because the IRS requires a separate copy of Part III for each separate category of credit (non-passive, passive, carryforward, carryback, or eligible small business credit carryforward) plus a consolidated copy if more than one category applies. The results for all copies are then carried back to Parts I and II of the single-copy Form 3800. *Part III is accessible through the Road Map from several screens of Form 3800 Parts I and II.*

PART III, GENERAL BUSINESS CREDITS or ELIGIBLE SMALL BUSINESS CREDITS. All credits that must flow through Form 3800 are shown in this part. For 2022, ten copies of Form 3800, Part III, are included in the software: one for each of the eight categories, including the three Reserved ones, one for the consolidated form, and one unattached. Copy 2 of Form 3800, Part III (reserved for category A) is special because any amount shown on screen 3 or screen 4 of Form 3800 flow to this copy automatically unless you make an entry for "Part NOT category A" to apply an amount to other categories. Although retained in the software because the IRS has not removed categories E, F, and H from the form (labeling them Reserved instead), copies 6, 7, and 9 are not available for 2022 because the credits in the corresponding categories E, F, and H have expired. For all other copies, you must enter the amounts manually, even for forms built into the software.

THIS copy is copy number. *(auto-calc)* Determined by the menu choice you make when you enter Form 3800, Part III, eight of the 10 copies of Part III are reserved for a single category each. The category reserved for the copy number shown here is identified by a Yes on one of the following lines.

General Business Credits:

- A – GBC from a non-passive activity.** *(auto-calc)* Answered Yes for copy 2 of Part III and No for all other copies (except copy 10, for which you can choose the category). *This is the category initially assumed for forms built into the Premium Level and shown on screens 3 and 4 of Form 3800.*
- B – GBC from a passive activity.** *(auto-calc)* Answered Yes for copy 3 of Part III and No for all other copies (except copy 10, for which you can choose the category).
- C – GBC credit carryforwards.** *(auto-calc)* Answered Yes for copy 4 of Part III and No for all other copies (except copy 10, for which you can choose the category).
- D – GBC credit carrybacks.** *(auto-calc)* Answered Yes for copy 5 of Part III and No for all other copies (except copy 10, for which you can choose the category).

Eligible Small Business Credits:

- E – Reserved.** *(auto-calc)* Always No because the ESBC has expired.
- F – Reserved.** *(auto-calc)* Always No because the ESBC has expired.
- G – ESBC credit carryforwards.** *(auto-calc)* Answered Yes for copy 8 of Part III and No for all other copies (except copy 10, for which you can choose the category).
- H – Reserved.** *(auto-calc)* Always No because the ESBC has expired.

Summary of A, B, E, and F:

- I – This is consolidated form.** *(auto-calc)* Answered Yes for copy 1 of Part III and No for all other copies. This category applies only when you are filing more than one Part III that uses the category A, B, E, or F.

Limited to tax liability. Credits in line 1 are not allowed against Tentative Minimum Tax.

1a Investment (Form 3468, Part II only). Taken from screen 3 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 1a if originated from a pass-through entity. If the amount on line 1a stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1b Advanced manufacturing production (Form 7207). This credit, new for 2022, is defined for specific targeted components of various energy-saving devices (such as solar panels and wind energy devices), inverters, batteries, and critical minerals.

EIN for line 1c if originated from a pass-through entity. If the amount on line 1c stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1c Increasing research activities (Form 6765). Taken from screen 3 of Form 3800 for copy 2 if your answer to "Eligible small business?" on that screen is No, but subject to your entry for all other copies.

EIN for line 1c if originated from a pass-through entity. If the amount on line 1c stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1d Low-income housing credit (Form 8586, Part I only). Taken from screen 3 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 1d if originated from a pass-through entity. If the amount on line 1d stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1e Disabled access credit (Form 8826). Enter here the result from line 8 of Form 8826. Your entry is limited to \$5,000 or less, as it should be on Form 8826 as well.

EIN for line 1e if originated from a pass-through entity. If the amount on line 1e stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1f Renewable electricity production credit (Form 8835). Enter here the applicable part of line 20 of Form 8835. (Line 20 includes separate amounts for line 1f and line 4e of Form 3800, Part III.)

EIN for line 1f if originated from a pass-through entity. If the amount on line 1f stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1g Indian employment credit (Form 8845). Enter here the result on 8 of Form 8845.

EIN for line 1g if originated from a pass-through entity. If the amount on line 1g stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1h Orphan drug credit (Form 8820). Enter the result on line 4 of Form 8820.

EIN for line 1h if originated from a pass-through entity. If the amount on line 1h stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1i New markets credit (Form 8874). Enter here the result on line 3 of Form 8874.

EIN for line 1i if originated from a pass-through entity. If the amount on line 1i stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

lj Small employer pension plan startup costs (Form 8881). Enter here the result on line 5 of Form 8881. Your entry is limited to \$500 or less, as it should be on Form 8881 as well.

EIN for line lj if originated from a pass-through entity. If the amount on line lj stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

lk Employer-provided child care facilities and services (Form 8882). Enter here the result on line 7 of Form 8882.

EIN for line lk if originated from a pass-through entity. If the amount on line lk stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

ll Biodiesel, renewable diesel, or sustainable aviation fuels credit (Form 8864). Enter here the result on line 11 of Form 8864. (The form was expanded for 2022 to include the new sustainable aviation fuels credit, but that credit went into effect *after* 2023 and so applies for Form 1040 returns for tax year 2023 .

EIN for line ll if originated from a pass-through entity. If the amount on line ll stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

lm Low sulfur diesel fuel production credit (Form 8896). Enter here the result on line 8 of Form 8896.

EIN for line lm if originated from a pass-through entity. If the amount on line 1m stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

ln Distilled spirits credit (Form 8906). Enter here the result on line 5 of Form 8906.

EIN for line ln if originated from a pass-through entity. If the amount on line 1n stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

lo Nonconventional source fuel credit. This credit expired at the end of 2014, but you may still have residual credits from carryforwards.

EIN for line lo if originated from a pass-through entity. If the amount on line 1o stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

lp Energy efficient home credit (Form 8908). Enter here the result on line 4 of Form 8908.

EIN for line lp if originated from a pass-through entity. If the amount on line 1p stems from a pass-through entity (such as a partnership

of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1q Energy efficient appliance credit. This credit expired at the end of 2014, but you may still have residual credits from carryforwards.

EIN for line 1q if originated from a pass-through entity. If the amount on line 1q stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1r Alternative motor vehicle credit (Form 8910). Taken from screen 3 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 1r if originated from a pass-through entity. If the amount on line 1r stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1s Alternative fuel vehicle refueling property credit (Form 8911). Enter here only the amount on line 9 of Form 8911, which is the business credit part of the form.

EIN for line 1s if originated from a pass-through entity. If the amount on line 1s stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1t Enhanced oil recovery credit (Form 8830). Enter here the result on line 4 of Form 8830.

EIN for line 1t if originated from a pass-through entity. If the amount on line 1t stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1u Mine rescue team training credit (Form 8923). Enter here the result on line 4 of Form 8923.

EIN for line 1u if originated from a pass-through entity. If the amount on line 1u stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1v Agricultural chemicals security credit (carryforward only). This credit has expired but you could have carryforward to claim.

EIN for line 1v if originated from a pass-through entity. If the amount on line 1v stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1w Credit for employer differential wage payments (Form 8932). Enter here the result on line 4 of Form 8932.

EIN for line 1w if originated from a pass-through entity. If the amount on line 1w stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1x Carbon dioxide sequestration credit (Form 8933). Enter here the result on line 4 of Form 8933.

EIN for line 1x if originated from a pass-through entity. If the amount on line 1x stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1y Qualified plug-in electric drive motor vehicle credit (Form 8936). Taken from screen 3 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 1y if originated from a pass-through entity. If the amount on line 1y stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1z Qualified plug-in electric vehicle credit (carryforward only). The business use part of this credit has expired, so only carryforwards are now allowed.

EIN for line 1z if originated from a pass-through entity. If the amount on line 1z stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1aa Employee retention credit (Form 5884-A). This credit applies to employers affected by Hurricane Harvey, Irma, or Maria or Certain California Wildfires. Enter the result on line 4 of Form 5884-A.

EIN for line 1aa if originated from a pass-through entity. If the amount on line 1aa stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1bb General credits from an electing large partnership (carryforward only). Electing large partnerships were repealed by the *Bipartisan Budget Act of 2015* for years after 2017, so the only credits from them now available is carryforwards from prior years, which are entered on this line.

EIN for line 1bb if originated from a pass-through entity. If the amount on line 1bb stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

1zz Other. This omnibus line is used to claim credit for oil and gas production from marginal wells and the carryforward from a number of other credits, including the new hire retention credit (formerly reported at line 1aa) and credits for certain past disasters. See the *IRS 2023 Instructions for Form 3800* for a list credit carryforwards that apply. **CAUTION:** If you enter a carryforward on this line, you must document the history of carryforwards for the credit in a supporting statement for Part I, line 4, of Form 3800. See our instruc-

tions for the *Carryforward/Carryback Worksheet* that supports lines 4 and 5 of Form 3800, Part I.

EIN for line 1zz if originated from a pass-through entity. If the amount on line 1zz stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

2 Add lines 1a through 1zz. *(auto-calc)* Computed as indicated, this total is used in lines 1 through 5 of Form 3800, Part I.

3 Amount from Form 8844. Enter the empowerment zone and renewal community employment credit from line 4 of Form 8844.

EIN for line 3 if from a pass-through entity. If the amount on line 3 stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

Not limited to tax liability. Credits reported in line 4 are allowed against Tentative Minimum Tax.

4a Investment (Form 3468, Part III). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4a if originated from a pass-through entity. If the amount on line 4a stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4b Work opportunity (Form 5884). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4b if originated from a pass-through entity. If the amount on line 4b stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4c Alcohol and cellulosic biofuels (Form 6478). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4c if originated from a pass-through entity. If the amount on line 4c stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4d Low-income housing (Form 8586, Part II). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4d if originated from a pass-through entity. If the amount on line 4d stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4e Renewable electricity production (Form 8835). Enter here the appropriate part of line 22 of Form 8835, which includes an amount for

line 1f as well as the separate amount for line 4e of Form 3800, Part III.

EIN for line 4e if originated from a pass-through entity. If the amount on line 4e stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4f Employer social security and Medicare taxes paid on certain employee tips (Form 8846). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4f if originated from a pass-through entity. If the amount on line 4f stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4g Qualified railroad track maintenance premiums (Form 8900). Enter here the qualified railroad track maintenance credit from line 7 of Form 8900.

EIN for line 4g if originated from a pass-through entity. If the amount on line 4g stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4h Small employer health insurance premiums (Form 8941). Taken from screen 4 of Form 3800 for copy 2, but subject to your entry for all other copies.

EIN for line 4h if originated from a pass-through entity. If the amount on line 4h stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4i Increasing research activities (Form 6765). Taken from screen 3 of Form 3800 for copy 2 if your answer to "Eligible small business?" on that screen is Yes, but subject to your entry for all other copies.

EIN for line 4i if originated from a pass-through entity. If the amount on line 4i stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4j Employer credit for paid family and medical leave (Form 8994). This credit was created by the tax reform bill and provides a credit that ranges from 12.5% to 25% of certain wages paid to a qualifying employee while that employee is on family and medical leave. Enter here the qualified credit from line 3 of Form 8994. See the IRS *2023 Instructions for Form 8994* for more information.

EIN for line 4j if originated from a pass-through entity. If the amount on line 4j stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

4z Other. The IRS has defined no credit for this line, but it is available for use when another credit applies due to any potential new legislation.

EIN for line 4z if originated from a pass-through entity. If the amount on line 4z stems from a pass-through entity (such as a partnership of which you are a partner), enter the employer identification number in the standard 10-character format xx-xxxxxxx.

5 Add lines 4a through 4z. *(auto-calc)* Computed as indicated, this total is used in lines 30, 32, 34, or 35 of Form 3800, Part II, if the category of credit identified on screen 1 of this Form 3800, Part III, is A, B, C, or D, respectively.

6 Add lines 2, 3, and 5. *(auto-calc)* Computed as indicated, this total is also used in line 34 of Form 3800, Part II, if the category of credit identified on screen 1 of this Form 3800, Part III, is G.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return, but is provided for private notes or reminders.

Form 3903 / Moving Expenses

Who is it for? In prior years, the moving expense deduction allowed you to deduct your moving costs from gross income when you moved your residence because of a change in the location for your job, provided you met a *Time Test* and a *Distance Test*. But the deduction has been eliminated for most taxpayers, thanks to tax reform. However, it is still available for qualifying military personnel whose move was caused by a permanent change of station. See IRS Pub. 521 (*Moving Expenses*) for 2023 for more information.

Use separate form for separate moves. Three copies of Form 3903 are built into the software, for 3 separate moves you make during the tax year. Form 3903 is accessible through the Road Map at line 14 of Schedule 1 and the Form 3903 component of line 1h of Form 1040.

QUALIFICATION. For 2023, you qualify if (and only if) you meet the military qualifications described below.

Copy number (1 through 3). *(auto-calc)* Automatically the number you selected from the menu when you accessed the form.

Are you (or spouse, if applicable) a member of the Armed Forces on active duty Permanent military change of station? You can answer Yes here and qualify for the deduction only If you are a member of the Armed Forces on active duty and, due to a military order, you move because of a permanent change of station. *If you cannot answer Yes here, you do not qualify for a Moving Expense deduction for 2023.*

Are you (or spouse, if applicable):
a member of the Armed Forces?
on active duty?
moving due to a military order?
permanent change of station?

QUALIFY FOR MOVING EXPENSE DEDUCTION? *(auto-calc)* Answered Yes only if you answered Yes to all preceding question. Otherwise, answered No. If No, you do not qualify for the Moving Expense deduction and should *not* file this form. Unlike the eliminated deduction for non-military taxpayers, you do not have to meet a *Time Test* (working full-time for at least 39 weeks following the move) or a *Distance Test* (an increase in commuting distance of at least 50 miles).

EXPENSES INCURRED IN 2023. The remainder of the form is used to report the qualified expenses, all of which are deductible as an adjustment to income on Form 1040.

1 Transportation and storage for household goods and personal effects. Enter your transportation expenses in moving household goods and personal effects. Include the cost of packing, crating, moving, storing in transit, and insuring your household goods for up to a 30-day period before delivery to your

new home. *Enter here and on line 2 only amounts you actually paid, including amounts reimbursed by the government. Military personnel should not include services provided by the government, but should include allowances and expenses reimbursed by the government.*

Transportation (excluding use of your own car). Enter the cost of transportation from your old home to your new home, *excluding car expenses*, which are entered below. *Enter only amounts you actually paid*, including amounts reimbursed by the government.

Actual expense for your own car. You can deduct the actual gas and oil costs of using your car for the transportation, or an amount based on a standard mileage rate (below), whichever is greater. Enter the actual costs here and the mileage in the next line, and the software will determine the more favorable deduction.

Miles traveled with your own car. Enter total miles traveled from your old home to your new home. Mileage is used to figure the deduction allowable using a standard mileage rate.

Allowed car deduction. (auto-calc) Computed as the greater of your entry for "actual expenses for your own car" or the standard mileage amount computed using the preceding mileage entry at the rate of 22 cents per mile for 2023.

Parking fees and tolls. Whichever method of car expense deduction you use, you can additionally deduct parking fees and tolls you paid here.

Lodging. Enter the amount you paid for lodging required while traveling from your old home to your new home. You can include only one trip per family member, but you may include the costs for the day you arrive.

Other travel expenses. Enter here all other travel expenses you actually paid, except for meal expenses, which are NOT allowable expenses for this form.

2 Travel and lodging. DO NOT include meals. (auto-calc) Computed as the sum of transportation expenses, allowed car expenses, parking fees and tolls, lodging, and other travel expenses above.

3 Add lines 1 and 2. (auto-calc) Computed as indicated.

For payments NOT in Form W-2 box 1: These lines are only for amounts paid by the government that are not included in W-2 box 1 and therefore not included in taxable income at line 1a of Form 1040:

Amount paid by government to YOU. Enter the amount the government paid you for the expenses included in lines 1 and 2 but not included as income in box 1 of Form W-2. The amount should be identified in box 12 of your 2023 Form W-2 as code P.

Amount paid by government to SPOUSE. Enter the amount the government paid spouse for the expenses included in lines 1 and 2 but not included as income in box 1 of Form W-2. The amount should be identified in box 12 of spouse's 2023 Form W-2 as code P.

4 Amount government paid NOT included in box 1 of Form W-2. *(auto-calc)* Computed as "Amount paid by government to YOU" plus, if married filing jointly, "Amount paid by government to SPOUSE."

5 Is line 3 more than line 4? *(auto-calc)* If Yes, the allowed moving expense deduction is computed on the next line. Otherwise, no deduction is allowed but you may have additional income for Form 1040, line 1h.

MOVING EXPENSE DEDUCTION. *(auto-calc)* If the answer to line 5 is Yes, computed as line 3 less line 4, but no less than zero; otherwise, zero. This result is posted to line 14 of Schedule 1. *The result here will be zero if you do not qualify for the deduction as shown on screen 1.*

Excess payment for Form 1040, line 1h. *(auto-calc)* Computed as the amount, if any, by which line 4 exceeds line 3. This amount is posted to screen 6 of Form 1040 as additional income for Form 1040, line 1h.

Spouse part of above excess. *(auto-calc)* If married filing jointly, the preceding excess is prorated in proportion to the spouse's contribution to line 4 in order to determine the part of the excess that is considered as wage income for spouse. This result is important in properly computing earned income for forms that need earned income computed separately for you and spouse, such as Form 2441.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return, but is provided for private notes or reminders.

Form 4136* / Credit for Federal Tax Paid on Fuels

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is traditionally used to claim a refundable credit for taxes paid on fuel used for nontaxable purposes, or fuel sold tax-free to a buyer who uses the fuel for nontaxable purposes. Nontaxable uses include use on a farm (for farming purposes), off-highway business use, export, for a boat used for commercial fishing, etc. This form is also used to claim credit for the production, sale, or use of certain favored fuels. *The IRS instructions for Form 4136 are brief and provide little help in defining the various categories. You should therefore consult IRS Pub. 510, Excise Taxes (Including Fuel Tax Credits and Refunds), if you need more information on nontaxable uses and definition of terms.* Also see IRS Pub. 225 (Farmer's Tax Guide) for information on fuels applicable to farmers. Form 4136 is accessible through the Road Map at line 12 of Schedule 3.

An alternative to Form 4136. Instead of waiting to file Form 4136 when you file your annual tax return, you can get payment for the credits on this form earlier if you use Form 8849 (*Claim for Refund of Excise Tax*) along with its Schedule 3 (*Certain Fuel Mixtures and the Alternative Fuel Credit*). Form 8849 lets you claim a periodic refund. **CAUTION: You must not claim credit on Form 4136 for any amounts you already claimed on Schedule 3 from Form 8849 or Schedule C of Form 720.**

CAUTION for e-file. In order to e-file the return: (1) you cannot use more than one worksheet for lines supported by a worksheet (indicated by a "w" or "i" beside your entry), and (2) you cannot claim Type of Use 5 (for certain intercity and local buses) for line 14a or any part of line 11. *If you need to violate these restrictions, you must file a paper return.*

All lines have similar format. All lines of this form use a multi-column format that shows the creditable tax rate, the gallons used, the amount of credit, and the CRN. For most lines you need only enter the total gallons used for the IRS-defined category for that line and no type of use need be specified because only one type of use is allowed for each of these lines. For these cases, the IRS has shaded column (a) for these lines so that no type will be printed there. But some lines require additional information, as flagged by a "w" or "i" beside those lines to indicate that worksheets support those lines:

- **Fuel Use Worksheet (Figure 2-34).** This worksheet must be used for all lines that require you to provide an IRS-defined code for the type of use for the fuel. It therefore supports lines 1c, 2b, 3a, 4a, 4e, 4f, 5c, 5d, 8d, 8e, 11a through 11h, and 14a. You must enter the applicable Type of Use code and annual total gallons for that type on each worksheet you complete. The software will recognize your entry for gallons only if you enter a Type of Use code that is allowed by the IRS for that line. (Type of use codes are shown in Table 2-13, later in this section.)

- **Fuel Sale Worksheet (Figure 2-35).** This worksheet *must* be used for lines that require you to *identify the buyer* by name and taxpayer identification number (TIN), as identified in the IRS Instructions for Form 4136. It therefore supports lines 6a and 7a.

We provide details for these worksheets later in this section. **CAUTION:** *When a worksheet is provided for a line (indicated by a "w" or an "i"), you MUST use the worksheet to claim ANY credit on that line* because the worksheet collects additional information required by the IRS for those lines.

CAUTION: If you are claiming credit *for fuel you purchased, you must have the name and address of the person who sold you the fuel*. Furthermore, for claims on lines 3d, 4c, and 5, you must not have waived the right to make the claim. For claims for Type of Use 13 or 14 on lines 1c and 2b, you must not have waived the right to make the claim and must certify that a certificate has not been provided to the credit card issuer.

1 Nontaxable Use of Gasoline. The ultimate purchaser of the gasoline is the only person eligible to claim the credit on this line.

a Off-highway business use.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 2* is allowed for this line, so no itemizing is required.

b Use on a farm for farming purposes.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 1* is allowed for this line, so no itemizing is required.

c Other nontaxable use.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for other nontaxable uses of gasoline, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 4, 5, 7, 11, 13, 14, or 15. (See the CAUTION above for Type of Use 13 or 14.)*

1a-1c:

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered for lines 1a(c), 1b(c), and 1c(c) times 18.3 cents per gallon.

d Exported.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 18.4 cents per gallon.

2 Nontaxable Use of Aviation Gasoline. The ultimate purchaser of the aviation gasoline is the only person eligible to claim the credit on this line.

a Use in commercial aviation (other than foreign trade).

(c) **Gallons.** Enter the total number of gallons used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 15 cents per gallon.

b Other nontaxable use.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for other nontaxable uses of aviation gasoline, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 9, 10, 11, 13, 14, or 15. (For Type of Use 13 or 14, see the CAUTION on the previous page.)*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 19.3 cents per gallon.

c Exported.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 19.4 cents per gallon.

d LUST tax on aviation fuels used in foreign trade. The LUST tax is a tax on a Leaking Underground Storage Tank.

(c) **Gallons.** Enter the total number of gallons used. Only *Type of Use 9* is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 0.1 cents per gallon.

3 Nontaxable Use of Undyed Diesel Fuel. The ultimate purchaser of the diesel fuel is the only person eligible to claim the credit on this line.

Did any of the diesel fuel included in this claim contain visible evidence of dye? If Yes, *you must provide a detailed explanation in a supporting statement for this line (using only the text column of the support for an e-file return).* If No, you are certifying that none of the diesel fuel contained any visible evidence of dye.

a Nontaxable use.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for nontaxable uses of undyed diesel fuel, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 2, 6, 7, 8, 11, 13, 14, or 15.*

b Use on a farm for farming purposes.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 1* is allowed for this line, so no itemizing is required.

3a-3b:

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered for lines 3a(c) and 3b(c) times 24.3 cents per gallon.

c Use in trains.

(c) **Gallons.** Enter the total number of gallons used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

d Use in certain intercity and local buses.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 5* is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 17 cents per gallon.

e Exported.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.4 cents per gallon.

4 Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation) . The ultimate purchaser of the kerosene is the only person eligible to claim the credit on this line.

Did any of the kerosene included in this claim contain visible evidence of dye? If you answer Yes, *you must provide a detailed explanation in a supporting statement for this line (using only the text column of the support for an e-file return).* If No, you are certifying that none of the kerosene contained any visible evidence of dye.

α Nontaxable use taxed at \$.244.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for nontaxable uses of undyed diesel fuel, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 2, 6, 7, 8, 11, 13, 14, or 15.*

b Use on a farm for farming purposes.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 1* is allowed for this line, so no itemizing is required. *(CAUTION: Use line 5 for kerosene used in aviation for farming purposes, not this line.)*

4α-4b:

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered for lines 4a(c) and 4b(c) times 24.3 cents per gallon.

c Use in certain intercity and local buses.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 5* is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 17 cents per gallon.

d Exported.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.4 cents per gallon.

e Nontaxable use taxed at \$.044. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for other nontaxable uses of aviation gasoline, using a separate worksheet for each type of use. *The only allowed Type of Use for this line is 2.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 4.3 cents per gallon.

f **Nontaxable use taxed at \$.219.** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You **must** use the supporting worksheets for other nontaxable uses of aviation gasoline, using a separate worksheet for each type of use. *The only allowed Type of Use for this line is 2.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 21.8 cents per gallon.

Fuel Use Worksheet. *(Figure 2-34)* This worksheet **must** be used for any claims on lines 1c, 2b, 3a, 4a, 4e, 4f, 5c, 5d, 8d, 8e, 11a through 11h, and 14a, all of which require you to identify a particular type of use. Use a separate worksheet for each separate type of use.

FUEL USE WORKSHEET	
a. Type of use.....	0
b. Rate is shown on Form 4136 Gallons used or sold.....	
c. Gallons for types allowed	0

Enter 'Type' as no. from 1 to 16 from IRS Type of Use Table. Type 5 (certain intercity and local buses) gives lower rates for lines 11a to 11h and 14a. Types 13 & 14 have special requirements to qualify. See IRS instructions for details.

Figure 2-34. Fuel Use Worksheet

a. **Type of use.** Enter the IRS code for the Type of Use as shown in *Table 2-13*, below. Refer to the details for each supported line to see if there are any restrictions on the Type of Use that can be claimed on that line.

b. **Rate is shown on Form 4136.** No rates are shown on the worksheets. All appropriate rates are reflected in the credit computations and appear in column (b) of the official printed Form 4136.

Gallons used or sold. For the use you entered in line a, enter the total number of gallons used for the year.

c. **Gallons.** *(auto-calc)* Taken as the preceding entry if a type allowed for the line itemized is entered in line a. Otherwise, zero.

5 Kerosene Used in Aviation. For lines 5a and 5b, the ultimate purchaser of the kerosene is the only person eligible to claim the credit on this line.

a **Kerosene used in commercial aviation (other than foreign trade) taxed at \$.244.**

(c) **Gallons.** Enter the total number of gallons used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 20 cents per gallon.

b **Kerosene used in commercial aviation (other than foreign trade) taxed at \$.219.**

(c) **Gallons.** Enter the total number of gallons used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 17.5 cents per gallon.

c Nontaxable use (other than state) taxed at \$.244.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for other nontaxable uses of aviation gasoline, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 9, 10, 11, 13, 15, or 16.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

Table 2-13. Type of Use for Nontaxable Uses of Fuel

CODE	TYPE OF USE*
1	On a farm for farming purposes
2	Off-highway business use (for business use other than a highway vehicle registered or required to be registered for highway use)
3	Export
4	In a boat engaged in commercial fishing
5	In certain intercity and local buses
6	In a qualified local bus
7	In a bus transporting students and employees of schools (school buses)
8	For diesel fuel and kerosene (other than kerosene used in aviation) used other than as a fuel in the propulsion engine of a train or diesel-powered highway vehicle (but not off-highway business use)
9	In foreign trade
10	Certain helicopter and fixed-wing aircraft uses
11	Exclusive use by a qualified blood collector organization
12	In a highway vehicle owned by the United States that is not used on a highway
13	Exclusive use by a nonprofit educational organization
14	Exclusive use by a state, a political subdivision of a state, or the District of Columbia
15	In an aircraft or vehicle owned by an aircraft museum
16	In military aircraft

**See line details for restrictions on Type of Use for each*

d Nontaxable use (other than state) taxed at \$.219.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for other nontaxable uses of aviation gasoline, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 9, 10, 11, 13, 15, or 16.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 21.8 cents per gallon.

e LUST tax on aviation fuels used in foreign trade. The LUST tax is a tax on a Leaking Underground Storage Tank.

(c) **Gallons.** Enter the total number of gallons used. Only *Type of Use* 9 is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 0.1 cents per gallon.

6 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel. For a claim in this section you must have sold the diesel fuel at a tax-excluded price, repaid the tax to the buyer, or obtained written consent from the buyer to take this

claim. You must also have obtained the required certificate from the buyer and have no reason to believe it contains any false information.

Registration Number: (MANDATORY). For a claim on line 6a or 6b, enter your UV registration number here (UV followed by up to 9 digits). *If you make no entry here, no credit will be computed for line 6a or 6b.*

Did any of the diesel fuel included in this claim contain visible evidence of dye? If you answer Yes, *you must provide a detailed explanation in a supporting statement for this line (using only the text column of the support for an e-file return).* If No, you are certifying that none of the diesel fuel contained any visible evidence of dye.

α Use by a state or local government.

(c) **Gallons (itemize).** *(Supported by the Fuel Sale Worksheet, Figure 2-35.)* You must use the supporting worksheets to identify the buyer for each annual total entered.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

b Use in certain intercity and local buses.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 5* is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 17 cents per gallon.

7 Sales by Registered Ultimate Vendors of Undyed Kerosene (Other Than Kerosene Used in Aviation). For a claim in this section you must have sold the kerosene at a tax-excluded price, repaid the tax to the buyer, or obtained written consent from the buyer to take this claim.

Registration Number: (MANDATORY). For a claim on line 7a, 7b, or 7c, enter your UV registration number (UV followed by up to 9 digits) or your UP registration number (UP followed by up to 9 digits). *If you make no entry here, no credit will be computed for line 7a, 7b, or 7c.*

Did any of the kerosene included in this claim contain visible evidence of dye? If you answer Yes, *you must provide a detailed explanation in a supporting statement for this line.* If No, you are certifying that none of the kerosene contained any visible evidence of dye.

α Use by a state or local government.

(c) **Gallons (itemize).** *(Supported by the Fuel Sale Worksheet, Figure 2-35.)* You must use the supporting worksheets to identify the buyer for each annual total entered.

b Sales from a blocked pump.

(c) **Gallons.** Enter the total number of gallons used for the year. No itemizing is required. *For a claim on this line you must have the Regulations section 48.6427-10(e)(4) statement in your records, if required, which shows the date of sale, buyer's name and address, and number of gallons sold.*

7α-7b:

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered for lines 7a(c) and 7b(c) times 24.3 cents per gallon.

c Use in certain intercity and local buses.

(c) Gallons. Enter the total number of gallons used for the year. Only Type of Use 5 is allowed for this line, so no itemizing is required.

(d) Amount of credit. (auto-calc) Computed as the total number of gallons entered on the preceding line times 17 cents per gallon.

Fuel Sale Worksheet. (Figure 2-35) Use a separate worksheet for each separate buyer. This worksheet must be used for any claims on lines 6a and 7a, both of which require you to identify the buyer.

Identify buyer and amount bought.

a. Name of buyer.

Enter the name in 30 characters or less. The buyer must have purchased the fuel for use

by a state or local government (including essential government use by an Indian tribal government).

b. Buyer's tax ID (enter one). You must supply a tax identification number for the buyer as either a social security number (SSN) or an employer identification number) EIN:

SSN. Enter the buyer's SSN in the standard xxx-xx-xxxx format.

EIN. If SSN is not entered above, enter here the buyer's EIN in the standard xx-xxxxxxx format.

c. Gallons sold. Enter total gallons sold to this buyer for the year, for the type of fuel corresponding to the line itemized.

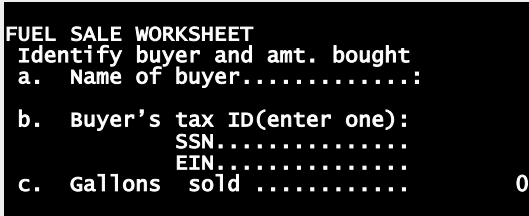


Figure 2-35. Fuel Sale Worksheet

8 Sales by Registered Ultimate Vendors of Kerosene For Use in Aviation. For a claim in this section you must have sold the kerosene at a tax-excluded price, repaid the tax to the buyer, or obtained written consent from the buyer to take this claim.

Registration Number: (MANDATORY). For a claim on line 8a or 8b, enter your UA registration number here (UA followed by up to 9 digits). For a claim on line 8c, 8d, or 8e, enter your UA registration number or, if type of use 14, your UV registration number (UV followed by up to 9 digits). If you make no entry here, no credit will be computed for line 8a, 8b, 8c, 8d, or 8e.

α Use in commercial aviation (other than foreign trade) taxed at \$.219.

(c) Gallons. Enter the total number of gallons used for the year.

(d) Amount of credit. (auto-calc) Computed as the total number of gallons entered on the preceding line times 17.5 cents per gallon.

β Use in commercial aviation (other than foreign trade) taxed at \$.244.

(c) Gallons. Enter the total number of gallons used for the year.

(d) Amount of credit. (auto-calc) Computed as the total number of gallons entered on the preceding line times 20 cents per gallon.

c Nonexempt use in noncommercial aviation.

(c) **Gallons.** Enter the total number of gallons used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 2.5 cents per gallon.

d Other nontaxable uses taxed at \$.244.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this line, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 9, 10, 11, 13, 14, 15, or 16.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

e Other nontaxable uses taxed at \$.219.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this line, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 9, 10, 11, 13, 14, 15, or 16.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 21.8 cents per gallon.

f LUST tax on aviation fuels used in foreign trade. The LUST tax is a tax on a Leaking Underground Storage Tank.

(c) **Gallons.** Enter the total number of gallons used. Only *Type of Use* 9 is allowed for this line, so no itemizing is required.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 0.1 cents per gallon.

9 Reserved for future use. The "alcohol fuel mixture credit" formerly claimed on this line expired at the end of 2011 and has not been reinstated since. Nevertheless, the IRS has retained this line but labeled it and all its parts as "Reserved for future use."

10 Biodiesel or Renewable Diesel Mixture Credit. For a claim in this section you must have produced a fuel mixture by mixing diesel fuel with biodiesel or renewable diesel fuel. The result must have either been used by the claimant as a fuel or sold for use as a fuel. *Note: Although this credit had expired for fuel sold or used after 2017, it was reinstated by a year-end budget bill retroactive to 2018. And a new line 10d applies after 2022.*

REQUIRED certificate and statement. The first claim you make for the biodiesel credit must be accompanied by the associated *Certificate for Biodiesel* (and *Certificate of Biodiesel Reseller*, if applicable). If that first claim is made through this e-file return, you must indicate this fact on screen 6 of our e-file form (form 90 on the Forms Menu). You must then attach the certificate and statement to a paper Form 8453 and mail them to the IRS once the return is e-filed. However, if that first claim was made on a previously filed Form 720 (Quarterly Federal Excise Tax Return) or Form 8849 (Claim for Refund of Excise Tax), you must indicate this fact by itemizing at least one of the two lines below that are supported by our *Biodiesel Certificate Worksheet*, which is detailed on the next page:

Worksheet in lieu of Certificate for Biodiesel: Itemize the line "Itemize statement in lieu of certificate" above line a(c).

Worksheet in lieu of Statement of Biodiesel Reseller: Itemize the line "a(d) Amount of credit."

CAUTION: Do not use either worksheet if this is the first claim for credit. Paper attachments are required instead, as explained above.

Registration Number. Enter your registration number here if any amount claimed below was for a mixture sold for use as a fuel.

Itemize statement in lieu of certificate. (*Supported by the Biodiesel Certificate Worksheet, Figure 2-36.*) See the above shaded box to determine whether or not it is appropriate to use the worksheet that supports this line.

a Biodiesel (other than agri-biodiesel) mixtures.

(c) **Gallons.** Enter the total number of *gallons of biodiesel in the mixture* used for the year.

(d) **Amount of credit.** (*auto-calc and Supported by the Biodiesel Certificate Worksheet, Figure 2-36.*) Computed as the total number of gallons entered on the preceding line times \$1.00 per gallon. See the previous shaded box to determine whether or not it is appropriate to use the worksheet that supports this line. *The supporting worksheet does not affect the calculation, but is used for reporting requirements described in the above shaded box above.*

b Agri-biodiesel mixtures.

(c) **Gallons.** Enter the total number of *gallons of biodiesel in the mixture* used for the year.

(d) **Amount of credit.** (*auto-calc*) Computed as the total number of gallons entered on the preceding line times \$1.00 per gallon.

c Renewable diesel mixtures.

(c) **Gallons.** Enter the total number of *gallons of renewable diesel in the mixture* used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times \$1.00 per gallon."

d Sustainable aviation fuel mixtures. This credit was created by the *Inflation Reduction Act of 2022*, and applies only for sales and uses after 2022. However, it appeared on the form for tax year 2022 for use by fiscal year filers for which part of the 2022 fiscal year includes 2023. You can now make entries on the following lines for a tax year 2023 that is the calendar year.

(b) **Rate.** Enter the rate (dollars per gallon in the format xx.xxx) that applies. Unlike all other lines on Form 4136, there is no predetermined rate for this line. For guidance, see the line 10d instructions in the *IRS 2023 Instructions for Form 4136*.

(c) **Gallons.** Enter the total number of *gallons of sustainable aviation fuel mixture* used for the year.

(d) **Amount of credit.** *(auto-calc)* Computed as the number of gallons you entered on line (c) times the rate you entered for line (b).

Biodiesel Certificate Worksheet. *(Figure 2-36)* Use this worksheet only if the *Certificate for Biodiesel* (and, if applicable, the *Statement of Biodiesel Reseller*) was previously attached to a Form 8849 or a Form 720 where the credit was first claimed.

See the shaded box on the previous page for details.

a. Certificate IDN.

Enter the identification number on the Certificate of Biodiesel in 25 characters or less.

b. Total biodiesel gallons. Enter

the number of gallons of fuel specified on the previously-filed certificate or statement.

c. Gallons claimed on Form 8849 Schedule 3. Enter total gallons claimed on a previously filed Form 8849 (*Claim for Refund of Excise Tax*).

c. Gallons claimed on Form 720 Schedule C. Enter total gallons claimed on a previously filed Form 720 (*Quarterly Federal Excise Tax Return*)

BIODOESEL CERTIFICATE W/S
 Use this worksheet **ONLY** when Certificate or stmt. has been previously filed. Otherwise, you must submit with Form 8453 * wrksh. For line 10 is for Certificate for Biodiesel * wrksh. For ln 10a(d) is for Stmt. of Biodiesel Reseller.

a. Certificate IDN	
b. Total biodiesel gallons...	0
c. Gals.claimed on 8849 Sch.3	0
c. Gals.claimed on 720 Sch. C	0

Figure 2-36. Biodiesel Certificate Worksheet

11 Nontaxable Use of Alternative Fuel. The ultimate purchaser of the taxed alternative fuel is the only person eligible to claim the credit on this line. All en-

tries for line 11 are supported by the *Fuel Use Worksheet*. The alternative fuel must have been used for Type of Use 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.

Special handling for BUSES (Type of Use 5). (allowed for paper returns only)

If you identify the fuel for a worksheet for line 11a, 11b, 11c, 11d, 11e, 11f, 11g, 11h, or 14a as Type of Use 5 (certain intercity and local buses), a lower rate than appears on the preprinted IRS form is computed for the gallons entered for that worksheet (in accordance with IRS instructions). This special handling is indicated on the official printout of Form 4136 by the printing of the word "BUS" on the line to which the worksheet applies, and the preprinted rate is crossed out with the applicable lower rate printed next to it. (The lower rates are specified in the IRS *2023 Instructions for Form 4136*.)

a Liquefied petroleum gas (LPG).

(c) **Gasoline gallon equivalents (GGE).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15. For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 1.353 gallons of LPG.)*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 10.9 cents per gallon plus the remainder (line (c) less "Part for city BUS") times 18.3 cents per gallon.

b "P series" fuels.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 11 cents per gallon plus the remainder (line (c) less "Part for city BUS") times 18.3 cents per gallon.

c Compressed natural gas (CNG).

(c) **Gasoline gallon equivalents (GGE).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You must use the supporting worksheets for this line, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or*

15. *For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 123.57 cu. ft. of CNG)*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 10.9 cents per GGE *plus* the remainder (line (c) less "Part for city BUS") times 18.3 cents per gallon.

d Liquefied hydrogen.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 11 cents per gallon *plus* the remainder (line (c) less "Part for city BUS") times 18.3 cents per gallon.

e Fischer-Tropsch process liquid fuel from coal (including peat).

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 17 cents per gallon *plus* the remainder (line (c) less "Part for city BUS") times 24.3 cents per gallon.

f Liquid fuel derived from biomass.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered

on the worksheets appears here, which leads to the “Special handling for BUSES” described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as “Part for city BUS” times 17 cents per gallon *plus* the remainder (line (c) less “Part for city BUS”) times 24.3 cents per gallon.

g Liquefied natural gas (LNG).

(c) **Diesel gallon equivalents (DGE).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15. For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 1.71 gallons of LNG.)*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the “Special handling for BUSES” described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as “Part for city BUS” times 16.9 cents per gallon *plus* the remainder (line (c) less “Part for city BUS”) times 24.3 cents per gallon.

h Liquefied gas derived from biomass.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this entry, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 4, 5, 6, 7, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the “Special handling for BUSES” described previously.

(d) **Amount of credit.** *(auto-calc)* Computed as “Part for city BUS” times 11 cents per gallon *plus* the remainder (line (c) less “Part for city BUS”) times 18.3 cents per gallon.

12 Alternative Fuel Credit. The “alternative fuel credit” requires that you used the fuel, or sold it for use, in a motor vehicle or motorboat. *Note: Although this credit expired annually and was regularly reinstated retroactively, it is now available through 2024, thanks to the Inflation Reduction Act of 2022.*

Registration Number. Enter your registration number here (including prefix).

a Liquefied petroleum gas (LPG).

(c) **Gasoline gallon equivalents (GGE).** Enter the total number of gallons used or sold. *For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 1.353 gallons of LPG.)*

- (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- b "P series" fuels.**
 - (c) **Gallons.** Enter the total number of gallons used or sold.
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- c Compressed natural gas (CNG)).**
 - (c) **Gasoline gallon equivalents (GGE).** Enter the total number of gallons used or sold. *For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 121 cu. ft. of CNG.)*
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- d Reserved for future use.** Formerly used for a credit for liquified hydrogen, the credit does not apply after 2022.
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- e Fischer-Tropsch process liquid fuel from coal (including peat).**
 - (c) **Gallons.** Enter the total number of gallons used or sold.
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- f Liquid fuel derived from biomass.**
 - (c) **Gallons.** Enter the total number of gallons used or sold.
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- g Liquefied natural gas (LNG).**
 - (c) **Gasoline gallon equivalents (GGE).** Enter the total number of gallons used or sold. *For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 1.71 gallons of LNG.)*
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- h Liquefied gas derived from biomass.**
 - (c) **Gallons.** Enter the total number of gallons used or sold.
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.
- i Compressed gas derived from biomass.**
 - (c) **Gasoline gallon equivalents (GGE).** Enter the total number of gallons used or sold. *For this line you must use the gasoline gallon equivalent (GGE) in your entry for gallons. (The GGE for this line is 121 cu. ft. of compressed gas)*
 - (d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 50 cents per gallon.

13 Registered Credit Card Issuers. The registered credit card issuer must meet specific requirements listed in the IRS Instructions for Form 4136 in order to make this claim. Otherwise, the purchaser must make the claim based

on tax paid to the credit card issuer. See IRS instructions for detailed requirements. The fuel must be sold for the exclusive use of a state or local government to qualify for this credit.

Registration Number. Enter your registration number, including the CC prefix.

a Diesel fuel sold for the exclusive use of a state or local government.

(c) **Gallons.** Enter the total number of gallons used or sold.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

b Kerosene sold for the exclusive use of a state or local government.

(c) **Gallons.** Enter the total number of gallons used or sold.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 24.3 cents per gallon.

c Kerosene for use in aviation sold for the exclusive use of a state or local government.

(c) **Gallons.** Enter the total number of gallons used or sold.

Part TAXED AT \$.244. Enter the amount included in the preceding entry that was taxed at \$.244. This amount qualifies for a credit rate of \$.243 instead of \$.218. This special handling is indicated on the official printout of Form 4136 by the printing of the phrase "Part TAXED AT .244" on line 13c, and the preprinted rate (\$.218) is crossed out with the higher rate (\$.243) printed next to it.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part TAXED AT \$.244" times 24.3 cents per gallon *plus* the remainder (line (c) less "Part taxed at \$.244") times 21.8 cents per gallon.

14 Nontaxable Use of a Diesel-Water Fuel Emulsion. The ultimate purchaser of the fuel emulsion is the only person eligible to claim the credit on this line.

a Nontaxable use.

(c) **Gallons (itemize).** *(Supported by the Fuel Use Worksheet, Figure 2-34.)* You *must* use the supporting worksheets for this line, using a separate worksheet for each type of use. *Allowed Types of Use for this line are 1, 2, 5, 6, 7, 8, 11, 13, 14, or 15.*

Part for city BUS. *(Supported by the Fuel Use Worksheet, Figure 2-34.)* This line is supported by the same set of worksheets as the preceding line. The total gallons for *Type of Use 5* that you entered on the worksheets appears here, which leads to the "Special handling for BUSES" described in our details for line 14.

(d) **Amount of credit.** *(auto-calc)* Computed as "Part for city BUS" times 12.4 cents per gallon *plus* the remainder (line (c) less "Part for city BUS") times 19.7 cents per gallon.

b Exported.

(c) **Gallons.** Enter the total number of gallons used for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 19.8 cents per gallon.

15 Diesel-Water Fuel Emulsion Blending. The person who produced and sold or used the diesel-water fuel emulsion is the only person eligible to claim the credit on this line.

Registration Number. Enter your registration number (including the M prefix).

Itemize required statement. *You must itemize this line and provide a supporting statement that confirms the mixture, registration, tax rate, and use (using only the text column of the support for an e-file return).* See IRS instructions for line 15 for details.

Blender credit.

(c) **Gallons.** Enter the total number of gallons used or sold.

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 4.6 cents per gallon.

16 Exported Dyed Fuels and Exported Gasoline Blendstocks. The person who exported the fuel during the period of claim is the only person eligible to claim the credit on this line.

a Exported dyed diesel fuel and exported gasoline blendstocks taxed at \$.001.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 0.1 cents per gallon.

b Exported dyed kerosene.

(c) **Gallons.** Enter the total number of gallons exported for the year. Only *Type of Use 3* is allowed for this line, so no itemizing is required. *You must have proof of exportation in your records.*

(d) **Amount of credit.** *(auto-calc)* Computed as the total number of gallons entered on the preceding line times 0.1 cents per gallon.

17 Total Tax Credit Claimed:

Add lines 1 through 16, column (d). *(auto-calc)* Computed as the sum of amounts in column (d) of this form for all lines combined, this is the total credit posted to line 12 of Schedule 3.

Other information for the IRS (itemize). *(for paper returns only)* Use this line to supply any additional information to the IRS. Use this support *only* to supply information not available from the *Fuel Use Worksheets* and *Fuel Sale Worksheets* that we provide. **Exception for e-file:** *The IRS does not provide for this extra statement for an e-file return. Therefore, if you must provide additional information, you must file a paper return.*

Form 4137* / Social Security & Medicare Tax on Unreported Tip Income

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure the social security and Medicare tax you owe on tips not reported to your employer, and therefore not already taxed, including any allocated tips shown on any Form W-2 you receive. You are required to file Form 4137 if you received tips of \$20 or more in any month in the tax year and did not report all of those tips to your employer. Form 4137 is accessible through the Road Map at line 5a of Schedule 2, and two copies are available, one for each spouse.

Form 4137 mandatory for some people. You are required to file Form 4137 if either of the following is true:

- You received tips of \$20 or more in any month in the tax year and did *not* report all of those tips to your employer, or
- A Form W-2 you received for the tax year shows an amount in box 8 (allocated tips).

However, Form 4137 is not applicable for work covered by the Railroad Retirement Tax Act instead of social security. Tips for that work must always be reported to the employer.

CAUTION: You must also include any tip income you report here on your W-2 Worksheets for line 1a of Form 1040. This form is used ONLY to figure the social security and Medicare tax on the tip income, not income tax. Therefore, you must include the tip income in your totals for line 1z of Form 1040. Our W-2 Worksheets provide for this at line 8 of the worksheets, which is reflected on line 1c of Form 1040 as the amount on W-2 Worksheet line 8 (Allocated tips) plus the adjustment that follows it. This total must match the amount on line 4 of Form 4137 for the corresponding spouse. In other words, if the allocated tips in box 8 of the W-2 do not accurately reflect the unreported tips as reported here, you must enter a negative or positive amount in the adjustment line on our W-2 Worksheet that, when added to the amount in box 8, will properly reflect the taxable tip income that is not included in box 1. If you enter a negative adjustment you must be able to prove through detailed records that the allocated tips in box 8 exceeds your actual tip income.

Employee to whom applies:

Social security number for this copy. *(auto-calc)* One copy of Form 4137 is available for each spouse. The social security number entered on Form 1040 for the spouse whose copy you chose when you entered Form 4137 appears here.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also based on the copy you chose.

Employers to whom applies:

1 Itemized tips and employers. *(Supported by the Unreported Tips Worksheet, Figure 2-37.)* When you return from the worksheets that support this line, the amounts on the next three lines are taken from the worksheets.

Total tips received. *(auto-calc)* Computed as the sum of line c of all worksheets combined.

Tips reported to employer. *(auto-calc)* Computed as the sum of line d of all worksheets combined.

Tips NOT required to be reported to employer. *(auto-calc)* Computed as the sum of "Part not required to report" of all worksheets combined.

Unreported Tips Worksheet. *(Figure 2-37)* You must complete a separate worksheet for each employer.

a Name of employer. Enter the name of the employer on the two 24-character en-

try lines provided. If you enter 5 or less employers, they will all be printed directly on the official Form 4137. Otherwise, a sup-

```

UNREPORTED TIPS WORKSHEET
a Name of employer
   name line 2:
b Employer ID number .....
c Cash & charge tips rcvd. . 0
d Tips reported to employer. 0
  Tips NOT reported..... 0
    Part not req'd to report 0
(Reporting not req'd if total
tips under $20 that month.)
    
```

Figure 2-37. Unreported Tips Worksheet

porting statement cross-reference will be printed on the form and all names will be printed in the cross-referenced supporting statement instead.

b Employer ID number. Enter the employer's EIN in the standard xx-xxxxxx format. *CAUTION for e-file: The employer's EIN is required here whether or not the employer is an individual. Do not enter the employer's SSN.*

c Cash and charge tips received. You must report both cash and charge tips. Include both tips reported after the 10th of the following month and tips not reported to your employer at all. You may be charged a penalty on these tips by the IRS (up to 50% of the tax you owe) unless you can show reasonable cause. Also include tips you are not required to report to your employer (which includes tips

for any month that you received a total of less than \$20 in tips) and allocated tips shown in box 8 of the Form W-2 from this employer. **CAUTION:** *If your entry for this line is greater than the amount in box 8 of the Form W-2 from this employer, you must enter the difference on the line "Adjust to 8 for 1040" on the W-2 Worksheet for this employer (supporting line 1a of Form 1040) to ensure that it is included in line 1c of Form 1040, as required by the IRS.*

d Tips reported to your employer. Enter only the tips reported to your employer *on time* (that is, by the 10th of the month after the month you received the tips). This amount is *already included in box 1 of the Form W-2 you receive* from the employer.

Tips NOT reported to your employer. (*auto-calc*) Computed as line c less line d, but no less than zero.

Part not required to be reported to your employer. Enter only the tips included in the preceding line that you were not required to report because you received them in a month when the total of all your tips was less than \$20.

COMPUTATION OF TAX. The tax is computed based on the income you report here and the income you reported on the W-2 Worksheets for line 1a of Form 1040 for the appropriate spouse.

2 Total cash and charge tips you RECEIVED in 2023. (*auto-calc*) Taken from "Total tips received" on screen 1, which is the sum of line c of all worksheets combined.

3 Total cash and charge tips you REPORTED to your employer in 2023. (*auto-calc*) Taken from "Tips reported to employer" on screen 1, which is the sum of line d of all worksheets combined.

4 Subtract line 3 from line 2. (*auto-calc*) Computed as indicated, this is the net amount of unreported tips. **CAUTION:** *This amount must be reflected in your W-2 Worksheets for Form 1040, line 1a, through the amount on line 8 of the worksheet plus the adjustment that follows. For more information, see the shaded box on the first page of these details for Form 4137.*

5 Cash and charge tips you received but did not report to your employer because the total was less than \$20 in a calendar month. (*auto-calc*) Taken from "Tips NOT required to be reported to your employer" on screen 1, which is the sum of "Part not required to report" of all worksheets combined. You owe income tax but not social security and Medicare tax on this amount.

6 Unreported tips subject to Medicare tax. (*auto-calc*) Computed as line 4 less line 5, this is the amount that will be subject to the 1.45% Medicare tax on this form.

Part of line 6 for tips received as a government employee. Enter an amount here *only* for work you performed as a Federal, state, or local government employee and your pay was subject only to the 1.45% Medicare tax as a result. This amount will not be subject to the social security tax on this form. This adjustment will be flagged

to the IRS at line 10 on the official printout with the phrase “1.45% tips” and the amount printed on the dotted line for line 10.

7 Maximum amount of wages (including tips) subject to social security tax. *(auto-calc)* This threshold is \$160,200 for tax year 2023.

8 Total social security wages and social security tips or railroad retirement (tier 1) compensation. *(auto-calc)* Taken from the W-2 Worksheets you completed for Form 1040, line 1a, this is the sum of lines 3 and 7 of all the W-2 Worksheets for the appropriate spouse combined. It is the amount already taxed for social security by your employer.

9 Subtract line 8 from line 7. *(auto-calc)* Computed as indicated, but no less than zero.

10 Unreported tips subject to social security tax. *(auto-calc)* Computed as the smaller of line 6 (as adjusted for government employees) or line 9, this is the amount that will be subject to social security tax on this form.

11 Multiply line 10 by .062. *(auto-calc)* Computed as indicated, this is the social security tax imposed by this Form 4137 for 2023.

12 Multiply line 6 by .0145. *(auto-calc)* Computed as indicated, this is the Medicare tax imposed by this Form 4137.

13 Add lines 11 and 12. *(auto-calc)* Computed as indicated, this is the total tax to be posted to line 5a of Schedule 2.

If you did not report tips to employer as required, ITEMIZE here to explain why. You are subject to a penalty of 50% of the social security and Medicare tax due on your unreported tips unless you can show that you had reasonable cause not to report them and did not exhibit willful neglect. You should explain in a supporting statement for this line so that the explanation appears with the return, as required.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4255* / Recapture of Investment Credit

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. *(See the separate Partnership Edition manual for details on the version of Form 4255 that is built into the Partnership Edition software.)*

Purpose. This form is used to figure the additional tax due to (a) the recapture of a previously claimed Investment Tax Credit (ITC) (originally claimed via Form 3468) and, since 2010, (b) the recapture of a qualifying therapeutic discovery project grant. Recapture of the ITC generally arises if you, within 5 years of the date placed in service, you dispose of the property, change its use to a nonqualified use, returned leased property, reduce ownership or business use below acceptable limits, etc. See the IRS Form 4255 Instructions for a complete list of actions that require recapture and exceptions that forgive you from it. Recapture of the therapeutic grant generally arises when the grant you received exceeds the amount to which you are qualified based on actual qualified expenses, usually 50% of expenses. Form 4255 is accessible through the Road Map at the ICR component of Schedule 2, line 8c.

PART I, ORIGINAL INVESTMENT CREDIT. All information for this section (lines 1 through 6) is entered on the supporting worksheets accessed from line 6, below.

1 through 5. See supporting worksheets for property-by-property details.

6 Credit taken on Form 3800 in prior years. *(Supported by the ITC Recapture Worksheet, Figure 2-38.)* All information for this form must be entered on the supporting worksheets. Although the sum of previously-claimed credits on the worksheets appears here, only information on the individual worksheets is printed on the official Form 4255, in accordance with the IRS design of the form.

PART II, RECAPTURE FROM INCREASE IN NONQUALIFIED NONRECOURSE FINANCING. All information for this section (lines 7 through 9) is entered on the same supporting worksheets accessed from line 6, above.

7 through 9. See supporting worksheets for property-by-property details.

PART III, RECAPTURE TAX FROM DISPOSITION OF PROPERTY OR CESSATION OF USE AS INVESTMENT CREDIT PROPERTY. All information for this section (lines 10 through 16) is entered on the same supporting worksheets accessed from line 6, above.

10 through 16. See supporting worksheets for property-by-property details.

ITC Recapture Worksheet. (Figure 2-38) You must identify each property and the details of the previously claimed credit for each.

PART I, ORIGINAL INVESTMENT CREDIT.

Type of property (rehab, energy, etc.) Describe the property in the two 30 character entry lines provided, and identify whether the property is rehabilitation, energy, reforestation, or transition property.

1 Original rate of credit (%). Enter the credit percentage from the original Form 3468 used to claim the credit, whether or not all the credit has been claimed.

2 Credit base as of the end of the previous tax year. Enter the cost or other basis used to figure the original credit less any change in non-qualified non-recourse financing (negative or positive) in the previous tax year if section 49(a)(1) applies.

ITC RECAPTURE WORKSHEET		
I ORIG. INVESTMENT CREDIT		
Type of property... (rehab, energy, etc.)		
1	original rate of credit(%)	0
2	Credit base prior year-end	0
3	Net change in nonqld non-recourse financing in year	0
4	Credit base current yr-end \$ limit on the credit.	0
5	Refigured credit.....	0
6	Credit on 3800 prior years	0
II RECAPTURE FROM INCREASE		
IN NONQLF NONREC FINANCING		
7	Credit subj. to recapture.	0
8	Unused gen. business cred. allowed using current base	0
9	Subtract line 8 frm line 7	0

III RECAPTURE FRM DISPOSITION/CESSATION OF INV USE		
10	Date placed in service... (first of month, per IRS)	
11	Date ceased to be qualif'd	
12	No. full yrs. between 10 & 11	0
13	Unused gen. business cred. allowed w/o this property.	
14	Subtract line 13 from ln 6	0
15	Recapture percentage.....	100.
16	Multiply line 14 by ln 15.	0

Figure 2-38. ITC Recapture Worksheet

3 Net change in nonqualified nonrecourse financing during the tax year. Enter a net increase as a positive number and a net decrease as a negative number.

4 Credit base as of the end of the current tax year. (auto-calc) Computed as line 2 less line 3, but no less than zero.

\$ limit on the credit. If the original credit was subject to a dollar limitation, you must enter the limitation here. (An entry of zero is interpreted as "no limitation" rather than "limited to zero.")

5 Refigured credit. (auto-calc) Computed as line 1 multiplied by line 4, but no more than the preceding entry (if non-zero).

6 Credit taken for this property on Form 3800 in prior years. Enter the amount of investment credit actually claimed for this property prior

to the current tax year, excluding any credit previously recaptured due to an increase in nonrecourse financing.

PART II, RECAPTURE FROM INCREASE IN NONQUALIFIED NONRECOURSE FINANCING.

- 7 Credit subject to recapture tax.** *(auto-calc)* Computed as line 6 less line 5, but no less than zero.
- 8 Unused general business credits that would have been allowed if original credit had been figured with current-year credit base.** If the result on line 5 is less than the amount of the original credit, you may have an entry for this line. Use IRS *Worksheet 1* on page 3 of the IRS *Instructions for Form 4255 (Rev. December 2018)* to compute the amount to enter here.
- 9 Subtract line 8 from line 7.** *(auto-calc)* Computed as indicated, this is the recapture tax for this property from an increase in nonqualified nonrecourse financing.

PART III, RECAPTURE TAX FROM DISPOSITION OF PROPERTY OR CESSATION OF USE AS INVESTMENT CREDIT PROPERTY.

- 10 Date property was placed in service.** Enter the date in the standard mm/dd/yyyy format. *The IRS instructs you to enter the date for the first of the month in which the property was placed in service, irrespective of the actual day placed in service. Therefore, the software automatically changes your entry to be of the form mm/01/yyyy.*
- 11 Date property ceased to be qualified investment credit property.** Enter the date in the standard mm/dd/yyyy format. This date is typically the date you disposed of the property.
- 12 Number of full years between dates on lines 4 and 5.** *(auto-calc)* Computed as indicated. *If 5 or more, you are not liable for recapture and should remove the worksheet for such property.*
- 13 Unused general business credits that would have been allowed had there been no credit from this property.** If any other credits were claimed the year this credit was first allowed or thereafter, you may have an entry for this line. Use IRS *Worksheet 2* on page 4 of the IRS *Instructions for Form 4255 (Rev. December 2018)* to compute the amount to enter here.
- 14 Subtract line 13 from line 6.** *(auto-calc)* Computed as indicated.
- 15 Recapture percentage.** *(auto-calc)* The recapture percentage is 100% if the line 11 is less than a year from line 10, and drops by 20% for every full year thereafter.
- 16 Multiply line 14 by percentage on line 15.** *(auto-calc)* Computed as indicated, this is the recapture tax for this property from its disposition or change in use.

TOTAL RECAPTURE TAX. The total recapture tax for this form is based on the preceding worksheets and your entry, below, for recapture of a qualifying therapeutic discovery project grant.

17 Add all property columns, line 9. *(auto-calc, supported by the ITC Recapture Worksheet, Figure 2-38)* Computed as the sum of line 9 of all supporting worksheets combined, this is the recapture tax resulting from an increase in nonqualified nonrecourse financing during the tax year. *TIP: The IRS label for this and the next line refer to columns A through D, but all worksheets are properly included, not just the first four.*

18 Add all property columns, line 16. *(auto-calc, supported by the ITC Recapture Worksheet, Figure 2-38)* Computed as the sum of line 16 of all supporting worksheets combined, this is the ITC recapture tax resulting from the disposition of property or cessation of use as investment credit property during the tax year. *TIP: The IRS label for this and the previous line refer to columns A through D, but all worksheets are properly included, not just the first four.*

19 Recapture of qualifying therapeutic discovery project grant (itemize). If you received a grant for investment in a qualifying therapeutic discovery project but spent less than the amount of the grant or ceased qualified use of the property, you are subject to recapture for the excess amount. You must report this recapture tax in a supporting statement for this line, showing your computation for the tax. For details on qualifying therapeutic discovery project grants, credits, and recapture, see *IRS Notice 2010-45*, which is contained in *Internal Revenue Bulletin 2010-23*, available on the web at https://www.irs.gov/irb/2010-23_IRB. **CAUTION:** *The grant should not be confused with the credit for a qualifying therapeutic discovery project. The grant is paid to you in lieu of a credit, so you would not have claimed it on a Form 3468. The credit, however, is claimed on Form 3468 and recaptured like any other Investment Tax Credit in lines 10 through 16.*

20 Total increase in tax. *(auto-calc)* Computed as the sum of lines 17, 18, and 19, this is the total recapture tax on Form 4255.

The recapture tax on line 20 is posted to the ICR component of Schedule 2, line 8c.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 4562 / Depreciation and Amortization

How to use it. Form 4562 is used to report depreciation and amortization deductions in support of expenses on several IRS forms. Twenty copies of Form 4562 are provided: one for each separate copy of each supported form, as required by the IRS, plus two extras copies. They are accessible through the Road Map at the lines they support, as follows:

- **Copy 1 supports Schedule A** but is not used for any deduction in 2023 because of the suspension of applicable miscellaneous deductions by the tax reform act, so it is not accessible through the Road Map for 2023.
- **Copies 2-6 support copies 1-5 of Schedule C** through line 13 for depreciation and line 46 for amortization.
- **Copy 7 supports Part I of Schedule E (Rental Real Estate ONLY)** through line 20a for depreciation only. (Amortization is not relevant here.)
- **Copies 8-12 support copies 1-5 of Schedule F** through line 16 for depreciation and line 34b for amortization.
- **Copies 13-17 support copies 1-5 of Form 2106** through line 4 for both depreciation and amortization (excluding car depreciation, which is reported on a separate worksheet on Form 2106).
- **Copy 18 supports Form 4835** through line 12 for depreciation and line 30b for amortization.
- **Copy 19-20** are unattached copies not accessible through the Road Map. They are provided for forms not built into the software or for special summarizing purposes, and are accessible only when you access Form 4562 from the Forms Menu.:

The laws for depreciation are complex, and have changed several times over the last two decades. If you have questions about the computations performed by the software, we recommend you read the IRS 2023 Instructions for Form 4562, Pub. 534 (Depreciating Property Placed in Service Before 1987), and Pub. 946 (How to Depreciate Property).

TAX PLANNING HINT: The IRS design for this form is strongly tied to the tax year. The labels that appear on the printed form and screen refer to specific years, such as 2023 for lines 17, 19, 20, and 42. But when you enter a later tax year on the Control Form (for tax planning), the predefined labels no longer apply, and lines 17, 19, 20, and 42 now apply to the new tax year rather than 2023. *CAUTION: When you use our "translate" feature, all amounts and worksheets are shifted to the proper lines automatically as long as the tax year entry on the prior return is the prior year (2022). But if the entry on the prior-year Control Form were the current tax year (2023), the software would assume that you had already reentered the data on the proper lines with the later year in mind, so no shifts would be performed.*

IDENTITY. The copy of Form 4562 is identified here:

This copy supports: *(auto-calc)* The form or schedule supported by this copy appears here. (The Form 4562 copy number appears beside the first item on the menu for this form.)

Business or activity. Describe the activity to which this copy relates in 25 characters or less, using a description consistent with the one used on the supported schedule.

PART I. ELECTION TO EXPENSE CERTAIN TANGIBLE PROPERTY (SECTION 179). IRS Code Section 179 provides for a full deduction of the cost of some property (in place of normal depreciation) for property that meets *ALL* of the following requirements:

- **Acquired by purchase.** Must have been purchased for use in a trade or business.
- **Current.** Must be placed in service during the current tax year.
- **Active business.** Must be used at least 50% of the time in the active conduct of a trade or business (but *no section 179 deduction is allowed for investment property*, so you should claim none for the copy of Form 4562 that supports Part I of Schedule E).
- **Tangible.** Must be tangible depreciable property.
- **Section 38.** Must qualify as Section 38 property (that is, it would have met the requirements for the investment tax credit had the credit not been repealed.)

In addition, certain real property now qualifies as well. This is real property that is (a) qualified leasehold improvement property, (b) qualified restaurant property, or (c) qualified retail improvement property, as defined in the tax code in sections 168(e)(6), 168(e)(7), and 168(e)(8), respectively.

Limitations. Three important limitations apply to these deductions:

- A** The aggregate of all section 179 deductions on the return, including those from any Schedule K-1 you receive, normally cannot exceed \$1,160,000 for tax year 2023.
- B** When the total cost for all section 179 property together exceeds \$2,890,000 for tax year 2023, the \$1,160,000 limit is reduced dollar-for-dollar, so that *NO* deduction is allowed when total cost exceeds \$4,050,000.
- C** Section 179 deductions cannot exceed the aggregate taxable income from all trades or businesses that the taxpayer and/or spouse actively conducts, *including wages*. Therefore, if you have no wages and only one business and it operates at a loss, you are not allowed *ANY* section 179 deduction. Any amount not deducted this year because of this rule can be carried over to 2024 returns. (Note that income that qualifies for this limitation includes section 1231 gains or losses and interest from working capital of a trade or business. See IRS Pub. 946 for details.)

The limitations are applied in the following lines for deductions on *this* copy of Form 4562 *ONLY*, but you may be subject to further limitations if there are

section 179 deductions elsewhere on the return. *The limitations technically apply to the aggregate of all property throughout the return. You may therefore need to summarize all section 179 deductions for the entire return on an unattached copy of Form 4562 (copy 19 or 20), in order to determine the appropriate limitations*, then reduce the deductions accordingly on the individual Forms 4562 on a *pro rata* basis.

Data entry for Part I. Data entry for Section 179 property includes special allocations for those who are *married filing separately*, which are controlled by your entries on the lines labeled "MFS: ..." That's because even if you are filing separately, you must still include the cost of section 179 property deducted by the other spouse when applying the limitations on section 179 deductions.

MFS: Spouse's cost of Section 179 property. If the filing status is married filing separately you must enter the total cost of all section 179 property expensed on the spouse's Form 4562. This amount is reflected in line 2, below.

1 Maximum dollar limitation. *(auto-calc)* Nominally \$1,160,000 for 2023. *(In order to accommodate an e-file specification, the amount that appears here will be zero until you claim a section 179 deduction at line 6, 12, or 26(i).)*

2 Total cost of sec 179 property placed during the tax year. *(auto-calc)* Computed as the total cost of assets for which you claim section 179 deductions at lines 6 (taken from your entries on the Section 179 Worksheets accessed at line 6) and 7 (taken from your entries on the *Listed Property Worksheets* accessed at line 26), plus, if married filing separately, all of the spouse's Section 179 property.

3 Threshold cost before reduction in limitation. *(auto-calc)* Normally \$2,890,000 for 2023. *(In order to accommodate an e-file specification, the amount that appears here will be zero until you claim a section 179 deduction at line 6, 12, or 26(i).)*

4 Reduction in limitation. *(auto-calc)* The excess cost for Limitation B is computed here as the total cost in line 2 less the threshold in line 3, but no less than zero. *TIP: If an entry appears here, reconsider your section 179 claims, because you can avoid Limitation B by claiming the deduction only for less costly items.*

MFS: \$ deviation from 50/50 rule. *(For MFS filing status ONLY.)* The dollar limitation is line 1 less line 4, which includes amounts claimed by the other spouse, but married taxpayers filing separately must split this amount between each other. A 50/50 split that the software provides is normal, but the IRS allows you to make a different split as long as the two of you deduct no more than the dollar limitation on both of your returns combined. This line is therefore provided to alter the split by allowing you to enter a dollar adjustment to the 50/50 split ranging from line 1 less line 4 to line 4 less line 1.

5 Dollar limitation for the tax year. *(auto-calc)* Computed as line 1 less line 4, plus the preceding deviation if married filing separately, but

no less than zero. *(In order to accommodate an e-file specification, the amount that appears here will be zero until you claim a section 179 deduction at line 6, 12, or 26(i).)*

- 6 Other than listed property.** *(Supported by the Section 179 Worksheet, Figure 2-39.)* The claim for property placed in service in the current tax year is detailed here for all except listed property. Worksheet details follow the details for line 13, below. **REMINDER: Listed property MUST be detailed in Part V using the Listed Property Worksheet, not here.** Listed property includes cars, computers, and other property that could be partially used for entertainment, recreation, or amusement.
- 7 Listed property - amount from line 29.** *(auto-calc)* Taken as the total section 179 expense deduction in Part V, and therefore not complete until you complete Part V.
- 8 Total elected section 179 cost.** *(auto-calc)* Computed as line 6 plus line 7.
- 9 Tentative deduction.** *(auto-calc)* Computed as the lesser of line 5 or line 8. Limitations A and B, described previously, are enforced here.
- 10 Carryover of disallowed deduction from 2022.** Enter here any amount of section 179 deduction disallowed in 2022 because of the limitation to taxable 2022 business income. This amount is shown on line 13 of the prior-year return.
- Adjustment to taxable income limitation.** In applying Limitation C, described previously, the software takes into account all wages and self-employment income throughout the return, but does NOT prorate it among separate Forms 4562. As a result, if you have more than one Form 4562 with Sec. 179 deductions, you will have to make a negative entry here to reduce the limitation on line 11 by the amount allocated to other Forms 4562. You will also have to make an adjustment here if you have any section 1231 gains or losses from any trade or business (reported in Part I or III of Form 4797).
- 11 Taxable income limitation.** *(auto-calc)* Limitation C is applied here. *(In order to accommodate an e-file specification, the amount that appears here will be zero until you claim a section 179 deduction at line 6, 12, or 26(i).)*
- 12 Section 179 expense deduction.** *(auto-calc)* Computed as the lesser of line 11 or the sum of lines 9 and 10. Limitation C is enforced here.
- 13 Carryover of disallowed deduction to 2024.** *(auto-calc)* Computed as line 9 plus line 10 less line 12, this is the amount disallowed due to the taxable income limitation on line 11, and will be used for line 10 on next year's Form 4562.

Section 179 Worksheet, Figure 2-39. Use this worksheet for all but listed property. The special allowance ("bonus depreciation") is NOT claimed on this worksheet but rather on the MACRS/ACRS Worksheets for lines 19 and 20, and the Listed Property Worksheets for line 26. CAUTION: Use the Listed Property Worksheet in Part V, not this worksheet, for automobiles and other listed property.

SECTION 179 WORKSHEET	
Tax year on Form 1040.	2023
a. Description of property :	
Date placed in service..	
b. Cost.....	0
Expense deduc'n from K-1	0
Amt. 179 elect NOT to claim	0
c. Elected cost.....	0
Balance for deprn & spec allow	0
CAUTION: Use above bal. as cost in w/s's in II & III.	

Figure 2-39 Section 179 Worksheet

Tax year on Form 1040. *(auto-calc)* Taken from your entry on the Control Form for tax year. A deduction is allowed only for property placed in service in the year displayed here.

a. Description of property. Enter the class and brief description of the property (such as 7-year/desk) in 30 characters or less. CAUTION: Investment property does NOT qualify, including rental real estate, nor does most other real property.

Date placed in service. Enter the date in the standard mm/dd/yy format. CAUTION: The date must be in the current tax year, above, for a deduction to be allowed.

b. Cost. Enter the TOTAL cost of the item for property you own, but leave this line blank for property reported to you on a Schedule K-1 (and therefore owned or leased by a partnership, not you).

Expense deduction from Schedule K-1. If the elected section 179 amount is reported to you on a Schedule K-1 (from a partnership), and the cost of the item is not available, enter the elected amount here. A deduction will appear at line c even though line b is zero.

Amount of sec. 179 deduction you elect NOT to claim. Enter the part of the cost on line b (or expense deduction from Schedule K-1) to be depreciated rather than expensed as section 179 property.

c. Elected cost. *(auto-calc)* This line is computed as the cost (or Schedule K-1 amount) less the above amount not to be deducted. However, the result is automatically limited to no more than \$1,160,000 for 2023, but further limitations may apply.

Balance for depreciation and special allowance. *(auto-calc)* Computed as the cost on line b less the sec. 179 deduction on line c, this is the reduced basis that must be used when computing depreciation and any special allowance.

When you exit the worksheet, lines b and c are separately summed for all worksheets and posted to Form 4562.

PART II, SPECIAL DEPRECIATION ALLOWANCE AND OTHER DEPRECIATION. This section is a catchall for depreciation that is neither MACRS depreciation (which is claimed in Part III) nor depreciation for listed property (which is claimed in Part V). It includes the total for the special depreciation allowance (50%, 80%, or 100% of cost or basis for 2023) available for certain property reported in Parts II and III of Form 4562 as well as the depreciation of property not eligible for MACRS depreciation, including property placed in service before 1987 and property depreciated under sec. 168(f)(1). *CAUTION: If you are electing out of the special allowance for any class of property, be sure to identify the class on screen 3 of Form 4562.*

A colorful history for the special allowance. The special depreciation allowance has become a favorite target for manipulation by Congress. Popularly known as "bonus depreciation," it first appeared for tax year 2001 (starting September 12, 2001) as a 30% allowance, which expired for most property at the end of 2004, but was extended one more year for property with a recovery period of at least 10 years and certain aircraft. Overlapping that time, a 50% allowance became available after May 5, 2003, which expired at the end of 2006, also extended for by one year for long period property. The special allowance then reappeared for tax years 2008 and 2009, then extended to 2010 and 2011 by the *Small Jobs Act of 2010*. It was further sweetened by the year-end *Tax Relief Act of 2010* by doubling the allowance to 100% for certain property placed in service after September 8, 2010 and before January 1, 2012. The special allowance was then extended to the end of 2014 at the 50% rate for most property by the *American Tax Relief Act of 2012*. More recently, it was extended to 2017 at the 50% rate and as far as 2020 for certain special property by the *Protecting Americans from Tax Hikes Act of 2016* (at the end of 2016), but phased out on a 3-year schedule thereafter. It was then increased to a 100% rate for most property acquired after September 27, 2017 by the tax reform bill (*Tax Cuts and Jobs Act of 2017*), and was *expanded to include used property after that date as well*. However, the 100% rate is starts a phaseout of 20% per year for 2023, so the special allowance is 80% for 2023 for most property.

Qualification for special allowance. Several categories of property have qualified for a special allowance in the past, but only a few of them now qualify:

- **Qualified reuse and recycling property.** This is property that is used exclusively for handling reuse and recycling materials. It must be equipment or machinery (and accessories), and *not* buildings or real estate, acquired after August 31, 2008. It is eligible for the 50% special allowance. *This allowance does not expire, unlike the allowance for other property. It is also neither phased out in subsequent tax years, nor raised to a 100% or 80% allowance, irrespective of date acquired.*
- **Qualified long production period or aircraft property.** Two special classes of property are eligible for a special allowance, but the rules differ depending on the date acquired and the date placed in service.

Qualified long production period property is property with a recovery period of at least 10 years (less for transportation property), an estimated production period of more than one year, and an estimated production cost exceeding \$1 million, in addition to the usual minimum requirements for a special allowance. Qualified aircraft property is noncommercial aircraft with an estimated production period of more than 4 months and a cost exceeding \$200,000, in addition to the usual minimum requirements for a special allowance. (See Chapter 3 of IRS Pub. 946, *How to Depreciate Property*, for more information on what constitutes eligible property.) For both classes of property, the property must have been acquired after September 27, 2017 and placed in service before 2028. It is eligible for 100% special allowance for 2023. Furthermore, both new and certain used property qualifies. After 2023 the 20% per year phaseout starts, resulting in 80% if placed in service in 2024, 60% in 2025, 40% in 2026, 20% in 2027, and zero thereafter. (Property acquired before September 28, 2017 no longer qualifies. It was phased out after 2018 and was no longer available after 2020.)

- **Other qualified for special allowance.** Most other tangible property with a recovery period of 20 years or less is eligible for a special allowance as well as certain computer software, water utility property, and certain film, television, and theatrical productions. In addition, certain plants bearing fruits and nuts qualify. (Residential rental and nonresidential real property are not allowed.) The property must have been acquired after September 27, 2017 and placed in service before 2027. It is eligible for 80% special allowance for 2023. Furthermore, both new and certain used property qualifies. After 2023, the percentage is lowered by another 20% per year: 60% for 2024, 40% for 2025, 20% for 2026, and zero thereafter.

See Chapter 3 of IRS Pub. 946 (*How To Depreciate Property*) for detailed definitions and qualifications for property eligible for a special allowance.

CAUTION: You MUST use built-in worksheets to claim the special allowances. The special first-year depreciation allowance is reported on 2 lines of the IRS Form 4562 (lines 14 and 25), but you should not enter amounts on these lines yourself because the software automatically determines the proper amounts based on your entries on applicable worksheets.

- **Line 14 computed from the MACRS/ACRS Worksheets for lines 15, 16, 19 and 20.** This worksheet includes several lines to support the special allowance and enforce the rules for determining the remaining basis for depreciation. *If you are eligible for the special allowance but choose to elect out of it, you must do so for all other property in the same class as well and attach a statement to your return that identifies that class. The software therefore contains a screen (described later) devoted to identifying the classes for which you make the election and automatically generates a the required supporting statement for the IRS. The worksheets on lines 15, 16, 19 and 20 then use your answers on this screen to deter-*

mine whether or not to allow the special allowance for the class on each worksheet.

- **Line 25 supported by the Listed Property Worksheet.** This worksheet includes lines that support the special allowance and enforce the special rules for limitations on cars. Whether you itemize line 25, line 26(h), or line 26(i), you access the same set of worksheets (for more than 50% business use). However, if you itemize line 27(h) you access a different set of worksheets (for business use of 50% or less). For the latter set of worksheets the new lines for the special allowance are still visible on the screen, but are forced to zero because the allowance is not available for property used no more than 50% for business. *Answers you give on the screen described above for electing out of the special allowance are NOT used in this worksheet. You make the election on the worksheet itself. Nevertheless, you must answer the questions on the election screen consistently with this worksheet so that the proper supporting statement is produced for the IRS.*

Special depreciation allowance in Part II worksheets. *(auto-calc)* An amount will appear here if you claim the special allowance in one of the worksheets for line 15 or line 16.

Special depreciation allowance in Part III worksheets. *(auto-calc)* An amount will appear here if you claim the special allowance in one of the worksheets for lines 19a through 19i or 20a through 20c.

- 14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year.** *(auto-calc)* Computed as the sum of the preceding two lines, this is the total special allowance claimed for 2023 for all property *other than Listed Property*.

- 15 Property Subject to Section 168(f)(1) election.** *(Supported by Sec. 168(f)(1) Election Worksheet, Figure 2-40.)* Use the worksheets for this line for property you elect to depreciate by the units-of-production method or any other method not based on a term of years.

ACRS depreciation (1981-1986). *(Supported by the MACRS/ACRS Worksheet, Figure 2-41.)* Use this line for property, other than listed property, previously depreciated by the regular or optional ACRS methods. The date placed in service must be from 1981 through 1986, with only rare exceptions, and the worksheets prevent its normal use for other dates. Note that the former ACRS classes are not the same as the current MACRS classes. For any given property, you must use the same class you used on your prior tax return, not the ones noted at line 19a through 19i. See details for line a of the MACRS/ACRS Worksheet for instructions on entering the proper classification. (The IRS does not require that the supporting detail for this line be filed with the return, but rather that you keep the details in your own records. You can therefore invoke the Detach Support key described in Chapter 7 of the separate *User's Guide* to suppress the printing of the worksheets for this line.)

Other depreciation. (*Supported by Depreciation Worksheet, Figure 2-42.*) Use this line for property placed in service BEFORE January 1, 1981, and certain other property that cannot be depreciated by ACRS methods. (The IRS does not require that the supporting detail for this line be filed with the return, but rather that you keep the details in your own records. You can therefore invoke the Detach Support key described in Chapter 7 of the separate *User's Guide* to suppress the printing of the worksheets for this line.)

16 Other depreciation (including ACRS). (*auto-calc*) Computed as the sum of the above two lines.

Note that "transitional property," which is depreciated by ACRS rules even though placed in service in 1987, must be reported on the MACRS/ACRS Worksheet using the Manual Method, because the built-in date checking blocks the use of the automatic methods for this special case.

Details for depreciation worksheets that support Parts II, III, and IV. Line-by-line details for the worksheets that support lines 14 through 22 are provided in the next few pages. These include the Section 168 Worksheet for line 15, the MACRS/ACRS Worksheets for lines 16, 17, 19, and 20, and the Depreciation Worksheet for line 16, detailed here in that order.

Indian reservation property no longer qualifies for a special accelerated depreciation. Prior to 2022, qualified Indian reservation property could be depreciated at a faster rate than the class of property implied. This was accomplished by using shorter recovery periods. For example, 3-, 5-, 7-, 10-, 15-, and 20-year property were depreciated over recovery periods of 2, 3, 4, 6, 9, and 12 years. However, that special benefit for Indian reservation property expired at the end of 2021.

Sec. 168(f)(1) Election Worksheet, Figure 2-40. This worksheet applies only to line 15 of Form 4562. For this worksheet you must determine the percentage for the deduction yourself based on the method you use.

- a. **Description.**
Enter the description in 15 characters or less.
- b. **Date placed in service.**
Enter the date first placed in service in the standard mm/dd/yy format.

```

SEC 168(f)(1) WORKSHEET
a. Description.....
b. Date in service.....
   Date acquired.....
   Qlfd.reuse/recycling property? No
   Qlfd.long prod'n or aircraft.? No
   Other qlfd.for special allow.? No
   Cost (business/invest) AFTER
   reducing by sec 179,ITC,spec
   creds & PRIOR spec allowance      0
   Eligible for spec'l allowance? No
   Elect out of spec'l allowance? No
   Special allowance for line 14      0
c. Deprec'n basis..... 0
f. Method used
   Percentage this year..... 0
g. Deduction this yr. .... 0
    
```

Figure 2-40. Sec. 168(f)(1) Worksheet

Date acquired. This entry is used mainly for determining the amount of bonus depreciation (aka “special allowance”), if any, to which you are qualified based on the type of property you identify below.

Qualified reuse and recycling property? This question includes property that is used exclusively for handling reuse and recycling materials. It must be equipment or machinery (and accessories), and *not* buildings or real estate, acquired after August 31, 2008 and first placed in service in the tax year of the return; these requirements are enforced by the software. This property is eligible for a 50% special allowance, and carries *no expiration date*.

Qualified long production period property or certain aircraft? To qualify, long production period property must either have a recovery period of at least 10 years or be commercial transportation property, must have an estimated production period of more than one year, and must have an estimated production cost of more than \$1 million. Qualifying aircraft must be noncommercial aircraft, must have an estimated production period of more than four months, and must have a cost of more than \$200,000. If acquired *after* September 27, 2017 and placed in service in 2023, a 100% special allowance still applies. If acquired *before* September 28, 2017, a special allowance is no longer allowed.

Other qualified for special allowance? This category covers other property eligible for a special allowance, which includes most tangible property with a recovery period of 20 years or less, most computer software, and other specialized property. If acquired after September 27, 2017 and placed in service in 2023, an 80% special allowance applies for 2023. If acquired before September 28, 2017 a

special allowance is no longer allowed. See the IRS *2023 Instructions for Form 4562* for additional requirements.

Cost (business/investment part) AFTER reducing it by any sec. 179, ITC, special credits, and PRIOR special allowance claimed for the property. Note that the reduction for credits is not always the full amount of the credit, as in the case for the investment tax credit (ITC). However, deductions for sec. 179 and prior special allowance are used at full value. If this is the first year the property was placed in service, the cost after reduction for sec. 179 deduction will be shown at the bottom of any Sec. 179 Worksheet completed for the property in Part I, line 6.

Eligible for special allowance? *(auto-calc)* Answered Yes if one of the questions for qualified property is answered Yes, above, and eligible dates are entered for both date placed in service and date acquired.

Elected out of special allowance? Answer Yes only if you elect out of the special allowance for all property in this class. **CAUTION:** *Your answers on the Election Screen do not control this entry but should be consistent with it.*

Special allowance for line 14. *(auto-calc)* For 2023, computed as 0%, 50%, 80%, or 100% of the adjusted cost entered above depending on the preceding answers and dates.

c. Basis for depreciation. *(auto-calc)* Computed as the adjusted cost entered above less the preceding special allowance for line 14. This is the basis to be used for this and all future years.

f. Method used. Describe method in 25 characters or less.

Percentage this year. Enter percent of line c to be deducted as depreciation for this year.

g. Deduction this year. *(auto-calc)* Computed as line c times the above percentage.

MACRS/ACRS Worksheets, Figure 2-41. Lines 16, 17, 19a through 19i, 20a through 20c, and 22 are each supported by separate MACRS/ACRS Worksheets of the type detailed here.

a. Classification and description. Enter the classification and a brief description in this 15-character space. As required by the IRS, *the first two characters*

MACRS/ACRS WORKSHEET	
a. Classification and description	
b. Date placed in service (mm/dd/yy)	
Date acquired	
Qlfd. reuse/recycling property?	No
Qlfd. long prod'n or aircraft.?	No
Other qlfd. for special allow.?	No
Cost less 179, ITC, prior allow	0
Eligible for spec'l allowance	No
Elected OUT for THIS class...	No
Special allowance for line 14	0
c. Deprec'n basis	0
d. Recov. period	0
Farm or elect 150% DB.?	No
MUST use mid-qtr convn?	No
e. Convention used	
f. Method (DB, S/L, etc)	
Month sold (if this yr)	0
Percentage this year	0
g. Deprec'n deduction	0

Figure 2-41. MACRS/ACRS Worksheet

you enter MUST reflect the classification: by number, such as 3-, 5-, 7-, 10, 15, and 20, or by letter, such as LI, PU, RR, or NR, as detailed here. For post-1986 real property you should use 27.5 for residential rental, and 31.5 or 39 for nonresidential real. For most pre-1987 real property, use 15 if placed in service before March 16, 1984, 18 if placed in service after March 15, 1984 but before May 9, 1985, and 19 if placed in service after May 8, 1985 but before January 1, 1987, but use LI for low-income housing and PU for public utilities. If placed in service after 1987, use RR for residential rental, use NR for nonresidential real, and CL for class life type property (for which you enter the class life as the recovery period entry). Even though the software ensures the proper calculation for line 16 in spite of your entry here, you MUST follow these rules so that the translated return for NEXT year has all the information required after the worksheet gets shifted by translation to line 17.

b. Date placed in service (month, day, and year). This entry is very important because many of the built-in schedules change on very specific dates. In spite of the IRS label for this line as requiring only the month and year, you should enter the date using the mm/dd/yy format so that the changes in IRS rules over the years are all properly handled. There are several instances over the last two decades where allowed depreciation methods, conventions, and limitations have changed in the middle of a month, so your entry for day (in addition to month and year) is often important. Note that the software will reformat your entry in the mm/dd/yy format if you enter a date using more than 8 characters (such as mm/dd/yyyy) in order to ensure that the dates print within the narrow space provided on the IRS form. *(CAUTION: A date that is inconsistent with the line from*

which you itemized to access the worksheet results in a zero deduction. For example, if you accessed the worksheet at line 19 or 20, the date must be in the same tax year as entered on the Control Form, displayed above. If you accessed the worksheet at line 16 or 17, the date must precede the tax year entered on the Control Form. Illegal dates are often indicated by the word INVALID at the method line).

Date acquired. This entry is used only for checking qualification for to claim the special “bonus” depreciation allowance for the following three special types of property.

Qualified reuse and recycling property? This question includes property that is used exclusively for handling reuse and recycling materials. It must be equipment or machinery (and accessories), and *not* buildings or real estate, acquired after August 31, 2008 and first placed in service in the tax year of the return; these requirements are enforced by the software. This property is eligible for a 50% special allowance, and carries *no expiration date*.

Qualified long production period property or certain aircraft? To qualify, long production period property must either have a recovery period of at least 10 years or be commercial transportation property, must have an estimated production period of more than one year, and must have an estimated production cost of more than \$1 million. Qualifying aircraft must be noncommercial aircraft, must have an estimated production period of more than four months, and must have a cost of more than \$200,000. If acquired after September 27, 2017 and placed in service in 2023, a 100% special allowance applies. If acquired *before* September 28, 2017, a special allowance is no longer allowed.

Other qualified for special allowance? This category covers other property eligible for a special allowance, which includes most tangible property with a recovery period of 20 years or less, most computer software, and other specialized property. If acquired after September 27 and placed in service in 2023, an 80% special allowance applies. If acquired before September 28, 2017 a special allowance is no longer allowed. See the IRS *2023 Instructions for Form 4562* for additional requirements.

Cost (business/investment part) AFTER reducing it by any sec. 179, ITC, special credits, and PRIOR special allowance claimed for the property. Note that the reduction for credits is not always the full amount of the credit, as in the case for the investment tax credit (ITC). (The required reduction for ITC is half of any pre-1986 credit unless you chose to take the reduced credit at that time.) However, deductions for sec. 179 and prior special allowance are used at full value. If this is the first year the property was placed in service, the cost after reduction for sec. 179 deduction will be shown at the

bottom of any Sec. 179 Worksheet completed for the property in Part I, line 6.

Eligible for special allowance? *(auto-calc)* Answered Yes if one of the questions for qualified property is answered Yes, above, and eligible dates are entered for both date placed in service and date acquired.

Elected OUT for THIS class? *(auto-calc)* The answer will be Yes only if you identified this class for election out of the special allowance on the *Election Screen*, as described earlier.

Special allowance for line 14. *(auto-calc)* For 2023, computed as 0%, 50%, 80%, or 100% of the adjusted cost entered above depending on the preceding answers and dates.

c. Depreciation basis. *(auto-calc)* Computed as the adjusted cost entered above less the preceding special allowance for line 14. This is the basis to be used for this and all future years.

d. Recovery period. Enter the period if it is not the same as the classification you entered on line a. The software restricts this entry to legal periods. For regular MACRS and ACRS methods the class and recovery period are the same. For straight-line methods see Table 2-14 for the allowed periods.

Farm or elect 150% DB method? Since 1990, property used in a farming business cannot be depreciated at the 200% declining balance rate that is normally available for 3-year, 5-year, 7-year, and 10-year property. If the declining balance method is chosen, property used in a farming business MUST be depreciated at a 150% rate instead. In addition, nonfarm property can be depreciated at 150% by election (in order to avoid the complications of the alternate minimum tax). In either case, answer Yes here to force 150% DB for classes where 200% DB would be used otherwise.

MUST use mid-quarter convention? *(For post-1986 property only.)* If more than 40% of your new property for a class was placed in service in the last quarter of a tax year, you normally must answer Yes for all property of the same class for that tax year. A Yes answer causes the software to use the mid-quarter convention rather than the half-year convention when figuring MACRS depreciation. (Under the normal rule you must answer this question the same way for all property of the same class placed in service in the same year.)

e. Convention used. *(auto-calc line when you enter DB, MA, PRE, AC, or SL as the method.)* This line shows the convention used in the calculations, using IRS-defined abbreviations: HY (for half-year), MQ (for mid-quarter), FM (for full month), and MM (for mid-month).

f. Method (DB, S/L, etc.). Three basic methods are built-in: MACRS (DB or MA), the regular prescribed ACRS (PRE or AC), and the straight-line election (SL or S/L). The software recognizes these methods from the first two characters of your entry: DB, MA, PRE, or AC for MACRS or ACRS (depending on the date), and SL or S/L for straight-line election, ADS, or optional straight-line depending on the

recovery period and date. Any other entry, including any entry with a leading space, permits you to manually enter ANY percentage for "Percentage this year," below. CAUTION: When you elect SL for new property in a particular class you must use that same method for ALL new property in that same class.

Month sold (if this year). If sold or retired during the tax year, enter the month sold or retired from 1 to 12. The deduction is determined automatically based on the law. REMINDER: A zero deduction will result for pre-1987 property other than real property under the ACRS rules that no deduction is allowed in the year of sale.

Percentage this year. (auto-calc line when you enter DB, MA, PRE, AC, or SL as the method.) If you don't enter a bona fide method, the Manual Method is assumed and you can enter the percentage here yourself. Otherwise the IRS percentage is displayed here to two decimal places, even though it is retained to three decimal places in the calculations when so required by the IRS. CAUTION: Do not use the Manual Method unless you have an unusual exception, such as transition property, because the software has numerous lesser-known subtleties of the law built in, handling all the changes of the past decade.

g. Depreciation deduction. (auto-calc) Computed as the basis on line c times the above percentage. Note that the special 30% depreciation allowance is *NOT* included in this total. The special allowance is separately handled, and the total from all worksheets is included in line 14 of Form 4562 instead.

We cannot overly stress the fact that the regulations are complex and constantly changing. We have built into the software much more tax law information than can be detailed here. We therefore suggest you consult the latest version of IRS Pub. 946 if you have questions.

Table 2-14. Straight-Line Recovery Periods

CLASS	LINE 19	LINE 20	LINE 17	LINE 16
3-year	3	2.5 or more	3 or more	3, 5, or 12
5-year	5	5 or more	5 or more	5, 12, or 25
7-year	7	7 or more	7 or more	n.a.
10-year	10	10 or more	10 or more	10, 25, or 35
12-year	n.a.	12	12 or more	n.a.
15-year	15	15 or more	15 or more	15, 35, or 45
PU, LI	n.a.	n.a.	n.a.	15, 35, or 45
20-year	20	20 or more	20 or more	n.a.
25-year	25	25 or more	25 or more	n.a.
RR, NR	27.5, 31.5*	40		27.5, 31.5*, 40
15, 18, 19, 35, 45				
50-year **	50	n.a.	50 or more	n.a.

NOTES: For lines 19a through 19i, and 20a through 20c, classes are restricted to the class label for the line.
 * Nonresidential real property uses 39 rather than 31.5 if placed in service after May 12, 1993
 ** 50-year property that is reported above line 22

Depreciation Worksheet, Figure 2-42. This worksheet applies only to line 16 of Form 4562. You normally use this worksheet to claim depreciation on all older (pre-1981) property, but *for automobiles and other listed property you must use the Listed Property Worksheet accessed in Part V of Form 4562, not this worksheet.* Rules are built-in for all the methods popularly used before 1981, including all declining balance methods, sum-of-the-years'-digits, and straight line.

DEPRECIATION WORKSHEET	
a. Description	
b. Date acquired(mm/dd/yy)	
Qlfd.reuse/recycling property? No	
Qlfd.long prod'n or aircraft.? No	
Other qlfd.for special allow.? No	
Deprec'n starting date..	
Cost (less adj & prior allow)	0
Elect out of spec'l allowance? No	
Special allowance for line 14#	0
c. Deprec'n basis.....	0
d. Deprn in past yrs allowable	0
e. Method of depr'n(SL/DB/SY)	
f. Life of property (yrs.)	0
If SL, rmng bal method? No	
If DB, DB percentage..	0
If DB,auto-sw'tch to SL? No	
If manual,enter amount	0
If sold, % of full yr.	0
% of full year calc'd.	0
g. Deprec'n this yr.	0

Figure 2-42. Depreciation Worksheet

a. Description.

Describe the property in 25 characters or less.

b. Date acquired. Enter date in the standard mm/dd/yy format.

Qualified reuse and recycling property? This question includes property that is used exclusively for handling reuse and recycling materials. It must be equipment or machinery (and accessories), and *not* buildings or real estate, acquired after August 31, 2008 and first placed in service in the tax year of the return; these requirements are enforced by the software. This property is eligible for a 50% special allowance, and carries *no expiration date*.

Qualified long production period property or certain aircraft? To qualify, long production period property must either have a recovery period of at least 10 years or be commercial transportation property, must have an estimated production period of more than one year, and must have an estimated production cost of more than \$1 million. Qualifying aircraft must be noncommercial aircraft, must have an estimated production period of more than four months, and must have a cost of more than \$200,000. If acquired after September 27, 2017 and placed in service in 2023, a 100% special allowance applies. If acquired *before* September 28, 2017, a special allowance is no longer allowed.

Other qualified for special allowance? This category covers other property eligible for a special allowance, which includes most tangible property with a recovery period of 20 years or less, most computer software, and other specialized property. If acquired after September 27, 2017 and placed in service in 2023, an 80% special allowance applies. If acquired before September 28, 2017 a special

allowance is no longer allowed. See the IRS *2023 Instructions for Form 4562* for additional requirements.

Depreciation starting date. Enter the proper starting date for the depreciation convention you use in the standard mm/dd/yy format. This entry is analogous to date placed in service for ACRS worksheets. Remaining life is computed from this entry so that you can implement any convention, including mid-month and mid-quarter conventions. *CAUTION:* Only dates before 1981 are normally valid here, by IRS rules, but there are exceptions for property that cannot be depreciated under the ACRS or MACRS method.

Cost (business/investment part) AFTER reducing it by any sec. 179, ITC, special credits, and PRIOR special allowance claimed for the property. Enter the cost or other allowable basis after reduction for certain credits or past special allowance. You may have to reduce the entry by the salvage value for some types of property.

Elected out of special allowance? Answer Yes only if you elect out of the special allowance for all property in this class. *CAUTION:* *Your answers on the Election Screen do not control this entry but should be consistent with it.*

Special allowance for line 14. (auto-calc) For 2023, computed as 0%, 50%, 80%, or 100% of the adjusted cost entered above depending on the preceding answers and dates.

c. **Cost or other basis. (auto-calc)** Computed as the adjusted cost entered above less the preceding special allowance for line 14. This is the basis to be used for this and all future years.

d. **Depreciation in past years allowable.** Enter here the depreciation allowable in past years, *whether taken or not*. If you did not take enough deduction in a prior year you will have to file an amended return for that year to recover the amount; you cannot claim the extra amount here.

e. **Method of depreciation (SL/DB/SY).** The software chooses the method based on the first two letters in this entry: SL or S/L for the straight-line method, DB for declining balance method, and SY for sum-of-the-years' digits method. Any other entry allows you to enter the deduction yourself on the line labeled "If manual, enter amount to use," below.

f. **Life of property (in years).** Enter the TOTAL depreciable life of the property in years, from the date acquired to the end of its life.

If SL, use remaining balance method? The remaining balance method must be used for SL if the property was not previously depreciated by the straight-line method, such as after a switchover from the declining balance method. With this method the deduction for the year is the remaining balance divided by the remaining life, rather than line c divided by line f.

If DB, enter DB percentage. Enter the declining balance percentage to be used, such as 125, 150, or 200.

If DB, auto-switch to SL? If you answer Yes, the DB method is automatically changed to the SL remaining balance method when the latter results in a more favorable deduction, as allowed by the IRS. If the property has a salvage value, however, you may have to reduce the basis when you use this method.

If manual, enter amount to use. The Manual Method uses this entry as the deduction to appear at line g.

If sold, % of full year. Make an entry here ONLY if the property was sold during the tax year. Enter the percent (from 0 to 100) of a full year's depreciation to be used this year. *Make sure that this entry reflects the convention you used when you started depreciating this item.* For example, if you sold the property on March 1st you would use 16.67% by the actual date, but 12.5% by the mid-quarter convention and 20.83% by the mid-month convention.

% of full year calculated. *(auto-calc)* A number less than 100% may appear here if the tax year is the first year of depreciation or the year of sale. (Note that the percentages used in the calculations are more precise than the numbers that can be shown on the screen.)

g. Depreciation this year. *(auto-calc)* Computed according to the method selected.

Special Allowance Elections. As detailed previously, a special first-year depreciation allowance has been provided for most tangible property since 2001 at various percentages over the years. For property placed in service in 2023, the available rates are 50%, 80% or 100% of the basis depending on the type of property, date acquired, and date placed in service. For 2024, a 60% rate is added and the 100% rate disappears. Moreover, the allowance has been mandatory for eligible property unless you made certain allowed elections. In the earliest versions of this allowance, the IRS provided some flexibility in your elections in that you could elect a lower allowance percentage rather than electing completely out of the special allowance. However, the current form of the law provides only two options: the full allowance or no allowance. Under current law, the allowance is always either 50%, 80% or 100% if placed in service in 2023, depending on the property type and dates involved, unless you elect out of it for all property in the same class. In order to enforce the IRS requirement that all property of the same class must use the same election, we provide an Election Screen (on screen 3 of Form 4562). When you identify, through your answers to the questions on the Election Screen, the classes for which you want to make an election, two things will happen in the software:

- Your elections out for each class will control the allowances claimed on worksheets for lines 19a through 20c for the identified classes, forcing the allowance to be 0% or its allowed percentage (50% or 100% depending on the type of property and dates) depending on your answers and the specific lines you itemize. Your election for 50% when 100% is allowed will control calculations for the same worksheets plus, in addi-

tion, the Section 168(f)(1) Worksheet for line 15 and the Depreciation Worksheet for line 16.

- The official printout of Form 4562 will cross-reference a supporting statement (even though you didn't create one), and that automatically-generated supporting statement will identify the classes for which you made an election.

It is therefore important that you answer the questions on our special Election Screen in order to fully automate the election process. ***CAUTION: You must make the SAME elections on ALL Forms 4562 you prepare.***

CAUTION: Elected property requires a depreciation adjustment on Form 6251. Another incentive for *NOT* electing out of the special allowance is the impact on alternative minimum tax (AMT). The special allowance is allowed to reduce alternative minimum income, whereas the accelerated portion of accelerated depreciation is not. (For the latter, you must make a depreciation adjustment on Form 6251 that is the excess of accelerated depreciation over straight-line depreciation.) As a result, *if you are subject to the AMT you may want to think twice about electing out* of the special allowance when qualified for it.

Election OUT of special allowances. The special first-year depreciation allowance is automatically claimed for new *eligible* property placed in service in 2023 unless you specifically elect out of it, as follows:

ELECT OUT for 3-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19a.

ELECT OUT for 5-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19b.

ELECT OUT for 7-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19c.

ELECT OUT for 10-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19d.

ELECT OUT for 15-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19e.

ELECT OUT for 20-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19f.

ELECT OUT for 25-year class? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 19g.

ELECT OUT for Class Life ADS? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 20a.

ELECT OUT for 12-year ADS? A Yes answer will prevent the special allowance from being computed for qualifying property on worksheets that support line 20b.

Note that there are no election questions for certain classes of property: residential rental property (line 19h), nonresidential real property (line 19i), 40-year property (line 20c), and 50-year property (above line 22). Therefore, the software will not compute a special allowance for these classes of property even though you make no election for them.

PART III, MACRS DEPRECIATION. Depreciation deductions for most property placed in service since 1987 are claimed here, but NOT deductions for listed property. (Listed property is reported in Part V, and includes cars, computers, and other property that could be partially used for entertainment, recreation, or amusement.) Line 17 is used for property placed in service *before* the current tax year, and lines 19 and 20 are used for property placed in service *during* the current tax year. The IRS always requires the supporting details for newly acquired property, so the details for lines 19 and 20 must always be printed, but you can omit the printing of details for line 17 (by using the Detach Support key described in Chapter 7 of the separate *User's Guide*).

Special rules for property acquired in a like-kind exchange or involuntary conversion. Special rules must be followed for all property acquired after February 27, 2004 by like-kind exchange or involuntary conversion, unless you elected out of these rules in writing. Under these rules you must depreciate the carryover basis of the property over the remaining recovery period of the property. Under the prior rules you could use any reasonable consistent method of figuring depreciation. See IRS Instructions for Form 4562 for details.

Section A. The IRS has no title for this section because it now contains two totally unrelated items! The first line is used for reporting MACRS depreciation for property placed in service *before* the tax year of the return, and was formerly grouped with other old property (lines 19 and 20). The second line is used to make the General Asset Account Election.

17 MACRS deductions for assets placed in service before 2023. (*Supported by the MACRS/ACRS Worksheet, Figure 2-41.*) The worksheets that support this line are the same type as those that support lines 19 and 20. However, the date placed in service must be **BEFORE** the tax year of the return (but not before 1987, since MACRS was introduced in 1987). When you complete worksheets for this line, you **MUST** enter the class on line a, using the abbreviations given in the instructions for the worksheet, detailed previously, in order to effect the proper automatic calculations. ***For the worksheets that support this line the date placed in service must precede the current tax year (as entered on the Control Form) but be no earlier than 1987 or else no deduction will result.***

18 Electing to group any assets placed in service during the tax year into one or more general asset accounts? If so, you must answer

Yes here, and an X will appear in the box provided on the official Form 4562. Making this election allows you to depreciate the group as one asset, thereby simplifying the claim for depreciation. CAUTION: *There are a number of restrictions on using this option, as detailed in IRS section 168(i)(4), including the requirement that all assets in a group be placed in service in the same tax year and be depreciated using the same method, recovery period, and convention.. Furthermore, when an asset in the group is sold, the net income is generally recognized as ordinary income, so the tax benefits of long-term capital gains are not available.*

Section B – Assets Placed in Service During 2023 Using the General Depreciation System. *(Supported by the MACRS/ACRS Worksheet, Figure 2-41.)*

This line is separated by class into nine separate lines, each of which is supported by an independent set of MACRS/ACRS Worksheets, detailed later. Each set provides automatic calculations for the class identified by the line. Deductions for both regular MACRS and the straight-line election under the General Depreciation System (GDS) are provided. The regular MACRS deduction is based on the traditional declining balance (DB) method with automatic switchover to straight-line when the latter results in a bigger deduction, using a half-year convention. For this line, the recovery period is always the same as the class label, even for the straight-line election. (This GDS straight-line election is covered by IRS sec. 168(b)(5), and differs from the ADS method described for line 20 in which the recovery period is generally NOT the same as the class label. If you elect the straight-line method, you must use that method for ALL worksheets that support the same line.) For worksheets that support these lines the date placed in service must be within the tax year entered on the Control Form; otherwise no deduction will result. Furthermore, the class is forced to correspond to the label for the line being supported.

Special rules for property acquired in a like-kind exchange or involuntary conversion. Special rules must be followed for all property acquired after February 27, 2004 by like-kind exchange or involuntary conversion, unless you elected out of these rules in writing. Under these rules you must depreciate the carryover basis of the property over the remaining recovery period of the property. Under the prior rules you could use any reasonable consistent method of figuring depreciation. See IRS Instructions for Form 4562 for details.

19a 3-year property. *Thanks to the year-end budget bill enacted December 20, 2019, this class still includes race horses more than 2 years old (and all race horses placed in service after December 31, 2008), other horses more than 12 years old, and qualified rent-to-own property under sec. 168(i)(14). (ADR class life of 4 years or less. DB method based on 200% DB over 3 years.)*

19b 5-year property. *Includes horses not eligible for the 3-year class, qualified technological equipment (such as computers), certain office equipment (typewriters, calculators, copiers, and duplicating*

equipment), research and experimentation property, and semi-conductor manufacturing equipment. It also includes carpeting, furniture, appliances, and other property that is associated with rental real estate. *CAUTION: All cars and most personal computers fall into this class life, but are generally depreciated in Part V, not here, as listed property.* (ADR class life more than 4 but less than 10 years. DB method based on 200% DB over 5 years.)

19c 7-year property. Includes office furniture and fixtures, office equipment not classified as 5-year property, railroad track, and other property with no assigned ADR class life. *Thanks to the year-end budget bill enacted December 20, 2019, this class still includes a motorsports entertainment complex.* (ADR class life 10 or more but less the 16 years. DB method based on 200% DB over 7 years.) *TIP: Use this line for property that has no IRS-designated class life.*

19d 10-year property. Includes water transportation equipment, single-purpose agricultural/horticultural structures, trees and vines bearing fruit or nuts. (ADR class life 16 or more but less the 20 years. DB method based on 200% DB over 10 years.)

19e 15-year property. Includes municipal wastewater treatment plants, and telephone distribution plants. *The class now also includes qualified leasehold improvement property, qualified restaurant property, and initial land clearing and grading for gas utility property.* (ADR class life 20 or more but less the 25 years. DB method based on 150% DB over 15 years.)

19f 20-year property. Includes multi-purpose farm buildings and municipal sewers that are not 25-year property. *The class also includes initial land clearing and grading for electric utility transmission and distribution plants.* (ADR class life 25 or more years, except for most real property. DB method based on 150% DB over 20 years.)

19g 25-year property. For water utility property, this class was created for qualifying property placed in service after June 12, 1996. (Based on straight-line depreciation over 25 years.)

19h Residential rental property (27.5-year, mid-month, S/L only). Includes buildings in which at least 80% of the rent is from dwelling units, but excludes most hotels and motels. Also includes escalators and elevators. (Based on straight-line depreciation over 27.5 years using a mid-month convention.)

19i Nonresidential real property (mid-month, S/L only). Real property, other than residential rental property, with ADR class life of at least 27.5 years. (Based on straight-line depreciation using a mid-month convention over a 39-year period.)

Special allowance in section B for line 14. (auto-calc) Computed as the sum of all the current-year special allowance amounts figured on the worksheets for line 19a through 19g. (Property reported at line 19h or 19i is not eligible for the special allowance.) This result is includ-

ed in the total at line 14 for all special allowance claims in Parts II and III of Form 4562.

Worksheet ERROR – View worksheets if Yes. (*auto-calc*) An error will be indicated here if there is a special allowance in the preceding total for a class of property for which you elected out of the special allowance (on the previously-described Election Screen). This error can arise only if you changed an answer on the Election Screen after you prepared the worksheets for that class. To correct the error, merely view all worksheets for elected classes and the worksheets will be automatically recomputed using your new election answers.

50-year property. Although the IRS Form 4562 still does not provide a separate line for it, there is a special class for improvements related to railroad tracks. Contrary to all other new property, the IRS instructs you to note any deduction for this property at line 22, not here, so we provide a line for this property above line 22 rather than as a part of line 19.

Section C -- Assets Placed in Service During 2023 Tax Year Using the Alternative Depreciation System. (*Supported by the MACRS/ACRS Worksheet, Figure 2-41.*) A separate kind of straight-line depreciation has been coined by the IRS as the Alternative Depreciation System (ADS), covered by IRS sec. 168(g). For this type of depreciation, you must use an IRS-prescribed period, typically the class life of the property, rather than the life in the class label, as the recovery period. ***CAUTION: You are REQUIRED to use this method rather than MACRS for some property:*** any tangible property used mostly outside the U. S., any tax-exempt use property, any tax-exempt bond financed property, and any imported property covered by an Executive Order of the President of the United States. This line is separated by type into three separate lines, each of which is supported by an independent set of MACRS/ACRS Worksheets, detailed later. Each set provides automatic calculations for the type identified by the line. ***For worksheets that support these lines the date placed in service must be within the tax year entered on the Control Form; otherwise no deduction will result. Furthermore, except for line 20a the class is forced to correspond to the label for the line being supported.***

20a Class life type (S/L only). Use this line for property that has an IRS-defined class life, except for real property. When you use the worksheet accessed here you must enter as the recovery period the actual class life, such as 16 through 20 for 10-year property.

20b 12-year (12-year, S/L only). Use this line ***for property that has no class life.*** Such property is assumed to be "7-year property" with a class life, and hence recovery period, of 12 years.

20c 40-year (40-year, mid-month, S/L only). Use this line only ***for residential rental and nonresidential real property*** that would be deducted on line 19h or 19i if the alternate system were not used. A 40-year recovery period is assumed in this case, using the mid-month convention when determining the straight-line deduction.

Special allowance in section C for line 14. (*auto-calc*) Computed as the sum of all the current-year special allowance amounts figured on the

worksheets for line 20a and 20b. (Property reported at line 20c is not eligible for the special allowance.) This result is included in the total at line 14 for all special allowance claims in Parts II and III of Form 4562.

Worksheet ERROR – View worksheets if Yes. (*auto-calc*) An error will be indicated here if there is a special allowance in the preceding total for a class of property for which you elected out of the special allowance (on the previously-described Election Screen). This error can arise only if you changed an answer on the Election Screen *after* you prepared the worksheets for that class. To correct the error, merely view all worksheets for elected classes and the worksheets will be automatically recomputed using your new election answers.

Note that you must use the same method for all property in the same class placed in service during the same tax year.

PART IV, SUMMARY. All depreciation deductions are summed here:

21 Listed property - amount from line 28. (*auto-calc*) Taken as the total section 179 expense deduction in Part V, so it is not complete until you complete Part V. **CAUTION: Depreciation for automobiles and other listed property must ALWAYS be detailed in Part V.**

50-year property (railroad track). (*Supported by the MACRS/ACRS Worksheet, Figure 2-41.*) Although the IRS Form 4562 does not provide a line for it, there is a class for improvements related to a roadbed or right-of-way for railroad track that qualifies as a railroad grading or tunnel bore under IRS section 168(e)(4). This class has existed since 1992, yet the IRS does not provide separate lines for it. Since the IRS instructions call for its deduction at line 22, however, worksheet access is provided here for property placed in service in 1992 or later. The worksheet you access at this line is fully automated, just like all other classes of property. Note that this class of property is not eligible for a special depreciation allowance.

22 Total. Add lines 12, 14 through 17, 19 and 20 in column (g), and line 21. (*auto-calc*) Computed as indicated *plus* the above amount for 50-year property, this is the total posted to the supported form for which you accessed this copy of Form 4562. (Note that this total excludes line 12 for partnership Form 1065 returns because partnerships must pass section 179 deductions on to its partners.)

23 For assets shown above and placed in service in current year, portion of basis attributable to Section 263A costs. This line is for IRS auditing only and does not affect any calculations. If you are subject to the uniform capitalization rules of section 263A, you must enter, for all property placed in service in the current tax year, the increase in basis from costs that are required to be capitalized.

Details for worksheets that support Parts II, III, and IV. Line-by-line details for the worksheets that support lines 14 through 22 are provided in the pages that follow our details for Part II.

PART V, LISTED PROPERTY. (*Automobiles, certain other vehicles, and property used for entertainment, recreation, or amusement.*) This section is used to report depreciation for all "listed property" and to substantiate business use of a vehicle. Listed property includes cars, computers, and other property that could be partially used for entertainment, recreation, or amusement. *Listed property no longer includes cellular telephones or computers (and related peripherals).* Except for cars, however, property used EXCLUSIVELY in a taxpayer's trade or business at taxpayer's regular business establishment is EXEMPT from listed property status. When business use is 50% or less, the section 179 expense deduction is *NOT* available and the deduction must be determined using the straight-line method over an extended life. **CAUTION:** *The IRS also requires you to complete Part V even for vehicles for which you use the standard mileage rate or deduct lease expenses,* completing lines a through c of the Listed Property Worksheet, all of Section B, and Section C if applicable.

RULES for SUVs. The "SUV loophole" was tightened for certain sport utility vehicles (SUVs) acquired after October 22, 2004. Under the former law, you were not subject to the usual restrictions on annual deductions for vehicles if the SUV was rated at 6,000 pounds gross vehicle weight or more. As a result, because of the increase in the section 179 ceiling to \$100,000 for 2003, you could generally deduct the entire cost of a heavy SUV in the first year if used mostly for business! The *American Jobs Creation Act of 2004* took a first step at closing the loophole. For heavy SUVs placed in service after October 22, 2004 but rated at no more than 14,000 pounds gross weight, the *maximum section 179 deduction is now \$25,000.* (You should identify these vehicles as Auto Type 4 on our Listed Property Worksheet so that the proper limitations are applied.)

Section A, Depreciation and Other Information. The section 179 expense deduction, bonus depreciation, and regular depreciation deduction are all claimed here for Listed Property. Note that *two separate sets of Listed Property Worksheets* support this section. The set accessed at lines 25 and 26 supports only property with more than 50% business use, and the set accessed at line 27 supports only property with 50% or less business use:

24a Do you have evidence to support the business/investment use claimed? You must answer for all listed property taken as a whole.

24b If "Yes", is the evidence written? Again, answer for all property taken as a whole.

25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. (*Supported by Listed Property Worksheet, Figure 2-43.*) This line is used to claim the special 50% or 100% depreciation allowance for certain property. The worksheets you access here serve three purposes: to support the special allowance here, to support the regular depreciation deductions at column (h) of line 26, and to support the section 179 deductions at column (i) of line 26. The computation of

these three deductions on the same worksheet is important because (1) they all relate to listed property used more than 50% for business, (2) the computation of the special allowance depends on the sec. 179 deduction claimed for the same property, and (3) the computation of the regular depreciation depends on both the sec. 179 deduction and special allowance claimed for the same property. **CAUTION:** *This line is linked to lines 26 and 27, so you must complete the supporting worksheets, which controls all three lines. The proper deduction will then appear here when you return from the worksheets.* (Note that the worksheets that support this and the next two lines are intended *ONLY* for property used in the business more than 50% of the time. The software therefore computes zero depreciation on any worksheets attached to these lines that do not have an entry for business use percentage that exceeds 50%.)

- 26 Property used over 50% in a qualified business use (h) depreciation.** *(Supported by Listed Property Worksheet, Figure 2-43.)* The depreciation deduction is posted here from the same set of worksheets as support the preceding line. This amount is also reflected in the total at line 28(h), below, and line 21 in Part IV.
- 26 Property used over 50% in a qualified business use (i) Section 179.** *(Supported by Listed Property Worksheet, Figure 2-43.)* The current-year expense deduction is posted here from the same set of worksheets as support the preceding two lines. This amount is also used for line 29(i), below, and line 7 in Part I.
- 27 Property used 50% or less in a qualified business use (h) depreciation.** *(Supported by Listed Property Worksheet, Figure 2-43.)* The worksheets that support this line are intended *ONLY* for property used in the business *no more than 50%* of the time. The software therefore computes zero depreciation for any worksheets attached to this line that do not have an entry for business use percentage of 50% or less. The depreciation deduction from all appropriate worksheets combined appears here. This total is also reflected in the total at line 28(h), below, and line 21 in Part IV.
- 28 Total amounts in column (h) for line 21, page 1.** *(auto-calc)* Computed as the sum of lines 25, 26(h) and 27(h), this is the total depreciation for listed property including the new bonus depreciation.
- 29 Total amounts in column (i) for line 7, page 1.** *(auto-calc)* Taken as the amount on line 26(i), and posted to line 7 of Part I, this is the total sec. 179 expense for listed property.
- Pre-1987 part of depreciation in line 29(h) (for California).** *(auto-calc, supported by Listed Property Worksheet, Figure 2-43.)* This line is provided to simplify preparation of a state return by our California Supplement.

If you claim any deductions for vehicles, also see Sections B and C, later.

Listed Property Worksheet, Figure 2-43. This worksheet supports lines 25, 26, and 27 of Form 4562, and the same worksheets are accessed no matter which line you itemize to access the worksheets. For most entries you can refer to the details for *MACRS/ACRS Worksheets (Figure 2-41)* for more information. However, additional restrictions apply to this worksheet as noted below. (Note that the IRS prefers that the worksheets appear in the order of vehicles first, then 5-year property, 10-year property, etc., so you may need to change the order of the worksheets after you add a new one. See Chapter 7 of the separate *User's Guide* for information on reordering worksheets.)

a. Type of property.

Describe property in 10 characters or less.

If a vehicle, enter 1=regular, 2=electric, 3=truck or van, 4=SUV, 5=exempt. If the property is a passenger vehicle, it is generally subject to annual limitations on depreciation deductions --

the so-called "luxury car limitations." See Table 2-15 (Limitations on Passenger Vehicles, following the details for Section C) for a complete list of the limitations, which are applied when you enter 1, 2, or 3 here.

```

LISTED PROPERTY(Scr1 1of2)
a. Type of property..... 0
   If a vehicle, enter 1=regular,
   2=elec, 3=truck, 4=SUV, 5=exempt
b. Date placed in service... 0
   Date acquired.....
   Qlfd. reuse/recycling property? No
   Qlfd. long prod'n or aircraft.? No
   Other qlfd. for special allow.? No
   Class (3,5,7,10, etc.) 0
   % of qlfd business use 0
c. % bus+investment use..... 0
d. Cost or other basis..... 0
   Sec.179exp & PRIOR spec allow 0
   Eligible for spec'l allowance? No
   Elect out of spec'l allowance? 0
   Special allowance for ln 25? 0
e. Deprec'n basis..... 0
   Deprec'n in past years 0
[Press PgDn or > > for f thru i]

LISTED PROPERTY(Scr1 2of2)
f. Recovery period (years)... 0
   Farm or elect 150% DB.? No
   MUST use mid-qtr convn? No
   Convention used.....
g. Method (DB,SL,etc.) 0
   Month sold(if this yr) 0
   Percentage this year.. 0
h. Deprec'n deduction..... 0
i. Sec179 cost elected..... 0
    
```

Figure 2-43. Listed Property Worksheet

For most vehicles, 1 is the appropriate entry. Enter 2 if the vehicle was produced by an original equipment manufacturer and designed to run primarily on electricity. The ceiling on depreciation for electric vehicles that were placed in service after August 5, 1997 but before January 1, 2007 is approximately triple that for regular cars. Enter 3 if the vehicle is a passenger truck or van (including minivans and SUVs built on a truck chassis) rated at 6,000 pounds gross vehicle weight or less. The ceiling on first-year depreciation is \$200 to \$500 higher for trucks and

vans than it is for regular cars. Enter **4** if the vehicle is an SUV (or other passenger vehicle) rated at more than 6,000 pounds gross vehicle but no more than 14,000 pounds. This class of vehicle is not subject to the limitations in Table 2-15 (*Limitations on Passenger Vehicles*), but is subject to a reduced maximum for sec. 179 deduction of \$25,000 if placed in service after October 22, 2004. Enter **5** for vehicles that are exempt from all ceilings, including ambulances, hearses, taxicabs, and certain vehicles rated at more than 6,000 pounds with large cargo areas or high passenger capacity.

b. Date placed in service. Enter full date in the mm/dd/yy format. This entry critically affects all computations.

Date acquired. This entry is used mainly for determining the amount of bonus depreciation (aka "special allowance"), if any, to which you are qualified based on the type of property you identify below.

Qualified reuse and recycling property? This question includes property that is used exclusively for handling reuse and recycling materials. It must be equipment or machinery (and accessories), and *not* buildings or real estate, acquired after August 31, 2008 and first placed in service in the tax year of the return; these requirements are enforced by the software. This property is eligible for a 50% special allowance, and carries *no expiration date*.

Qualified long production period property or certain aircraft? To qualify, long production period property must either have a recovery period of at least 10 years or be commercial transportation property, must have an estimated production period of more than one year, and must have an estimated production cost of more than \$1 million. Qualifying aircraft must be noncommercial aircraft, must have an estimated production period of more than four months, and must have a cost of more than \$200,000. If acquired after September 27, 2017 and placed in service in 2023, a 100% special allowance applies. If acquired *before* September 28, 2017, a special allowance is no longer allowed.

Other qualified for special allowance? This category covers other property eligible for a special allowance, which includes most tangible property with a recovery period of 20 years or less, most computer software, and other specialized property. If acquired after September 27, 2017 and placed in service in 2023, an 80% special allowance applies. If acquired before September 28, 2017 a special allowance is no longer allowed. See the IRS *2023 Instructions for Form 4562* for additional requirements.

Class (3, 5, 7, 10, etc.). This 2-digit entry determines the restrictions to apply and the calculations to use. (See our details for lines 19a through 20c of Form 4562 for examples of classes to use.)

Percent of qualified business use. Enter percentage, from 0 to 100, that defines the amount the item was used for business during the tax year. When the business percentage is 50% or less, straight-line depreciation

must be used, which the software ensures. *CAUTION: If you accessed this worksheet from line 25 or line 26, you will not be allowed to enter any amounts below if your entry here for business use percentage is 50% or less. Conversely, if you accessed this worksheet from line 27, you will not be allowed to enter any amounts below if your entry here for business use percentage is more than 50%.*

- c. Percentage of business plus investment use.** This entry will automatically match the above business use percentage unless you increase it to reflect investment use of the property in addition to business use. Through this entry you increase the basis for depreciation without increasing the business use for purposes of the above 50% rule.
- d. Cost or other basis.** Enter actual cost or gross basis, not adjusted basis, here. The basis for depreciation is computed at line e.

Section 179 expense deduction and PRIOR special allowance. Enter the section 179 deduction *taken in the past or to be taken this year (if placed in service in the current tax year)*, *plus* any special allowance claimed in a *prior* year for this property and the amount of reduction required for certain prior credits, such as the Investment Tax Credit (ITC) taken in the past. (The required reduction for ITC is half of any pre-1986 credit unless you chose to take the reduced credit at that time.) See our instructions for Part I of this form for detailed requirements for claiming a section 179 deduction. *Do not enter here any special allowance for the CURRENT year; the special allowance for the current year is automatically computed later.* No section 179 deduction is allowed in the current year if the business use percentage is 50% or less. This rule is imposed in determining the amount for line h when the date on line b lies in the current tax year. See limitations described in Part I of Form 4562. If acquired in the current year, your entry will appear at line i, below, subject to the limitations for cars if you identified the property as a regular vehicle, electric vehicle, truck or van, or SUV.

Eligible for special allowance? *(auto-calc)* Answered Yes if you answered Yes to one of the qualified property questions and eligible dates are entered for both date placed in service and date acquired.

Elect out of special allowance. If you answer Yes, no special allowance will be computed, even if eligible. If you answer No and are eligible, a 30%, 40%, 50%, or 100% depreciation allowance will be computed, subject to limitations if a vehicle. If you identified the property as a vehicle type 1, 2, or 3, the allowance is subject to the limitations shown in Table 2-15 (*Limitations on Passenger Vehicles*), just as it is for other forms of depreciation. Also note that the special allowance is computed at the next line *ONLY if the following two conditions are met:*

- * percent of business use is more than 50%,
- * business use start date is within the tax year of the return.

CAUTION: If you choose to elect out when eligible, you must treat all property in the same class in the same way and identify the class

in our Election Screen in Part II so that the required statement will be printed with the official return..

Special allowance for line 25. *(auto-calc)* If "Date placed in service" (line b) lies in the current tax year and the "% of qualified business use" exceeds 50%, a special allowance will appear here if eligible for special allowance, unless you elected out of it. The special allowance is figured on a reduced basis computed as line c times line d less the sec. 179 deduction taken (as entered below line d). The allowance is then the applicable percentage of that reduced basis, subject to the limitations in Table 2-15 (*Limitations on Passenger Vehicles*) when applicable. This result will be reflected in line 25 of Form 4562. (For 2023, the percentage used in this calculation may be 0%, 50%, 80%, or 100% of the reduced basis.)

- e. Basis for depreciation.** *(auto-calc)* Computed as line d times the percentage on line c, less the section 179 deduction and the preceding special allowance.

Depreciation in past years. Enter total depreciation allowable in the past, *whether taken or not*. This entry determines the amount you can deduct after the end of the recovery period for cars previously subjected to luxury car maximums.

- f. Recovery period (years).** This entry is restricted by the software to allowed values. For example, when the SL method is required because of the 50% rule, your entry may be raised to a recovery period higher than the class label may imply.

Farm or elect 150% DB method? As detailed for the MACRS/ACRS Worksheet, property used in a farming business cannot use the 200% DB method, and others may use 150% DB by election.

MUST use mid-quarter convention? *(For post-1986 property only.)* If more than 40% of your new property for a class was placed in service in the last quarter of a tax year, you normally must answer Yes for all property of the same class for that tax year.

Convention used. *(auto-calc line when you enter DB, MA, PRE, AC, or SL as the method.)* This line shows the convention used in the automatic calculations, using IRS-defined abbreviations: HY (for half-year), MQ (for mid-quarter), FM (for full month), and MM (for mid-month).

- g. Method (DB, SL, etc.).** Three basic methods are built-in: MACRS (DB or MA), the regular prescribed ACRS (PRE or AC), and the straight-line election (SL and S/L). The software recognizes these methods from the first two characters of your entry. All other entries, including any entry with a leading space, permit you to manually enter ANY percentage for "Percentage this year," below. ***REMINDER: The software changes your DB, MA, PRE, and AC entry into SL when the business use percentage is 50% or less, to conform with IRS rules.***

Month sold (if this year). If sold or retired during the tax year, enter the month sold or retired from 1 to 12. The deduction is determined automatically based on the law. (A zero deduction will result for

pre-1987 property other than real property under the ACRS rules that no deduction is allowed in the year of sale.)

Percentage this year. *(auto-calc line when you enter DB, MA, PRE, AC, or SL as the method.)* If you don't enter a bona fide method, the Manual Method is assumed and you can enter the percentage here yourself. Otherwise the IRS percentage is displayed here to two decimal places, even though it is retained to three decimal places in the calculations when so required by the IRS. **CAUTION: Do not use the Manual Method unless you have an unusual exception, such as transition property, because the software has numerous lesser-known subtleties of the law built in, handling all the changes of the past decade.**

h. Depreciation deduction. *(auto-calc)* Computed as the basis on line e times the above percentage, then *limited to the amounts in Table 2-15 (Limitations on Passenger Vehicles, following the details for Section C) multiplied by business use percentage if you entered 1, 2, or 3 as the type of automobile.*

i. Section 179 cost elected. *(auto-calc)* Taken as your entry for section 179 expense deduction taken (as previously limited for cars when applicable), when the date on line b lies within the tax year and business use percentage exceeds 50%.

When you exit the worksheets, the amounts on all lines d, h, and i are separately summed and posted to the corresponding lines on Form 4562.

Section B, Information Regarding Use of Vehicles. You **MUST** complete this section for **ANY** vehicles used by sole proprietors, partners, more than 5% owners, and related persons. You also **MUST** complete it for employer-provided vehicles if you cannot answer Yes to any of the questions in Section C, which follows this section.

Vehicle information. *(Supported by Vehicle Info Worksheet for Form 4562, Figure 2-44.)* You **MUST** enter all information on the worksheets that support this line, even if you have only one vehicle.

30 through 33. *(Supported by Vehicle Info Worksheet for Form 4562, Figure 2-44.)* The sum of entries on worksheets you complete for "Vehicle information" are shown on these on-screen lines, but the official printouts of Form 4562 show them on a vehicle-by-vehicle basis. (If you itemize any of these lines, you access the worksheets for "Vehicle information.")

34 through 36. *(Supported by Vehicle Info Worksheet for Form 4562, Figure 2-44.)* For each of these questions, if any of the worksheets you complete for "Vehicle information" have a Yes answer for the question, a Yes answer is shown on these on-screen lines, but the official printouts of Form 4562 show them on a vehicle-by-vehicle basis. (If you itemize any of these lines, you access the worksheets for "Vehicle information.")

Vehicle Info Worksheet for Form 4562, Figure 2-44. See Sec. C, below, to determine whether you need to complete lines 30 through 36 of Form 4562, for which this worksheet is always required.

Vehicle identification.	Describe each vehicle so as to uniquely associate it with the proper <i>Listed Property Worksheet</i> completed in Section A.	VEHICLE INFO WORKSHEET
		Vehicle identification....
		30 Tot bus./inv. miles durg yr 0
		31 Tot commuting miles durg yr 0
		32 Tot other personal miles... 0
		33 Tot miles driven during yr 0
		34 Available for personal use in off-duty hours.....? No
		35 Used mainly by over 5% owner or related person....? No
		36 Another vehicle available for personal use.....? No

30 Total busi- Figure 2-44. Vehicle Info Worksheet for Form 4562

ness/investment miles driven during the year. Enter the number of miles attributable to business or investment purposes.

31 Total commuting miles driven during the year. Enter the number of miles attributable to commuting to and from work.

32 Total other personal (noncommuting) miles driven. Enter all miles not included in line 30 or line 31 for the vehicle.

33 Total miles driven during the year. *(auto-calc)* Computed as the sum of lines 30 through 32.

34 Was the vehicle available for personal use during off-duty hours? Answer Yes or No.

35 Was the vehicle used mainly by a more than 5% owner or related person? Answer Yes or No.

36 Is another vehicle available for personal use? Answer Yes or No.

When you return from the worksheets, the totals for lines 30, 31, and 32, and any Yes response to Question 34, 35, or 36, are posted to the on-screen Form 4562. However, the official printouts show this lines on a vehicle-by-vehicle (worksheet-by-worksheet) basis.

Section C, Questions for Employers Who Provide Vehicles for Use by Their Employees. Your answers indicate whether you have to complete Section B:

Do you provide vehicles for your employees? If No, do not complete the rest of this section because it does not apply.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?

38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees?

39 Do you treat all use of vehicles by employees as personal use?

40 Do you provide more than 5 vehicles to your employees and retain information received from them concerning their use of the vehicles?

41 Do you meet the requirements concerning qualified automobile demonstration use?

Table 2-15. Limitations on Passenger Vehicles

<u>DATE PLACED IN SERVICE</u>			<u>TAX YEAR</u>	<u>MAXIMUM</u>
1/1/18	through	12/31/18	3rd	\$ 9,600
"	"	"	4 & more	\$ 5,760
1/1/19	through	12/31/19	3rd	\$ 9,700
"	"	"	4 & more	\$ 5,760
1/1/20	through	12/31/20	3rd	\$ 9,700
"	"	"	4 & more	\$ 5,760
1/1/21	through	12/31/21	3rd	\$ 9,800
"	"	"	4 & more	\$ 5,860
1/1/22	through	12/31/22	2nd	\$18,000
"	"	"	3rd	\$10,800
"	"	"	4 & more	\$ 6,460
1/1/23	through	12/31/23	1st	\$12,200 (*)
"	"	"	2nd	\$19,500
"	"	"	3rd	\$11,700
"	"	"	4 & more	\$ 6,960

(*) If special allowance elected for this property, raised by \$8,000 if purchased after September 27, 2017.

NOTES:

1. The above table applies to most taxpayers, but the software supports the limitations for earlier years as well, since you can continue to deduct depreciation until the entire cost (or other basis) is deducted.
2. Actual limitation is THE ABOVE AMOUNT MULTIPLIED BY THE BUSINESS USE PERCENTAGE. (After the recovery period has expired, the remaining depreciation not taken because of the above limitations can be deducted subject to these limitations each year until fully depreciated.)

PART VI, AMORTIZATION. Certain costs such as starting a business, goodwill, and other intangibles are not subject to depreciation rules and can be amortized instead. Amortization deductions are separated by date placed in service into two lines:

42 Amortization of costs that begins in 2023. *(Supported by Amortization Worksheet, Figure 2-45.)* Report amortization here ONLY for property placed in service during the current tax year. You MUST use the supporting worksheet for this line and file them with the return to satisfy IRS reporting requirements.

43 Amortization of costs that began before 2023. *(Supported by Amortization Worksheet, Figure 2-45.)* Report all other amortization here. Use of the supporting worksheets is optional here.

44 Total. *(auto-calc)* Computed as the sum of lines 42 and 43.

The result on line 44 is automatically posted to the amortization line on the form supported by this copy of Form 4562. (Note that Schedule E has no such line because none of the allowed cases apply to it.)

RULES for the amortization of certain costs. The *American Jobs Creation Act of 2004* changed the rules for a broad range of special costs paid or incurred after October 22, 2004. It eliminated the credit for forestation and reforestation costs (Form 3468), but provided for the amortization of up to \$10,000 of the cost (\$5,000 if married filing separately) over an 84-month period. It also changed the minimum amortization period for start-up costs from 60 months to 180 months. And it provided that certain creative property costs could be amortized over a 15-year period. See the instructions for line 42 in the *IRS 2023 Instructions for Form 4562* for details on these and other costs for which special amortization rules apply.

Amortization Worksheet, Figure 2-45. A separate set of worksheets supports line 42 or line 43.

Tax year on Form 1040. (*auto-calc*) Taken from your entry on Form 1040, it is used to check your date entry for line b.

a. Description of costs. Describe in 25 characters or less.

b. Date amortization begins.

Enter the acquisition, completion, or expenditure date in the standard mm/dd/yy format. If you accessed the worksheet at

AMORTIZATION WORKSHEET	
Tax year on Form 1040	2023
a. Describe costs..	
b. Date amort'n begins.....	
c. Amort'bl amount.....	0
d. Code section	
Amortn period (months)	
OR Amortn % this yr	0
Month sold(if this yr)	0
e. Amortiz'n % or period....	
f. Amortiz'n this yr.....	0

Figure 2-45. Amortization Worksheet

line 42, the date must be in the same tax year as entered on Form 1040, displayed above. If you accessed the worksheet at line 43, the date must precede the tax year entered on Form 1040. Illegal dates are indicated by the word INVALID.

c. Amortizable amount. Enter total amount to be amortized.

d. Code section. Identify the IRS code section under which you are allowed to amortize the property, according to the following list:

- Sec. 169** for pollution control facilities,
- Sec. 171** for certain bond premiums,
- Sec. 174** for research and experimental expenditures,
- Sec. 178** for cost of acquiring a lease,
- Sec. 194** for qualified forestation and reforestation costs,
- Sec. 195** for business start-up expenditures,
- Sec. 709** for organizational expenditures for a partnership,
- Sec. 59(e)** for optional write-off of certain tax preferences.

See IRS Pub. 535 (*Business Expenses*) for details.

Amortization period (months). If using a simple full-month method of amortization, enter the total number of months over which the item is to be amortized.

OR Amortization percentage this year. If using a percentage method instead, enter the percentage (up to 100%) here.

Month sold (if this year). If you entered a period, above, and sold or retired the item during the tax year, enter the month sold or retired (1 to 12). The period over which the deduction is computed is then reduced to the number of full months before the item was sold.

e. Amortization percentage or period. If you entered an amortization period or percentage above, this line reflects your entry automatically, in a standard format using 2 decimal places for percentages and whole numbers for months. Otherwise, you are free to enter any description text in 10 characters or less.

f. Amortization for this year. If you entered an amortization period or percentage above, this line reflects that entry (cost times 12 divided by the amortization period, or the cost times the percentage). Otherwise, you are free to enter any deduction that is appropriate. .

When you exit the worksheet, the total of all lines f for all amortization worksheets is posted to the line supported (line 42 or line 43).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4684 / Casualties and Thefts

Who is it for. This form is used to report gains and losses from casualties and thefts. (Gains can result when insurance proceeds exceed the cost or other basis of the property lost.) If covered by insurance, you must file a timely claim in order to be eligible to deduct any net loss. Otherwise you must reduce your deduction by the amount that the insurance would have covered. The form is now divided into three parts: Section A for personal property, Section B for business and income-producing property, and Section C (new this year) for Ponzi-type investments. *The form is accessible through the Road Map through forms and schedules where casualty and theft gains and losses are reported: line 15 of Schedule A (where personal property loss is deducted), lines 4 and 11 of Schedule D (where personal property capital gains and losses are reported), and lines 3 and 14 of Form 4797 (where business or income-producing property gains and losses are reported).*

Special procedure for more than one casualty/theft event during tax years. The IRS requires you to use separate copies of Form 4684 for each separate casualty or theft event. However, only one copy of Form 4684 is built into the software. As a result, you will have to follow a special procedure if you have more than one casualty or theft to report for the year. In addition to your *main* copy of Form 4684, which is a part of the complete tax return, you will have *secondary* Forms 4684 – one for each additional casualty/theft event after the first. On the *secondary* copies of Form 4684 you will provide details for all properties affected by *all but the first* event for the year on lines 1 through 12 for personal use property and lines 19 through 28 for business and income-producing property, leaving all other lines of Form 4684 blank. On the *main* copy of Form 4684 you will provide details for all properties affected by the *first* event only on lines 1 through 12 for personal use property and lines 19 through 28 for business and income-producing property, and will include information from all secondary copies combined on lines 13 through 18 for personal use property and 29 through 39 for business and income-producing property. To accomplish this feat, you must prepare the *main* copy of Form 4684 as a part of the complete tax return, and prepare the *secondary* copies of Form 4684 for mock returns that contain only a Form 1040 with names and SSNs completed in addition to a Form 4684 with only lines 1 through 12 and 19 through 28 completed.

Complications for personal use property. For personal use property, completing lines 13 through 18 is complicated by the fact that different types of casualty follow different rules with different benefits. As a result, you must have a knowledge of the character of each casualty event on each Form 4684 in addition to the monetary amounts. Accordingly, screen 1 of the on-screen Form 4684 collects the information required to complete lines 13 through 18 of Form 4684 by associating amounts on lines 4 and 10 of each Form 4684 with the type of casualty or theft.

SECTION A - PERSONAL USE PROPERTY. Use this section to figure casualty and theft gains and losses for property that is *NOT* used in a trade or business and is *NOT* used for income-producing purposes.

Personal losses not attributable to a federally declared disaster are not deductible. For tax years 2018 through 2025, the deductibility of personal casualty and theft losses is restricted to losses from federally declared disasters, thanks to tax reform. Nevertheless, losses from other than federally declared disasters *can still be used to offset casualty and theft gains for the year, but not below zero.* The IRS defines a “federally declared disaster” as a disaster that the President determines to warrant government assistance under the Stafford Act (technically, the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*). Within that classification is a “qualified disaster loss,” which is defined as a personal loss from a federally declared disaster that is a *major disaster* declared by the President under section 401 of the Stafford Act or a disaster stemming from other IRS-specified disasters (such as specified hurricanes and wildfires), which the IRS updates periodically. See *IRS 2023 Instructions for Form 4684* for more details. *Note that no such restriction applies to casualty and theft losses of business or income-producing property (reported in Section B of this form).*

Information from other Forms 4684. If you had more than one casualty or theft for the year, you must answer Yes to the first question below and prepare additional Forms 4684, one for each additional casualty or theft event. For all of these additional (secondary) copies, which are prepared *separate* from your return, you must answer Yes to the first two questions below. For the main copy, you must answer Yes to the first question but No to the second question, then complete the four monetary entries in this section after you have results from the secondary Forms 4684. (You will leave the monetary entries blank on the secondary Forms 4684.) The information you supply below on the main Form 4684 will be used in the computations for lines 13, 14, and 15 of the form. *See the shaded box on the preceding page for more information on handling more than one casualty/theft event for the year.*

Reporting more than 1 casualty or theft? If you answer Yes, you must have at least one SECONDARY Form 4684, one for each additional casualty/theft event after the first.

Is this a SECONDARY Form 4684? You can answer Yes *only* if you are reporting more than one casualty or theft event, as indicated by your Yes answer to the preceding question. If you answer Yes here, you will have no results for lines 13 through 18 and 29 through 39; only the main Form 4684 will have results for those lines.

Line 4 of other Forms 4684. Enter the sum of gains from casualty or theft on line 4 of the worksheets from all secondary Forms 4684. This entry is used in computing line 13 of the main Form 4684. *You can have an entry here only if you answered Yes to “Reporting more than 1 casualty or theft?”*

Line 12 of other Forms 4684. Enter the loss on line 12 of all secondary Forms 4684 combined. This is the sum of losses on all Forms 4684 after deducting the \$100 or \$500 deductible that applies to each event (each Form 4684). This entry is used in computing line 14 of the main Form 4684. *You can have an entry here only if you answered Yes to "Reporting more than 1 casualty or theft?"*

Federally declared disaster loss in line 12. Enter the sum of line 12 from only secondary Forms 4684 that are prepared for an event that is a *federally declared disaster* as defined by the IRS in their *2023 Instructions for Form 4684*. Your entry should be no more than the amount on the preceding line. If this amount is *less* than the preceding line, the remainder can be used only to offset gains but is not otherwise deductible.

Qualified disaster loss in line 12. Enter the sum of line 12 from only secondary Forms 4684 that are prepared for a casualty event that is a *qualified disaster* as defined by the IRS in their *2023 Instructions for Form 4684*. Your entry should be no more than the amount on the preceding line. You can identify an event as a qualified disaster by the presence of \$500 on line 11 of the Form 4684 on which it is reported (rather than \$100). This entry is used in determining the net *qualified disaster loss* for line 15 of Schedule A that qualifies to be added to your standard deduction if you do *not* otherwise itemize deductions on Schedule A.

Information for this Form 4684. You must complete this section for all copies of Form 4684. This information is required to properly handle the different types of casualties under the appropriate rules for each.

Federally declared disaster? Answer Yes only if this copy of Form 4684 is prepared for an event that is a disaster declared by the President to warrant federal assistance under the Stafford Act, including a major disaster declaration and an emergency declaration. *If you cannot answer Yes, you can use a loss only to offset gains from other casualties and thefts, but you cannot claim a deduction for a net loss after all gains are offset. (A list of federally declared disasters can be found on the internet at FEMA.gov/Disasters.)*

FEMA disaster declaration number. If you answered Yes to the preceding question, you must enter the FEMA number here to justify your answer. *A list of federally declared disasters and associated FEMA numbers can be found on the internet at FEMA.gov/Disasters.*

Qualified disaster loss? You can answer Yes here only if you answered Yes to "Federally declared disaster?" *and* you have a casualty or theft loss on this copy of Form 4684 that is attributable to a declared major disaster or IRS-specified disaster as detailed in the *2023 Instructions for Form 4684*. If Yes, your net loss after all offsets from gains qualifies for inclusion in line 15 of Schedule A and allows you to deduct the loss in addition to your standard deduction if you don't itemize other deductions. This answer affects the com-

putation of line 11 of *this* copy of Form 4684 and the posting of the deduction computed at line 15 of the *main* Form 4684. See *IRS Pub. 547* for more information, including detailed definitions of qualified disaster areas.

Details for one casualty or theft event. This section is supported by Casualty and Theft Worksheets, but you should use them to report only one casualty or theft event on any one copy of Form 4684. Use a separate worksheet for each separate property lost or damaged in the same event. A \$100 or \$500 deductible is applied separately on each copy of Form 4684 for each separate casualty or theft event. You must itemize line 4 or 10 to support lines 1 through 9. All information for the lines 1 through 12 comes from the Casualty and Theft Worksheets that support these lines, and you must view the worksheets for the details of lines 1 through 12.

1 through 3. The entries for these lines are shown only on the supporting worksheets, and are not totaled here nor on the form.

4 Gain from casualty or theft. (*Supported by the Personal Casualty and Theft Worksheet, Figure 2-46.*) Taken as the sum of all gains on line 4 for all worksheets attached to this copy of Form 4684.

5 through 9. The entries for these lines are shown only on the supporting worksheets, and are not totaled here nor on the form:

10 Casualty or theft loss. (*Supported by the Personal Casualty and Theft Worksheet, Figure 2-46.*) Taken as the sum of all losses on line 9 for all worksheets attached to this copy of Form 4684.

11 \$100 (\$500 if applies). (*auto-calc*) Computed as \$500 if you meet two conditions: (a) you answered Yes to "Is this casualty a qualified disaster?" and (b) the amount on line 10 exceeds the gain on line 4 of this and all other copies of Form 4684. Otherwise, computed as \$100.

12 Subtract line 11 from line 10. (*auto-calc*) Computed as indicated, but no less than zero, this is the net deductible loss for this event.

Personal Casualty and Theft Worksheet, Figure 2-46. Access this worksheet at line 4 (gain) or 10 (loss) of Form 4684, and complete a separate worksheet for each separate property involved in the same casualty or theft.

1 Description – Enter type. Enter type of property here in 15 characters or less.

Street address. Enter the street address where the casualty or theft occurred in 30 characters or less.

City. Enter city in 22 characters or less.

State. Enter the standard 2-character code for the state.

ZIP code. Enter ZIP code in the standard xxxxx or xxxxx-xxxx format.

Date acquired. Enter date in the standard mm/dd/yy format or, if inherited, enter INHERITED.

Held for long-term period? Answer Yes if the property was held more than one year before the casualty or loss, or the property was

inherited from someone who died before or after 2010. *For someone who died in 2010, see IRS Pub. 4895.*

- 2 Cost or other basis.** Enter cost plus improvements, but if the property is your main home, subtract any postponed gain from the sale of a previous main home. If property was received in a trade-in, as a gift, or as an inheritance, see IRS Pub. 551 (*Basis of Assets*) for special rules. For losses of deposits from an insolvent or bankrupt bank, make no entries on this line nor the rest of the worksheet. See the following shaded box instead for details on how to report the loss.

PERSONAL CASUALTY & THEFT		
1	Description - Enter type: Street address.....	
	City.....	
	State.....	
	ZIP code.....	
	Date acquired.....	
	Held for long-term period? No	
2	Cost or other basis.....	0
3	Insurance/other reimbursmnt	0
4	Gain fr casualty/theft.....	0
	Fair market value BEFORE event	0
5	Fair market val BEFORE.....	0
	Fair market value AFTER event.	0
6	Fair market val AFTER.....	0
7	Subtract line 6 from 5.....	0
8	Smaller of line 2 or 7.....	0
9	Subtract line 3 from 8.....	0

Figure 2-46. Personal Casualty and Theft Worksheet

- 3 Insurance or other reimbursement.** Enter the amount you received, expect to receive, or would have received had you filed a claim. If the property is insured, you must enter an appropriate amount here whether or not you decide to file a claim with the insurance company. If payment for loss was other than by insurance, see official IRS instructions for Form 4684 for details.
- 4 Gain from casualty or theft.** *(auto-calc)* Computed as line 3 less line 2, but no less than zero. If greater than zero, the remainder of the worksheet will be zero and should not be completed.
- Fair market value BEFORE event.** Enter the price at which the property would change hands between a willing seller and a willing buyer, each having knowledge of the relevant facts before the casualty or theft event.
- 5 Fair market value BEFORE casualty or theft.** *(auto-calc)* Taken as the above entry if line 4 is zero, but zero otherwise.
- Fair market value AFTER event.** Enter the price at which the property would change hands between a willing seller and a willing buyer, each having knowledge of the relevant facts after the casualty or theft event.
- 6 Fair market value AFTER casualty or theft.** *(auto-calc)* Taken as the above entry if line 4 is zero, but zero otherwise.

7 Subtract line 6 from line 5. *(auto-calc)* Computed as indicated.

8 Smaller of line 2 or line 7. *(auto-calc)* Computed as indicated.

9 Subtract line 3 from line 8. *(auto-calc)* Computed as indicated, but no less than zero.

Lines 4 and 9 are separately summed from all worksheets attached to this copy of Form 4684 and posted to lines 4 and 10 of Form 4684 itself.

Summary of all personal casualties and thefts. This section summarizes the results of lines 1 through 12 for all casualty and theft events reported on separate Forms 4684. *You can complete this section only if your answer on screen 1 to "Is this a SECONDARY Form 4684?" is No,* indicating that this is your main copy of Form 4684 -- the one included with your complete return.

Line 12 from all other Forms 4684. Enter the sum of line 12 for all *secondary* Forms 4684.

Line 4 from this Form 4684. *(auto-calc)* Taken from line 4 of this *main* copy of Form 4684.

Line 4 from all other Forms 4684. Enter the sum of line 4 for all *secondary* Forms 4684.

13 Amounts on line 4 of all Forms 4684. *(auto-calc)* Computed as the sum of the preceding two amounts.

14 Amounts on line 12 of all Forms 4684. *(auto-calc)* If *all* of the losses in line 12 of all Forms 4684 stem from federally declared disasters, computed as the sum of line 12 of the main and all secondary Forms 4684 combined, as indicated. Otherwise, IRS Worksheet 1-1 (*Losses Not Attributable to a Federally Declared Disaster—Line 14*) in the *2023 Instructions for Form 4684* is used to compute the amount for this line. That worksheet ensures that the losses for this line from other than federally declared disasters cannot exceed the gains on line 4 of all Forms 4684 combined, in accordance with the tax reform bill.

If line 13 is more than line 14, gain for Schedule D. *(auto-calc)* Computed as line 13 less line 14, but no less than zero, the amount that appears here is the net gain from the aggregate of all personal casualties and thefts for the year. *If such a net gain exists, all gains and losses that comprise this net gain are reported on Schedule D.* You must therefore identify below what part of this result stems from short-term gains and losses (that is, gains or losses on property held one year or less). *Even though a gain on this line flows to Schedule 1 through Schedule D, it also appears on line 15, below, in accordance with IRS instructions. However, lines 16, 17, and 18 are zero in this case, so the amount is not used anywhere else.*

Short-term net for this Form 4684. *(auto-calc)* If an amount appears on line 15, the net short term gain or loss from the worksheets for *this* copy of Form 4684 appears here, with the loss reduced by a *pro rata* portion of the deduction at line 11.

Short-term net for all other Forms 4684. If an amount appears on line 15, combine the short-term gains and losses reported on all Forms

4684 except this one and enter the result here. Enter net gain as a positive or net loss as a negative number. *Be sure to reduce losses by their pro rata share of the deduction at line 11 of the corresponding copy of Form 4684.*

Short-term net for Schedule D. *(auto-calc)* Computed as the sum of the above two amounts, this result is posted to line 4 of Schedule D.

Long-term net for Schedule D. *(auto-calc)* Computed as line 15 less the preceding short-term amount, this result is posted to line 11 of Schedule D.

28% rate part of the above. This line applies only to collectibles. If any of the long-term gain or loss applies to collectibles (such as art, antiques, gems, stamps, coins, etc.), you must enter the amount here, for less favorable treatment than other capital gains.

If line 13 is less than line 14, deduction for Schedule A, line 16. *(auto-calc)* If line 13 is less than line 14, computed as the smaller of line 14 less line 13 and the sum of line 12 for all copies of Form 4684 reporting qualified disaster losses. This result is posted to the line above line 16 of the on-screen Schedule A labeled "Net qualified disaster loss" for special treatment on Schedule A (including allowing it to be added to the standard deduction for those who don't itemize other deductions). If an amount appears here, it is also shown on line 15, below. If *all* Forms 4684 are reporting qualified disaster losses, lines 16, 17, and 18 will be zero, and no further deduction exists. Otherwise, an additional deduction may result at line 18 for Schedule A, line 15.

If line 14 is equal to line 13, neither a gain nor a deduction exists. In this case, lines 15 through 18 will be zero, and no results are posted elsewhere in the return.

15 Gain for Schedule D or deduction for Schedule A. *(auto-calc)* Computed as the result on the preceding line ("If line 13 less than line 14, deduction for Schedule A, line 16") **plus** the amount on the line "If line 13 more than line 14, gain for Schedule D." *Explanation: Although this line mixes apples and oranges in representing a gain or a deduction, in accordance with IRS instructions, the paradox creates no problem with the results because lines 16 through 18 are always zero when line 13 is greater than line 14, which results in a gain for Schedule D on line 15, or line 13 is equal to line 14, which results in zero for line 15. Amounts can result on lines 16 through 18 only when line 13 is less than line 14, in which case only a deduction for Schedule A appears on line 15, so any non-zero results on lines 16 through 18 apply to that case alone.*

16 Add lines 13 and 15, Subtract the result from line 14. *(auto-calc)* If line 13 is greater than or equal to line 14, computed as zero. Otherwise, computed as indicated, but no less than zero. An amount appears here only if the aggregate of gains and losses from all personal casualties and thefts *that are not qualified disaster losses* is a net

loss. If zero, lines 17 and 18 will also be zero and no further loss will be claimed.

AGI on Form 1040, line 11. *(auto-calc)* Taken from Form 1040, as indicated.

17 10% of AGI from Form 1040, line 11. *(auto-calc)* Computed as indicated.

18 Subtract line 17 from line 16. *(auto-calc)* Computed as indicated, but no less than zero. This is the part of the loss on line 16 that exceeds 10% of your adjusted gross income, which is the only tax deductible part of that loss.

Deduction for Schedule A, line 15. *(auto-calc)* Always the same as the preceding line, this is the amount taken as an itemized deduction on Schedule A. (This deduction cannot be claimed if the standard deduction is used instead of the itemized deduction at line 12 of Form 1040.)

SECTION B - BUSINESS AND INCOME-PRODUCING PROPERTY. Use this section to figure casualty and theft gains and losses for property that is used in a trade or business or is used for income-producing purposes.

Business losses attributable to services as an employee are not deductible. The deductibility of business casualty and theft losses of property used in performing services as an employee are no longer deductible, thanks to tax reform. Moreover, those employee losses cannot to be used to offset gains. As a result, *you must not report in this section any losses related to your work as an employee.*

Part I, Casualty or Theft Gain or Loss. This section is supported by the *Business Casualty and Theft Worksheets*, but you should use them only to report gains and losses *stemming from only one casualty or theft event* on any one copy of Form 4684. Use a separate worksheet for each separate property lost or damaged in the same event. You must *itemize line 22 or 28 to support lines 19 through 28*. All information for the lines 19 through 28 comes from the Casualty and Theft Worksheets that support these lines, and you must view the worksheets for the details of lines 19 through 28. (If you have more than one casualty or theft event, see the earlier shaded paragraph on handling more than one Form 4684.)

19 through 21. The entries for these lines are shown only on the supporting worksheets, and are not totaled here nor on the form.

22 Gain from casualty or theft. *(Supported by the Business Casualty and Theft Worksheet, Figure 2-47.)* Taken as the sum of all gains on line 22 for all worksheets attached to this copy of Form 4684.

23 through 27. The entries for these lines are shown only on the supporting worksheets, and are not totaled here nor on the form.

Casualty or theft loss on worksheets. *(Supported by the Business Casualty and Theft Worksheet, Figure 2-47.)* Taken as the sum of all

losses on line 27 for all worksheets attached to this copy of Form 4684.

Casualty or theft loss on line 51. Taken from line 51, this is the loss figured in the new Section C of Form 4684, for Ponzi-type investment schemes. ***CAUTION:** Do not include on any Business Casualty and Theft worksheet any investments you report in Section C. Section C takes the place of the worksheet and lines 19 through 27 for qualifying Ponzi-type investments. However, you must still complete a Casualty or Theft Summary Worksheet (for line 29 or 34) for the Ponzi-type investment.*

28 Casualty or theft loss. *(auto-calc)* Computed as the sum of the preceding two amounts, this is the sum of all losses on line 27 for all worksheets plus the loss from Section C.

If override line 27 on a worksheet, itemize here to explain calculation.

If the loss you are reporting on this worksheet is in your home, you must reduce the normal calculation of line 27 to account for the non-business part of the loss. How you do this depends on whether or not you file a Schedule C for the business, so we provide two special override lines on the worksheets: one for those who file a Schedule C for the business, and must therefore file Form 8829 as well, and one for those who do not file a Schedule C for the business. If you use the first line, you will enter line 34 of Form 8829 on that line and the flag "Form 8829" will appear automatically on the printout to explain the reduced amount to the IRS (*but see the exception, below, for e-file*). But if you use the second line, you must determine the allowed business loss in accordance with Internal Revenue code section 280(A)(c)(6) and enter the reduced amount on that line. In that case, you must explain the reduced amount for line 27 in a supporting statement for this line. See the IRS Instructions for Form 4684, Section B, for details. ***Exception for e-file:** The IRS does not accept the "Form 8829" flag for e-file, so you must use the supporting statement to explain all overrides, whether from Form 8829 or not. Also note that the IRS ignores the amount column for this explanation, so you must enter all information you want to provide in the text column alone.*

Business Casualty and Theft Worksheet, Figure 2-47. Access this worksheet at line 4 (gain) or 10 (loss) of Form 4684, and *complete a separate worksheet for each separate property involved in the same casualty or theft event* (for the copy of Form 4684 that you are preparing).

1 Description – Enter type. Enter type of property here in 15 characters or less.

Location. Enter location in 30 characters or less.

Date acquired. Enter date in the standard mm/dd/yy format.

Held for long-term period? Answer Yes if the property was held more than one year before the casualty or loss.

20 Cost or other basis. Enter cost plus improvements, but if the property is your main home, subtract any postponed gain from the sale of a previous main home. If property was received in a trade-in, as a gift, or as an inheritance, see IRS Pub. 551 (*Basis of Assets*) for special rules.

21 Insurance or other reimbursement. Enter the amount you received, expect to receive, or would have received had you filed a claim. If the property is insured, you must enter an appropriate amount here whether or not you decide to file a claim with the insurance company. If payment for loss was other than by insurance, see official IRS instructions for Form 4684 for details.

22 Gain from casualty or theft. *(auto-calc)* Computed as line 21 less line 20, but no less than zero. If greater than zero, the remainder of the worksheet will be zero and should not be completed.

Fair market value BEFORE event. Enter the price at which the property would change hands between a willing seller and a willing buyer, each having

knowledge of the relevant facts before the casualty or theft event.

23 Fair market value BEFORE casualty or theft. *(auto-calc)* Taken as the above entry if line 22 is zero, but zero otherwise.

Fair market value AFTER event. Enter the price at which the property would change hands between a willing seller and a willing buyer, each having knowledge of the relevant facts after the casualty or theft event.

24 Fair market value AFTER casualty or theft. *(auto-calc)* Taken as the above entry if line 22 is zero, but zero otherwise.

25 Subtract line 24 from line 23. *(auto-calc)* Computed as indicated.

26 Smaller of line 20 or line 25. *(auto-calc)* Computed as indicated.

Amount in line 35 of a Form 8829. If the loss you are reporting on this worksheet is in your home and you file a Schedule C for the business, you must reduce the business loss you claim in accordance with Form 8829 (*Expenses for Business Use of Your Home*). First,

BUSINESS CASUALTY & THEFT	
19	Description - Enter type: and location:
	Date acquired.....
	Held for long-term period? No
20	Cost or adjusted basis..... 0
21	Insurance/other reimbursmnt 0
22	Gain fr casualty/theft..... 0
	Fair market value BEFORE event 0
23	Fair market val BEFORE..... 0
	Fair market value AFTER event. 0
24	Fair market val AFTER..... 0
25	Subtract 24 from 23..... 0
26	Smaller of 20 or 25..... 0
	Amt in ln 34 of a Form 8829 0
	Other override to line 27.. 0
	(explain in stmt afr ln28)
27	Subtract 21 from 26..... 0

Figure 2-47. Business Casualty and Theft Worksheet

figure the amount for line 9 of Form 8829 (Casualty losses) in accordance with the IRS instructions for that line, then complete the rest of the form and enter the amount on line 35 of Form 8829 (Casualty loss portion of line 34) here. Your entry here will supersede the normal computation of line 27. If you make an entry here, the phrase "Form 8829" will appear above line 27 on the official print-out to indicate to the IRS why the amount is less than the normal result for line 27.

Flag for printouts. (*auto-calc*) If you have an entry on the preceding line, "Form 8829" appears here and is printed on the official Form 8829 above the entry for line 27 for this worksheet so that the IRS knows why line 27 is not line 26 less line 21 as it normally is.

Other override to line 27. If the loss you are reporting on this worksheet is in your home and you do not file a Schedule C for the business, you must reduce the business loss in accordance with Internal Revenue code section 280(A)(c)(6) and enter the reduced amount here. Your entry here will supersede the normal computation of line 27. **CAUTION:** *If you make an entry here, you must explain your computation in a supporting statement for the line we provide below line 28 of Form 4684 itself (which is the line labeled "If overrode line 27 on a worksheet, itemize here to explain calculation").* **Exception for e-file:** *Also include an explanation of any reduction owing to Form 8829 in your support because the IRS does not accept the "Form 8829" flag for e-file.*

27 Subtract line 21 from line 26. (*auto-calc*) Computed as indicated, but no less than zero, if the preceding two entries are zero. Otherwise, taken as the second of these two entries is it is nonzero, and the first of these two entries otherwise.

Lines 22 and 27 are separately summed from all worksheets attached to this copy of Form 4684 and posted to lines 22 and 28 of Form 4684 itself.

Part II, Summary of Gains and Losses. This section summarizes the results of lines 19 through 28 for all casualty and theft events reported on separate Forms 4684, including the part of line 28 stemming from a Ponzi investment in Section C. You can complete this section only if your answer to "Is this a SECONDARY Form 4684" is No (on screen 1), indicating that this is the *main* copy of Form 4684.

Property Held One Year or Less. Use this section to summarize all *short-term* gains and losses included in Part I of Section B. If you have more than one casualty/theft event for the year with losses of business and income-producing property, complete this section only for the *main* Form 4684, using one worksheet for line 29 for each separate casualty/theft event, and leave this section blank for all *secondary* Forms 4684.

29 Itemize to detail gain/loss. (*Supported by Casualty or Theft Summary Worksheets, Figure 2-48.*) The short-term gains and losses from all Forms 4684 must be itemized in these worksheets. The net gain or loss from all worksheets combined appears on this line.

Short-term net in Part I of this Form 4684. *(auto-calc)* Computed from the *Casualty and Theft Worksheets* in Part I of this copy of Form 4684.

Short-term net in Part I of all other Forms 4684. Enter the short-term part of the net from Part I for all other copies of Form 4684.

Part I and Sec. C vs. Part II ERROR. *(auto-calc)* Computed as the net on line 29 less the sum of the above two lines. An error here means that the total net gain or loss from the worksheets in Part I of all Forms 4684 (less the short-term loss in Sec. C, line 51) does not match the totals from the worksheets in Part II of this Form 4684, and must be corrected.

(b)(i) Loss on trade, business, rental or royalty property. *(auto-calc)* Computed as the sum of amounts on line b(i) of the *Casualty or Theft Summary Worksheets* for line 29.

(b)(ii) Loss on income-producing property. *(auto-calc)* Computed as the sum of amounts on line b(ii) of the *Casualty or Theft Summary Worksheets* for line 29.

(c) Gain from casualties and thefts includible in income. *(auto-calc)* Computed as the sum of amounts on the line c of the *Casualty or Theft Summary Worksheets* for line 29 of this copy of Form 4684.

30 Totals. Add amounts on line 29. *(auto-calc lines)* Computed as the sum of "Net gain or loss" on the *Casualty or Theft Summary Worksheets* for line 29 of this copy of Form 4684, which corresponds to line (c), above, less lines (b)(i) and (b)(ii).

31 Combine line 30, columns (b)(i) and (c). *(auto-calc)* Computed as line c, above, less line (b)(i).

32 Amount from line 30, column (b)(ii). *(auto-calc)* Taken as line b(ii), above.

Casualty or Theft Summary Worksheet, Figure 2-48. Access this worksheet at

line 29 (property held 1 year or less) or 34 (property held more than 1 year), and complete a separate worksheet for each separate casualty/theft event (that is, for each copy of Form 4684, main or secondary).

CASUALTY OR THEFT SUMMARY		
a	Identify.....	
	Trade, bus, rental, royalty? No	
	Income-producing property? No	
	Employee property.....	Yes
	Net gain or loss	0
b	(i) Trade, bus, etc. loss....	0
b	(ii) Income property loss..	0
c	Gain cas/theft includible.	0

Figure 2-48. Casualty or Theft Summary

- a. Identify.** Identify the casualty or theft event in 25 characters or less.
- Trade, business, rental or royalty property?** Answer Yes if the property was used in your trade or business, but NOT as an employee, or was rental or royalty property.
- Income-producing property?** Answer Yes only if it was property held for investment, such as stocks and vacant land.

Employee property? *(auto-calc)* Automatically Yes if the answer to both of the preceding questions is No. Otherwise, No. If Yes, no losses will be computed for line b(ii), as they had been in the past, because losses from property used as an employee are no longer deductible, nor can they be used to offset gains, thanks to tax reform. However, *gains from such property must still be included on line c.*

Net gain or loss. Enter gain as a positive or loss as a negative.

b(i). Trade, business, rental or royalty loss. *(auto-calc)* If “net gain or loss” is a loss and you identified this worksheet as applying to a trade, business, rental or royalty property, the loss appears here as a positive number.

b(ii). Income-producing or employee property loss. *(auto-calc)* If “net gain or loss” is a loss and you identified this worksheet as applying to income-producing property, the loss appears here as a positive number.

c. Gain from casualty or thefts includible in income. *(auto-calc)* If net is a gain, that gain is shown here irrespective of whether it is trade, business, rental, royalty, income-producing, or employee property.

Lines b(i), b(ii), and c are separately summed and posted to Form 4684 as separate columns of either line 30 or lines 35 and 36, depending on whether you itemized the short-term line (line 29) or the long-term line (line 34).

Property Held More Than One Year. Use this section to summarize all *long-term* gains and losses included in Part I of Section B. If you have more than one casualty/theft event for the year with losses of business and income-producing property, complete this section only for the *main* Form 4684, using one worksheet for line 33 for each separate casualty/theft event, and leave this section blank for all *secondary* Forms 4684.

33 Casualty or theft gains from Form 4797, line 32. *(auto-calc)* Posted here from Form 4797, this is *only* the casualty and theft part of Form 4797, line 32. The part for *other than* casualty and theft is used for line 6 of Form 4797.

34 Itemize to detail gain/loss. *(Supported by Casualty or Theft Summary Worksheets, Figure 2-48.)* The long-term gains and losses from all Forms 4684 must be itemized in these worksheets. The net gain or loss from all worksheets combined appears on this line.

Long-term net in Part I of this Form 4684. *(auto-calc)* Computed from the *Casualty and Theft Worksheets* in Part I of this copy of Form 4684.

Long-term net in Part I of all other Forms 4684. Enter the long-term part of the net from Part I for all other copies of Form 4684.

Part I and Sec. C vs. Part II ERROR. *(auto-calc)* Computed as the net in line 38 less the sum of the above two lines. An error here means that the total net gain or loss from the worksheets on Part I of all Forms 4684 (less the long-term loss in Sec. C, line 51) does not match the totals from the worksheets on Part II of this Form 4684, and must be corrected.

(b)(i) Loss on trade, business, rental or royalty property. *(auto-calc)*
Computed as the sum of amounts on line b(i) of the *Casualty or Theft Summary Worksheets* for line 34.

(b)(ii) Loss on income-producing property. *(auto-calc)* Computed as the sum of amounts on line b(ii) of the *Casualty or Theft Summary Worksheets* for line 34.

(c) Gain from casualties and thefts includible in income. *(auto-calc)*
Computed as the sum of amounts on the line c of the *Casualty or Theft Summary Worksheets* for line 34.

35 Total Losses. 34(b)(i) and 34(b)(ii). (auto-calc lines) Computed as the sum of lines (b)(i) and (b)(ii), above. This is the total of losses for all property combined.

36 Total gains. Add lines 33 and 34(c). (auto-calc lines) Computed as line 33 plus line (c), above.

37 Add amounts on line 35, columns (b)(i) and (b)(ii). *(auto-calc)* Computed as the result on line 35, above.

38 If line 37 loss is more than line 36 gain. The next two lines are completed only if there is a net long-term loss overall.

38a Combine line 35, column (b)(i) and line 36. *(auto-calc)* The gains from both business and income-producing properties, and the losses from business property alone, are netted here.

38b Amount from line 35, column (b)(ii). *(auto-calc)* The losses from income-producing properties alone is summed here.

39 If line 37 equal to or less than 36, combine 36 and 37. *(auto-calc)*
Computed as line 36 less line 37, but no less than zero. This result is *posted to line 3 of Form 4797*.

Ordinary net in lines 31 and 38 for Form 4797. *(auto-calc)* Computed as indicated and *posted to line 14 of Form 4797*.

Posting to Schedule A and Form 4797. Results in Part II of Section B that are not identified in the preceding line as being posted to Form 4797 are posted to Schedule A instead, sometimes in a circuitous way that uses Form 4797 as a pass-through device:

When line 37 is more than line 36:

- The part of lines 32 and 38b attributable to income-producing property is posted to line 16 of Schedule A.

When line 37 is less than or equal to line 36:

The loss on line 35(b)(ii) is posted to line 18a of Form 4797, where it is limited to the loss on line 11 of Form 4797, then posted to Schedule A as follows:

- The part of the limited amount attributable to income-producing property is posted to line 16 of Schedule A.

SECTION C – THEFT LOSS DEDUCTION FOR PONZI-TYPE INVESTMENT SCHEME USING THE PROCEDURES IN REVENUE PROCEDURE 2099-20. This section is used in lieu of Section B, Part I, lines 19 through 27, to figure losses from a fraudulent Ponzi-type scheme. However, to use this section you must be qualified in accordance with Revenue Procedure 2009-20. If qualified, you can use this form to figure your loss instead of Appendix A of Revenue Procedure 2009-20.

Part I, Computation of Deduction. After completing these lines, be sure to complete Part II, which is required to identify the person or business that conducted the scheme.

40 Initial investment. Enter the initial amount of cash or basis of property that you initially invested, subject to the reductions listed in the IRS instructions for this line in the *2023 Instructions for Form 4684*.

41 Subsequent investments. Enter the cash amount or the basis of property investment after the initial investment.

42 Income reported on your tax returns for tax years prior to the discovery year. Enter amounts previously reported as taxable income from the investment, including interest and dividends. See the IRS *2023 Instructions for Form 4684* for the definition of “discovery year.”

43 Add lines 40, 41, and 42. *(auto-calc)* Computed as indicated.

44 Withdrawals for all years. Enter all withdrawals, whether considered a withdrawal of income or a withdrawal of principal.

45 Subtract line 44 from line 43. *(auto-calc)* Computed as indicated, this is your total qualified investment.

Do you have a potential third-party recovery? Before answering this question, see the instructions for line 46 in the IRS *2022 Instructions for Form 4684* for the distinctions among potential third-party recovery, potential insurance/SIPC (Securities Investor Protection Corporation) recovery, and potential direct recovery.

46 Enter 0.95 if you have no potential third-party recovery. Enter 0.75 if you have potential recovery. *(auto-calc)* If you answered Yes to the preceding question, computed as 0.75. Otherwise, computed as 0.95.

47 Multiply line 46 by line 45. *(auto-calc)* Computed as indicated.

48 Actual recovery. Enter the amount actually received from any source, but do not include any potential recoveries.

49 Potential insurance/SIPC recovery. Enter the amount of potential insurance/SIPC recovery, defined in the instructions for line 46 in the IRS *2023 Instructions for Form 4684*.

50 Add lines 48 and 49. *(auto-calc)* Computed as indicated.

51 Subtract line 50 from line 47. *(auto-calc)* Computed as indicated, this is the deductible theft loss from the Ponzi-type scheme.

Short-term part of above. If the investment was held for no more than one year before the date of discovery, enter the entire amount

on line 51 here. Otherwise, enter no amount here. This entry is used for reconciling amounts in Part I of Section B (where this loss is included) with amounts in Part II of Section B. If you fail to complete a worksheet in Part II for the loss in line 51, the reconciliation check will result in an amount on the line "Pt.I & C vs. Pt.II ERROR" in the short-term or long-term part of Part II.

The amount on line 51 is posted to the line above line 28, for inclusion in line 28 in addition to amounts figured on lines 19 through 27. **CAUTION:** You must also complete a worksheet in Part II of Section B (accessed at line 29 or line 34) for this loss.

Part II, Required Statements and Declarations. You must identify in this part the business or individual responsible for the Ponzi-type investment, and swear to a number of statements in this part.

- I am claiming a theft loss deduction pursuant to Revenue Procedure 2009-20 from a specified fraudulent arrangement conducted by:

If an individual, Name. Enter the individual's name in 35 characters or less.

SSN. Enter the individual's Social Security Number in the standard xxx-xx-xxxx format.

If a business, Name. Enter the business's name in 35 characters or less.

EIN. Enter the business's Employer Identification Number in the standard xx-xxxxxxx format.

If an U.S. address:

Street address. Enter the number and street address or rural route here in 35 characters or less. Enter P. O. Box instead only if the post office does not deliver mail to your street address. To keep the address short, use the same abbreviations that the IRS uses in its address labels, without periods, as listed in Table 2-4 (in the details for Form 1040).

City or post office. Enter city, town, or post office in 22 characters or less.

State. Enter the standard two-letter state code shown in Table 2-5 (on page 2-26).

ZIP code. Enter ZIP code in the standard five-number (00000) or nine-number (00000-0000) format.

OR...

If a foreign address:

Street address. Enter the foreign street address in 35 characters or less.

City. Enter the foreign city in 25 characters or less.

Province/state. Enter this information in the format used by the country of residence in 17 characters or less.

Country. Enter the standard 2-letter code shown in Table 2-6 on page 2-27.

Postal code. Enter this information in the format used by the country of residence in 15 characters or less.

- I have written documentation to support the amounts reported in Part I of this Section C.
- I am a qualified investor as defined in section 4.03 of Revenue Procedure 2009-20.
- If I have determined the amount of my theft loss deduction using 0.95 on line 46, above, I declare that I have not pursued and do not intend to pursue any potential third-party recovery, as that term is defined in section 4.10 of Revenue Procedure 2009-20.
- I agree to comply with the conditions and agreements set forth in Revenue Procedure 2009-20 and this Section C.
- If I have already filed a return or amended return that does not satisfy the conditions in section 6.02 of Revenue Procedure 2009-20, I agree to all adjustments or actions that are necessary to comply with those conditions. The tax year(s) for which I filed the return(s) or amended return(s) and the date(s) on which they were filed are:

(ITEMIZE). List the tax years and dates in the text column of a supporting statement for this line. Do not use the amount column.

SECTION D – ELECTION TO DEDUCT FEDERALLY DECLARED DISASTER LOSS IN PRECEDING TAX YEAR.

This section is used to make an election to claim a loss from a qualifying disaster in the year that precedes the year of the disaster. Therefore, this section of the 2023 Form 4684 would be completed only for a disaster that occurred in 2024 for which you are claiming the loss on the tax return (or amended return) for tax year 2023.

Part I, Election Statement. By completing this part of Section D of the 2023 Form 4684 and filing it with your 2023 tax return (or amended return), you are electing, under IRC section 165(i), to claim a disaster loss deduction for a federally declared disaster that occurred in a federally declared disaster area and was sustained in the disaster year (2024) on your tax return for the preceding tax year (2023).

52 Name or description. Identify the federally declared disaster in 35 characters or less.

53 Date(s) of loss(es). If a single date, enter that date here in the standard mo/dy/year format. If more than one date, list in a supporting statement for this line. *Limitation for e-file: If more than one date applies, you must file a paper return because multiple dates are not supported for e-file.*

54 Address where damaged or destroyed property was located:

Street address. Enter the number and street address or rural route here in 35 characters or less. See Table 2-4 (in the details for Form 1040) for allowed abbreviations.

City. Enter city or town in 22 characters or less. A P.O. box is not acceptable since the address must define the physical location

State. Enter the standard two-letter state code shown in Table 2-5 (on page 2-26).

ZIP code. Enter ZIP code in the standard five-number (00000) or nine-number (00000-0000) format.

Part II, Revocation of Prior Election. By completing this part of Section D of the 2023 Form 4684 and filing it with your amended tax return for 2023, you are revoking a prior election under IRC section 165(i). You must also revise this Form 4684 to reflect the fact that you now choose to deduct the loss on your tax year 2024 return instead. ***CAUTION:** You cannot make a revocation 90 days or more after the due date for making the prior election.*

55 Name or description. Identify the federally declared disaster in 35 characters or less.

Address where damaged or destroyed property was located:

Street address. Enter the number and street address or rural route here in 35 characters or less. See Table 2-4 (in the details for Form 1040) for allowed abbreviations.

City. Enter city or town in 22 characters or less. A P.O. box is not acceptable since the address must define the physical location

State. Enter the standard two-letter state code shown in Table 2-5 (in the details for Form 1040).

ZIP code. Enter ZIP code in the standard five-number (00000) or nine-number (00000-0000) format.

56 Date(s) filed prior election. If a single date, enter that date here in the standard mo/dy/year format. If more than one date, list in a supporting statement for this line. ***Limitation for e-file:** If more than one date applies, you must file a paper return because multiple dates are not supported for e-file.*

57 Explain your repayment of prior credit or refund. You must either enclose any payment due with your amended return for 2023 or explain any arrangement for repayment here. If you cannot explain in 35 characters or less, you must explain in a supporting statement for this line.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4797 / Sales of Business Property

Who is it for? Form 4797 is used mainly to report the sale or exchange of depreciable property, such as trade or business property and rental property, and includes the recapture of past depreciation allowable. It is also used for involuntary conversions and section 179 and 280F recapture for reduced business use. Most other sales are reported on Schedule D, not here. *Form 4797 is accessible through the Road Map at line 4 of Schedule 1 and line 12 of Schedule D.*

Passive loss limitations. If you sold an interest in a passive activity, the gain or loss is used in Form 8582 to determine the passive loss limitations for this and other forms. If you sold the entire interest, only the gains are reported on Form 8582, and the losses are fully deductible. If you sold a partial interest, both the gains and losses are reported on Form 8582, and the losses are subject to the passive loss limitations. These rules and the handling of carryovers, significant participation amounts, and pro-rating among different forms and schedules are all built-in and fully automatic without requiring you to complete any passive activity worksheets yourself. However, you should read the section on significant participation under Form 8582 to see if you need to enter any special adjustment to Form 8582, if you have significant participation amounts. In addition, *you must take special care to identify passive amounts for Part III directly on Form 4797 itself, because the worksheets supporting Part III do not contain passive activity questions.*

Long-term (Part I) vs. Short-term (Part II) capital transactions. The two parts of the form are similar, but you must take care to enter the proper transactions in the proper parts. *Assets must generally be held more than one year to qualify as long-term holdings* (figured by counting the day *AFTER* you received the property through the day you disposed of it). *Special rule for farms: Cattle and horses qualify as long-term holdings only if held more than 24 months, whereas other livestock qualify if held more than 12 months.*

Worksheets for Parts I and II separated by type. Worksheets that are preformatted like the IRS form support lines 2 and 10 of Form 4797, separated according to type of property under the passive loss rules:

- **Worksheets for Active Rental Real Estate** - for passive activities that require posting to lines 1a, 1b, and 1c of Form 8582, and
- **Worksheets for All Others** - for all other passive activities (which require posting to lines 3a, 3b, and 3c of Form 8582) and nonpassive activities.

You must always use the worksheet designed for the type of property you sold or else the passive loss rules may be misapplied.

Part III sometimes necessary before Parts I and II can be completed. Although the net gains and losses for most sales are reflected in Parts I and II of this form, the details for sales with gains and subject to the recapture of depreciation and certain other deductions are reported in Part III instead. The results in Part III are then automatically posted to the appropriate lines in

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Form 4797

Parts I and II. *Part III must be used to report only sales that result in a gain* for

depreciable trade or business property held more than one year, including certain cattle, horses, and livestock (section 1245 property),
residential rental property held more than one year (section 1250 property),

nonresidential rental property held more than one year (section 1250 property if placed in service after 12/31/86, or if placed in service from 1/1/81 through 12/31/86 and depreciated by straight-line methods; otherwise section 1245 property),

farmland held more than one year but less than 10 years and upon which soil, water, or land clearing expenses were deducted (section 1252 property),

oil, gas, or geothermal property (section 1254 property),

disposition of Sec. 126 cost-sharing payments (section 1255 property).

Any of the above property that was sold at a loss must be detailed directly in Part I or Part II, not Part III.

Unrecaptured sec. 1250 gain. Throughout our Form 4797 you will see lines for unrecaptured sec. 1250 gain which do not appear on the official form. These lines show information used in the Schedule D Tax Worksheet, which is used to provide the tax computation for the return when capital gains may reduce the overall tax. In most cases these amounts come automatically from worksheets you complete on Form 4797 and supporting forms. However, you must enter the amounts yourself when they relate to forms that are *not* built into *Tax Preparer*. See the details for Schedule D for more information on these items and the role they play in the capital gains tax.

FOR ALL SALES OR EXCHANGES OF REAL ESTATE:

1 Sales reported on Form 1099-S or equivalent included on line 2, 10, or 20. Enter here the gross proceeds from all real estate sales and exchanges reported to you on Forms 1099-S (or a substitute statement) that you will be reporting on Form 4797, whether they are short-term or long-term holdings. These amounts should also be included in your entries for gross sales price on the worksheets that support lines 2, 10, and 25 through 29 of Form 4797.

Special exclusions allowed at lines 2 and 10. Exclusions that you can claim on worksheets for lines 2 (in Part I) and 10 (in Part II) include:

- (1) **Exclusion of gain from sale of DC Zone Assets.** If you sold or exchanged assets in a District of Columbia Enterprise Zone that you held more than 5 years, you may be able to exclude qualified capital gain. See IRS Instructions for Form 4797 for details. Report the gain as you normally would in Part III of Form 4797, then claim the exclusion on a *Sec. 1231 Gain/Loss Worksheet for line 2* by entering "DC Zone Excl'n" in column (a), entering Yes for "Bypass date checking," and en-

tering the exclusion as a negative number in "NET (your entry if d=e=f=0)."

- (2) **Election to defer gain from certain dispositions of electric transmission property.** If sold or exchanged after October 22, 2004, you may elect to defer part of the realized gain on this property. See IRS Instructions for Form 4797 for details. Report the gain as you normally would in Part III of Form 4797, then claim the exclusion in two parts: (a) On a *Sec. 1231 Gain/Loss Worksheet for line 2*, enter "Deferred 451(i)" in column (a), enter Yes for "Bypass date checking," and enter the exclusion to the extent of the gain included in Form 4797, line 6, as a negative number in "NET (your entry if d=e=f=0)." (b) On a *Sec. 1231 Gain/Loss Worksheet for line 10*, enter "Deferred 451(i)" in column (a), enter Yes for "Bypass date checking," and enter the remaining exclusion not claimed at line 2 as a negative number in "NET (your entry if d=e=f=0)."

PART I, PROPERTY HELD FOR MORE THAN 1 YEAR - Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft. Lines 2 through 9 are used for reporting gains and losses for long-term holdings (those held more than one year).

2 Sales or exchanges of property held more than 1 year. Long-term sales and exchanges not reported elsewhere in the return are entered here in four separate sets of worksheets. CAUTION: Only long-term holdings should be reported on any worksheets that support line 2. But remember that some long-term holdings must be reported in the worksheets in Part III instead, detailed later. (Short-term holdings are reported in worksheets that support line 10.) CAUTION: Do NOT include sales reported in Part III of Form 4797.

For sec. 1231 gain or loss NOT reported to you on Sch. K-1: Using one worksheet for each transaction, any number of transactions may be entered on the following lines for transactions NOT reported to you on a Schedule K-1. (Note that no lines appear for unrecaptured sec. 1250 gain because transactions that would result in those gains are reported in Part III of Form 4797, not here.)

Active rental real estate:

(d) **Sales Price.** *(auto-calc)* This is the sum of sales prices entered on all the worksheets that are accessed on the next line.

2(g) Net for Active Rental Real Estate. *(Supported by the Sec. 1231 Gain/Loss Worksheet, Figure 2-49a.)* Enter only long-term transactions involving rental real estate in which you actively participated on the worksheets you access at these lines.

All other transactions:

(d) **Sales Price.** *(auto-calc)* This is the sum of sales prices entered on all the worksheets that are accessed on the next line.

2(g) Net for All other transactions. *(Supported by the Sec. 1231 Gain/Loss Worksheet, Figure 2-49a.)* Enter all other transactions on the worksheets you access at these lines.

For sec. 1231 gain or loss reported to you on Sch. K-1: Using one worksheet for each transaction, any number of transactions may be entered on the following lines from Schedules K-1 received from partnerships, S corporations, estates, and trusts.

K-1 Sec. 1231 Active rental real estate:

2(g) Sch. K-1 net for Active Rental Real Estate. (*Supported by the Sch. K-1 Sec. 1231 Gain/Loss Worksheet, Figure 2-50a.*) Enter only long-term transactions involving rental real estate in which you actively participated on the worksheets you access at these lines.

Unrecaptured sec. 1250 gain. (*auto-calc*) This is the sum of unrecaptured sec. 1250 gain for all K-1 worksheets that are accessed on the preceding line.

K-1 Sec. 1231 All others:

2(g) Sch. K-1 net for All other transactions. (*Supported by the Sch. K-1 Sec. 1231 Gain/Loss Worksheet, Figure 2-50a.*) Enter all other transactions on the worksheets you access at these lines.

Unrecaptured sec. 1250 gain. (*auto-calc*) This is the sum of unrecaptured sec. 1250 gain for all K-1 worksheets that are accessed on the preceding line.

2 Total gain or loss for entire year. (*auto-calc*) Computed as the sum of all preceding totals for line 2(g). Note that no totals of unrecaptured sec. 1250 gain are shown here. Instead, they are used in special computations for the amount to be used in Schedule D tax computations. See the last screen of Form 4797 for the result.

3 Gain from Form 4684 line 39. (*Road Map line, supported by Form 4684.*) The long-term gain from casualties and thefts is posted here.

4 Section 1231 gain from Form 6252, line 26 or 37. (*Road Map lines, supported by Form 6252.*) Five separate copies of Form 6252 are available for five separate installment sales. Long-term gains in lines 26 and 37 of Form(s) 6252 are posted here.

Unrecaptured sec. 1250 gain in line 4. (*Road Map line, supported by Form 6252.*) The amount of gain identified on Form 4684 as unrecaptured sec. 1250 gain is posted to this line.

5 Section 1231 gain or loss from like-kind exchanges from Form 8824. (*If Premium Level, Road Map line supported by Form 8824.*) Any long-term or other section 1231 gain or loss for the year from like-kind exchanges, as determined by Form 8824, is reported here.

6 Gain on line 32 from other than casualty and theft. (*auto-calc*) Taken from "Remainder for 4797 line 6" below line 32 in Part III of this form, this is line 6(g) on the official form.

Passive loss limitations. The complex interface with Form 8582 is enforced in the following several lines. You should pay particular attention to the lines labeled "W/S ERROR" because they indicate that you must view the worksheets at line 2 once again in order to update them with changes in Form 8582.

Total gain to Form 8582 line 1a. *(auto-calc)* The sum of gains from the preceding worksheets for rental real estate with active participation.

Total loss to Form 8582 line 1b. *(auto-calc)* The sum of losses from the preceding worksheets for rental real estate with active participation.

Active rental real estate loss unallowed in prior year. This entry is used in line 1c of Form 8582. Enter here any loss carryover from the prior year stemming from passive loss limitations on the long-term sale of active rental real estate reported on last year's Form 4797. This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040 (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation). *Nevertheless, you must appropriately distribute this total among the worksheets for line 2 yourself so that the unallowed amounts calculated on the worksheets reflect the proper prorationing among the worksheets.* An amount on the below W/S ERROR line will alert you of the need to do so.

Active rental real estate unallowed loss for 2023. *(Road Map line, supported by Form 8582.)* This disallowance comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. *Once the return is complete, you may have to view each worksheet for lines 2 so that the unallowed losses are reallocated based upon the final return.* An amount on the below W/S ERROR line will alert you of the need to do so.

Total gain to Form 8582 line 3a. *(auto-calc)* The sum of gains from the preceding worksheets for passive activities.

Total loss to Form 8582 line 3b. *(auto-calc)* The sum of losses from the preceding worksheets for passive activities.

Other passive prior unallowed loss. This is the loss carryover from the prior year stemming from passive loss limitations on sales reported on the Form 4797 for 2022. This carryover is automatically posted here by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040 (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation). *Nevertheless, you must appropriately distribute this total among the worksheets for line 2 yourself so that the unallowed amounts calculated on the worksheets reflect the proper prorationing among the worksheets.* An amount on the below W/S ERROR line will alert you of the need to do so.

Other passive unallowed loss in 2023. *(Road Map line, supported by Form 8582.)* This disallowance comes automatically from Form

8582, but can only be determined upon the final recalculation of the return. Once the return is complete, you may have to view each worksheet for line 2 so that the unallowed losses are reallocated based upon the final return. An amount on the below W/S ERROR line will alert you of the need to do so.

Significant participation part of prior unallowed losses. When reporting carryovers for activities that are significant participation activities in 2023, the IRS requires that you include those carryovers in the significant participation net to the extent that they are offset by gains for the same activity. This rule materially affects whether significant participation activities will be classified as passive activities. You must enter here the part of the carryover from 2022 that is offset by significant participation gains which you have entered on the worksheets for line 2. (See our instructions for Form 8582 for more details on significant participation activities.)

W/S ERROR in prior unallowed losses. *(auto-calc)* Computed as the sum of prior unallowed losses you entered on all the worksheets for line 2, less the total prior unallowed losses shown above. If this result is nonzero, it means that you have not properly allocated the total prior unallowed losses among all the worksheets you have completed. You must return to the worksheets and revise the entries. Your record of unallowed loss for each item for the previous year should guide your entries on the worksheets.

W/S ERROR in current unallowed losses. *(auto-calc)* Computed as the sum of unallowed losses computed the last time you viewed the worksheets for line 2, less the total losses unallowed shown above for 2023 (which comes automatically from Form 8582). If this result is nonzero, it means that the allocation of unallowed losses on your worksheets is not based on the final return, so you must view each worksheet so that the unallowed losses can be reallocated.

7 Combine lines 2 through 6. *(auto-calc line)* Computed as the sum of all gains and loss in lines 2 through 6 less the appropriate disallowed amounts. If line 7 reflects a disallowance from Form 8582 or an additional loss due to a carryover from 2022, the IRS code "PAL" appears beside the result on the printout of Form 4797. If line 8 has no entry, line 9 is zeroed and line 7 is posted to Schedule D.

8 Nonrecaptured net section 1231 losses from prior years. See IRS Pub. 544 (*Sales and Other Dispositions of Assets*) for an explanation of these losses.

Nonrecaptured prior net section 1231 losses. Enter loss carried over from prior years here. Your entry becomes a positive number in accordance with IRS instructions.

8 Nonrecaptured prior net section 1231 losses. *(auto-calc)* Computed as the preceding entry only when line 7 is a gain; otherwise, zero.

9 Subtract line 8 from line 7. *(auto-calc)* If line 8 is nonzero, computed as line 7 less line 8, but no less than zero; otherwise, zero.

Net gain for Schedule D, line 11. *(auto-calc)* If line 7 is a gain and line 8 is zero, computed as the gain on line 7, if any. If line 7 is a gain and line 8 is nonzero, taken as the gain on line 9, if any. Otherwise, zero. *Any gain that appears here is posted to line 11 of Schedule D as a long-term capital gain.*

Gain/Loss Worksheet, Sec. 1231 or Ordinary, Figures 2-49a and 2-49b. *(Supports line 2 for Sec. 1231 and line 10 for Ordinary capital gains and losses.)* The worksheet follows the form of the columns on the Official Form 4797, with several additions that make possible the automation of Form 8582.

a. Description of property. Describe property in 15 characters or less.

Material participant? Answer Yes if the property is NOT an interest in a passive activity; otherwise the gain or loss may be used on Form 8582. *CAUTION: Answer No for rental real estate, which must always be classified as passive whether you materially participate or not.*

Significant participant? If you answered No above, you must also answer this question. *See details for Schedule C for a discussion of material vs. significant participation.*

Active rental real estate. *(auto-calc)* An-

SEC. 1231 GAIN/LOSS	
a. Description	
Material participant..?	No
Significant participant?	No
Active rental real est	No
Publicly Traded Prtshp?	No
Entire interest sold..?	No
Bypass date checking..?	No
b. Date acquired(mm/dd/yy)	
c. Date sold (mm/dd/yy)	
d. Gross sales price...	0
e. Depr'n allowed since acq	0
f. Cost or other basis...	0
NET (your entry if d=e=f=0)	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
g. GAIN or LOSS	0

Figure 2-49a. Section 1231 Gain/Loss Worksheet

ORDINARY GAIN/LOSS	
a. Description	
Material participant..?	No
Significant participant?	No
Active rental real est	No
Publicly Traded Prtshp?	No
Entire interest sold..?	No
Bypass date checking..?	No
b. Date acquired(mm/dd/yy)	
c. Date sold (mm/dd/yy)	
d. Gross sales price...	0
e. Depr'n allowed since acq	0
f. Cost or other basis...	0
NET (your entry if d=e=f=0)	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
g. GAIN or LOSS	0

Figure 2-49b. Ordinary Gain/Loss Worksheet

swered Yes if you accessed the line from a line for "Active Rental Real," and No otherwise.

Publicly Traded Partnership? If this is a Publicly Traded Partnership, amounts should not be posted to Form 8582 and combined with passive activities even though they are subject to the passive loss rules. They must be handled individually and separately from all other investments. Since passive losses are deductible only to the extent of passive gains, this means that no overall loss can be claimed for a PTP except in the year of its sale. A Yes answer here prevents the amounts on this worksheet from being used on Form 8582, and you must enter only amounts allowed this year yourself.

Entire interest sold? If you answer Yes, only passive gains are posted to Form 8582. If you answer No, both passive gains and passive losses are posted to Form 8582.

Bypass date checking? Answer Yes only if you want to defeat the built-in protections against reporting a sale in the wrong part. Examples of valid uses of this bypass include the reporting of the sale of business stock and certain hedge transactions, reporting on line 10 the sale of cattle or horses held 24 months or less, or entering INHERITED or VARIOUS in line b or VARIOUS in line c.

- b. **Date acquired.** Enter date acquired in the mm/dd/yy format. This entry is critical to date checking to determine whether or not a transaction qualifies for long-term treatment. *CAUTION: For e-file, the only allowed text entries for this line are INHERITED and VARIOUS. Be sure to answer Yes to "Bypass date checking?" for these cases. For property inherited from a decedent dying in 2010, do not enter INHERITED if the estate made the special Section 1022 election.*
- c. **Date sold.** Enter date sold in the mm/dd/yy format. This entry is critical to date checking. *CAUTION: For e-file, the only allowed text entry for this line is VARIOUS. Be sure to answer Yes to "Bypass date checking?" for this case.*
- d. **Gross sales price.** Enter total proceeds from the sale here.
- e. **Depreciation allowed since acquisition.** Enter depreciation allowed or allowable, including any Section 179 expense deduction taken, whether or not you actually used it.
- f. **Cost or other basis.** Enter the net purchase price and any costs of the sale not already reflected in line d, above. *If the entire interest is sold, be sure to increase this entry by the amount of unused loss carryovers from Form 8582 for this property.* For property inherited from someone who died before or after 2010, the basis is generally the fair market value on the date of death. *Exception for someone who died in 2010: If the estate made a special Section 1022 election, the recipient's basis may be based on the decedent's basis at the time of death rather than the fair market value at the time of death, subject to certain adjustments. See IRS Pub. 4835 (Tax Treatment of Property Acquired From a Decedent Dying in 2010) for details.*

NET (your entry if $d=e=f=0$). This line will normally be computed as line d plus line e less line f. However, if lines d, e, and f are zero, you may enter any net here yourself (positive for gain, negative for loss). (This capability is provided for special types of transactions that cannot be reported using sales prices, costs, and dates.)

Significant participation net for Form 8582. (auto-calc) Taken as the preceding net if you answered Yes to "Significant participant," above, and zero otherwise.

PRIOR-year unallowed loss. Enter the unallowed loss last year for this activity. Although the total prior unallowed losses shown on Form 4797 are determined automatically during the translation of the prior-year return (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation), you must allocate that total among all activities in these worksheets, guided by the disallowances shown on the previous year's worksheets.

Net elsewhere for the same activity. If other transactions for the same passive activity appear elsewhere on the return, you must enter the net gain or loss from all such other transactions here in order for the allocation of unallowed losses among the various worksheets to be performed in strict conformance with the IRS rules. If the sum of the net on this line plus the net shown above for this particular transaction less the prior-year unallowed loss is an overall gain, all losses for this worksheet are allowed in full (and more of the total disallowance on Form 8582 is allocated to other passive activities).

Unallowed THIS year on Form 8582. (auto-calc lines) Computed using the math on the IRS worksheets without requiring you to complete any IRS worksheets yourself, this result is assured of full accuracy only when you view the worksheet after the final recalculation of the return.

g. GAIN or LOSS. (auto-calc) Computed as the above NET less prior unallowed loss plus loss unallowed this year.

When you return from the worksheets the separate totals for lines d and g and various amounts for Form 8582 are carried back to Form 4797.

Schedule K-1 Gain/Loss Worksheets, Sec. 1231 and Ordinary, Figures 2-50a and 2-50b. Amounts for these worksheets are identified on the Schedules K-1 that you receive as amounts for line 2 or 10 of Form 4797:

a. Description. Identify the entity from which you received the Schedule K-1 in 25 characters or less.

Material participant? You MUST answer Yes here if the property sold is not an interest in a passive activity. Otherwise the income or loss will be used on Form 8582. *CAUTION: You must answer No if the property is rental real estate or you are a limited partner in the partnership, since these cases must be classified as passive whether you materially participate or not.*

Significant participant? If you answered No above, you must also answer this question. *See details for Schedule C for a discussion of material vs. significant participation.*

Active rental real estate. *(auto-calc)* Answered Yes if you accessed

the line from a section labeled "Active Rental Real," and No otherwise. *CAUTION: Limited partners do not qualify, so you must access the worksheet from the "All others" line for limited partnerships.*

Publicly Traded Partnership? If this is a Publicly Traded Partnership, amounts should not be posted to Form 8582 and combined with passive activities even though they are subject to the passive loss rules. They must be handled individually and separately from all other investments. Since passive losses are deductible only to the ex-

SCH K-1 SEC 1231 GAIN/LOSS	
a. Description	
Material participant..?	No
Significant participant?	No
Active rental real est	No
Publicly Traded Prtshp?	No
Entire interest sold..?	No
Net income or loss....	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
g. GAIN or LOSS	0
Unrecaptured Sec 1250 gain	0

Figure 2-50a. Schedule K-1 Sec. 1231 Gain/Loss Worksheet

SCH K-1 ORDINARY GAIN/LOSS	
a. Description	
Material participant..?	No
Significant participant?	No
Active rental real est	No
Publicly Traded Prtshp?	No
Entire interest sold..?	No
Net income or loss....	0
Sig par net for Form 8582	0
PRIOR-year unallowed loss	0
Net elsewhere for same activity	0
Unallowed THIS yr on 8582	0
g. GAIN or LOSS	0

Figure 2-50b. Schedule K-1 Ordinary Gain/Loss Worksheet

tent of passive gains, this means that no overall loss can be claimed for a PTP except in the year of its sale. A Yes answer here prevents the amounts on this worksheet from being used on Form 8582, and you must enter only amounts allowed this year yourself.

Entire interest sold? If you answer Yes, only passive gains are posted to Form 8582. If you answer No, both passive gains and passive losses are posted to Form 8582.

Net income or loss. Enter the amount reported on Schedule K-1. Enter a gain as a positive number and a loss as a negative number.

Significant participation net for Form 8582. *(auto-calc)* The preceding net will appear here if you answered Yes to "Significant participant" above.

PRIOR-year unallowed loss. Enter the unallowed loss last year for this activity. Although the total prior unallowed losses shown on Form 4797 are determined automatically during the translation of the prior-year return (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation), you must allocate that total among all activities in these worksheets, guided by the disallowances shown on the previous year's worksheets.

Net elsewhere for the same activity. If other transactions for the same passive activity appear elsewhere on the return, you must enter the net gain or loss from all such other transactions here in order for the allocation of unallowed losses among the various worksheets to be performed in strict conformance with the IRS rules. If the sum of the net on this line plus the net shown above for this particular transaction is an overall gain, all losses for this worksheet are allowed in full (and more of the total disallowance on Form 8582 is allocated to other passive activities).

Unallowed THIS year on Form 8582. *(auto-calc lines)* Computed using the math on the IRS worksheets without requiring you to complete any IRS worksheets yourself, this result is assured of full accuracy only when you view the worksheet after the final recalculation of the return.

g. GAIN or LOSS. *(auto-calc)* Computed as your entry for "Net income or loss" modified by prior-year unallowed loss (which reduces the net) and loss unallowed THIS year (which increases the net).

Unrecaptured sec 1250 gain. *(appears ONLY on the Sch. K-1 Sec. 1231 Gain/Loss Worksheets for line 2(g), Figure 2-50a)* The entity that issued you the Schedule K-1 should identify for you amounts that are unrecaptured section 1250 gain. Those amounts are subject to a higher tax rate than other long-term capital gains. This amount is used in the tax computations on Schedule D.

When you return from the worksheets the separate totals for lines b and c are carried back to Form 4797. In addition, gains and losses for lines 1a, 1b, 3a, and 3b of Form 8582 are computed, keeping the significant participation amounts separate.

PART II, ORDINARY GAINS AND LOSSES. Lines 10 through 18 are used for short-term holdings (those held one year or less) and certain recapture amounts. *CAUTION: For property inherited from someone who died in a year other than 2010, you should not report the sale in Part II, because such property is always treated as a long-term holding regardless of the actual holding period.* For someone who died in 2010, see IRS Pub. 4895.

Special requirements for small business stock (section 1244). If you have a loss from the sale of small business (section 1244) stock, you can report the loss (up to a limit) as an ordinary loss in a worksheet for line 10 of Form 4797. (If the sale resulting in a gain, it is reported on Schedule D like the sale of any other stock, qualifying for capital gains rates if held more than 1 year.) However, you must meet a number of conditions to qualify as a section 1244 stock, and you must also attach a statement to the return providing certain details of the transaction. *The maximum allowed loss for this kind of sale is generally \$50,000 (\$100,000 if married filing jointly) on Form 4797, with the excess reported as a short-term or long-term loss on Schedule D (at line 1b, 2, 3, 8b, 9, or 10 depending on the holding period of the stock and status of Form 1099-B for the sale),* which is subject to a \$3,000 per year limitation on losses. For details on the qualifications and further restrictions on the loss deduction, see the IRS 2023 *Instructions for Form 4797* and IRS Pub. 550 (*Investment Income and Expenses*).

10 Ordinary gains and losses. Ordinary gains and losses not reported elsewhere in the return are entered here in four separate sets of worksheets. The worksheets accessed here are the same as ones described for line 2, above, except that date checking ensures that only property held 1 year or less is reported here. Among the long-term holdings that you could report here are ordinary gains and losses are the dissolution or sale of a partnership, and the sale of small business stock at a loss. (All worksheets are accessed at line (g), and all other lines are auto-calc lines based on worksheet entries.) *CAUTION: Do NOT include sales reported in Part III of Form 4797.*

For ordinary gain or loss NOT reported to you on Sch. K-1: Using one worksheet for each transaction, any number of transactions may be entered on the following lines for transactions *NOT* reported to you on a Schedule K-1:

Active rental real estate:

(d) **Sales Price.** *(auto-calc)* This is the sum of sales prices entered on all the worksheets that are accessed on the next line.

10(g), Net for Active Rental Real Estate. *(Supported by the Ordinary Gain/Loss Worksheet, similar to Figure 2-49b.)* Enter only transactions involving rental real estate in which you actively participated on the worksheets you access at these lines.

All other transactions:

(d) **Sales Price.** *(auto-calc)* This is the sum of sales prices entered on all the worksheets that are accessed on the next line.

10(g), Net for All other transactions. *(Supported by the Ordinary Gain/Loss Worksheet, similar to Figure 2-49b.)* Enter all other transactions on the worksheets you access at these lines.

For ordinary gain or loss reported to you on Sch. K-1: Using one worksheet for each transaction, any number of transactions may be entered on the following lines from Schedules K-1 received from partnerships, S corporations, estates, and trusts. Remember that these lines are intended only for sales the partnership transacts; any sale of your sale interest in the partnership, or a dissolution of the partnership, is reported on the Ordinary Gain/Loss Worksheets, above.

K-1 Sec. 1231 Active rental real estate:

10(g), Sch. K-1 net for Active Rental Real Estate. *(Supported by the Sch. K-1 Ordinary Gain/Loss Worksheet, Figure 2-50b.)* Enter only long-term transactions involving rental real estate in which you actively participated on the worksheets you access at this line.

K-1 Sec. 1231 All others:

10(g), Sch. K-1 net for All other transactions. *(Supported by the Sch. K-1 Ordinary Gain/Loss Worksheet, Figure 2-50b.)* Enter all other transactions on the worksheets you access at this line.

For short-term gains from installment sales (Form 6252): Gains from installment sales of short-term holdings (property held 1 year or less) are reported here. ***CAUTION: While the amount from Form 6252 is posted here automatically and the proper calculations on Form 4797 are automatic, you must itemize to a special worksheet on the second line below in order for the amount to be recast in the format required by the IRS for official printouts and e-file output. (Note that ordinary gains stemming from recapture rules rather than short-term holdings are posted to line 15, not here.)***

Ordinary gains from Form 6252 lines 26 and 37. *(Road Map line, supported by Form 6252.)* Five copies of Form 6252 are built into the software for reporting up to five installment sales. Ordinary gains in lines 26 and 37 of Form(s) 6252 are posted here and reflected in the later total for line 10(g).

ITEMIZE here if an amount is shown above. *(Supported by the Ordinary Gain from 6252 Worksheet, Figure 2-51.)* If an amount appears on the preceding line ***you MUST itemize this line to create the worksheet required for printouts and e-file output.*** The worksheet is fully automatic once you itemize, automatically generating the wording required by the IRS for line a and the amount from Form 6252 for line g and the NET line. All other lines will be blank or zero.

CAUTION: If the preceding two amounts are NOT IDENTICAL, you MUST itemize above line so that IRS printing and e-file format are proper. The two amounts may differ if Form 6252 is changed after you create the preceding worksheet. You should therefore check that the preceding two lines match after the final recalculation of the return.

Ordinary Gain from 6252 Worksheet, Figures 2-51. (Supports the ITEMIZE line below "Ord. Gain in 6252, 26 or 37.") This worksheet follows the form

of the Ordinary Gain/Loss Worksheet for line 10 but without the special lines for passive activities. It is fully automatic, and only one worksheet can be created, because it's sole purpose is to put the amounts from Form

ORDINARY GAIN/LOSS		
a.	Description	From Form 6252
b.	Date acquired (mm/dd/yy)	
c.	Date sold (mm/dd/yy)	
d.	Gross sales price...	0
e.	Depr'n allowed since acq...	0
f.	Cost or other basis...	0
	NET (your entry if d=e=f=0)	0
g.	GAIN or LOSS	0

Figure 2-51. Ordinary Gain from 6252 Worksheet

6252 lines 26 and 37 into the proper format for the line 10 chart of gains and losses that appears on official printouts (and in the e-file output).

- a. **Description.** (auto-calc) This entry is automatically generated to be "From Form 6252."
 - b. **Date acquired.** (auto-calc) Always blank for this special worksheet.
 - c. **Date sold.** (auto-calc) Always blank for this special worksheet.
 - d. **Gross sales price.** (auto-calc) Always zero for this special worksheet.
 - e. **Depreciation allowed since acquisition.** (auto-calc) Always zero for this special worksheet.
 - f. **Cost or other basis.** (auto-calc) Always zero for this special worksheet.
- NET (your entry if d=e=f=0).** This line is automatically taken from the line "Ord. Gain in 6252, 26 or 37" above the line you itemized to reach this worksheet.
- g. **GAIN or LOSS.** (auto-calc) Computed as the above NET, this is the ordinary gain from Form 6252 lines 16 and 37.

When you return from the worksheets the amount on line g is carried back to the line you itemized to reach this worksheet, causing the amount posted from Form 6252 to match the amount posted from this worksheet.

10(g) Total ordinary gain or loss. (auto-calc) Computed as the sum of all preceding totals for line 10(g).

11 Loss, if any, from line 7. (auto-calc) If line 7 is negative, the loss is posted here as a positive number.

12 Gain from line 7, or amount from line 8 if applicable. (auto-calc) If line 9 shows a gain, the amount from line 8 is posted here. Otherwise, any gain on line 7 is posted here if there is an entry on line 8.

13 Gain, if any, from line 31. (auto-calc) Taken from Part III as indicated.

14 Net gain or loss from Form 4684, lines 31 and 38a. (Road Map line, supported by Form 4684.) Any net gain or loss from casualties and thefts is posted here from lines 31 and 38a of Form 4684, which is accessible from this line.

15 Ordinary gains from installment sales in Form 6252, line 25 or 36. (*Road Map line, supported by Form 6252.*) Five separate copies of Form 6252 are available. Gains recaptured as ordinary income in lines 25 and 36 of Form(s) 6252 are posted here. This amount includes recapture from Section 1252, 1254, and 1255 for installment sales that are reported in Part III of Form 4797. (*Note that ordinary gains from Form 6252 due to a short-term holding period, rather than recapture, are posted to line 10(g), not here.*)

16 Ordinary gain or loss from like-kind exchanges from Form 8824. (*If Premium Level, Road Map line supported by Form 8824.*) Ordinary gain or loss for like-kind exchanges is reported here.

Passive loss limitations. The complex interface with Form 8582 is enforced in this part of the form. You should pay particular attention to the lines labeled "W/S ERROR" because they indicate that you must view the worksheets at line 2 once again in order to update them with changes in Form 8582.

Total gain to Form 8582 line 1a. (*auto-calc*) The sum of gains from the preceding worksheets for rental real estate with active participation.

Total loss to Form 8582 line 1b. (*auto-calc*) The sum of losses from the preceding worksheets for rental real estate with active participation.

Active rental real estate loss unallowed in prior year. This entry is used in line 1c of Form 8582. Enter here any loss carryover from the prior year stemming from passive loss limitations on the long-term sale of active rental real estate reported on last year's Form 4797. This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040 (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation). *Nevertheless, you must appropriately distribute this total among the worksheets for line 10 yourself so that the unallowed amounts calculated on the worksheets reflect the proper proration among the worksheets.* An amount on the below W/S ERROR line will alert you of the need to do so.

Active rental real estate unallowed loss for 2023. (*Road Map line, supported by Form 8582.*) This disallowance comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. You can access Form 8582 with the Itemize Key at this line, but there is no need to do so because the form is automatically generated and completed upon the final recalculation of the return. *Once the return is complete, you may have to view each worksheet for lines 2 so that the unallowed losses are reallocated based upon the final return.* An amount on the below W/S ERROR line will alert you of the need to do so.

Total gain to Form 8582 line 3a. (*auto-calc*) The sum of gains from the preceding worksheets for passive activities.

Total loss to Form 8582 line 3b. (*auto-calc*) The sum of losses from the preceding worksheets for passive activities.

Other passive prior unallowed loss. This is the loss carryover from the prior year stemming from passive loss limitations on sales reported on the Form 4797 for 2022. This carryover is automatically posted here by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040 (as long as you answered Yes to "Transfer all prior \$ amounts" for the translation). Nevertheless, you must appropriately distribute this total among the worksheets for line 10 yourself so that the unallowed amounts calculated on the worksheets reflect the proper prorationing among the worksheets. An amount on the below W/S ERROR line will alert you of the need to do so.

Other passive unallowed loss in 2023. (*Road Map line, supported by Form 8582.*) This disallowance comes automatically from Form 8582, but can only be determined upon the final recalculation of the return. You can access Form 8582 with the Itemize Key at this line, but there is no need to do so because the form is automatically generated and completed upon the final recalculation of the return. Once the return is complete, you may have to view each worksheet for lines 2 so that the unallowed losses are reallocated based upon the final return. An amount on the below W/S ERROR line will alert you of the need to do so.

Significant participation part of prior unallowed losses. When reporting carryovers for activities that are significant participation activities in 2023, the IRS requires that you include those carryovers in the significant participation net to the extent that they are offset by gains for the same activity. This rule materially affects whether significant participation activities will be classified as passive activities. You must enter here the part of the carryover that is offset by significant participation gains which you have entered on the worksheets for line 10. (See our instructions for Form 8582 for more details on significant participation activities.)

W/S ERROR in prior unallowed losses. (*auto-calc*) Computed as the sum of prior unallowed losses you entered on all the worksheets for line 10, less the total prior unallowed losses shown above (which you entered or "translate" posted). If this result is nonzero, it means that you have not properly allocated the total prior unallowed losses among all the worksheets you have completed. You must return to the worksheets and revise the entries. Your record of unallowed loss for each item for the previous year should guide your entries on the worksheets.

W/S ERROR in current unallowed losses. (*auto-calc*) Computed as the sum of unallowed losses computed the last time you viewed the worksheets for line 10, less the total losses unallowed shown above for 2023 (which comes automatically from Form 8582). If this result is nonzero, it means that the allocation of unallowed losses on

your worksheets is not based on the final return, so you must view each worksheet so that the unallowed losses can be reallocated.

17 Combine lines 10 through 16. *(auto-calc)* Computed as the sum of all gains and losses in lines 10 through 16 less the appropriate disallowed amounts. If line 17 reflects a disallowance from Form 8582 or an additional loss due to a carryover from 2022, the IRS code "PAL" appears beside the result on the printout of Form 4797.

18 Allocation to Schedule A and Schedule 1:

Form 4684 loss for Schedule A, line 16. *(auto-calc line, supported by Form 4684)* Any loss on line 35(b)(ii) of Form 4684 that stems from income-producing property appears here after being limited to its prorated share of loss on line 11. This result will be posted to line 16 of Schedule A.

18a Loss from Form 4684 for Schedule A. *(auto-calc lines)* Equal to the preceding amount, this is the part of the losses in line 17 that is claimed as a deduction on Schedule A.

18b Balance for Schedule 1, line 4. *(auto-calc)* Computed as line 17 plus line 18a, and posted to line 4 of Schedule 1, this is the gain or loss on Form 4797 that is reported directly on Schedule 1 rather than through Schedule A or Schedule D.

PART III, GAIN FROM DISPOSITION OF PROPERTY UNDER SECTIONS 1245, 1250, 1252, 1254, AND 1255. This part is used for reporting the details on long-term gains subject to the recapture of depreciation and certain other deductions as ordinary gains. **ONLY SALES RESULTING IN A GAIN ARE REPORTED HERE;** all losses are reported directly in Parts I and II. Also, **ONLY LONG-TERM HOLDINGS ARE REPORTED HERE;** short-term holdings (those held one year or less) are reported directly in Part II. Pay particular attention to the installment sale question; it critically affects the automation of Form 6252. Also note that the passive activities are not identified on the supporting worksheets due to lack of space; *you must identify total passive gains for all worksheets combined in the lines for Form 8582 detailed below. When entering cost or other basis in the following worksheets, if the entire interest is sold be sure to increase the cost by the amount of unused loss carryovers from Form 8582 for these properties.*

Worksheets provide details for all property. The details for lines 19 through 29 of this section are all carried by the Gain/Recapture Worksheets that support this section, which are detailed in the next shaded section. This two-screen worksheet contains ALL of the lines, but the lines that are actually active depend on the line you itemize to reach the worksheet. A separate line accesses the worksheet for each of the five kinds of property covered in this section. Although the worksheets appear identical, a separate set of worksheets supports each of the five separate lines. Only the totals transferred back to Form 4797 from the worksheets appear on the screen for Part III.

Total gains:

Total section 12xx gain. *(auto-calc lines, supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.)* Total gains for all five sets of worksheets appear on these five lines.

24 Total gains. *(auto-calc)* Computed as the sum of the preceding five "total gain" lines.

Gains in line 24 for Form 8582 lines 1a and 3a. Enter here any gains reported above that are eligible for use on Form 8582 to offset passive losses. These gains will be posted to Form 8582 as indicated. **CAUTION:** *You must identify passive gains for all of the above worksheets here yourself, because passive activities are not identified on the worksheets.*

Ordinary gains:

25 Section 1245 property. *(Supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.)* Long-term sales of depreciable trade or business property are reported here. In addition, sales of nonresidential real property that do not qualify as section 1250 property, below, are reported here. Sales of cattle and horses held less than 24 months and livestock held less than 12 months, however, are reported in Part II. ***ALL past depreciation is recaptured through the worksheet for this property.*** (New recapture rules apply to the disposition of amortizable section 197 intangibles after August 8, 2005. See IRS Instructions for line 25 of Form 4797 for information on when it is appropriate to combine these dispositions into one transaction.)

26 Section 1250 property. *(Supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.)* Under the more favorable treatment of Sec. 1250, only deductions in excess of straight-line depreciation are recaptured, and for some property the recaptured amount phases out to zero after 16-2/3 years of holding the property. ***ALL residential rental property qualifies.*** Nonresidential rental property that qualifies includes (1) all property placed in service after 12/31/86, (2) 15-year, 18-year, and 19-year property depreciated under the alternate ACRS (optional straight-line) method, (3) 15-year, 18-year, and 19-year property used mostly outside the U.S., and (4) 15-year property that is low-income housing. All other non-residential rental property is subject to recapture under Sec. 1245, above. The percentages to enter above line 26b is 100% for most property, but may be less for low-income housing held less than 100 months. See IRS Pub. 527 (*Residential Rental Property*) for details.

27 Section 1252 property. *(Supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.)* Report here long-term gains for farmland held less than 10 years upon which soil, water, or land clearing expenses were deducted.

28 Section 1254 property. *(Supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.)* Report here gains on dispositions of oil and most other mineral property.

29 Section 1255 property. (*Supported by the Gain/Recapture Worksheet, Figures 2-52a and 2-52b.*) Report here gains on dispositions of section 126 cost-sharing payments.

Gain/Recapture Worksheet, Figures 2-52a and 2-52b. All details for Part III are reported on these worksheets:

<p>19a Description of property. Enter description in 25 characters or less.</p> <p>Bypass date checking? Unless answer Yes, date sold must exceed date acquired by more than 1 year for any gain to be computed on this worksheet.</p>	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">GAIN/RECAPTURE-Screen 1of2</td> <td></td> </tr> <tr> <td style="width: 5%;">a</td> <td style="width: 85%;">Description of</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Bypass date checking? No</td> <td></td> </tr> <tr> <td>b</td> <td>Date acquired.....</td> <td></td> </tr> <tr> <td>c</td> <td>Date sold.....</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Installment sale? No</td> <td></td> </tr> <tr> <td>20</td> <td>Gross sales price.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>21</td> <td>Cost or other basis.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>22</td> <td>Depreciation allowed.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>23</td> <td>Adjusted basis.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>24</td> <td>Total gain.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>25</td> <td>If sec. 1245 property:</td> <td></td> </tr> <tr> <td> a</td> <td>Depreciation allowed.....</td> <td style="text-align: right;">0</td> </tr> <tr> <td> b</td> <td>Smaller of ln 24 or 25a....</td> <td style="text-align: right;">0</td> </tr> <tr> <td>26</td> <td>If sec. 1250 property:</td> <td></td> </tr> <tr> <td> a</td> <td>Add'l deprec'n after 1975.</td> <td style="text-align: right;">0</td> </tr> <tr> <td></td> <td style="text-align: right;">Percentage for 26b....</td> <td style="text-align: right;">0</td> </tr> <tr> <td> b</td> <td>% of smaller of 24 or 26a....</td> <td style="text-align: right;">0</td> </tr> <tr> <td> c</td> <td>Subtract line 26a from 24....</td> <td style="text-align: right;">0</td> </tr> <tr> <td> d</td> <td>Add'l depr aftr69&before76</td> <td style="text-align: right;">0</td> </tr> </table>	GAIN/RECAPTURE-Screen 1of2			a	Description of			Bypass date checking? No		b	Date acquired.....		c	Date sold.....			Installment sale? No		20	Gross sales price.....	0	21	Cost or other basis.....	0	22	Depreciation allowed.....	0	23	Adjusted basis.....	0	24	Total gain.....	0	25	If sec. 1245 property:		a	Depreciation allowed.....	0	b	Smaller of ln 24 or 25a....	0	26	If sec. 1250 property:		a	Add'l deprec'n after 1975.	0		Percentage for 26b....	0	b	% of smaller of 24 or 26a....	0	c	Subtract line 26a from 24....	0	d	Add'l depr aftr69&before76	0
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19b Date acquired. Figure 2-52a. Gain/Recapture Worksheet, Screen 1 required. Enter date acquired in the usual mm/dd/yy for-mat.

19c Date sold. Enter date sold in the standard mm/dd/yy format. Note that the property must have been held more than one year to be reported here if it is section 1245, 1250, or 1252 property; otherwise the entire gain would be ordinary income.

Installment sale? If you answer Yes, the recapture and long-term gains are posted to Form 4797 and then the selected copy of Form 6252, as detailed below line 28.

20 Gross sales price. Enter total proceeds from the sale here. If this amount was not included in line 1, you must explain why in a supporting statement for line 1.

21 Cost or other basis. Enter the net purchase price and any costs of the sale not already reflected in line 20, above.

22 Depreciation allowed. Enter total depreciation or depletion allowed or allowable since acquisition, whether or not you actually used it, including any section 179 expenses claimed. You should reduce this amount by any recapture already reported, and may have to add other deductions to this total. See the IRS instructions for this line for more detail.

23 Adjusted basis. (*auto-calc*) Computed line 21 less line 22.

24 Total gain. *(auto-calc)* Computed as line 20 less line 23, but no less than zero. If a gain does not appear here, you should be reporting this sale in Part I or Part II of Form 4797, not here.

25 If sec. 1245 property: The following two lines are always zero unless you accessed the worksheet through line 25 of Form 4797.

25a Depreciation allowed. *(auto-calc)* Automatically equal to line 22.

25b Smaller of line 24 or 25a. *(auto-calc)* Computed as indicated, this is the amount recaptured as ordinary income for sec. 1245 property.

26 If sec. 1250 property: The following two lines are always zero unless you accessed the worksheet through line 26 of Form 4797.

26a Additional depreciation after 1975. Enter, for the years after 1975 only, the amount by which depreciation taken exceeds the amount that straight-line depreciation would provide. See IRS instructions for details.

Percentage for line 26b. Enter 100% for most property, but see IRS sec. 1250(a)(1)(B) for what to enter for low-income rental housing

26b % of smaller of 24 or 26a. *(auto-calc)* Computed as the above percentage times the smaller of line 24 or line 26a.

26c Subtract line 26a from line 24. *(auto-calc)* Computed as indicated.

26d Additional depreciation after 1969 and before 1976. Enter, for the years after 1969 and before 1976 only, the amount by which depreciation taken exceeds the amount that straight-line depreciation would provide. If the depreciation taken is actually LESS than straight-line depreciation, reduce your entry for line 26a by that amount instead (but no less than zero).

26e Smaller of line 26c or 26d. *(auto-calc)* Computed as the smaller of line 26c or line 26d.

26f Section 291 amount (corporations only). *(auto-calc)* Since this entry is relevant only to corporate returns, not Form 1040 returns, it is automatically zeroed for this software.

26g Add lines 26b, 26e, & 26f. *(auto-calc)* Computed as indicated, this is the amount recaptured as ordinary income for section 1250 property.

27 If sec. 1252 property: The following two lines are always zero unless you accessed the worksheet through line 27 of Form 4797.

27a Soil, water, and land clearing expenses. Enter expenses for farmland as indicated.

Percentage for line 27b. *(auto-calc)* Computed as 100% for farmland disposed of before the 6th year after it was acquired, 80% if disposed of during the 6th year, 60% if disposed of during the 7th year, 40% if disposed of during the 8th year, and 20% if disposed of during the 9th year. If disposed of after the 9th year, no recapture is due and the sale should be reported in Part I of Form 4797, not here.

27b Line 27a times applicable %. *(auto-calc)* Computed as the above percentage times line 27a.

27c Smaller or line 24 or 27b. *(auto-calc)* Computed as indicated, this is the amount recaptured as ordinary income for section 1252 property.

e Smaller of line 26c or 26d	0
f Sec. 291 amount (corprtns)	0
g Add lines 26b, 26e, & 26f	0
27 If sec. 1252 property:	
a Soil,water,land clrg expen	0
Percentage for 27b...	0
b Line 27a times applicable %	0
c Smaller of line 24 or 27b.	0

28 If sec. 1254 property: The following two lines are always zero unless you accessed the worksheet through line 28 of Form 4797.

28 If sec. 1254 property:	
a Intangible drilling, et al	0
b Smaller of line 24 or 28a.	0
29 If sec. 1255 property:	
Ordinary inc part of ln 24	
Sec 126 exclusions...	0
Percentage for 29a...	0
a Applicable amount undr 126	0
b Smaller of line 24 or 29a.	0
SUMMARY:Ordinary gn(Recapture)	0
Long-trm gain for 6252	0
Unrecaptured 1250 gain	0

28a Intangible drilling, et al. Figure 2-52b. **Gain/Recapture Worksheet, Screen 2** Enter intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs. Expenses already included in income under other provisions of law are not subject to recapture again. See IRS Instructions for Form 4797 for details.

28b Smaller of line 24 or 28a. *(auto-calc)* Computed as indicated, this is the amount recaptured as ordinary income for section 1254 property.

29 If sec. 1255 property: The following two lines are always zero unless you accessed the worksheet through line 29 of Form 4797.

Ordinary income part of line 24. If any of the gain on line 24 is treated as ordinary gain under sections 1231 through 1254, enter that part of the gain here. This entry is used to modify the computation at line 29b.

Sec 126 exclusions. Enter total payments previously excluded from income under IRS section 126.

Percentage for line 29a. Enter 100% for property disposed of less than 10 years after receipt of the last payment excluded, and 10% less (but no less than zero) for every full or partial year thereafter.

29a Applicable payments excluded from income under sec. 126. *(auto-calc)* Computed as the above percentage times the total section 126 exclusions.

29b Smaller of line 24 or 29a. *(auto-calc)* Normally computed as indicated, but if you made an entry above for "Ordinary income part of line 24," line 24 is replaced by line 24 less that entry before per-

forming the computation. This line shows the amount of gain recaptured as ordinary income for section 1255 property.

SUMMARY:

Ordinary gain (Recapture). *(auto-calc)* Computed as line 25b for section 1245 property, line 26g for section 1250 property, line 27c for section 1252 property, line 28b for section 1254 property, and line 29b for section 1255 property.

Long-term gain. *(auto-calc)* Computed as the total gain on line 24 less the preceding ordinary gain.

Unrecaptured sec. 1250 gain. *(auto-calc)* This line is computed only if you accessed the worksheet by itemizing line 26, which is the line for section 1250 property. When applicable, it is computed as the lesser of the preceding long-term gain vs. the amount by which depreciation on line 22 exceeds the ordinary gain (recapture) shown above.

When you return from the worksheets, totals for lines 24 through 29 are posted to Form 4797 as well as the four types of gains shown at the end of the worksheets. In addition, amounts for installment sales are posted separately from other sales in order to properly distribute totals to the proper lines and forms.

Allocations to Form 6252. The results from the worksheets are summarized here, and amounts destined for Form 6252 (for installment sales) are subtracted out before the results are posted to Parts I and II of Form 4797. *TIP: Form 6252 is accessible from lines 4 and 15 of Form 4797, but lines 12, 25, and 36 of Form 6252 will not have the proper amounts until you complete this part of Form 4797.*

Sec. 1245 and 1250 recapture for Form 6252 line 12. *(auto-calc)* From worksheets identified as installment sales only, this is the total "Ordinary gain (Recapture)" shown in the summary at the end of the worksheets for section 1245 and 1250 property. Your entries on the next five lines determine how this total is split among the five available copies of Form 6252. This entire amount will be posted to copy 1 of Form 6252 if you make no entries below.

Part for Form 6252 copy 2, line 12. Enter the portion of the above recapture total to be posted to copy 2 of Form 6252.

Part for Form 6252 copy 3, line 12. Enter the portion of the above recapture total to be posted to copy 3 of Form 6252.

Part for Form 6252 copy 4, line 12. Enter the portion of the above recapture total to be posted to copy 4 of Form 6252.

Part for Form 6252 copy 5, line 12. Enter the portion of the above recapture total to be posted to copy 5 of Form 6252.

Part for Form 6252 copy 1, line 12. *(auto-calc)* Computed as the earlier recapture total less the above four amounts.

Sec. 1252, 1254, and 1255 recapture for Form 6252 line 25. *(auto-calc)* From worksheets identified as installment sales only, this is the total

“Ordinary gain (Recapture)” shown in the summary at the end of the worksheets for section 1252, 1254, and 1255 property. Your entries on the next five lines determine how this total is split among the five available copies of Form 6252. This entire amount will be posted to copy 1 of Form 6252 if you make no entries below.

Part for Form 6252 copy 2, line 25. Enter the portion of the above recapture total to be posted to copy 2 of Form 6252.

Part for Form 6252 copy 3, line 25. Enter the portion of the above recapture total to be posted to copy 3 of Form 6252.

Part for Form 6252 copy 4, line 25. Enter the portion of the above recapture total to be posted to copy 4 of Form 6252.

Part for Form 6252 copy 5, line 25. Enter the portion of the above recapture total to be posted to copy 5 of Form 6252.

Part for Form 6252 copy 1, line 25. *(auto-calc)* Computed as the earlier recapture total less the above four amounts.

Unrecaptured sec. 1250 gain for Form 6252. *(auto-calc)* From worksheets identified as installment sales only, this is the total “Unrecaptured 1250 gain” shown in the summary at the end of the worksheets for section 1250 property. Your entries on the next five lines determine how this total is split among the five available copies of Form 6252. This entire amount will be posted to copy 1 of Form 6252 if you make no entries below.

Part for Form 6252 copy 2. Enter the portion of the above recapture total to be posted to copy 2 of Form 6252.

Part for Form 6252 copy 3. Enter the portion of the above recapture total to be posted to copy 3 of Form 6252.

Part for Form 6252 copy 4. Enter the portion of the above recapture total to be posted to copy 4 of Form 6252.

Part for Form 6252 copy 5. Enter the portion of the above recapture total to be posted to copy 5 of Form 6252.

Part for Form 6252 copy 1. *(auto-calc)* Computed as the earlier recapture total less the above four amounts.

Summary of Part III Gains. The results from the worksheets are summarized here, and amounts destined for Form 6252 (for installment sales) are subtracted out before the results are posted to Parts I and II of Form 4797. *TIP: Form 6252 is accessible from lines 4 and 15 of Form 4797, but lines 12, 25, and 36 of Form 6252 will not have the proper amounts for a current-year sale until you complete this part of Form 4797.*

30 Total gains for all properties. *(auto-calc)* Computed as the sum of line 24 from all of the worksheets.

Ordinary gains for ALL properties. *(auto-calc)* Computed as the sum of lines 25b, 26g, 27c, 28b, and 29b (the “Ordinary gain (Recapture)” shown in the summary at the end of the worksheets).

Form 6252 recapture to exclude. *(auto-calc)* This is the recapture for sec. 1245 and 1250 installment sale property. The years that re-

capture for these classes of property is taxed are determined on Forms 6252. Recapture is usually *not* fully taxed currently for these properties.

- 31 Ordinary gains for line 13.** *(auto-calc)* Computed as the ordinary gains for *ALL* properties less the above Form 6252 recapture to exclude. (Notice that, contrary to sec. 1245 and 1250 property, recapture for installment sales of sec. 1252, 1254, and 1255 is always fully taxed currently and is therefore included in this line.)

Long-term gains for ALL properties. *(auto-calc)* Computed as line 30 less ordinary gains for ALL properties.

Form 6252 long-term gains to exclude. *(auto-calc)* *From worksheets identified as installment sales only*, this is the total "Long-term gain" shown in the summary at the end of the worksheets. The years that these gains are is taxed are determined on Forms 6252. They are usually *not* fully taxed currently or else the sales wouldn't be classified as installment sales. **CAUTION: You must provide additional information directly on Form 6252 before the amount excluded here appears on a Form 6252.**

- 32 Long-term gains.** *(auto-calc)* Computed as long-term gains for ALL properties less long-term gains for Form 6252.

Casualty and theft part of line 32, for Form 4684. Enter here the portion of line 32 attributable to casualty and theft. This entry is posted to line 33 of Form 4684.

Remainder for Form 4797 line 6(g). *(auto-calc)* Computed as line 32 less the above entry, *this result is posted to line 6 in Part I of Form 4797.*

Unrecaptured section 1250 gain in Form 4797, Part I. This section is used to compute unrecaptured sec. 1250 gain in the return that is associated with Part I of Form 4797, in accordance with the way the amounts throughout the return for unrecaptured sec. 1250 gain are used on Schedule D.

For gains in Part III (but not Form 6252). *(auto-calc)* This is the total "Unrecaptured sec. 1250 gain" shown in the summary at the end of the worksheets excluding worksheets identified as installment sales.

For gains from Form 6252s. *(auto-calc)* This is the unrecaptured sec. 1250 gain associated with the gain shown on line 4 of Form 4797, which comes from line 26 or 37 of Forms 6252. (The amount of unrecaptured sec. 1250 gain that is currently taxable is determined on the associated Form 6252.)

From Schedule K-1s from partnerships and S corporations. *(auto-calc)* This is the total unrecaptured section 1250 gain identified on the Sch. K-1 Sec. 1231 Gain/Loss Worksheets you completed for line 2 of Form 4797.

Adjusted amount for line 19 of Schedule D, Part III. *(auto-calc)* Computed as the sum of the above three amounts, then limited to no more than the gain on line 7 of Form 4797, subject to further re-

duction by line 8, in accordance with the IRS Unrecaptured Section 1250 Gain Worksheet (which appears at the end of the IRS Instructions for Schedule D). This result is posted to Schedule D as *just one component of line 19 of Schedule D* in its complex calculation of tax.

PART IV, Recapture Amounts Under Sections 179 and 280F When Business Use Drops to 50% or Less. Recapture required because of a change in the percentage of business use of the property is reported here. Lines labeled (a) are for recapture of section 179 deduction. Lines labeled (b) are for recapture of depreciation of listed property.

33 Prior allowable (a) Sec. 179. Enter section 179 deduction taken that is now subject to recapture for all but listed property.

33 Prior allowable (b) Sec. 280F. Enter depreciation allowable, whether taken or not, for listed property that is now subject to recapture. Be sure to include any section 179 deduction claimed for the property.

34 Recomputed depreciation (a) Sec. 179. Enter the extra amount of depreciation that would have been allowable over the years if the section 179 deduction had not been claimed.

34 Recomputed depreciation (b) Sec. 280F. (a) Sec. 179. Enter the total depreciation over the years that would have been allowable had the business been used less than 50% for business for all those years. This deduction is usually based on a straight-line depreciation.

35 Recapture amount. (auto-calc lines) Computed as line 33 less line 34, separately for columns (a) and (b).

The amounts on lines 35a and 35b must be reported as "Other income" on the form or schedule for which the original deductions applied (such as Schedule C, Schedule F, Form 2106, etc.).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4835 / Farm Rental Income and Expenses

Who is it for? Form 4835 is used to report farm rental income, providing you meet *ALL* of the following criteria:

- you own the property on which the farm operates,
- the activity is a rental activity (as defined for passive activities on Form 8582),
- the rental income is based on production (such as the amount of crops or livestock produced by the tenant), rather than a flat rate, and
- you did not materially participate in the operation or management of the rented farm (as defined for self-employment on Schedule SE).

If you don't meet all these criteria, you should report the income elsewhere on the return, not on this form. For example,

- if you are the tenant, or you materially participate in the operation or management of the farm, you should report the activity as Farm Self-employment on Schedule F;
- if the rent you receive is based on a flat charge for pasture or farmland, you should report the activity as Rental Real Estate on Schedule E.

Form 4835 parallels Schedule F. Form 4835 is nearly identical to Part I and II of Schedule F, where farm income is reported using the cash (not accrual) method. Rather than repeat all the detail of Schedule F here, we therefore highlight only the differences here. Therefore, you should refer to our instructions for Schedule F for details not shown here.

GENERAL INFORMATION. Your answers here control how this activity is treated under the passive activity rules on Form 8582.

Employer ID Number (EIN). Enter the EIN here in the standard 10-character format (00-0000000) only if required to file employment, excise, alcohol, tobacco, or firearms tax returns, or you had a Keogh plan. **CAUTION: Do NOT enter social security number here.**

A Active participant during 2023? Answer Yes only if you participated in a significant way in management decisions or arranging for others to provide services to maintain the rental activity. If the activity is classified as a passive activity in the next section, the gains and losses for this activity will be treated on Form 8582 as

- Rental Real Estate Activities with Active Participation if you answer Yes, or
- All Other Passive Activities if you answer No.

See Form 8582 for details.

Exception to PAL limitations. Unless you can answer Yes to some of the following questions, the activity will be considered a passive activity and the deduction of losses will be limited through Form 8582.

Are you a real estate professional? If you qualify as a real estate professional, then you may qualify to have this rental activity treated as a nonpassive activity.

Did you "materially participate" in the operation of this business during 2023? You can generally answer Yes if you participated in the operation of this rental business for more than 500 hours during the year. See our instructions for Form 8582 for details.

Were you a "significant participant" in the operation of this business?

If you do not satisfy the requirements for material participation, you may be classified as a significant participant. You are tentatively considered to be a significant participant if you participated in the activity for more than 100 hours but no more than 500 hours during the tax year. See our instructions for Form 8582 for details on what constitutes significant participation. (No entry is accepted here if you answered Yes to "material participant in 2023.")

Unlike other activities, rental activities like this one are almost always treated as passive activities. Whereas material participation is enough to cause an activity to be classified as nonpassive, for this rental activity, you must be a real estate professional as well. So, for this form the activity is treated as a nonpassive activity *ONLY* if you are *BOTH* a real estate professional *AND* either (1) a material participant, or (2) a significant participant and the net of ALL significant participation activities through the return taken together is a gain.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

PART I, GROSS FARM RENTAL INCOME. This part is similar to Part I of Schedule F, but there are enough differences to show the details here.

1 Income from production of livestock and other items based on production. Enter the total gross rental income here.

2a Total distributions from cooperatives (Forms 1099-PATR). Enter the totals from any Forms 1099-PATR that you receive, including ALL patronage dividends.

2b Taxable amount in line 2a. Enter the part of line 2a that is taxable. This is usually the amount on line 2a less the patronage dividends from buying personal items, capital assets, or depreciable assets.

3a Total agricultural program payments. Enter both cash and non-cash payments, including direct payments, counter-cyclical payments, price support payments, diversion payments, and cost-share payments, and payments in the form of materials and services reported to you on Forms 1099-G or CCC-182.

3b Taxable amount in line 3a. Enter the full amount on line 3b unless some of the payments are nontaxable, such as payments received under certain conservation programs. See IRS Pub. 225 (*Farmer's Tax Guide*) for details.

4a Commodity credit loans reported under election. Enter here the loan proceeds from any loans from the Commodity Credit Corporation (CCC) which you elect to report as income when received, *showing the details of the loans in a supporting statement for this line.*

4b CCC loans forfeited. Report the full amount forfeited even if you reported the loan proceeds as income.

4c Taxable amount related to line 4b. If you did *NOT* elect to report the amount forfeited as income, enter here the same amount as line 4b. If you *DID* elect to report the amount forfeited as income, but the amount forfeited is different from your basis in the commodity, you may still have to make an entry here. See IRS Pub. 225 (*Farmer's Tax Guide*) for details.

5 Crop insurance proceeds and certain disaster payments. You should report on the following lines total crop insurance proceeds, including disaster payments under the Federal disaster assistance acts, actually received in 2023, whether you elect to include them as income this year or next year.

5a Amount received in 2023. Enter total crop proceeds here.

5b Taxable amount in line 5a. Unless you elect to include them as income next year, as indicated by your answer to 5c, enter the full amount on line 5a here.

5c Do you elect to defer the proceeds to 2024, and attach statement? If you make the election you must *justify it in a supporting statement for this line.* See IRS Pub. 225 (*Farmer's Tax Guide*) for details on what to include. *Exception for e-file: The software does not support this statement for e-file. If you must create a supporting statement for this line, you must file a paper return.*

5d Amount deferred from 2022. If you elected on your 2022 return to include crop insurance proceeds from that year in 2023 income, enter that amount here.

6 Other income. Report here any other taxable income, including

- barter income,
- gasoline and fuel credits and refunds,
- profit or loss on sales of commodity futures if they were made as a hedge against price changes,
- recapture on Form 4797, line 35 (sections 179 and 280F(b)(2)) that relates to deductions previously taken for this farm,
- any inclusion amount on leased property other than vehicles,
- amount canceled or forgiven on a discharge of your business debt,
- recovery of bad debts,
- recapture of credits taken for clean-fuel vehicles, and
- recapture of credit taken for clean-fuel vehicle refueling property.

7 Gross farm rents. (*auto-calc*) Computed as the sum of lines 1, 2b, 3b, 4a, 4c, 5b, 5d, and 6.

PART II, EXPENSES--FARM RENTAL PROPERTY. This part of Form 4835 is identical to Schedule F except for the line numbers through line 31. The ex-

penses on lines 8 through 31 of Form 4835 have precisely the same labels and meanings as lines 10 through 33 of Schedule F. Therefore, you should *refer to our details for Part II of Schedule F for important instructions on the entries for lines 8 through 31*. After line 31 of Form 4835 there are a few technical differences. The main differences are (a) Form 4835 includes a provision for active participation in addition to other passive activities, (b) Form 4835 has a numbered line 32 to show the tentative net income before application of the passive activity rules (analogous to our line "Tentative net income" on Schedule F, which is not a part of the IRS form), and (c) Form 4835 has a numbered line 34c at the bottom of the form the shows the deductible loss after application of the passive activity rules. As a result of difference (a), depending on the answer in the General Information section, if the activity is classified as passive, gains and losses may be included in lines 3a, 3b, and 3c of Form 8582, just like Schedule F, or they may be included in lines 1a, 1b, and 1c of Form 8582 (unlike Schedule F) if afforded the favorable treatment of active participation in rental real estate. As a result of differences (b) and (c), the last two lines of the on-screen Form 4835 are unique to Form 4835.

SUMMARY. This part is analogous to the lines after line 33 of Schedule F, but with several differences, as noted above.

32 NET FARM RENTAL INCOME OR LOSS. (*auto-calc*) Computed as gross farm income on line 7 less total expenses on line 31, this line has no equivalent on the official Schedule F because it is the net income *BEFORE* applying the at-risk and passive activity loss limitations. Rather, it is analogous to the on-screen line we show on Schedule F as "Tentative net income."

\$ amount of loss NOT at risk (Form 6198). If tentative net income reflects a net loss for the farm, you must enter the part of the net loss that is NOT at risk here. Your losses for any activity are limited to the amount that you have at risk, which is the amount that you personally stand to lose from that activity. This generally includes cash and the adjusted basis of any property you contributed to the activity plus any amount borrowed for which you are personally liable. Use Form 6198 (built into the Premium Level software) to determine the amount you have at risk, and file the form with your return. (Your entry here will affect the answer to lines 36a and 36b, later.)

Prior unallowed passive loss for active participation activities. This is the loss carryover from the prior year stemming from passive loss limitations on this activity for 2022 if it was identified as an active participation activity. *This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040.*

Prior unallowed passive loss for other passive activities. This is the loss carryover from the prior year stemming from passive loss limitations on this activity for 2022 if it was identified as neither an ac-

tive participation activity nor a material participation activity. *This carryover is automatically transferred by the software from the prior-year return when you use the translate feature on a return that has 2022 as the entry for tax year on Form 1040.*

Part allowed in significant participation net. *(auto-calc)* If line 32 is a loss, no amount will appear here. But if it is a gain, and you identified this activity as a significant participation activity on screen 1, the part of the above two carryovers that does not exceed the amount on line 32 appears here.

Significant participation net. *(auto-calc)* If you identified this activity as a significant participation activity, this line is calculated as line 32 less the above part of carryover allowed.

Net gain from ALL significant participation activities? *(Road Map line, supported by Form 8582.)* Taken automatically from Form 8582, this answer can be reliable only upon the final recalculation of the return.

Active participant passive loss unallowed in 2023. *(auto-calc line, supported by Form 8582.)* The unallowed loss from Form 8582 for active participation activities for the current year is posted here, but it may not be accurate until the final recalculation of the return. It is the proper pro-rated portion of the amount shown on Form 8582.

Other passive loss unallowed in 2023. *(auto-calc line, supported by Form 8582.)* The unallowed loss from Form 8582 for other than active participation activities for the current year is posted here, but it may not be accurate until the final recalculation of the return. It is the proper pro-rated portion of the amount shown on Form 8582.

33 Reserved for future use. *(auto-calc)* Now always zero, this line was formerly used to report an excess farm loss,, which was eliminated by the tax reform bill through 2025.

34a All investment is at risk. *(auto-calc)* Answered Yes only if there is NOT an entry for "\$ loss NOT at risk (6198)" below line 32. Otherwise, No.

34b Some investment is not at risk. *(auto-calc)* Answered Yes only if there IS an entry for "\$ of loss NOT at risk (6198)" below line 32. Otherwise, No.

If line 34b is "Yes," itemize here for Form 6198. *(If Premium Level, Road Map line supported by Form 6198.)* You must complete Form 6198) if line 34b is Yes because some investment is not at risk.

34c Deductible loss for Schedule E, line 40. *(auto-calc)* If line 32 (Net farm rental income or loss) is less than zero, this line will be the loss (as a positive number) AFTER applying the at-risk and passive loss limitations. Otherwise, zero. If this result reflects a disallowance from Form 8582 or reflects an additional loss due to a carryover from 2022, "PAL" is printed beside the result on the official printout of Form 4835.

NET for Schedule E, line 40. *(auto-calc)* If line 32 is zero or greater, that amount will appear here. Otherwise the amount on line 34c appears here as a negative number.

The result for "NET for Schedule E, line 40" is posted to Schedule E, line 40. If no Schedule E exists for the return, the schedule is automatically generated upon the final recalculation of the return, and made a permanent part of the return in order to hold the results of Form 4835.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4868 / Automatic Extension of Time to File

Who is it for? This form is used to apply for an automatic extension of time to file a U.S. Individual Income Tax Return. You must file Form 4868 by the due date of the return, and, if you do so, your next filing deadline will be 6 months later. So, for 2023 Form 1040 returns, you must file Form 4868 by April 15, 2024, which extends your due date to October 15, 2024. If you were classified as “out of the country” when the return was due, you have an extra 2 months to file the Form 1040 return without filing Form 4868. (See “When to file Form 4868,” below, for the obtuse IRS definition of “out of the country.”) If you still cannot meet the new June 17, 2024 deadline, you can use this form for an additional 4 months, so that your next filing deadline is, again, October 15, 2024. By filing this form with a reasonable estimate of your tax liability, you avoid a stiff penalty for filing late, which is usually 5% per month (60% per annum!) up to a 25% maximum. Form 4868 is accessible through the Road Map from the Form 4868 component of line 10 of Schedule 3.

Not an extension of time to pay. This form gives you an extension of time to file (to October 15, 2024), not an extension of time to pay. If you do not pay the total tax liability estimated on this form by the due date of the return (April 15 for 2024), or your estimate is inaccurate, you will be subject to interest and late payment penalties. Interest is charged at a rate that depends on the financial markets, generally about 0.5% per month most recently. Late payment penalties generally add another 0.5% per month (or part of a month), so your overall rate would generally be 1.0% per month. If you want to avoid these interest charges and penalties, you should try to accurately estimate your tax liability and pay all tax due at the time you file Form 4868. (Penalties for not filing Form 4868 on time, whether April 15, 2024 or June 17, 2024, are much higher, generally 5% per month!)

How the software works. Because this form is used to estimate the tax liability when the return is not yet complete and could be far from the final version, we intentionally refrain from completing this form automatically, but give you helpful guidance instead. It is up to you to make the final determination of estimates to report to the IRS on this form.

WHEN TO FILE FORM 4868. If you were “out of the country” (in the IRS sense) on April 15, 2024, you would traditionally have an automatic 2-month extension of time to file without filing this form. *In the IRS sense, “out of the country” on April 15 does not mean that you were physically out of the country on that date. Rather, it means that you are classified as an “out of the country” taxpayer through your answers to the following two questions:*

Do you live and work outside of the U.S. and Puerto Rico? You can answer Yes only if BOTH your living quarters and your main place of work are outside the U.S. and Puerto Rico.

Are you in military service outside the U.S.? You can answer Yes only if you are in military or naval service outside the U.S. and Puerto Rico.

Are you a U.S. citizen or resident? Resident in this sense means that you normally live in the U.S. and are qualified to file Form 1040 (as opposed to Form 1040-NR), but live outside the U.S. currently only because of temporary work.

Your classification as “out of the country” in the IRS sense controls the automatic answers to the following two questions:

You must file by April 15. *(auto-calc)* Answered Yes if the first two questions are answered No or the last question is answered No. If Yes, you would have to file this form by April 15, 2024 to avoid a stiff *filing* penalty.

You may file until June 17. *(auto-calc)* Answered Yes if either of the preceding questions is answered Yes. If Yes, you would traditionally be able to file your return without penalty and without filing Form 4868 until June 17, 2024. If you still could not file your return by June 17, you could file Form 4868 by that date to extend the due date for filing to October 15. If a Yes appears here, line 8 of this form is answered Yes and the corresponding box is checked on the official printout of the form. Traditionally, even if you didn’t have to file Form 4868 or Form 1040 until June 17, you still had to pay the amount due by April 15 in order to avoid interest and penalties.

To avoid interest and late payment penalties, you should accurately estimate the balance due (line 6 of this form) and pay that amount by the regular due date of the return (April 15, 2024), even if you *filing* deadline is extended to June 17.

PART I, IDENTIFICATION. Most information for this section comes automatically from Form 1040.

Information from Form 1040:

Filing status. *(auto-calc)* Taken from your entry on Form 1040.

1 Name(s) and address on 1040. *(auto-calc lines)* The names and address you entered on Form 1040 are shown here. These are used for Form 4868 unless you supply a temporary alternate address for this form following line 3, below.

2 Your social security number (SSN). *(auto-calc)* Taken from your entry on Form 1040.

3 Spouse’s social security number (SSN). *(auto-calc)* Taken from your entry on Form 1040.

Alternate address (agent):

Use below name and address instead? If you answer Yes, your entries on the lines that follow this question are used on the printed Form 4868 in place of the name(s) and address on line 1. You would do this if you want any correspondence with the IRS regard-

ing this extension to be sent to an agent or to another address different from the address on your Form 1040 return.

PART II, INDIVIDUAL INCOME TAXES. Estimates for Form 1040 amounts are entered here.

Tax on current Form 1040, line 24. *(auto-calc)* Taken from Form 1040 as indicated, this line is your total tax at the current state of the return.

4 Estimated tax liability for 2023. Enter the total tax you estimate for 2023, using the amount on the preceding line for guidance.

Payments on current Form 1040, line 33 less Schedule 3, line 10. *(auto-calc)* Taken from Form 1040 line 33 reduced by any entry on Schedule 3 for payment with extension request. This is your total payments, including withholding and prior estimated tax payments, but excluding any payment to be made with this form.

5 Total 2023 payments. Enter the total payments tax you estimate for 2023, using the preceding amount for guidance.

6 BALANCE DUE. *(auto-calc)* Computed as line 4 less line 5.

7 Amount you are paying. Enter the amount you are enclosing with this form. If you do not pay the amount on line 6, and line 6 is an accurate estimate of your liability, you may be subject to interest and penalties on your underpayment, as explained previously. *Your entry on this line is posted to the Form 4868 component of Schedule 3, line 10.*

Interest and penalties may apply. *(auto-calc)* Answered Yes if line 7 is less than line 6 to warn you that you could be charged a penalty on the amount underpaid unless you can show reasonable cause for not paying on time. You must show cause when you file your return, not when you file Form 4868, explaining in a statement attached to that return the reason for not paying the full amount due on time.

8 Were you out of the country and a U.S. citizen or resident? *(auto-calc)* Answered Yes only if the answer to "You may file until June 15" is Yes (on screen 1 of Form 4868).

9 Do you file Form 1040NR or 1040NR-EZ and did not receive wages as an employee subject to U.S. income tax withholding. *(auto-calc)* Automatically No because this software is designed for Form 1040 returns, not Form 1040NR or 1040NR-EZ returns.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Paying on-line accepted in lieu of filing a paper Form 4868. If you pay your estimated balance due by credit card (for a fee), or direct from your bank account (for free) you will *not* have to file a paper or e-file Form 4868. Go to **www.irs.gov/payments** to pay on-line. *The IRS considers paying by this method to satisfy the requirement to file Form 4868. To pay by check or money order, mail your payment with Form 4868 to the address for your state shown on the last page of the official IRS Form 4868 for 2023.*

Form 4952** / Investment Interest Expense Deduction

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure the amount of interest expense that you can deduct each year for investment loans. The deduction is limited to be no more than qualified investment income each year. However, that investment income does not include income from passive activities nor tax-exempt interest. It also does not include qualified dividends and capital gains unless you elect to include them (or a portion of them), in which case they are taxed at regular tax rates rather than the more favorable capital gains tax rates. The allowed deduction computed on this form is normally reported as an itemized deduction at line 9 of Schedule A, but there are exceptions as detailed later. Form 4952 is accessible through the Road Map at line 9 of Schedule A. (This form is *not used for interest on business or personal loans*. Interest on business loans is deducted on the form used to report the business income, such as Schedule C. Interest on personal loans is not deductible at all, except for home mortgages, which are reported directly on Schedule A.)

CAUTION: If you have investment income other than interest, dividends, and capital gain distributions, **YOU must enter that income manually.** Other than interest, dividends, and capital gain distributions, the software has no way of knowing what other income on the return is qualified investment income. This is an unfortunate result of the IRS design in which disposition of personal, investment, and business property are all reported on the same forms, such as Schedule D and Form 4797, and not separately identified. Therefore, if you have any investment gains and losses on Schedule D or Form 4797, you must (except for capital gain distributions) enter them yourself as components of lines 4a and 4d.

PART I, TOTAL INVESTMENT INTEREST EXPENSE. The interest you want to consider for deduction is reported here.

Investment interest expense from Sch. K-1. Enter the interest paid or accrued in 2023 as reported to you on a Schedule K-1 from a partnership or S corporation.

Other investment interest expense. Enter here all other qualified investment interest you paid or accrued in 2023. For the purposes of this form, investment interest does NOT include home mortgage interest, interest related to a passive activity, nor interest related to tax-exempt income. On the other hand, it usually *does* include interest on a margin account with your brokerage. See IRS instructions for other exclusions and more details.

1 Investment interest expense paid or accrued in 2023. (auto-calc)

Computed as the sum of the preceding two lines.

2 Disallowed investment interest expense from 2022 Form 4952, line 7.

Enter as indicated. This is the amount not deductible for the prior tax year but carried over to the 2023 return.

3 TOTAL INVESTMENT INTEREST EXPENSE. *(auto-calc)* Computed as the sum of lines 1 and 2.

PART II, NET INVESTMENT INCOME. The income that can be used to justify the interest expense is determined here:

Interest on Form 1040, line 2b. *(auto-calc)* Taken from Form 1040, as indicated, this is ordinary interest received.

Interest on Form 1040, line 3b. *(auto-calc)* Taken from Form 1040, as indicated, this is ordinary dividends received.

Child interest and dividends in Schedule 1, line 8z. *(auto-calc)* Taken from the "Form 8814" component of Schedule 1, line 8z, *but reduced by any amount in that line that is attributable to Alaska Permanent Fund dividends.* (The amount attributed to Alaska Permanent Fund dividends is computed in accordance with a prorated method described in IRS Pub. 550.) This is the amount of your children's interest and dividend income that you are reporting on your return to avoid having to file returns for the children.

Other gross investment income. Enter here all other qualified investment interest, including nonpassive royalty income and annuities. *DO NOT include any gains or losses on sales or other disposition of investment assets; these are reported on line 4d instead.* Also, do not include any amount from Form 8814 (interest and dividends of your children) because they are already included in the preceding line.

4a Gross investment income. *(auto-calc)* Computed as the sum of the preceding four lines.

4b Qualified dividends included in line 4a. *(auto-calc)* Taken from line 3a of Form 1040, this is the part of line 3b identified as qualified dividends. They are eligible for low capital gains tax rates and are not automatically included in investment income for this form. However, you can elect to have them included in investment income on this form (so that you can deduct more interest) if you identify them to be taxed at ordinary tax rates instead of capital gains tax rates. You make that election at line 4g, below.

4c Subtract line 4b from line 4a. *(auto-calc)* Computed as indicated.

Capital gain distributions (Schedule D, line 13). *(auto-calc)* Taken from Schedule D, as indicated, this amount includes any amount from your children by means of Form 8814.

Other net gain or loss from investment property. Enter here any other gain or loss on the return that stems from qualified investment property. This amount is typically found on Schedule D and/or Form 4797, and includes both long-term and short-term amounts. It also includes the sale of both capital assets and other assets, as long as they were held for investment. *(Do not include any capital gain distributions from Schedule B or Form 8814; they are already included in the preceding line.)*

4d Gross investment income. *(auto-calc)* Computed as the sum of the preceding two lines, but no less than zero, this is the net gain from the disposition of property held for investment.

Capital gain distributions (Schedule D, line 13). *(auto-calc)* Taken from the corresponding line above line 4d. Capital gains are intentionally included in both line 4d and 4e.

Other long-term capital gain or loss from investment property. Enter here any other long-term capital gain (or loss) on the return. This amount is usually found in Part II of Schedule D, but be sure to exclude the capital gain distributions already shown on the preceding line.

Net short-term capital gain or loss from investment property. Enter here any short-term capital gain (or loss) on the return. This amount is usually found in Part I of Schedule D.

4e Smaller of line 4d or your net capital gain from the disposition of property held for investment. *(auto-calc)* First the net long-term capital gain is computed (as the sum of the first two of the preceding three lines, but no less than zero); then the net short-term capital loss is computed (as the preceding line only if negative); then the two are combined to arrive at the net capital gain. Line 4e is then the lesser of this result and the gain on line 4d. This is the maximum amount of capital gain that is excluded from investment income for this form, because of its favorable tax treatment, but which can be included back at line 4g by electing to forego the favorable tax treatment.

4f Subtract line 4e from line 4d. *(auto-calc)* Computed as indicated.

4g Amount from lines 4b and 4e that you elect to include in investment income. Thus far, investment income is the sum of lines 4c and 4f. The qualified dividends in line 4b have been excluded in arriving at line 4c, and the capital gains in line 4e have been excluded in arriving at line 4f. However, as noted above, you can elect to include any or all of the amounts in lines 4b and 4e in investment income, but will have to forego their favorable tax treatment in the process. This is accomplished through your entry here, which affects the tax computation on Schedule D. Your entry here causes some or all of qualified dividends in 4b and/or capital gains in 4e to be taxed at ordinary rates, but allows their reinclusion in investment income on this form (in order to allow a greater investment interest deduction) so that potentially more interest can be deducted. Before making an entry here you should carefully consider the tax consequences. It is a good idea to make your final decision only after the entire return is complete. You can then experiment with entries on this line by using our Recalculate Key (shift-F8 or ctrl-B) to recompute the entire return after each change. (CAUTION: NEVER make an entry here if the investment income total at line 4h is greater than or

equal to line 3. An entry in this case will never lower your tax and will usually increase it.)

Default attributable to line 4e. *(auto-calc)* Computed as the lesser of line 4g and line 4e, this is the maximum amount of line 4g that you can attribute to line 4e. Unless you make another election on the next line, the IRS will attribute this part of your entry on line 4g to capital gains, and not qualified dividends. For most taxpayers this will be the optimum choice because it results in the lowest tax at line 16 of Form 1040.

Amount of attribution you elect to shift to line 4b. If you use Form 1116, you may find it beneficial to attribute a lesser amount to line 4e and a greater amount to line 4b because it could result in enough of an increase in the credit from Form 1116 to reduce the overall tax after credits even though line 16 of Form 1040 is increased. *Your entry here is limited by the software so that the amount attributed to line 4b does not exceed line 4b, and the amount attributed to 4b and 4e combined is equal to the amount on line 4g.*

Modified line 4e for Schedule D Tax Worksheet. *(auto-calc)* If you make no entry on the preceding line, the amount on line 4e appears here unmodified, and is used that way in the Schedule D tax computations. However, if you *do* make an entry, and it is accepted by the software, a lesser amount will appear here and used in the Schedule D tax computations to compute a lesser amount of capital gains at favorable tax rates. In the latter case, this amount will appear on the dotted line for line 4e on the official printout of Form 4952 along with the word "Elec" to flag to the IRS that this special election is being made.

4h Investment income. *(auto-calc)* Computed as the sum of lines 4c, 4f, and 4g.

Investment expense from interest and dividends on Schedule B. *(auto-calc)* Taken from interest expenses entered on the *1099-INT* and *1099-DIV Worksheets* for Schedule B (from box 5 of Forms 1099-INT and box 6 of Forms 1099-DIV).

Investment loss from Form 4684, lines 32 and 38b. *(auto-calc)* Taken from the corresponding parts of Form 4684, this is the loss from casualty or theft on Form 4684 associated with investment property.

Investment expense from Form 4797, line 18a. *(auto-calc)* Taken from the corresponding part of Form 4797, this is the loss from casualty or theft on Form 4797 associated with investment property.

Other investment expense for line 5. Enter any other investment expenses that are qualified for inclusion in line 5, below.

5 Investment expenses. *(auto-calc)* Computed as the sum of the preceding four amounts.

6 NET INVESTMENT INCOME. *(auto-calc)* Computed as line 4h less line 5, but no less than zero, this is the maximum amount of interest you can deduct this year.

PART III, INVESTMENT INTEREST EXPENSE DEDUCTION. The final result is computed here:

7 Disallowed investment interest expense. *(auto-calc)* Computed as line 3 less line 6, but no less than zero, this is the amount disallowed this year but carried forward to your Form 4952 for tax year 2024.

8 INVESTMENT INTEREST EXPENSE DEDUCTION. *(auto-calc)* Computed as the smaller of line 3 or line 6, this is the amount you can deduct on your return for tax year 2023.

Allocation of line 8. Where you report your deduction depends on the specifics of the interest expenses:

Not-at-risk activities. If any of your investment interest expense is attributable to an activity for which you are *not* at risk, you will have to complete Form 6198 to determine the amount you are allowed to deduct for that activity. Enter here the part of line 8 that you *cannot* deduct, as determined from Form 6198.

Royalties (for Schedule E line 12 or 13). If any of the interest expense is attributable to royalties reported in Part I of Schedule E, you must enter here the part of line 8 attributable to those royalties *and also enter it on line 12 or 13 of the appropriate worksheet that supports Part I of Schedule E.*

Nonpassive business. If any part of the amount in line 8 is attributable to a nonpassive trade or business, enter that amount here and on the schedule you use to report other income and expenses for the activity.

Other not for Schedule A. If any other part of the amount in line 8 is attributable to an activity for which a deduction on Schedule A is not appropriate, enter that amount here and report it on the appropriate form for that activity.

Balance for Schedule A, line 9. *(auto-calc)* Computed as line 8 less the sum of the preceding four amounts, this amount is automatically posted to line 9 of Schedule A for inclusion in itemized deductions.

CAUTION. The amount for Schedule A is posted automatically. However, *no other amounts in the preceding allocations are automatically posted to other forms or schedules.* You must enter the appropriate amounts elsewhere manually as instructed above.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 4972* / Tax on Lump-Sum Distributions

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure a favorable tax on a total distribution of the entire balance from a qualified plan, including pension, profit-sharing, and stock bonus plans. (IRAs are not qualified.) The plan participant can be you or your benefactor (upon death), but *the plan participant must have been born before January 2, 1936*. Form 4972 is *accessible through the Road Map at line 16(2) of Form 1040*. (Each spouse who received a lump-sum distribution must file a separate Form 4972, so two copies of Form 4972 are available – one for each spouse.)

What constitutes a lump-sum distribution? In general, a lump-sum distribution is a total withdrawal of funds, including all earnings, from an employer's qualified plan, such as a pension, profit sharing, or stock bonus plan. However, to qualify in the eyes of the IRS you must have withdrawn all funds from all of the employer's plans that are of the same kind, and all withdrawals must have been in the same tax year. If you have lump-sum distributions from more than one kind of plan during the year, you should combine all such distributions for use on this one Form 4972. Note, however, that you do *not* have to withdraw amounts that you voluntarily contributed to the plan. See *IRS Instructions for Form 4972 for a long list of distributions that do not qualify for use of this form*.

Two types of favorable tax treatment. There are two ways that the lump-sum distribution can be tax-favored through this form, and you can generally use either or both to reduce your tax on the gain.

20% Capital Gain Election. If the Form 1099-R you received for the distribution has an amount in box 3, you can generally elect to have that amount taxed at a 20% rate. This election is especially favorable if your regular tax bracket is high because the amount in box 3 does not received favorable treatment as a capital gain except through this form. *The tax resulting from this election is figured in Part II.*

10-Year Tax Option. This option is available for the taxable balance of the distribution not taxed through the 20% capital gain election (or for the entire taxable amount if the election was not made). The tax on this amount is figured as if the lump-sum were income averaged over 10 years but the tax rate schedule used is not related to the actual tax rate schedules for the preceding 10 years. Therefore you should determine your overall tax liability with and without this option to determine which is best for you. *The tax resulting from this option is figured in Part III.*

The computations for this form can become very complex as indicated by the many special steps and worksheets in the IRS instructions. As a result, we

gather much more information in Part I than does the IRS in order to fully automate Parts II and III.

Where to report amounts from Form 1099-R. Your lump-sum distribution should be reported to you on a Form 1099-R with the "Total distribution" box in line 2b checked. Although lump-sum distributions on Form 1099-R are normally reported at lines 5a and 5b of Form 1040, the involvement of Form 4972 deviates from this rule. The IRS has defined three different ways to report the amounts on Form 1099-R other than IRAs, depending on the choices you make here:

- ◆ If you choose *not* to compute any tax on the distribution using Form 4972, you must report the entire amount in box 1 on line 5a of Form 1040 and the amount in box 2a (or a recomputed amount) at the taxable pensions and annuities part on line 5b. With *Tax Preparer* you must itemize the line "5a Pensions & annuities" on screen 7 of Form 1040 and complete the 1099-R Worksheet so that it matches the entries on the Form 1099-R you received. *You must answer "No" to the question that follows line 3 of our 1099-R Worksheet, "Reporting box 3 on 4972?"* (If a taxable amount is not shown in box 2a, or you question the accuracy of the calculation, you may need to use IRS Pub. 939 to determine the proper amount to enter.)
- ◆ If you choose to use Form 4972 *only* to make the 20% capital gain election, and *not* the 10-year tax option, you must again report the entire distribution in box 1 on line 5a of Form 1040, but the taxable pensions and annuities on line 5b must have the capital gain part of the taxable amount removed. With *Tax Preparer* you must itemize the line "5a Pensions & annuities" on screen 7 of Form 1040 and complete the 1099-R Worksheet so that it matches the entries on the Form 1099-R you received. *You must answer "Yes" to the question that follows line 3 on our 1099-R Worksheet, "Reporting box 3 on 4972?"* (If a taxable amount is not shown in box 2a, or you question the accuracy of the calculation, you may need to use IRS Pub. 939 to determine the proper amount to enter.) The amount will then be removed from line 2a of the 1099-R Worksheet before it is posted to line 4d of Form 1040 because that amount will be treated on Form 4972 instead.
- ◆ If you choose to use Form 4972 in order to use the 10-year tax option, *you must NOT complete a 1099-R worksheet on Form 1040 for the amount you receive.* Instead, you must enter all amounts on Form 4972, whether or not you also make the 20% capital gain election.

For more detail, see the IRS instructions for Form 4972 and for Form 1040 lines 4a through 5b.

PART I, COMPLETE THIS PART TO SEE IF YOU CAN USE FORM 4972. Your qualification to use Form 4972 is determined here.

Social security number for this copy. *(auto-calc)* One copy of Form 4972 is available for each spouse. The social security number entered on Form 1040 for the spouse whose copy you chose when you entered Form 4972 appears here.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also based on the copy you chose.

1 Was this a distribution of a plan participant's entire balance from all of an employer's qualified plans of one kind? In answering this question you can exclude deductible voluntary employee contributions and certain forfeited amounts. If you must answer "No," you cannot use this form.

2 Did you roll over any part of the distribution? If you must answer "Yes," you cannot use this form.

3 Was the distribution paid to you as a beneficiary of a plan participant who was born before January 2, 1936? In order to use this form to figure the tax on an amount you received as a beneficiary, you must be able to answer "Yes."

4 Were you:

(a) the plan participant who received this distribution? If "Yes," you must answer (b) and (c) as well. (You will not be able to answer "Yes" here if you already answered "Yes" to line 3.)

Age at year-end on Form 1040. *(auto-calc)* Taken from the age entry for the appropriate spouse.

(b) born before January 2, 1936? *(auto-calc)* Answered "Yes" if the preceding age is at least the tax year minus 1935 (88 for tax year 2023).

(c) a participant in the plan for at least 5 years before the year of the distribution? In order to use this form to figure the tax on a distribution from your own plan, you must be able to answer "Yes" to all three parts of line 4.

5a Did you use Form 4972 after 1986 for a previous distribution from your own plan? You cannot use Form 4972 more than once after 1986 for a distribution from your own plan. Therefore, if you answered "Yes" to lines 4(a), (b), and (c), a "Yes" answer here will disqualify you from using the form.

5b If you are receiving this distribution as a beneficiary of a plan participant who died, did you use Form 4972 for a previous distribution received for that participant after 1986? You cannot use Form 4972 more than once after 1986 for a distribution from the same benefactor. Therefore, if you answered "Yes" to line 3, a "Yes" answer here will disqualify you from using the form. (There is no limit to the number of benefactors you can have, using one Form 4972 in your lifetime for each.)

QUALIFIED to use Form 4972? *(auto-calc)* Answered in accordance with the explanations above for each line. If “No,” you cannot use this form and all its results will be zero.

FORM 1099-R for this distribution. Information from the Form 1099-R you received is entered here for use in the remainder of the form.

Form 1099-R, box 2a – Taxable amount. Enter the full taxable amount, include both ordinary income and capital gains. If “Taxable amount not determined” is checked in box 2b, you must figure the taxable amount yourself using IRS Pub. 939 as your guide.

Form 1099-R, box 3 – Capital gain. This is the part of line 2a that is eligible for the 20% capital gain election.

Form 1099-R, box 6 – NUA in employer’s securities. This is the net unrealized appreciation (NUA) in employer’s securities. When you have an entry here, the complexity of the computations on this form is greatly increased. However, the software handles the complexities automatically for accurate results in Parts II and III of this form.

Your share of current actuarial value of annuity, shown in Form 1099-R, box 8. This amount is used only in tax computations for the ordinary part of the distribution.

Your percentage shown in Form 1099-R, box 8. If a percentage appears in box 8, enter your share as a percentage from 0 to 100. (No entry is taken as 100%.)

If shared, your percentage of the lump-sum distribution as shown in Form 1099-R, box 9a. If a percentage appears in box 9a, enter your share as a percentage from 0 to 100. (No entry is taken as 100%.)

When there are multiple recipients of the lump-sum distribution, as indicated by percentages under 100% in boxes 8 and 9a, special procedures must be followed, as detailed in the IRS instructions. These procedures are not intuitive, but *the software handles them automatically*, including the printing of “MRD” at line 29, when applicable.

ELECTIONS (Choose all that apply). Except for an entry on line 18 of this form, the rest of the form is automatic once you make the elections here. *TIP: The tax laws are not simple, so it is not always clear which elections are best in any particular case. You may therefore want to experiment with different elections and compare results after a final recalculation of the return for the various options.*

A 20% capital gain election? If you answer “Yes,” the tax on the capital gain part of the distribution will be computed for you in Part II.

B 10-year tax option? If you answer “Yes,” a tax will be computed for you in Part III, whether or not Part II is used. The tax will be computed for the entire distribution if Part II is not used. Otherwise, only the ordinary income part will be taxed.

C Include NUA in taxable income? Normally the net unrealized appreciation in employer securities is not taxable until the securities are actually sold. However, you can *elect* to include it in taxable income currently in order to take advantage of the favorable treatment on

Form 4972. If you make this election the complexity of the computations increases considerably as a prorated portion of the appreciation qualifies as capital gain. The software, however, handles all the complexity automatically.

D Death benefit exclusion? You may qualify for an exclusion of up to \$5,000 of the lump sum *if received as a beneficiary of a plan participant who died before August 21, 1996*. Answer "Yes" only if you qualify. See IRS instructions for details.

Note that *the software automatically takes of a number of subtleties* in the law, including the complications of multiple recipients and all combinations of elections.

NUA WORKSHEET. If you elected to include NUA in taxable income, the NUA Worksheet is *automatically completed for you* in order to determine the capital gain portion of the NUA. All details of the IRS NUA Worksheet in the IRS instructions for Form 4972 are satisfied, including the proper printing of "NUA" at line 6 and/or 8 of Form 4972.

DEATH BENEFIT WORKSHEET. If you elected to take advantage of the Death Benefit Exclusion, the Death Benefit Worksheet is *automatically completed for you* to determine a reduced tax at Form 4972 line 6. All details of the IRS Death Benefit Worksheet in the IRS instructions for Form 4972 are satisfied.

PART II, COMPLETE THIS PART TO CHOOSE THE 20% CAPITAL GAIN EXCLUSION. This part is *automatically completed for you* based on your elections and details from Form 1099-R. *If you did not also elect the 10-year tax option, the result for this part (line 7) is posted to Form 1040, line 16(2).*

PART III, COMPLETE THIS PART TO CHOOSE THE 10-YEAR TAX OPTION. Except for one entry, described below, this part is also *automatically completed for you* based on your elections and details from Form 1099-R. *If the 10-year tax option is used then the result of this part (line 30) is posted to Form 1040, line 16(2)*, rather than the result of Part II, because line 30 includes the result on line 7, if any.

18 Federal estate tax attributable to lump-sum distribution. An entry is required here only if this Form 4972 is being used to report a distribution because of a benefactor's death. You must enter here any federal estate tax paid on the lump-sum distribution.

TAX POSTED TO FORM 1040, line 16(2), (auto-calc) If no amount appears on line 30 (the result of Part III), computed as line 7 (the result of Part II) alone. Otherwise, computed as line 30 (which includes line 7).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 5329 / Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

Who is it for? This form is used to compute penalty taxes for distributions (withdrawals) that violate the government rules for certain plans. The plans covered include all types of Individual Retirement Accounts (IRAs), other qualified retirement plans, annuities, modified endowment contracts, certain education accounts, and Medical Savings Accounts (MSAs). Transactions subject to penalty include

- Early distributions (within the minimum 5-year waiting period for Roth IRAs, and under age 59-1/2 for all others)
- Distributions from education accounts not used for educational expenses
- Excess contributions to Traditional and Roth IRAs, ESAs, MSAs, HSAs, and ABLÉ accounts
- Excess Accumulation in qualified retirement plans (that is, insufficient withdrawals when a minimum withdrawal is required)

Even if you do not owe a penalty you may be required to file this form to explain any exceptions to which you are entitled. *Form 5329 is accessible through the Road Map at line 6 of Schedule 2.*

You may be qualified to omit Form 5329. Form 5329 provides a number of exceptions to the early distribution penalty, but you do not have to file Form 5329 if the Form 1099-R you receive properly identifies the exception. You have no penalty and can omit Form 5329 if the Distribution Code in box 7 of Form 1099-R is one of the following:

- **Code 2:** a known exception to the early distribution (under age 59-1/2) penalty applies
- **Code 3:** the distribution is because of disability of the recipient
- **Code 4:** the distribution is because of death of the recipient
- **Code G:** direct rollover to an IRA from a non-IRA
- **Code H:** direct rollover or transfer to a qualified plan or annuity
- **Code Q:** qualified distribution from a Roth IRA

If any of these codes appear and properly apply to your case, you do not have to file Form 5329 and identify the exception in order to claim the exception. Instead, you can either block its automatic creation through the Control Form or enter the distribution as a negative in the line "Adjustment to total for I" in Part I of Form 5329.

Automatically created for certain distributions and excess IRA contributions. Unless you chose to block its auto-creation through the Control Form, Form 5329 is automatically created for the relevant spouse based on entries on Form 1040 and results of Form 8606 when any of the following are true:

- A taxable distribution from an education account is included in Schedule 1, line 8z.
- A taxable amount for IRA distribution appears on Form 1040, line 4b, either from Form 8606 or from your entry on line 2a of a 1099-R Worksheet (for the relevant spouse).

- Form 8606 computes (for the relevant spouse) (a) a taxable amount for the IRA distribution on Form 1040, line 4b, for a spouse under 59.5 years of age, or (b) excess IRA contributions relative to the limits for Schedule 1, line 20, or (c) an early Roth distribution for Form 5329, line 1, or (d) an excess Roth contribution for Form 5329, line 23.

CAUTION: If you have blocked the automatic created of Form 8606 on our Control Form, or *if Form 8606 does not exist* for the relevant spouse for some other reason, *Form 5329 will not be automatically created for the conditions listed for the third bullet.* In this case, you must create Form 5329 yourself when necessary. *For this reason, we recommend that you never block the auto-creation of Form 8606.* If you have a problem with a result from Form 8606 for the IRA distribution on Form 1040, line 4b, you should instead correct the Form 8606 to get the proper result. Conditions that will cause Form 8606 to be automatically created include:

- A distribution was entered for "4a IRA distributions" on Form 1040 and the age at year-end for the corresponding spouse is under 60.5.
- The total distribution for "4a IRA distributions" on Form 1040 exceeds "4b Taxable amount."
- The IRA contribution entered above Schedule 1, line 20, is more than the allowed deduction included in the total shown at line 20.

Form 8606 is automatically created under these conditions, and must be completed before Form 5329. (The age test is 60.5 rather than 59.5 because your age at the time you receive the distribution is what matters, not your age at year-end. Therefore, if your age at year-end is at least 59.5 but less than 60.5, you must answer the age question on Form 5329 to let the software know whether you received the distribution before age 59.5.)

GENERAL INFORMATION. This copy of the form is associated with the proper spouse and taxable distributions for that spouse are consolidated here.

Identification. One copy of Form 5329 is available for each spouse. The copy you are currently using is identified here.

Social security number for this copy. *(auto-calc)* The social security entered on Form 1040 for the spouse whose copy you chose when you entered Form 5329.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also automatic based on your choice when you entered.

Are you filing this form by itself? If you do not have to file Form 1040 yet you have to file Form 5329 because you owe a tax on this form or are eligible for a special exception to the tax, answer Yes here so that the form will show the name, address, and social security number of the filer (as entered on Form 1040) and the name, address, and PTIN of the paid preparer, if any (as entered in the Program Settings of the software). The taxpayer, and paid preparer if any, must sign the bottom of page 2 of this form when filed separately from Form 1040.

Address, city, state, ZIP (and foreign information, if applies). *(auto-calc lines)* Entries will appear here *ONLY* if you answered Yes to the preceding question because the address block at the top of the printed Form 5329 must remain blank if you are filing Form 5329 with the Form 1040 return. When shown, these entries come from your entries on Form 1040. *TIP for foreign addresses: If you are using a foreign address for a Form 5329 that you are filing alone, you should enter the foreign street address and the foreign city in the entries for U.S. street address and city on Form 1040 because only the entries for foreign city, province or state, and postal code are used on the official printouts in addition to the complete U.S. address.*

If this is an Amended Return, check here. Answer Yes only if this form is completed for filing with a Form 1040X for 2023. (You must always use the Form 5329 designed for the tax year for which you are filing the amended return.)

DISTRIBUTIONS ON FORM 1040. Taxable distributions reported on line 4b of Form 1040 are reflected here, excluding rollovers and other distributions not currently taxed. Early distributions from most pensions are penalized in Part I of this form. The following lines are used to show the amount computed for the penalty in Part I. If you have reason to believe that this total should not be subject to the early distribution penalty, you can then make adjustments above line 1 of Part I or identify exceptions in line 2 of Part I.

IRA distributions on Form 1040, line 4b. *(auto-calc)* Taken from Form 1040 for the appropriate spouse, this is the taxable *IRA* distributions from either line 2a of the 1099-R Worksheets that have Yes for line 7, or Form 8606, if one exists, for the appropriate spouse.

Less conversions and Roth IRA distributions. *(auto-calc, supported by Form 8606)* If you converted a traditional IRA into a Roth IRA, you must complete Form 8606 so that the proper taxable amount is computed for the IRA distributions for line 4b of Form 1040. If the conversion follows all the IRS rules, and you have identified it as such on Form 8606, the amount appears here so that you are not penalized on the conversion. Distributions from Roth IRAs are included here because they are not eligible for exclusion due to age; instead, they are deducted from the total at this line then added back to the total after the age test. (Roth IRA distributions are based on the results in Part III of Form 8606 for the appropriate spouse.)

Plus income on excess IRA contributions. You must include any income earned on any excess IRA contributions, whether distributed or not.

Pension distributions on Form 1040, line 5b. *(auto-calc)* Taken from Form 1040 for the appropriate spouse, this is the taxable *pension and annuities* distributions from line 2a of the 1099-R Worksheets that have No for line 7.

Taxable lump-sum distributions on Form 4972. (*If Premium Level, Road Map line supported by Form 4972.*) Distributions received in a lump sum are eligible for special treatment through Form 4972. The taxable part of distributions reported on Form 4972 is reported here.

Age (as entered on Form 1040). (*auto-calc*) Taken from our Form 1040 as indicated, you MUST enter year-end ages for you and spouse on our Form 1040 for the proper operation of Form 5329.

Distributions made to you before age 59-1/2? Automatically Yes when the above age is less than 59.5, and automatically No when the above age is at least 60.5, you MUST answer this question yourself if your age is at least 59-1/2 but no more than 60-1/2, since the answer cannot be known automatically in those cases. Answer Yes if ANY distributions were received before age 59-1/2; you will exclude those that were not later.

Distributions early due to age. (*auto-calc*) Computed as the sum of all of the above distributions and adjustments if your answer to the above question is Yes, but zero otherwise.

Early Roth distributions from Form 8606. (*auto-calc*) Any nonqualified distributions from Roth IRAs that are taxable and not allocable to prior Forms 8606 are generally subject to a 10% penalty. (Nonqualified distributions include those withdrawn before age 59-1/2 and those withdrawn before the 5-year holding period required of Roth IRAs.) The amount subject to penalty is shown on-screen on Form 8606 as "Early distribution for Form 5329, line 1" after line 36 of the appropriate spouse's Form 8606, and is posted here automatically.

TENTATIVE TOTAL FOR PART I. (*auto-calc*) Computed as "Distributions early due to age" plus "Early Roth distributions from Form 8606."

PART I, ADDITIONAL TAX ON EARLY DISTRIBUTIONS. This part relates to taxable distributions received before age 59-1/2, or Roth IRAs distributions received before the required 5-year waiting period.

Early distributions for Part I. You can adjust the previously computed total for this section if you are not required to complete this part because of a known exception code appearing on the Form 1099-R you received.

TENTATIVE TOTAL FOR PART I. (*auto-calc*) Taken from the result of the preceding section.

IRA part of the above. (*auto-calc*) The part of the total stemming from traditional and Roth IRAs is shown here.

Adjustment to total for Part I. If any of the distributions identified for Part I are distributions for which you are NOT required to file Form 5329 (including amounts identified in box 7 of Form 1099-R with code 2, 3, 4, G, H, or Q), you should enter the excepted amount here as a negative number. You will not have to identify the exception on line 2 for this distribution. If some of your distributions were received before age 59-1/2 and some were not, you should answer

Yes to the age question and enter here the total for those that were *NOT* received early *as a negative number*.

IRA part of other adjustment. Enter the part of the preceding adjustment that relates to distributions from traditional and Roth IRAs.

FINAL TOTAL FOR PART I. *(auto-calc)* Computed as "TENTATIVE TOTAL FOR PART I" plus "Adjustment to total for Part I."

IRA part of the above. *(auto-calc)* Computed is the IRA part of the tentative total plus "IRA part of other adjustment."

1 Early distributions included in gross income attributable to. You must identify the types of plans to which the above distributions apply:

1a Qualified retirement plans (including IRAs). *(auto-calc)* All distributions are attributed to this line until you make entries on the lines that follow. As you make entries, this amount is lowered so that the total at line 1 matches the "FINAL TOTAL FOR PART I" above.

1b Annuity contracts. Enter the taxable part of any annuity contract distribution you received before reaching age 59-1/2.

1c Modified endowment contracts. Enter the taxable part of any distribution you received before age 59-1/2 under a modified endowment contract (Sec. 7702A) entered into after June 20, 1988.

1d Prohibited IRA transactions. Enter prohibited transactions, such as any amount you borrowed from your IRA (account or annuity) that no longer qualified as an IRA on the first day of the tax year, or any amount of your IRA annuity that you pledged as security for a loan if under age 59-1/2 at the time. Code 5 should appear in box 7 of the Form 1099-R you receive for this distribution.

1e Pledging of IRA accounts as security. Enter any amount of your IRA account that you pledged as security for a loan if under age 59-1/2 at the time.

1f Investing IRA in collectibles. Enter any amount of your IRA that you invested in collectibles (art, rugs, antiques, metals, gems, stamps, coins, etc.) if under age 59-1/2 at the time. See IRS Sec. 408(m) for and the IRS Instructions for Form 5329 for details.

1 Early distributions in gross income. *(auto-calc)* Computed as the sum of lines 1a through 1f, which will match the total displayed above line 1.

2 Exceptions to distributions subject to additional taxes. Early distributions are allowed under certain special circumstances. You must identify here amounts that qualify for exclusion from the tax on early distributions, identifying the reason for the exception with IRS codes 01 through 21 or 99. The exceptions are not allowed for *all* types of retirement plans, so they are grouped below in accordance with the restrictions placed on them, rather than in IRS numerical order. The software then applies the exceptions in an order that maximizes the credit, with the most restricted withdrawals excepted first. If more than two exception applies, you must itemize one of the exception lines so that all exceptions will appear in a supporting statement; otherwise only the last exception entered will be appear on the official printout

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Form 5329

of Form 5329. **CAUTION:** *Because the following entries are limited based on line 1 amounts, you must properly complete all parts of line 1 before you make any entries here*, or else your entries may be inappropriately reduced or zeroed.

Itemizing may be required. The software provides data entry lines for IRS codes 01 through 11 and 99, but the IRS also defines codes 12 through 21. *If any codes from 12 to 21 apply, or you choose more than one exception you must itemize the last line on the screen (exception 99) instead of one of the other exception lines and list the exceptions that apply (by code number in the text field) and their amounts, using one line in the support for each.*

Exceptions NOT applicable to IRAs, annuities, modified endowment contracts. The following entries are limited to line 1 less line 1b, line 1c, and the IRA part of line 1a:

Due to separation from service: 01. Enter amount withdrawn *ONLY* if separated from employment in or after the year of reaching age 55 (age 50 if a qualified public safety employee). *The lower age allowed for public safety employees was new for 2007; see IRS instructions for details.*

Made to an alternate payee under qualified domestic relations order: 06. Enter as indicated. This is limited to the indicated amount less the preceding entry.

Exceptions NOT applicable to annuities nor modified endowment contracts. The following entries are limited to line 1 less line 1b, line 1c, and the preceding amounts already excepted:

Medical expenses on Schedule A, line 1. *(Road Map line, supported by Schedule A.)* The total on line 1 of Schedule A, if any, is posted here.

Medical expenses if no Schedule A is filed. If you do not file a Schedule A for this return, enter here the medical expenses that you would enter on line 1 of Schedule A if you had filed one.

Part above 7.5% of AGI. *(auto-calc)* Using the amount on line 1 of Schedule A, or the above amount if no Schedule A exists, 7.5% of line 11 of Form 1040 is subtracted from this medical expense, and any remaining positive amount appears here.

CAUTION: If filing jointly and *both* spouses have a Form 5329 with an amount on line 1, you must *override the preceding line on both copies of Form 5329* so that the **SUM** of amounts on the two copies of Form 5329 is equal to the part of medical expenses above 7.5% of AGI. This procedure is required to prevent the same excepted amount from being applied twice.

To the extent of deductible medical expenses: 05. *(auto-calc)* Computed as the lesser of (a) the above amount, or (b) the total for line 1 less lines 1b and 1c and the preceding amounts already excepted.

Made to an unemployed person for health insurance premiums: 07. Enter amount received as indicated, but not if already claimed under exception 05.

Made for higher education expenses: 08. This exception allows you to withdraw amounts for qualified higher education expenses.

Made for first home purchase: 09. This exception allows you to withdraw amounts for your first-time purchase of a home.

Exceptions NOT applicable to modified endowment contracts. The following entries are limited to line 1 less line 1c and the preceding amounts already excepted:

Due to death: 04. Enter the amount received due to death.

ALL others (applicable to all retirement plans). The following entries are limited to line 1 less the preceding amounts already excepted:

Made as part of substantially equal lifetime periodic payments: 02. Enter amount received as indicated.

Due to total and permanent disability: 03. Enter amount received because of a disability.

Made to an IRS levy of the qualified plan: 10. Enter amount caused by an IRS levy.

Made to reservists while serving on active duty for at least 180 days: 11. Enter amount of qualified distributions from IRAs or elective deferrals.

ITEMIZE others (12-21): 99. There are two situations for which you must use this line *instead of the preceding lines*: (1) more than one exception applies, or (2) an exception code from 12 to 21 applies. If either case applies, you must *remove any claims for codes 01 through 11 on the preceding lines and list those exceptions in the supporting statement for this line instead along with any additional exceptions for codes 12 through 21*. Use one line of the support for each exception, entering the code number (01 through 21) in the description field and the dollar amount of the exception in the amount field.

2 Early distributions in line 1 excepted from additional tax. (auto-calc) Computed as the sum of exceptions 01 through 12 and 99.

3 Amount subject to additional tax. (auto-calc) Computed as line 1 less line 2, this is the total amount subject to the additional tax. However, the penalty rate that applies depends on the type of plan.

Part of line 3 from SIMPLE plans. Your entry here is limited to be no more than line 3. Your distribution is from a SIMPLE retirement plan if the amount is included in boxes 1 and 2a of Form 1099-R and designated with a code "S" in box 7.

Amount subject to 25% tax. (auto-calc) Computed as 25% of the above entry because SIMPLE plans are subject to a 25% penalty on early distributions.

Amount subject to 10% tax. *(auto-calc)* Computed as 10% of the remainder of line 3 less the "Part of line 3 from SIMPLE plans."

4 ADDITIONAL TAX. *(auto-calc)* Computed as the sum of the above two penalties. This result is reflected in line 6 of Schedule 2.

PART II, ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS FROM EDUCATION ACCOUNTS AND ABLE ACCOUNTS. This part of the form applies to taxable distributions reported on line 8z of Schedule 1 stemming from Coverdell Education Savings Accounts (ESAs), Qualified Tuition Programs (QTPs), and Achieving a Better Life Experience (ABLE) accounts.

5 Distributions included in income from a Coverdell ESA, a QTP, or an ABLE account. *(auto-calc line, supported by Schedule 1)* Taken from the entry for the appropriate spouse on line 8z of Schedule 1.

Enter allowed exceptions below. You will not owe a penalty on the preceding amount if any of the following exceptions apply. You must enter the dollar amount included in line 5 that applies to each applicable exception:

- **Due to disability or death.** Enter the amount withdrawn due to disability or death of the recipient.
- **Due to section 25A(g)(2) payment.** Enter the amount distributed as a part of a scholarship, allowance, or payment described in IRS sec. 25A(g)(2).
- **Due to QTP and ESA distributions used for advanced education at a military academy.** Enter the amount withdrawn from a QTP or ESA and used to pay for advanced education of the beneficiary at a U.S. military academy.
- **Due to distributions included in income in order to be used for American Opportunity and Lifetime Learning Credits.** Enter the amount withdrawn and used for qualified higher education expenses, and included in income at Schedule 1, line 8z, so that they could be used to figure the American Opportunity and Lifetime Learning Credits.
- **Other allowed exceptions.** Enter here any other allowed exceptions, itemizing the exceptions in a supporting statement for this line.

6 Distributions excepted. *(auto-calc)* Computed as the sum of all above exceptions.

7 Amount subject to additional tax. *(auto-calc)* Computed as line 5 less line 6, but no less than zero.

8 ADDITIONAL TAX. *(auto-calc)* Computed as 10% of line 7.

The result on line 8 is reflected in line 6 of Schedule 2.

PART III, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO TRADITIONAL IRAs. This part of the form is fully automatic for most taxpayers.

Itemize to access Form 8606. This line provides access from Form 5329 to Form 8606 through the Road Map. If you have made any nondeductible IRA contributions, you must generally complete Form 8606 before you can complete this part of Form 5329.

- Gross IRA contribution on Form 1040.** *(auto-calc)* Taken as the contribution for the appropriate spouse entered above line 20 of Schedule 1.
- Additional contribution entered ONLY on Form 8606.** *(auto-calc)* Taken from the entry above line 1 of Form 8606 for the appropriate spouse, this is the amount voluntarily contributed as a nondeductible contribution, even though it is allowed as a deduction by law.
- IRA deduction allowed on Schedule 1.** *(auto-calc)* Taken as the appropriate spouse's part of the total IRA deduction at line 20 of Schedule 1.
- Additional allowed on Form 8606.** *(auto-calc)* Taken from line 1 of Form 8606 for the appropriate spouse, this is the amount allowed on Form 8606 as a nondeductible contribution.
- Computed excess (from Schedule 1 and 8606).** *(auto-calc)* Computed as the above two amounts contributed less the above two amounts allowed.
- Amount withdrawn by the due date of the return.** You can eliminate your penalty on excess contributions if you withdraw them and the income earned on them by the due date of the return. Enter here amount withdrawn *excluding the income earned on that amount*. You are allowed to Enter an adjustment ONLY if there are special circumstances why the above total will not be proper for line 5 after the final recalculation of the return.
- Withdrew income on excess too?** Answer Yes only if you also withdrew the extra income earned on the excess contributions withdrawn. If you cannot answer Yes, you are not allowed to reduce the penalized amount by the above withdrawal.
- Other amount excluded.** You would normally have no entry here, but this line is provided for any other amount that can be legally excluded from penalty.
- Excess contributions for line 15.** *(auto-calc)* Computed as the computed excess from Schedule 1 and Form 8606 less the above exclusion and, if the answer to "Income on above amount withdrawn?" is Yes, the "Amount withdrawn by the due date of the return."
- Line 16 of 2022 Form 5329.** Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.
- Line 17 of 2022 Form 5329.** Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.
- 9 Excess contributions from 2022 Form 5329 line 16.** *(auto-calc)* If the prior line 17 was greater than zero, taken from the above entry from the prior line 16. Otherwise, zero.
- 10 Traditional IRA contribution credit.** *(auto-calc)* Computed in accordance with the IRS worksheets and Pub. 590-A, you may have an amount here if your actual IRA contribution for 2023 is less than the allowed amount.

Taxable 2023 Traditional IRA distributions. *(auto-calc)* Computed from the amounts shown in screen 1 of this form as IRA distribution on Form 1040, line 4b, less conversions and Roth IRA distributions.

Withdrawal for line 12 in the above. Enter any part of the preceding distribution that was withdrawn to reduce prior excess contributions. This amount will be reflected in line 12, below.

- 11 **2023 traditional IRA distributions included in income.** *(auto-calc)* Computed as "Taxable 2023 Traditional IRA distributions" less "Withdrawal for line 12 in the above."

Withdrawal in Traditional IRA distribution *(auto-calc)* Taken as the entry that precedes line 11.

Other withdrawal for line 12. Enter *all other prior excess contributions withdrawn in 2023.*

Adjustment for line 12. See IRS instructions for line 12 of Form 5329 to determine whether the sum of the preceding two amounts properly reflects the amount for line 12. If not, you can make a positive or negative adjustment here.

- 12 **2023 distributions of prior year excess contributions.** *(auto-calc)* Computed as the sum of the preceding two lines.

- 13 **Add lines 10, 11, and 12.** *(auto-calc)* Computed as indicated.

- 14 **Prior year excess contributions.** *(auto-calc)* Computed as line 9 less line 13, but no less than zero.

- 15 **Excess contributions for 2023.** *(auto-calc)* Taken as the "Excess contributions for line 15" computed before line 9.

- 16 **Total excess contributions.** *(auto-calc)* The sum of lines 14 and 15.

IRA value on 12/31/2023 from Form 8606. *(auto-calc)* Taken from the amount you entered above line 6 of Form 8606 for this spouse.

If no value on Form 8606, enter IRA value on 12/31/2023 here. If no Form 8606 exists with the return, enter the year-end value for the appropriate spouse. (An entry is not actually required if the value exceeds line 16. Unless you answer Yes to the question below, a zero entry will be taken as no entry.)

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

- 17 **ADDITIONAL TAX.** *(auto-calc)* Computed as 6% of the lesser of line 16 or the year-end value of traditional IRAs.

The result on line 17 is reflected in line 6 of Schedule 2.

PART IV, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO ROTH IRAs.

Your contributions to a Roth IRA are subject to the same limitations as those for a traditional IRA, and the contributions for the two combined cannot exceed these limitations. Excess contributions for the current year are determined in Part III of our Form 8606, which you should complete before preparing Form 5329. *Even if you had no current-year excess, you will have to complete this part if you had a penalty tax on an excess last year (that is, an amount on the prior-year Form 5329, line 25.)*

Line 24 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

Line 25 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

18 Excess contributions on line 24 of 2022 Form 5329. *(auto-calc)* If the prior line 25 was greater than zero, taken from the above entry from the prior line 24. Otherwise, zero.

Contribution credit from Form 8606. *(auto-calc line, supported by Form 8606)* Computed as the amount by which 2023 Roth IRA contributions fell short of the maximum allowed contributions for 2023, this amount appears on the last screen of our on-screen Form 8606 of the appropriate spouse's Form 8606. See the *Maximum Roth IRA Contribution Worksheet* in the *IRS 2023 Instructions for Form 8606*.

Adjustment for line 19. Enter any adjustment to the preceding automatically computed amount. See *Can You Contribute to a Roth IRA?* on page 38 of IRS Pub. 590-A for 2023.

19 Roth IRA contributions credit. *(auto-calc)* Computed as the sum of the preceding two amounts.

Qualified Roth distributions to include in line 20. Qualified Roth distributions are generally Roth IRA distributions that are not includible in income, such as those made at age 59½ or later, upon death, due to disability, or for qualified first-time homebuyer expenses. You should generally enter here all qualified Roth distributions. However, if you file Form 8606, do not include any such distributions included in line 19 of that form, such as those for qualified first-time homebuyer expenses.

20 2023 distributions from Roth IRAs. *(auto-calc)* Taken as the amount on line 19 of the appropriate spouse's Form 8606 for 2023 plus the preceding entry, but no less than line 18 if your answer for the next question is Yes.

Withdrew ALL of Roth IRAs? Answer Yes if the entire amount of ALL Roth IRAs was withdrawn in 2023. If Yes, see impact at line 20.

21 Add lines 19 and 20. *(auto-calc)* Computed as indicated.

22 Prior year excess contributions. *(auto-calc)* Computed as line 18 less line 21, but no less than zero.

Excess contributions from Form 8606. *(auto-calc line, supported by Form 8606)* The excess contributions are computed in Part III of Form 8606 using the Roth IRA Contribution Worksheet, which appears in the IRS Instructions for Form 8606.

Other excess for line 23. If you had no distributions from Roth IRAs and therefore do not need to complete Part III of Form 8606 to report them, you can enter the excess contributions here rather than using Form 8606 to compute them.

23 Excess contributions for 2023. *(auto-calc)* Computed as the sum of the preceding two amounts.

24 Total excess contributions. *(auto-calc)* Computed as the sum of lines 22 and 23.

Value of Roth IRAs on 12/31/2023. Enter the value of all your Roth IRAs combined on the last day of the tax year.

Contributions made to Roth IRAs in 2024 for 2023. Enter contributions made for 2023 during the grace period January 1, 2024 through April 15, 2024.

Total for limit on line 25. *(auto-calc)* Computed as the sum of the above two lines.

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

25 ADDITIONAL TAX. *(auto-calc)* Computed as 6% of the lesser of line 24 or the "total for limit on line 25."

The result on line 25 is reflected in line 6 of Schedule 2.

PART V, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO COVERDELL

ESAs. Contributions to your Coverdell ESAs are subject to their own set of rules, which have much lower limits than those for traditional and Roth IRAs. All benefactors combined can contribute no more than \$2,000 per year to your Coverdell ESA, and a benefactor with more than \$110,000 of modified AGI (\$220,000 if married filing jointly) cannot make any contributions.

Line 32 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

Line 33 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

26 Excess contributions on line 32 of 2022 Form 5329. *(auto-calc)* If the prior line 33 was greater than zero, taken from the above entry from the prior line 32. Otherwise, zero.

27 Coverdell ESA contributions credit. Enter the amount by which the contributions for 2023 fell short of the allowed maximum contributions. *(See IRS Pub. 970 for 2023 to determine the allowed maximum contributions.)*

28 2023 distributions from Coverdell ESAs. Enter total distributions excluding rollovers or returned excess contributions.

29 Add lines 27 and 28. *(auto-calc)* Computed as indicated.

30 Prior year excess contributions. *(auto-calc)* Computed as line 26 less line 29, but no less than zero.

31 Excess contributions for 2023. Enter the contributions in excess of your contribution limit. Separate limitations apply to the benefactor and beneficiary. No more than \$2,000 can be contributed to any one beneficiary, but the benefactor is also limited in the amount he or she can contribute to all beneficiaries combined, and that limit depends on the benefactor's AGI. See the IRS instructions for this line for details.

32 Total excess contributions. *(auto-calc)* Computed as the sum of lines 30 and 31.

Value of Coverdell ESAs on 12/31/2023. Enter the value of the account at the end of the year for the appropriate spouse.

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

33 ADDITIONAL TAX. *(auto-calc)* Computed as 6% of the lesser of line 32 or the year-end value of the Roth IRAs.

The result on line 33 is reflected in line 6 of Schedule 2.

PART VI, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO ARCHER MSAs. Archer Medical Savings Accounts (MSAs), which were new for 2002, are a form of self-insurance for those who have no other health insurance plan and are either self-employed or employees of a small company.

Line 40 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

Line 41 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

34 Excess contributions on line 40 of 2022 Form 5329. *(auto-calc)* If the prior line 41 was greater than zero, taken from the above entry from the prior line 40. Otherwise, zero.

35 MSA contribution credit. If you contributed less than allowed in 2023, you may have a contribution credit. See IRS Instructions.

36 Taxable 2023 distributions from MSAs. Enter the part of line 8 of the 2023 Form 8853 attributable to the spouse for this copy of Form 5329. *You must determine the amount to enter here by prorating the contributors to line 8 of Form 8853.*

37 Add lines 35 and 36. *(auto-calc)* Computed as indicated.

38 Prior year excess contributions. *(auto-calc)* Computed as line 34 less line 37, but no less than zero.

39 Excess contributions for 2023. If you or your employer made any contributions to your MSA, you must use Form 8853 (*built into Premium Level software*) to determine whether contributions exceeded allowed limits (generally 65% to 75% of the deductible for the plan, up to the income of the beneficiary). The excess contribution is the amount by which Form 8853 line 2 exceeds the smaller of line 3 or 4.

40 Total excess contributions. *(auto-calc)* The sum of lines 38 and 39.

Value of MSAs on 12/31/2023. Enter the value of all medical savings accounts on the last day of the tax year.

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

41 ADDITIONAL TAX. *(auto-calc)* Computed as 6% of the lesser of line 40 or the year-end value of the MSAs.

The result on line 41 is reflected in line 6 of Schedule 2.

PART VII, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNTS (HSAs). Health Savings Accounts are a form of self-insurance for those who are covered under a high-deductible health plan but have no other health insurance (except as specifically allowed).

Line 48 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

Line 49 of 2022 Form 5329. Enter the indicated amount, if any, from the prior-year Form 5329 for the appropriate spouse.

42 Excess contributions on line 48 of 2022 Form 5329. *(auto-calc)* If the prior line 49 was greater than zero, taken from the above entry from the prior line 48. Otherwise, zero.

43 HSA contribution credit. *(auto-calc for Premium Level, supported by Form 8889)* If you contributed less than allowed in 2023, you may have a contribution credit. See IRS Instructions for Form 5329.

44 2023 distributions from HSAs from Form 8889, line 16. *(auto-calc for Premium Level, supported by Form 8889)* The amount from line 16 of the 2023 Form 8889 for the appropriate spouse is reported here.

45 Add lines 43 and 44. *(auto-calc)* Computed as indicated.

46 Prior year excess contributions. *(auto-calc)* Computed as line 42 less line 45, but no less than zero.

47 Excess contributions for 2023. *(auto-calc for Premium Level, supported by Form 8889)* If you or your employer made any contributions to your HSA, you should use Form 8889 *(built into the Premium Level software only)* to determine whether the contributions exceeded allowed limits. The excess contribution is the amount by which Form 8889, line 2 exceeds Form 8889, line 12. See IRS Instructions for Forms 5329 and 8889 for details.

48 Total excess contributions. *(auto-calc)* The sum of lines 46 and 47.

Value of HSAs on 12/31/2023. Enter the value of all health savings accounts on the last day of the tax year.

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

49 ADDITIONAL TAX. *(auto-calc)* Computed as 6% of the lesser of line 48 or the year-end value of the HSAs.

The result on line 49 is reflected in line 6 of Schedule 2.

PART VIII, ADDITIONAL TAX ON EXCESS CONTRIBUTIONS TO AN ABLE ACCOUNT. Achieving a Better Life Experience (ABLE) accounts are accounts special savings accounts on behalf of disabled individuals. Contributions are limited to \$17,000 for 2023, and any excess above this amount is subject to an additional tax as computed here. See page 8 of the IRS *2023 Instructions for Form 5329* for details.

Contributions to your ABLE account. Enter the amount contributed for the tax year.

Maximum allowed for 2023. *(auto-calc)* Computed as \$17,000 for 2023.

50 Excess contributions for 2023. *(auto-calc)* Computed as "Contributions to your ABLE account" less "Maximum allowed for 2023" but no less than zero.

Value of ABLE account on 12/31/2023. Enter the value of your ABLE account on the last day of the tax year.

If no value shown above, is it truly zero? In case the year-end value is truly zero, you must so indicate by a Yes answer here.

51 ADDITIONAL TAX. *(auto-calc)* Computed as 6% of the lesser of line 50 or the year-end value of the ABLE account. The result on line 51 is reflected in line 6 of Schedule 2.

PART IX, ADDITIONAL TAX ON EXCESS ACCUMULATION IN QUALIFIED RETIREMENT PLANS (including IRAs). IRS-qualified plans are subject to strict rules on when you MUST start drawing on the plans. If you did not receive the minimum required distribution in 2023, you may owe a penalty.

Minimum required distribution. Distributions must start by April 1st of the year following the year you reach age 72. Enter amount required for 2023. Note that the value of all accounts (as of December 31 of the year preceding the distribution) must be divided by a certain multiple for your life expectancy, as listed in tables in IRS Pub. 590-B (*Distributions from IRAs*) or 939 (*Pension General Rule*). *TIP: Even if you qualify for a waiver, you still must enter the usual minimum required distribution on this line, in accordance with IRS instructions, and claim the waiver above line 54, not here, as described later.*

Age (from Form 1040). *(auto-calc)* Taken from your age entry on our Form 1040 for the appropriate spouse.

Distribution is mandatory? *(auto-calc)* Since distributions must start by April 1st of the year following the year you reach age 72, your age at year-end for the first year you receive the distributions will be 73 or more. The answer here is therefore Yes only if the age shown above is 73 or more.

52 Minimum required distribution. *(auto-calc)* Taken as the amount entered above for minimum required distribution if the answer to the above question is Yes, and zero otherwise.

IRA distributions on Form 1040, line 4a. *(auto-calc)* Taken from Form 1040 as indicated, this amount may include rollovers and other non-taxable IRA distributions.

Pension distributions on Form 1040, line 5a. *(auto-calc)* Taken from Form 1040 as indicated, this amount may include nontaxable pension and annuity distributions.

Gross lump-sum distributions. *(If Premium Level, Road Map line supported by Form 4972.)* Distributions received in a lump sum are eligible for special treatment through Form 4972. The gross distributions, not just the taxable part, reported on Form 4972 are reported here. This entry can be no less than your entry preceding Part I for "Taxable lump-sum distributions on Form 4972."

Adjustment for line 53. Enter any adjustment or other applicable distributions. If you have more than one IRA, you can take the required minimum distributions from any one or more individual IRAs.

53 Amount actually distributed. *(auto-calc)* Computed as the sum of the above three gross distributions plus the above adjustment.

Shortfall (line 52 less line 53). *(auto-calc)* Computed as indicated, but no less than zero, this is the amount by which you fell short of

withdrawing the minimum required distribution. The tax penalty will be 50% of this amount unless you qualify for a waiver.

Itemized allowable WAIVER. You may be able to get the tax excused, but you must *justify your claim in a supporting statement for this line*. You must convince the IRS that the excess accumulation was caused by a reasonable error, and that you have taken steps to remedy the problem. *TIP: In order to conform with IRS e-file specifications, explain your waiver in the text column of the support and enter only the amount of waiver you are claiming in the amount column.* If you have an amount for this line, the code "RC" and the amount of waiver is printed on the dotted line for line 54, as instructed by the IRS.

54 Subtract line 53 from line 52. (auto-calc) Computed as "Shortfall (line 52 less line 53)" less the above "Itemized allowable WAIVER," but no less than zero. This is the amount subject to a 50% penalty tax.

Amount in line 54 qualified for the 10% penalty rate. For 2023, the penalty rate is either 10% or 25% on excess accumulations depending on what distributions you received to withdraw the excess accumulations. Distributions of the full amount of excess accumulation in a qualified plan make you eligible for the 10% penalty rate on those excess accumulations. To determine the proper entry for this line, complete the first 4 lines of the IRS's *Line 55 Worksheet* on page 9 of the IRS *2023 Instructions for Form 5329* and enter here the result on line 4 of that worksheet.

55 ADDITIONAL TAX. (auto-calc) Computed as 10% of the preceding entry plus 25% of line 54 less the preceding entry. (Before 2023, the penalty rate for this line was 50% on the entire amount on line 54!)

The result on line 55 is reflected in line 6 of Schedule 2.

SUMMARY OF PARTS I TO IX. The taxes from all 9 parts are combined here.

Total tax for Schedule 2, line 6. (auto-calc) Computed as the sum of lines 4, 8, 17, 25, 33, 41, 49, 51, and 55. This total, combined with the total for the other copy of Form 5329, if any, is posted to Schedule 2, line 6.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 5405 / Repayment of the First-Time Homebuyer Credit**

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure repayment of the *First-Time Homebuyer Credit of 2008* due to recapture or a required installment. Unique to the credit for 2008, repayment in the form of an annual installment is required, which you are required to repay in annual installments over 15 years starting in 2010. In addition, if you sell the home (or cease to use it as your main home) before the credit is fully repaid, you are subject to recapture of the remaining balance unless you qualify for an exception. This form is used to figure both types of repayment:

- (a) **For the annual repayment,** 1/15th of the credit claimed for a 2008 purchase is paid back for each of 15 years starting with the tax return for 2010. The last payment is therefore on the tax return for 2024 if you continue to own that home for the entire 15 years.
- (b) **For the recapture tax,** the entire amount of credit previously claimed but not yet repaid is generally paid back if the main home purchased ceases to be your main home during the tax year. However, there are exceptions that result in paying a lesser amount (such as condemnation, transfer to a spouse, or death).

Form 5405 is *accessible through the Road Map from line 7b of Schedule 2*.

Repayment for purchases made after 2008 no longer applies. The credit for purchases *after* 2008 did not have a 15-year repayment requirement, but was subject to recapture if you sold the home within 3 years of purchase (unless you sold the home due to condemnation or threat thereof, for which the recapture was excepted if you purchased a new main home within 2 years). However, that credit expired in 2011, so the last year any recapture could apply was 2016 (2011 + 3 + 2). Therefore, the form now applies *only* to 2008 purchases.

GENERAL INFORMATION. In order to automate the calculation of any repayment you owe for a qualifying 2008 purchase, you must provide the following information on the credit claimed, the amounts already repaid, and the sale of the property, if any.

Date purchased (MM/DD/YYYY). Enter the date in the standard format for the home for which you claimed the credit in the past. Dates before April 9, 2008 or after December 31, 2008 do not apply for this credit and result in no repayment on this form because no credit for 2008 was available for purchases outside of this period.

Amount of 2008 credit claimed. Enter the amount of credit claimed on a prior Form 5405. (If you claimed the credit on a joint return and the spouse died, only half of the amount you enter here will be subject to recapture, based on your entries at line 3h, later. If you own the home as a result of a divorce settlement, the entire amount will be subject to recapture.) *You will not be able to make an entry here if*

you entered a "Date purchased" before April 9, 2008 or after December 31, 2008 because the credit was available only for purchases with the period April 9 through December 31, 2008.

Amount repaid with your tax returns for 2010 through 2021. Enter the total amount of repayment shown on your Forms 5405 for 2010 through 2021 combined. The amount is shown on line 16 of your 2010 Form 5405 and line 8 of all later Forms 5405. (The proper total is automatically translated from your prior-year return if you retained the tax year on the Control Form of last year's return at 2022 before translation.)

Amount repaid with your 2022 tax return. Enter the amount on line 8 of your 2022 Form 5405.

Balance not yet repaid. *(auto-calc)* Computed as the "Amount of 2008 credit claimed" less the preceding two amounts, this is the amount left that have to pay back to the IRS.

If sold (including condemnation). If you sold the home (including through foreclosure or condemnation), the net gain or loss on the sale is computed for you based on the following entries:

Selling price of home, insurance received, or gross condemnation award. Enter the full amount before expenses.

Selling or condemnation expenses. Selling expenses include commissions, advertising and legal fees, and seller-paid loan charges. Condemnation expenses are the expenses in getting the condemnation award.

Adjusted basis of home sold. The adjusted basis is generally the purchase price less seller-paid points and closing costs, increased by additions, improvements, and special assessments and decreased by past allowable depreciation. For detailed instructions on calculating the amount to enter here, see the 2023 IRS Pub. 523 (*Selling Your Home*). Do not reduce your basis by the credit claim; that reduction will be automatically computed in Part III.

Sold to a related person OR gave the home to someone other than spouse (or ex-spouse as part of a divorce settlement)? See the unique IRS definition of "related person" in the shaded box on the first page of these details for Form 5405. (**CAUTION:** "Related person" in this context includes some corporations and partnerships and excludes some close relatives!) A Yes answer generally subjects you to less favorable calculations in Part II of this form.

When to skip Parts I and III. If you still owned the home for which you claimed a prior credit and still used it as your main home throughout 2023, you can skip Parts I and III of this form.

PART I, DISPOSITION OR CHANGE IN USE OF MAIN HOME FOR WHICH THE CREDIT WAS CLAIMED. If you claimed the credit on your tax year 2008 tax return, the credit is subject to recapture on your 2023 return if the home ceased to be your main home anytime in 2023. Part I asks a number of ques-

tions to determine whether you are liable for recapture, and Part II computes the recapture based on your entries in Part I and the prior screen.

Gain or loss from Part III, line 15. *(auto-calc)* An amount will appear here only after you complete Part III, if applicable, which applies only if your home was destroyed or you sold your home during the tax year. This amount is used in line 7 when appropriate depending on your answers in this part of the form.

1 Date you disposed of, or ceased using as your main home, the home for which you claimed the credit. Enter the date in the standard mm/dd/yyyy format. If the date is after the end of the tax year, Part I of this form does not apply, so all questions in Part I will be answered No and no amounts for recapture will contribute to Part II. "Disposed of your main home" includes sale, condemnation, or foreclosure. "Ceased using as your main home" includes conversion to a rental or vacation home, or abandonment.

2 Are you (or spouse if married) a member of the uniformed services or Foreign Service, or an employee of the intelligence community, who sold the home, or ceased use of it as your main home, in connection with Government orders for qualified official extended duty service? If Yes, no recapture applies, so no recapture tax will contribute to Part II.

3 Answer the line that applies to you:

a Sold the home to a person who isn't related to me and had a gain on the sale? *(auto-calc)* Answered Yes only if the amount on line 15 (in Part III) is greater than zero and your previous entry for "Sold to a related person or gave to someone other than spouse?" is No. If Yes, recapture applies and is computed in Part II.

b Sold the home to a person who isn't related to me and did not have a gain on the sale? *(auto-calc)* Answered Yes only if the amount on line 15 (in Part III) is zero or less, and your previous entry for "Sold to a related person or gave to someone other than spouse?" is No, and you have an entry for "Amount of 2008 credit claimed", and you have an entry on at least one of the following lines on screen 1 (indicating a sale): "Sale price, insurance received, or gross condemnation award," "Selling or condemnation expenses," or "Adjusted basis of home."

c Sold to a related person or gave to ? *(auto-calc)* Answered Yes only if your entry for "Sold to a related person or gave to someone other than spouse?" on screen 1 is Yes. If Yes, recapture applies, so recapture is computed in Part II.

d Converted entire home to a rental or business use? Do not answer Yes if you still use part of the home as your main home; recapture will not apply in this case. If Yes, recapture applies, so recapture is computed in Part II.

Still own the home but no longer use it as my main home? If Yes, recapture applies, so recapture is computed in Part II.

e Transferred the home to my ex-spouse as part of my divorce settlement. If Yes, no recapture applies to you but rather to your ex-spouse.

Full name of ex-spouse is: If you answered Yes for line e, enter the full name of the ex-spouse to whom the home was transferred.

f & g Destroyed, condemned, or disposed of under threat of condemnation and...

f ... had a gain? If Yes, no recapture applies unless you fail to acquire a new home within 2 years of the event. If sold to an unrelated party, the recapture can be no more than your gain on the sale.

g ... did not have a gain? If Yes, no recapture applies unless you fail to acquire a new home within 2 years of the event. If sold to an unrelated party, you have no recapture.

f & g I did or will acquire a new home within 2 years of the event. If No, recapture applies on the tax return for the year in which the 2-year period ends. *TIP: See IRS instructions for lines 3f and 3g for special cases that may require you to override amounts in Part II.*

h Taxpayer who claimed the credit died in 2023? If Yes, no recapture is required of the deceased taxpayer. However, recapture may apply for the surviving spouse, as determined by your answers to the following questions.

Filed a joint return with deceased taxpayer for tax year when credit claimed? If Yes, box 3h on the printed form will not be checked and the amount for line 4 will be automatically halved. You are subject to recapture on only half of the prior credit claimed; recapture is forgiven for the deceased spouse's share.

Filed a joint return with deceased taxpayer in 2023? Your answer will be forced to No if the filing status on Form 1040 is not 2 (married filing jointly).

PART II, REPAYMENT OF THE CREDIT. This part is completed for you based on prior entries. The result on line 8 is posted to Schedule 2, line 7b.

4 Credit you claimed on Form 5405 for 2008. *(auto-calc)* Normally taken as your entry for "Amount of 2008 credit claimed" on screen 1. However, if you answered Yes to line 3h and filed a joint return with the deceased taxpayer in the year when the credit was claimed, only half of that amount appears here.

5 Amount of credit you repaid with your 2010 through 2022 tax returns. *(auto-calc)* Computed as the sum of your entries on screen 1 for "Amount repaid with 2010 return" through "Amount repaid with 2022 return."

6 Subtract line 5 from line 4. *(auto-calc)* Computed as indicated, but no less than zero, this is the balance of credit not yet repaid.

7 Gain on the sale of your main home. *(auto-calc)* Taken from line 15 (in Part III, which follows) if line 3a is Yes and your other answers for line 3 indicate that a repayment is required. Otherwise, zero.

8 Choice that applies to you:

a Reporting disposition or change in use of main home? *(auto-calc)*
Answered Yes only if your answers in Part I and on screen 1 indicate that you are liable for a recapture tax.

b Paying an installment of credit claimed for a home purchased in 2008? *(auto-calc)* Answered Yes only if line a is No and "Date purchased" on screen 1 is after April 8, 2008 but before January 1, 2009 and line 3b is No and line 3g is No and either line 3f is No or you answered No to "I did or will acquire a new home within 2 years of event." Otherwise, No.

Voluntary additional amount if line b is Yes. If line b is Yes, you can voluntarily pay an amount in addition to the computed 1/15th of the prior 2008 credit claimed. You might want to do this in order to reduce the installment payments for the remaining years. (You can make no entry here if line b is No.)

8 AMOUNT OF CREDIT TO BE REPAID. *(auto-calc)* If line a, above, is Yes (that is, your answers in Part I indicate that a repayment is required), computed as the lesser of line 6 or 7 if line 3a is Yes and computed as line 6 alone if line 3a is No. On the other hand, if line b is Yes, computed as the lesser of line 6 or 1/15th of line 4, plus the preceding voluntary amount. (If neither line a nor line b is Yes, computed as zero.) This is your credit recapture and installment payment, which is posted to line 7b of Schedule 2.

PART III, FORM 5405 GAIN OR (LOSS) WORKSHEET. This part is fully automatic based on your prior entries.

9 Selling price of home, insurance proceeds, or gross condemnation award. *(auto-calc)* Taken from your entry on screen 1 for "Selling price of home, insurance received, or gross condemnation award."

10 Selling expenses or expenses in getting the condemnation award. *(auto-calc)* Taken from your entry on screen 1 for "Selling or condemnation expenses."

11 Subtract line 10 from line 9. *(auto-calc)* Computed as indicated.

12 Adjusted basis of home sold. *(auto-calc)* Taken from your entry on screen 1 for "Adjusted basis of home."

13 Credit claimed on Form 5405 less the amount you repaid with your 2010 through 2022 tax returns. *(auto-calc)* If line 9 is non-zero, computed from as your entry on screen 1 for "Amount of 2008 credit claimed" less the sum of your entries on screen 1 for "Amount repaid with 2010 return" through "Amount repaid with 2022 return." Otherwise, zero.

14 Subtract line 13 from line 12. *(auto-calc)* Computed as indicated, this is the adjusted basis of the home for the purposes of repaying the credit.

15 Subtract line 14 from line 11. *(auto-calc)* Computed as indicated, this is the gain or loss on the sale when using line 14 as the basis.

The result on line 15 is shown on screen 2 (above line 1) as "Gain or loss from Part III, line 15," and used throughout the form.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 5695** / Residential Energy Credits

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used by individuals to claim residential energy credits for installing alternative energy sources and energy efficiency improvements in your home in the United States. It provides a credit for the costs of a variety of improvements and installations, subject to certain limitations. The form is comprised of two parts, with different requirements for each.

Part I (*Residential Clean Energy Credit*, formerly named the *Residential Energy Efficient Property Credit*) covers credits for installing certain solar, wind, geothermal, battery storage, and fuel cell property, and is available for both existing homes and new home construction.

Part II (*Energy Efficient Home Improvement Credit*, formerly named the *Non-business Energy Property Credit*) covers credits for installing energy efficiency improvements from qualifying insulation, exterior doors and windows, and certain heating sources, but is available only for existing homes.

Form 5695 is accessible through the Road Map from the two lines above line 5 of Schedule 3 (which represent the two parts of Form 5695).

Form 5695 now stable through 2032! The credits in Part II of this form have traditionally expired every one or two years, and have been typically reinstated retroactively at the end of the year just in time for the upcoming tax season. However, in some years it was allowed to die, only to be revived the next year. But the *Inflation Reduction Act of 2022* changed all that. The credits in Part II have now been extended through 2032, and the phaseout of credits in Part I that had started in 2020 has been rescinded, so the credits are now 30% of expenses instead of 26%, and those credits are extended through 2034.

Two separate credits. Two separate credits are covered by this form because they stem from two separate sections of the tax code:

- **Part I - Residential clean energy credit.** This credit relates to alternative energy sources (solar electricity, solar water heating, small wind energy, battery technology, and fuel cells) installed in your home. (not restricted to your main home except for fuel cells). Except for fuel cells, the credit is 30% of cost with no fixed dollar limit, and applies to any home in which you resided during the year, whether or not it is your main home. For fuel cells, the credit is also 30% of cost, but is limited to \$1,000 times KW capacity, and applies only to your main home. The sum of credits in this part is subject to a limitation based on tax liability, but the amount disallowed because of this limitation can be carried over to next year. Furthermore, these credits apply to both existing homes and new home construction.
- **Part II - Energy efficient home improvement credit.** This credit is comprised of two separate groups with different requirements for each. The first group (Section A) applies to passive improvements (insula-

tion, air sealing, exterior doors, windows and skylights) to your main home. The credits are 30% of cost, but each type of improvement has its own dollar limit, ranging from \$250 to \$1,200. The second group (Section B) applies to energy efficient equipment (central air conditioners, water heaters, furnaces, hot water boilers, heat pumps, heat pump water heaters, biomass stoves and boilers) installed in any home where you reside, whether or not it is your main home. The credits are 30% of cost, but subject to fixed dollar limits of \$600 for most types of equipment but \$2,000 for heat pump related and biomass related equipment. There is also a separate credit in Section B for home energy audits amounting to 30% of cost but limited to \$150. The sum of credits in Section A and Section B are combined and the result is subject to a limitation based on tax liability, but, unlike Part I, the amount disallowed cannot be carried over. Like the credit claimed in Part I, the total credit for Part II is further limited to tax liability, but unlike the credit claimed in Part I, credit disallowed because of this limitation cannot be carried over to next year. Furthermore, again unlike Part I, these credits apply only to existing homes and not to new home construction.

Both credits are considered "residential energy credits" by the IRS, and both apply only to improvements to your home in the United States.

Who can take the credit? Only those who lived in the home and paid for qualifying installations in or on the U.S. home can qualify for a credit. If more than one occupant of the home paid for the installation (other than a spouse on a joint return), each such person can claim credit on his or her own Form 5695. For credits subject to a fixed dollar limit, the dollar limit must be apportioned among the paying occupants in proportion to their share of the total cost. However, because the dollar limits are applied on Form 5695 after a tentative credit is computed as 30% of the amount paid, a special calculation for joint occupants is required so that the sum of credit claims by all payers combined does not exceed the dollar limit. In order to achieve this, the IRS requires each paying occupant to limit their entries for cost to the lesser of **(a)** the amount the occupant paid, or **(b)** the occupant's proportionate share of the dollar limit divided by 0.30. For example, for a credit with a \$600 limit and a total cost of \$3,000 shared equally among 3 occupants (\$750 each), each occupant would enter \$500 rather than \$750 because **(b)**, above, is \$500 (\$150 divided by 0.30). (Note that the instructions for joint occupants for Part II, on page 3 of the IRS's *2023 Instructions for Form 5695*, are too restrictive because they fail to recognize that cost is limited to the listed credit limits *divided by 0.30*. By contrast, the instructions for joint occupants for Part I, on page 2 of the IRS's *2023 Instructions for Form 5695*, are correct.)

PART I, RESIDENTIAL CLEAN ENERGY CREDIT. Credit for alternative energy sources is claimed here. Only improvements to a U.S. residence you use as your home qualify for this credit, but the home need not be your MAIN home except for fuel cell property (claimed in lines 7a through 11). For all entries in this part, you can include labor costs for onsite preparation, assembly, or original installation allocable to the property claimed as well as piping and wiring to connect the property to the home.

1 Qualified solar electric property costs. Enter the amount you paid during the tax year for property that uses solar energy to generate electricity to your home, including solar panels or other roof systems.

2 Qualified solar water heating property costs. Enter the amount you paid during the tax year for property that uses at least half solar energy to heat water for your home, including solar panels or other roof systems. See IRS instructions for the certification that is required to qualify.

3 Qualified small wind energy property costs. Enter the amount you paid during the tax year for property that uses a wind turbine to generate electricity for your home.

4 Qualified geothermal heat pump property costs. Enter the amount you paid during the tax year for property that uses the ground or ground water as either a thermal energy source to heat your home or a thermal energy sink to cool your home, and meets Energy Star requirements.

5a Was qualified battery storage technology with a capacity of at least 3 KWhours installed? If not, you cannot claim any credit for qualified battery storage technology you installed.

5b Amount you paid. If your answer to 5a is Yes, enter the amount you paid for the qualified battery storage technology. Otherwise, this entry is always zero.

6a Add lines 1 through 5b. *(auto-calc)* Computed as indicated.

b Multiply line 6a by 30% (.30). *(auto-calc)* Computed as indicated.

Qualified fuel cell property. Qualified fuel cell property is handled in line 7 through 11, which follow. It is property in a system including a fuel cell stack that electrochemically converts fuel into electricity *for your main home only*. See IRS instructions for other requirements.

7a Was qualified fuel cell property installed on or in connection with your main home located in the United States? If not, you do not qualify for this credit and no credit will be computed on line 11 for fuel cell property.

b Address of main home where installed.

Number and street. Enter the street address in 35 characters or less.

City or town. Enter the city here in 22 characters or less.

State. Enter the standard 2-letter code for the state.

ZIP code. Enter ZIP code in the standard xxxxx or xxxxx-xxxx format.

8 Qualified fuel cell property.

Kilowatt capacity of above property. Enter kilowatt (KW) capacity in decimal units (that is, not rounded to the nearest kilowatt). Kilowatt capacity less than ½-kilowatt does not qualify for the credit.

Amount you paid. Enter amount you paid for the qualifying property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter amount that joint occupants paid. (A \$1,667 cost limitation for each ½-kilowatt capacity is pro-rated among all occupants who helped pay for the property, in accordance with IRS instructions.) This is the amount all joint occupants combined can claim as their cost on their own Form(s) 5695.

Amount for YOUR line 8. *(auto-calc)* If you have no entry on the preceding line, taken as your entry for "Amount you paid." Otherwise, computed as your allocation in accordance with IRS instructions.

9 Multiply line 8 by 30% (.30). *(auto-calc)* Computed as indicated.

10 Kilowatt capacity of property on line 8 times \$1,000. *(auto-calc)* Computed as your entry for "Kilowatt capacity of above property," rounded down to the next ½-kilowatt increment, times \$1,000.

11 Smaller of line 9 or line 10. *(auto-calc)* Computed as indicated, this is the credit for qualified fuel cell property before tax liability limits are applied.

12 Credit carryover from 2022 Form 5695, line 16. Enter the carryover computed on the prior-year Form 5695 for the residential energy efficient property credit.

13 Add lines 6b, 11, and 12. *(auto-calc)* Computed as indicated.

Amount from Form 1040, line 18. *(auto-calc)* Taken from Form 1040, as indicated, this is the total tax on the return before any credits are applied.

Schedule 3, lines 1 to 4 and 6l. *(auto-calc)* Taken from Schedule 3, as indicated, these are select nonrefundable credits on Schedule 3 that take precedence over the credit in Part I of Form 5695.

Line 32 of THIS Form 5685. *(auto-calc)* Taken from the last line on this form, this is the total credit claimed in Part II of this form, which takes precedence over the credit in Part I of this form .

Form 8379, line 9; Form 8839, line 16; Form 8859, line 3; Form 8936, lines 13 and 18; and Schedule R, line 22. *(auto-calc)* Computed as the sum of the cited credits, these are additional personal credits that take precedence over the credit claimed in this part of Form 5695.

Form 1040, line 19, or Form 8812 Worksheet B, line 14. *(auto-calc)* Normally taken from Form 1040, line 19 (child tax credit and credit for other dependents). However, if Schedule 8812 calculations required the use of IRS *Credit Limit Worksheet B* (in the IRS 2023 *Instructions for Schedule 8812*), the amount on line 14 of that worksheet is used here instead.

14 Limitation based on tax liability. *(auto-calc)* Computed as the above amount from Form 1040, line 18, less the preceding four amounts, in accordance with the IRS's *Residential Clean Energy Credit Limit Worksheet—Line 14* in the IRS 2023 Form 5695 Instructions.

15 RESIDENTIAL CLEAN ENERGY CREDIT. *(auto-calc)* Computed as the lesser of line 13 or line 14, this credit is posted to line 5a of Schedule 3.

16 Credit carryforward to 2024. *(auto-calc)* Computed as line 15 less line 13, but no less than zero, this amount will be considered on your Form 5695 for tax year 2024.

PART II, ENERGY EFFICIENT HOME IMPROVEMENT CREDIT. Credit for passive energy efficiency improvements and traditional energy efficient property is claimed here. Unlike tax years prior to 2023, there is *no lifetime limitation* on the amount of credit you can claim, which was \$500 for all years combined.

Special calculation for e-file required? *(for e-file returns only)* Because of an error in some of the IRS new e-file rules for Form 5695, your return could be rejected if your entries for costs are high enough that the dollar limit is less than 30% of cost at line 18b, 19b, 20b, 22b, 23b, 24b, 25b, 26c, or 29e. That's because the new IRS rule for these lines is that the amount be equal to 30% of cost, ignoring the fact that these lines also have a dollar limitation. Answering Yes here averts the rejection of the e-file return by limiting the amounts used for lines 18a, 19a, 20a, 22a, 23s, 24a, 25a, 26b, 29a, 29b, and 29c to prevent 30% of costs from exceeding the dollar limits on the corresponding credits (in a manner consistent with the allocation that applies when joint occupants pay for part of the costs). This allocation does not affect the bottom line credit, but merely prevents the return from being rejected because of the erroneous e-file rules.

Section A-Qualified Energy Efficiency Improvements. Credit for passive energy efficiency improvements is claimed in this section. You can claim as much as \$600 credit each year you make new improvements, with no lifetime limitation. *Only improvements to a U.S. residence you use as your MAIN home qualify for this credit.* **CAUTION:** For this credit, you cannot include amounts paid for onsite preparation, assembly, or original installation of the building envelope component.

17a Are the qualified energy efficiency improvements installed in or on your main home in the United States? If you cannot answer Yes, you do not qualify for a credit in Section A and no credit will be computed in this section.

b Are you the original user of the qualified energy efficiency improvements? If you cannot answer Yes, you do not qualify for a credit in Section A and no credit will be computed in this section.

c Are you the original user of the qualified energy efficiency improvements? If you cannot answer Yes, you do not qualify for a credit in Section A and no credit will be computed in this section.

d Address of the main home where you made qualifying improvements. Enter the U.S. Address on the following lines:

Number and street. Enter the street address in 35 characters or less.

City or town. Enter the city in 22 characters or less.

State. Enter the standard 2-letter code for the state.

ZIP code. Enter the 5-digit or 10-character ZIP code.

e Were any of these improvements related to the construction of this main home? If Yes, you cannot claim the credit in this section for those improvements, even if made after you moved into the home.

Enter on lines 18a, 19a, 19c, and 20a the dollar amounts you paid for the improvements identified at each line. Passive improvements to the energy efficiency of your main home are reported here. Qualification of specific improvements is defined by the IRS in their instructions for each line. *CAUTION: For all of these improvements, the original use must begin with you and the component must reasonably be expected to last for at least 5 years.*

18 Insulation or air sealing material or system. The improvement must be designed to reduce heat loss or gain of your home and must meet criteria established the IECC (the International Energy Conservation Code in effect, with supplements, on January 1, 2021 for components placed in service in 2023).

a Cost of insulation material or system (including air sealing) designed to reduce heat loss or gain. Enter amount you paid, including vapor retarders and seals, but not structural components or finished surfaces.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 18a. (auto-calc) If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 18a. Otherwise, the amount for this line is an allocation for you of the lesser of \$1,200 divided by 0.30 and the cost on line 18a.

b Multiply line 18a by 30% (but no more than \$1,200). (auto-calc) Computed as the lesser of \$1,200 and 30% of "Amount for YOUR line 18a."

19 Exterior doors. All doors included on line 19 must meet the applicable Energy Start requirements.

a Cost of most expensive door bought. Enter amount you paid, including qualified storm doors installed with the exterior door.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 19a. (auto-calc) If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 19a.

Otherwise, the amount for this line is an allocation for you of the lessor of \$250 divided by 0.30 and the cost on line 19a.

b Multiply line 19a by 30% (but no more than \$250). *(auto-calc)* Computed as the lesser of \$1,200 and 30% of "Amount for YOUR line 19a."

c Cost of all other qualifying doors. Enter amount you paid, including qualified storm doors installed with the exterior doors.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 19c. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 19a. Otherwise, the amount for this line is an allocation for you of the lessor of \$500 (less the amount allocated to line 19a) divided by 0.30 and the cost on line 19c.

d Multiply line 19c by 30%. *(auto-calc)* Computed 30% of "Amount for YOUR line 19c."

e Add lines 19b and 19d (but no more than \$500). *(auto-calc)* Computed as indicated.

20 Windows and skylights. All exterior windows and skylights included on line 20 must meet Energy Start certification requirements. *TIP: You can rely on a manufacturer's certification that the component is eligible.*

a Cost of exterior windows and skylights. Enter amount you paid for components that meet Energy Start certification requirements.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 20a. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 20a. Otherwise, the amount for this line is an allocation for you of the lessor of \$600 divided by 0.30 and the cost on line 20a.

b Multiply line 20a by 30% (but no more than \$600). *(auto-calc)* Computed as the lesser of \$1,200 and 30% of "Amount for YOUR line 20a."

Section B-Residential Energy Property Expenditures. Credit for energy-efficient equipment and home energy audits is claimed here. Only improvements to a U.S. residence you use as your home qualify for this credit, but the home need not be your MAIN home except for home energy audits claimed at line 26. See IRS instructions for specific efficiency criteria for each property. *TIP: For this credit, you can include labor costs for onsite preparation, assembly, or original installation of the equipment. CAUTION: For all of these costs, the property must be placed in service by you.*

21a Was the qualified energy property installed on or in a home in the United States? If No, you do not qualify for a credit in Section B for property installed, but you may qualify for a credit for home energy audits at line 26.

b Was the qualified energy property originally placed in service by you? If No, you do not qualify for a credit in Section B for property installed, but you may qualify for a credit for home energy audits at line 26.

c Itemize to enter addresses for each home where you installed the property. (Supported by the Line 21c Worksheet, Figure 2-53.) You must supply the addresses of all homes for which you claim a credit in Section B for qualified energy property.

Line 21c Worksheet. (Figure 2-53) Use this worksheet to identify all homes for which you installed qualified energy-property. They need not be your main home, but they must all be homes where you resided in the U.S. in 2023.

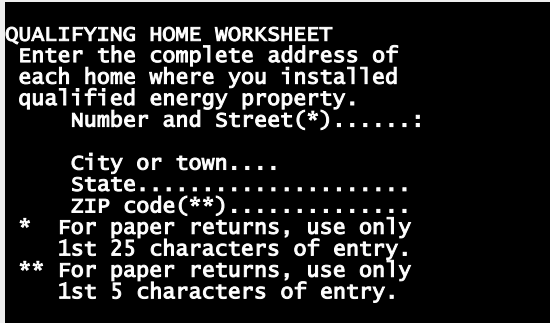


Figure 2-53. Qualifying Home Worksheet

Number and street. Enter the street address in 30 characters or less (25 characters or less for a paper return).

City or town. Enter the city or town in 22 characters or less.

State. Enter the standard 2-character state code.

ZIP code. Enter the 5-digit ZIP code (or 10-digit if an e-file return).

22 Residential energy property costs. Enter the energy property costs you paid in lines 22a, 23a, 24a, and 25a. Include labor for onsite preparation, assembly, or original installation of the energy property.

a Central air conditioners. Enter the amount you paid for qualified central air conditioning.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 22a. (auto-calc) If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 22a. Otherwise, the amount for this line is an allocation for you of the lesser of \$600 divided by 0.30 and the cost on line 22a.

b Multiply line 22a by 30% (but no more than \$600). (auto-calc) Computed as the lesser of \$600 and 30% of "Amount for YOUR line 22a."

23a Natural gas, propane, or oil water heaters. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 23a. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 23a. Otherwise, the amount for this line is an allocation for you of the lessor of \$600 divided by 0.30 and the cost on line 23a.

23b Multiply line 23a by 30% (but no more than \$600). *(auto-calc)* Computed as the lesser of \$600 and 30% of "Amount for YOUR line 23a."

24a Natural gas, propane, or oil furnace or hot water boilers. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 24a. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 24a. Otherwise, the amount for this line is an allocation for you of the lessor of \$600 divided by 0.30 and the cost on line 24a.

24b Multiply line 24a by 30% (but no more than \$600). *(auto-calc)* Computed as the lesser of \$600 and 30% of "Amount for YOUR line 24a."

25a Improvements or replacement of panelboards, subpanel boards, branch circuits, or feeders. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 25a. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 25a. Otherwise, the amount for this line is an allocation for you of the lessor of \$600 divided by 0.30 and the cost on line 25a.

25b Multiply line 25a by 30% (but no more than \$600). *(auto-calc)* Computed as the lesser of \$600 and 30% of "Amount for YOUR line 25a."

26 Home energy audits. Up to \$150 credit is available for a home energy audit. This credit is available even if you did not install any qualified energy property in 2023.

α Incurred costs for a home energy audit of your main home in the United States by a certified home energy auditor? You can answer Yes only if the audit included an inspection of your main home and a written report prepared by the auditor. If you cannot answer Yes, you do not qualify for the credit and must skip to line 27. (Note that after 2023 the required certification is stricter. Starting January 1, 2023, the home energy audits must be performed by a "Qualified Home Energy Auditor" (or under the supervision of such an auditor),

which is a new category of auditor under a "Qualified Certification Program.")

b Cost of the home energy audits. Enter the amount you paid for the home energy audits.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 26b. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 26b. Otherwise, the amount for this line is an allocation for you of the lessor of \$600 divided by 0.30 and the cost on line 26b.

c Multiply line 26b by 30% (but no more than \$150). *(auto-calc)* Computed as the lesser of \$150 and 30% of "Amount for YOUR line 26b."

27 Credits subtotal – 18b to 26c. *(auto-calc)* Computed as the sum of lines 18b, 19e, 20b, 22b, 23b, 24b, 25b, and 26c, this is the total of all credits in Part II (Section A and Section B combined) up through line 26c, which are subject to another fixed dollar limitation.

28 Smaller of line 27 or \$1,200. *(auto-calc)* Computed as indicated, this is the credit in Part II through line 26c after the final fixed dollar limitation and before the tax liability limitation.

29 Heat pumps and heat pump water heaters; biomass stoves and biomass boilers. To qualify for credit, heat pumps and heat pump water heaters must achieve the highest efficiency tier established by the CEE in effect at the beginning of the calendar year for which the claim is made. To qualify for biomass credit, the equipment must have a thermal efficiency rating of at least 75% (measured by the highest heating value of the fuel).

29a Cost of electric or natural gas heat pumps. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 29a. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 29a. Otherwise, the amount for this line is an allocation for you of the lessor of \$2,000 divided by 0.30 and the cost on line 29a.

29b Cost of electric or natural gas heat pump water heaters. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 29b. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No,

the amount for this line is the same as your entry for line 29b. Otherwise, the amount for this line is an allocation for you of the lessor of \$2,000 (reduced by any allocation for line 29a) divided by 0.30 and the cost on line 29b.

29c Cost of biomass stoves and biomass boilers. Enter the amount you paid for this property.

Additional joint occupants paid. If you occupied your home jointly with someone other than your spouse, enter the additional amount that joint occupants paid.

Amount for YOUR line 29c. *(auto-calc)* If there is no entry for joint occupants and your answer to the special e-file question for Part II is No, the amount for this line is the same as your entry for line 29c. Otherwise, the amount for this line is an allocation for you of the lessor of \$2,000 (reduced by any allocation for lines 29a and 29b) divided by 0.30 and the cost on line 29c.

29d Add lines 29a, 20b, and 29c. *(auto-calc)* Computed as the sum of "Amount for YOUR line 29a," "Amount for YOUR line 29b," and "Amount for YOUR line 29c."

29e Multiply line 29d by 30% (but no more than \$2,000). *(auto-calc)* Computed as the lesser of \$2,000 and 30% of line 29d.

30 Add lines 28 and 29e. *(auto-calc)* Computed as indicated, this is the sum of all credits in Part II before the limitation to tax liability.

Amount from Form 1040, line 18. *(auto-calc)* Taken from Form 1040, as indicated, this is the total tax on the return before any credits are applied.

Credit on Schedule 3, lines 1 to 4, 6d, and 6l. *(auto-calc)* Taken from Schedule 3, as indicated, these are nonrefundable credits on Schedule 3 that have higher priority than the credit for Part II of Form 5695.

31 Limitation based on tax liability. *(auto-calc)* Computed as the above amount from Form 1040, line 18, less the preceding credit amount, in accordance with the IRS's *Energy Efficient Home Improvement Credit Limit Worksheet—Line 31* in the *IRS 2023 Form 5695 Instructions*.

32 ENERGY EFFICIENT HOME IMPROVEMENT CREDIT. *(auto-calc)* Computed as the lesser of line 30 or line 31, this credit is posted to line 5b of Schedule 3. *Note that, unlike the credit in Part I of this form, there is no carryforward to 2024 of the credit disallowed because of the limitation to tax liability.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 5884* / Work Opportunity Credit

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. (See the separate Partnership Edition manual for details on the version of Form 5884 that is built into the Partnership Edition software.)

Purpose. This form is used by employers to claim credit for first-year wages to certain targeted groups (and now second-year wages to one of these groups). The result of this form is passed through Form 3800 (the result of which is reported on line 6a of Schedule 3) rather than being reported directly on Schedule 3. All carryovers are also reported on Form 3800, and all passive activity and tax limitations are applied on Form 3800 as well. (Form 3800 is automatically created when Form 5884 is present upon the final recalculation of the return.) Form 5884 is accessible through the Road Map from Form 3800. (Set to expire for employees who began work after 2020, the credit was extended by the *Taxpayer Certainty and Disaster Tax Relief Act of 2020* to cover employees who begin work after 2020 and before 2026.)

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (*General Business Credit from a Non-passive Activity*) and posted to line 4b of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 3 or 4 that it is not a Category A credit and manually enter the credit on line 4b of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

Certification usually required. In order to claim this credit you must have certification for each employee from the state employment security agency (SESA). You either must have received the certification for a particular employee by the employee's first day of work or must complete a Form 8850 by that date (signed by you and the employee) and file it by the 28th day after the employee starts work. You can claim the credit only if the request on Form 8850 is approved. If approved and later revoked, you can still generally claim the credit for the days before the revocation.

Targeted groups. The targeted groups to which Form 5884 apply include:

- ◆ *Long-term family assistance recipients.* Commonly called welfare recipients, for this group second-year wages are eligible for the credit in addition to first-year wages. However, only the first \$10,000 of wages of any one employee in any one year can be considered for the credit.
- ◆ *Qualified veteran.* The limit on first-year wages of any one employee in any one year that can be considered for the credit depends on specific parameters specified in the IRS *Instructions for Form 5884 (Rev. March 2021)*. The limit can be \$6,000, \$12,000, \$14,000, or \$24,000.

- ◆ *Qualified recipient of Temporary Assistance for Needy Families (TANF).*
- ◆ *Qualified ex-felon.*
- ◆ *Designated community resident.*
- ◆ *Vocational rehabilitation referral.*
- ◆ *Summer youth employee.* Only the first \$3,000 of wages of any one employee in any one year can be considered for the credit.
- ◆ *Food stamp recipient, now officially called a Supplemental Nutritional Assistance Program (SNAP) recipient.*
- ◆ *SSI recipient.*
- ◆ *Qualified long-term unemployment recipient*

Except as noted above, the amount of wages considered for the credit is limited to \$6,000 of first-year wages for any one employee. Second-year wages are eligible only for employees who are long-term family assistance recipients (the first group in the above list). See IRS *Instructions for Form 5884 (Rev. March 2021)* for specific restrictions on wages that qualify.

1 Total qualified first- and second-year wages paid or incurred during the tax year for services of employees who are certified as members of a targeted group:

a Qualified first-year wages of employees who worked for you at least 120 hours but fewer than 400 hours.:

Wages for line 1a. Enter only first-year wages paid or incurred within the tax year of the return. *Remember that qualifying wages are limited to \$6,000 per employee, except as previously noted in our list of targeted groups.*

X 25%...1a. (auto-calc) Computed as the sum of wages on the preceding line times 0.25.

b Qualified first-year wages of employees who worked for you at least 400 hours. Employees who you retain in your employment 400 hours or more qualify you for a higher credit.

Wages for line 1b. Enter only first-year wages paid or incurred within the tax year of the return. *Remember that qualifying wages are limited to \$6,000 per employee, except as previously noted in our list of targeted groups.*

X 40%...1b. (auto-calc) Computed as the sum of wages on the preceding line times 0.40.

c Qualified second-year wages of employees certified as long-term family assistance recipients. Only certified long-term family assistance recipients qualify you for credit on second-year wages, irrespective of the amount worked.

Wages for line 1c. Enter only second-year wages paid or incurred within the tax year of the return. *Only the first \$10,000 of any one employee's second-year wages qualifies.*

X 50%...1c. (auto-calc) Computed as wages on the preceding line times 0.50.

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Form 5884

2 Add lines 1a, 1b, and 1c. *(auto-calc)* Computed as indicated. **CAUTION:** You must generally reduce the deduction for wages and salaries on the return by the amount on line 2. For example, for a non-farm business you would enter this amount on the line above line 26 of our Schedule C labeled "Employment credits."

ITEMIZE to explain exception. If an exception applies to reducing your deduction for wages and salaries on the return by the amount on line 2, *itemize here to explain in the text column of the support.*

Special instructions for line 2 if a member of a controlled group. If claiming the credit as a member of a controlled group, you must compute line 2 as your prorated share of the credit. The credit must first be computed for the group as a whole, reflecting the calculations for lines 1a and 1b. Then each group member must complete a Form 5884 for his or her own return by skipping lines 1a and 1b and entering on line 2 a prorated portion of the group total. Prorating of line 2 among group members must be in direct proportion to the amount of qualifying wages contributed by each member. To accomplish this with the software while satisfying the IRS reporting requirements, press the Override Key (F8) to access line 2, then, in a supporting statement for line 2, explain how the group credit was divided among the members, entering only *your* amount in the amount column. Your explanation will then be printed with the return and cross-referenced on the official printout.

3 Work opportunity credit from partnerships, S corporations, cooperatives, estates, and trusts. Enter any work opportunity credit allocated to the taxpayer from a pass-through entity as follows:

- **From partnerships:** Any amount in box 15 of Schedule K-1 (Form 1065) identified as code J.
- **From S corporations:** Any amount in box 13 of Schedule K-1 (Form 1120S) identified as code J.
- **From estates and trusts:** Any amount in box 13 of Schedule K-1 (Form 1041) identified as code F.
- **From cooperatives:** Any amount in box 8 of Form 1099-PATR or in any other written statement of credit allocation.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 3. Thanks to the IRS's complex design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must now enter the EIN of the entity in column (b) of line 4b of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

4 Add lines 2 and 3. *(auto-calc)* Computed as indicated, this is the credit before passive activity or tax liability limitations are applied. Although the IRS form indicates that this result should be posted to line 4b of Form 3800, Part III, it is instead posted to screen 4 of the on-screen Form 3800, from which it

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is posted to line 4b of copy 2 of Form 3800, Part III, unless you specify otherwise on screen 4 of Form 3800.

5 and 6. *(auto-calc)* These lines apply only to cooperatives, estates, and trusts, and are therefore always zero for this Form 1040 return.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6198** / At-Risk Limitations

*** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure the amount of deductions or losses you can claim for investments in which you are not at risk for the entire amount of your investment. Examples include investments that are financed by non-recourse loans, protected by stop-loss agreements or guarantees, financed by loans from certain related parties, financed by loans from persons who have an interest in the activity, financed by cash or property which itself is financed in one of the preceding ways. You are generally not allowed to deduct a net loss any more than the amount you have at risk, as reported on Form 6198. Only activities identified by the IRS as "at-risk activities" are subject to the at-risk limitations, but the IRS definitions are so broad that most activities carried on as a trade or business or for the production of income are subject to these limitations when financed in a way that makes you not fully at risk for the loans. A separate Form 6198 is used for each separate activity for which you have a net loss for which you are not fully at-risk, and the activity may have amounts reported on a number of different forms for different aspects of the activity. As a result, Form 6198 is not tied to any particular form or schedule but is instead a stand-alone form, so no results on this form are posted to any other form or schedule. Nevertheless, Form 6198 is accessible through the Road Map from some of the forms that may have amounts not at risk: Schedule C (below line 32b), Schedule E (below line 27), Schedule F (below line 37b), and Form 4835 (below line 33b).

More than one Form 6198 may be required. You must use a separate Form 6198 for each separate activity. However, the IRS definition of "activity" depends on the particulars of the activity. For example, the leasing of properties by a partnership is subject to "aggregation rules" so that all leasing is considered a single activity. Similarly, activities that constitute a trade or business are generally subject to aggregation rules. By contrast, the leasing of property by an individual is generally subject to "separation rules" so that each lease is considered a separate activity. Similarly, each investment that is not a part of a trade or business is treated as a separate activity. (Ten copies of Form 6198 are built into the software for this purpose. However, since Form 6198 is a stand-alone form, you can easily produce additional copies attached to an empty return with only your name(s) and SSN supplied on Form 1040.)

Form 6198 is primary, before any other limitations. Form 6198 holds a special place among forms that limit losses and deductions. It must always be completed before any other limitations are applied. Accordingly, your entries on other forms and schedules must reflect the limitations resulting from Form 6198 so that other limitations, such as passive activity loss limitations, are applied to amounts that have already been subjected to the at-risk limitations.

Exception for real property. You *do not* have to file Form 6198 and are *not* subject to the at-risk rules for real property if you acquired and placed it in service before 1987. (This exception does not apply to mineral property.)

Description of activity. The IRS provides a wide space on the form to describe the activity to which a particular Form 6198 relates. We therefore provide three 25-character entries, which are concatenated on the official printout. If the activity stems from your status as a partner in a partnership or a shareholder in an S corporation, also include the name and identifying number of the partnership or S corporation. *(See page 2 of the IRS Instructions for Form 6198 (Rev. November 2009) for details on what constitutes a single activity. A separate Form 6198 must be prepared for each separate activity unless the aggregate rules described by the IRS apply.)*

PART I, CURRENT YEAR PROFIT (LOSS) FROM THE ACTIVITY, INCLUDING PRIOR YEAR NONDEDUCTIBLE AMOUNTS. The overall profit or loss for the activity is computed here, taking into account all transactions reported throughout the return for the activity. Losses disallowed from a prior-year Form 6198 are included here as well. No other limitations, such as passive loss limitations, are reflected here or anywhere else on Form 6198.

Loss carryover from prior Form 6198. This entry is solely an informational line to help you complete the following entries. If you translated the return from the prior year with the tax year on the prior return retained at 2022, the excess of line 5 over line 21 of the prior-year Form 6198 will appear here if any loss was disallowed on the prior-year Form 6198. CAUTION: You must include this amount in your entries for lines 1 through 4. The carryover is not automatically reflected in Part I because it must be allocated among your entries in accordance with its source.

Current Schedule K-1, line 1. If you are a partner in a partnership, enter the amount from line 1 of the 2023 Schedule K-1 (Form 1065) you receive. If you are a shareholder in an S corporation, enter the amount from line 1 of the 2023 Schedule K-1 (Form 1120S) you receive.

Prior Schedule K-1 loss disallowed. If any losses or deductions from your partnerships or S corporations were disallowed in the prior tax year because of the at-risk limitations, enter the amount disallowed here. This will generally be the prorated amount for this activity of the above "Loss carryover from prior Form 6198."

Other ordinary profit or loss. Enter all other ordinary profit or loss from the activity for the 2023 tax year, but do not include gains and losses from sales or other disposition of assets.

Prior other ordinary profit or loss. If any losses or deductions from other than your partnerships or S corporations were disallowed in the prior tax year because of the at-risk limitations, enter the amount disallowed for the prior tax year here. This will generally be

the prorated amount for this activity of the above "Loss carryover from prior Form 6198."

- 1 Ordinary income (loss) from the activity.** *(auto-calc)* Computed as the gain or loss on the first and third line above less the prior-year disallowed loss on the second and fourth lines.
- 2 Gain (loss) from the sale or other disposition of assets reported on: (including prior disallowed due to at-risk limitations).** For amounts stemming from your interest in partnerships and S corporations, you must deduct from the amounts reported to you by the entities for 2023 any amounts disallowed for the 2022 tax year because of the at-risk limitations. For all other amounts the prior-year disallowed amounts should be reflected on the forms and schedules where you report the current-year gains and losses. You must identify the form or schedule where each amount is reported on the return:
 - 2a Schedule D.** Enter here gains and losses that are reported on Schedule D. If more than one item is reported on Schedule D, describe each item in a supporting statement for this line.
 - 2b Form 4797.** Enter here gains and losses that are reported on Form 4797. If more than one item is reported on Form 4797, describe each item in a supporting statement for this line. Do not include amounts already reflected in line 2a.
 - 2c Other form or schedule (itemize).** Enter here gains and losses that are reported elsewhere on the report. You must always report amounts for this line in a supporting statement for the line, identifying the form or schedule for each item reported. Take particular care not to duplicate any amount already included in line 2a or 2b. For example, amounts from Form 4684 may flow to Form 4797, but should be reported only on line 2b or line 2c, not both.
- 3 Other income and gains from the activity, from Schedule K-1.** Enter all income and gains not included in lines 1 through 2c from any Schedule K-1 (Form 1065), Schedule K-1 (Form 1065-B), and Schedule K-1 (Form 1120S) you receive.
- 4 Other deductions and losses from the activity.** Enter as a positive number all deductions and losses not included in lines 1 through 2c.
- 5 Current year profit (loss) from the activity.** *(auto-calc)* Computed as the sum of lines 1 through 3 less line 4.

If the result on line 5 is a gain, the at-risk limitations do not apply and all amounts are reported in full on the appropriate forms and schedules. However, if this amount is a loss, you must complete the rest of Form 6198 to determine how much of this loss is allowable for the 2023 tax year.

PART II, SIMPLIFIED COMPUTATION OF AMOUNT AT RISK. If you already know your adjusted basis in the activity (or your interest in the activity), you can use this part of Form 6198 to determine the amount at risk. Otherwise you must use Part III.

- 6 Adjusted basis in the activity on the first day of the tax year.** Enter you adjusted basis at the beginning of the tax year.

7 Increases for the tax year. Enter here increases in your basis caused by events not reflected in lines 1 through 3, such as increases in the value of property that secures a nonrecourse loan. See the IRS instructions for this line for detailed examples.

8 Add lines 6 and 7. *(auto-calc)* Computed as indicated.

9 Decreases for the tax year. Enter here decreases in your basis caused by events not reflected in lines 1 through 4, such as additional nonrecourse loans taken. See the IRS instructions for this line for detailed examples.

10a Subtract line 9 from line 8. *(auto-calc)* Computed as indicated.

10b If line 10a is more than zero, enter here. *(auto-calc)* Computed as indicated, this is the amount at risk as computed in Part II.

If an amount appears on line 10b, you can generally skip Part III and proceed to line 20 in Part IV. However, it may be to your benefit to complete Part III anyway for a possibly larger amount at risk, and therefore a larger allowed deductible loss.

PART III, DETAILED COMPUTATION OF AMOUNT AT RISK. If you did not complete Part II, you must complete Part III or else your entire loss will be disallowed. If you completed Part III of the prior Form 6198 for the activity, you can skip lines 11 through 14. For all entries below, see the IRS *Instructions for Form 6198 (Rev. November 2009)* for important details and examples, especially the definition of “effective date” that applies to your activity.

Completed Form 6198, Part III, for prior tax year? If “Yes,” make entries only on lines 15b, 16b, and 18b.

11 Investment in the activity at the effective date. If the activity stems from your interest in a partnership or S corporation, enter your investment in the at-risk portion of the entity as of the effective date. Otherwise, complete the Line 11 Worksheet in the IRS *Instructions for Form 6198 (Rev. November 2009)* to determine the amount to enter here.

12 Increases at effective date. Enter here increases, such as increases in the value of property that secures a nonrecourse loan. See the IRS *Instructions for Form 6198 (Rev. November 2009)*, line 12, for detailed examples and a special Line 12 Worksheet.

13 Add lines 11 and 12. *(auto-calc)* Computed as indicated.

14 Decreases for the tax year. Enter here decreases, such as additional nonrecourse loans taken. See the IRS *Instructions for Form 6198 (Rev. November 2009)*, line 14, for detailed examples.

15 Amount at risk:

a At effective date. *(auto-calc)* Computed as line 13 less line 14, but no less than zero.

b From prior Form 6198, line 19b. Applicable only if you answered Yes to “Completed Form 6198, Part III, for prior tax year?”

16 Increases since:

a Effective date. Enter as detailed in the IRS *Instructions for Form 6198 (Rev. November 2009)*, line 16.

b End of your prior tax year. Applicable only if you answered Yes to "Completed Form 6198, Part III, for prior tax year?" above line 11. Enter the increase as detailed in the IRS *Instructions for Form 6198 (Rev. November 2009)*, line 16, but substitute the words "since the end of your prior tax year" in place of "since effective date" when reading those instructions.

17 Add lines 15 and 16. *(auto-calc)* Computed as indicated.

18 Decreases since:

a Effective date. Enter as detailed in the IRS instructions for this line.

b End of your prior tax year. Applicable only if you answered Yes to "Completed Form 6198, Part III, for prior tax year?" above line 11. Enter the increase as detailed in the IRS instructions for this line, but substitute the words "since the end of your prior tax year" in place of "since effective date" when reading those instructions.

19a Subtract line 18 from line 17. *(auto-calc)* Computed as indicated.

19b If line 19a is more than zero, enter here. *(auto-calc)* Computed as indicated, this is the amount at risk as computed in Part III.

PART IV, DEDUCTIBLE LOSS. The at-risk limitations are applied here, showing you how much of your deductions or losses are allowable in the current tax year.

20 AMOUNT AT RISK. *(auto-calc)* Computed as the larger of line 10b or line 19b, this is the amount of your investment in the activity that is considered at risk for purposes of this form. Only losses for the activity up to this amount are deductible in full in the current year.

21 DEDUCTIBLE LOSS. *(auto-calc)* Computed as the smaller of any loss resulting at line 5 and the amount on line 20, this is the part of any loss in line 5 that is deductible this year.

Loss carryover to next year. *(auto-calc)* If the amount on line 21 is less than any loss on line 5, the excess is shown here. This is the amount you must enter on the appropriate line of Form 3800 for the next tax year.

% of loss allowed this year. *(auto-calc)* Computed as the amount on line 21 divided by any loss amount on line 5, expressed as a percentage. If 100% appears here, no limitation applies. However, if less than 100% you should apply this percentage to all components of the loss when reporting it on various forms and schedules. See the IRS instructions for line 21 for details.

CAUTION: If less than 100%, you **must** reduce your entries on appropriate forms and schedules. Because Form 6198 is a stand-alone form summarizing amounts reported throughout the return, no amounts are posted automatically to other forms and schedules. You must reflect the reduction indicated by the preceding percentage in your entries on all appropriate forms and schedules yourself before any other limitations are applied!

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6251 / Alternative Minimum Tax

Why a minimum tax? The alternative minimum tax (AMT) was originally designed to prevent high-income taxpayers from totally avoiding taxes through such tax shelters as accelerated depreciation, installment sales, and large itemized deductions, but it now affects many others.

Fully automatic only for some taxpayers. Form 6251 is automatically generated and completed when a minimum tax exists based on your adjusted gross income, exemptions, itemized deductions, and filing status, or a minimum tax limitation exists on your credit from Schedule R or Form 2441. However, this form is required under many more circumstances than those which generate it automatically, so you MUST access it yourself if you have any tax preferences not automatically posted to Form 6251. Note that you may have a credit for *prior-year* minimum tax if you paid AMT in 2022 or had a carryforward of credit on a 2022 Form 8801 (*Credit for Prior Year Minimum Tax*). *Form 6251 is accessible through the Road Map from line 1 of Schedule 2.*

Year-end 2019 budget bill eliminates reduced AMT exemption for certain children! At the end of 2019, the special calculation for children for the exemption on line 5 was eliminated and applies to all tax years after 2017. Specifically, the *Further Consolidated Appropriations Act of 2020*, which was signed into law on December 20, 2019 as part of a 2-part budget bill, eliminated code section 59(j), which defined the special calculation for children. As a result, *children whose AMT exemption was reduced under the prior law are now able to use the calculation that applies to everyone else*. See our instructions for line 5 for details.

CAUTION. The tax laws for the alternative minimum tax are quite complex and subject to many special cases. You may therefore have to make adjustments to the automatically calculated lines, and determine entries for several lines that are not completed automatically. See *IRS 2023 Instructions for Form 6251* for detailed instructions, especially those concerning what to enter on lines 8 through 27.

PART I, ALTERNATIVE MINIMUM TAXABLE INCOME. This is where favorable tax treatment throughout the return is identified, and the benefits of them are added back to income before the alternative minimum tax is computed. Adjustments typically involve itemized deductions claimed, and preferences typically involve the excess over some nominal deduction. *The official IRS instructions are indispensable* to completing these lines.

Schedule A used for Form 1040, line 12? (*auto-calc*) Taken from the answer to "Schedule A used for line 12" on screen 8 of Form 1040, a Yes answer indicates that itemized deductions on Schedule A are used in place of the standard deduction on line 12 of Form 1040. If Yes, the taxes you deducted on Schedule A are used for line 2a of Form 6251.

AGI on Form 1040, line 11. (*auto-calc*) From Form 1040 as indicated.

Adjustments on Form 1040, line 14. *(auto-calc)* Taken from Form 1040, as indicated, this is the sum of the standard deduction or itemized deductions on line 12 of Form 1040 and the business income deduction on line 13 of Form 1040.

Contributions for a CCF. If, in arriving at taxable income on line 15 of Form 1040, you deducted contributions to a capital construction fund (CCF) set up with the National Marine Fisheries Service (NMFS), that amount appears here, where it similarly reduces income. Use line 3 of Form 6251 for other adjustments, such as a negative adjustment for alcohol fuel credit.

Minimum taxable income from Schedule Q, line 2c. *(auto-calc)* Taken from the REMICs Worksheet for line 38 of Schedule E (shown on the line above line 39 of our on-screen Schedule E), this is the least taxable income you can have for the return due to REMICs. (The amount is also shown above line 15 of our on-screen Form 1040.)

1 Form 1040, line 11, less line 14. *(auto-calc)* If the preceding amount is zero, computed as indicated *less "Contributions for a CCF."* Otherwise, taken as the greater of that result and the amount on the preceding line. (Note that this amount can be less than zero, whereas taxable income shown on Form 1040, line 15, is limited to be no less than zero.)

Deduction on Schedule A, line 7. *(auto-calc)* Taken from Schedule A, as indicated, this is the deduction on Schedule A for taxes you paid.

2a Schedule A, line 7, or Form 1040, line 12. *(auto-calc)* If Schedule A is used for Form 1040, line 12, computed as the preceding amount. Otherwise, taken as the standard deduction on Form 1040, line 12.

Refunds on Schedule 1, line 1. *(auto-calc)* Taken from Schedule 1 as indicated.

Refunds on Schedule 1, line 8z. In a *supporting statement* for this line, list any other refunds that have been reported as income on line 8z of Schedule 1 but can be excluded when computing alternative minimum taxable income at line 4 of Form 6251. Examples include state and local refunds of personal or real property taxes and refunds of foreign income taxes.

2b Tax refund from Schedule 1, line 1 or line 8z. *(auto-calc)* Computed as the sum of the preceding two amounts, this total is excludable from income when computing alternative minimum taxable income at line 4.

2c Investment interest expense. If you file a Form 4952 (*built into our Standard Level and Premium Level software*) to report investment interest with this return, you may need to enter an adjustment here. See the official IRS instructions for Form 6251 for details.

2d Depletion. See IRS instructions for this line before making an entry.

2e Net operating loss deduction in Schedule 1, line 8a. *(Road Map line, supported by Schedule 1)* Shown here as a positive number, this is

the net operating loss deduction you claimed in line 8a of Schedule 1.

Total Alternative Tax NOL carryovers. This entry for ATNOL carryovers (carryforwards and carrybacks) requires you to recompute your net operating losses from prior years with alternative minimum tax and preference items removed. See the instructions for line 2f in the IRS 2023 Instructions for Form 6251.

Qualified losses in above. This entry provides for a partial suspension of the usual limit on ATNOL carryovers. Qualified losses include certain Gulf Opportunity Zone losses. See the instructions for line 2f in the IRS 2023 Instructions for Form 6251.

2f Alternative minimum tax Net Operating Loss deduction. *(auto-calc)* If your entry for "Qualified losses in above" is zero, computed as the "Total ATNOL carryovers" but limited to no more than 90% of the sum of lines 1 through 2e and 2g through 3 (with lines 2b and 2s subtracted instead of added). However, if there is an entry on the "Qualified losses in above" line, the limitation is considerably more complex, as detailed in the IRS 2023 Instructions for Form 6251, but performed automatically by Tax Preparer. (The effect of the complex instructions is to modify the percentage used for the limitation from 90% to anywhere from 90% to 100% depending on the proportion of ATNOL carryover that is from qualified losses.)

2g Interest from specified private activity bonds. *(auto-calc line, supported by Schedule B and Forms 8814)* This special interest should have been identified by you on a Form 1099-INT Worksheet for Schedule B (or Form 8814 if paid to your child and you elect to report child's interest and dividends). It is the amount in box 9 of the Form 1099-INT you receive. Note that interest on private activity bonds issued in 2009 or 2010 is not a tax preference item and should not be entered on line 9 of our Form 1099-INT Worksheet, even if the payer included it in box 9 of the Form 1099-INT. Similarly, interest from GO Zone bonds and exempt-interest dividends from a regulated investment firm are not tax preference items and should not be entered on line 9 of our Form 1099-INT Worksheets. (The payer should not have included these amounts in box 9 of Form 1099-INT, but the IRS instructions for that form do not so indicate, so we suspect there will be many erroneous Forms 1099-INT as a result. You will therefore have to take the initiative of not including these amounts on our Form 1099-INT if they should not have been included on the form.)

Full Section 1202 exclusion taken on Schedule D. *(auto-calc line, supported by Schedule D)* Taken from Schedule D, this is the gain excluded under section 1202. It is the sum of exclusions claimed on Gain/Loss Worksheets for line 8b, 9, and 10 of Schedule D, including those included in capital gain distributions (reported to you on Forms 1099-DIV).

- 2h Qualified small business stock.** *(auto-calc)* Computed as 7% of the section 1202 exclusion taken on Schedule D. **CAUTION:** *You will have to override this result and reduce the amount if the preceding section 1202 exclusion includes any exclusion for qualified business stock acquired after September 27, 2010. An amount for this line applies only to stock acquired before September 28, 2010. For any other qualified business stock, there is no tax preference that requires an amount for this line. Accordingly, if all stock for which you claimed a section 1202 exclusion was acquired after September 27, 2010, the amount for this line should be zero.*
- 2i Exercise of incentive stock options.** Enter the excess of AMT income over regular tax income. Contrary to the rules for the regular tax, some income may be recognized when an incentive stock option is granted or exercised under AMT rules. See IRS instructions for details.
- 2j Estates and trusts.** Enter the amount identified as code A in box 12 of the Schedule K-1 (Form 1041) you receive.
- 2k Disposition of property.** Enter the difference between AMT and regular tax gain or loss. Only gain or loss reported on Schedule D, Form 4797, or Section B of Form 4684 need be recomputed under AMT rules.
- 2l Depreciation on assets placed in service after 1986.** *(not applicable to depreciation for employee expenses that are already reflected in line 5)* This entry is the difference between depreciation taken for 2023 compared with depreciation figured under the less accelerated methods defined by the IRS, and can be positive in early years of depreciation but negative in later years. You must refigure all depreciation not reflected in other lines of Form 6251, including depreciation allocable to inventory costs. See the IRS Instructions for Form 6251 for details. (Do not recompute depreciation by AMT rules for any part of the cost you treated as a Sec. 179 expense deduction.) **Exception:** *Certain property eligible for the special depreciation allowance is generally not refigured for the AMT. See the IRS Instructions for line 2l of Form 6251 for details.*

Read IRS instructions for line 2l carefully. The IRS instructions define what depreciation methods you must compare to the methods you actually used. For example, whereas residential rental property or nonresidential real property may generally be depreciated using straight-line depreciation over 27-1/2, 31-1/2, or 39 years depending on the date placed in service, you must compare it to straight-line depreciation over 40 years for this line. *For property placed in service after 1998, only property depreciated using 200% declining balance method needs to be reported on line 2l, comparing it to 150% declining balance using the same convention and recovery period as the actual deduction.*

- 2m Passive activities.** Enter the difference between AMT and regular tax income or loss. See IRS instructions for details.

Read IRS instructions for line 2m carefully. This entry can involve returns from several past years because it involves recomputing the entire return under AMT rules, which often results in different unallowed losses on Form 8582, and therefore different year-to-year carryovers of unallowed loss, for each year. You may therefore need to keep a special AMT copy of your return for each year recomputed under AMT rules, using carryovers from the previous year's AMT return. The entry for this line is the difference between the amount reported on the AMT return and the amount reported on the regular return. Note that differences relating to Schedule D, Form 4684, and Form 4797 are reported at line 2l, not here. Line 2l is used only to report differences relating to Schedules C, E, F, and Form 4835.

2n Loss limitations. See the IRS instructions for this line for the variety of calculations that can be required for this line.

2o Circulation costs. See the IRS instructions.

2p Long-term contracts. See the IRS instructions.

2q Mining costs. See the IRS instructions.

2r Research and experimental costs. See the IRS instructions.

2s Income from certain installment sales before January 1, 1987. Your will *rarely* enter an amount here. This line applies only to certain installment sales in a short 4-1/2 month period from August 17, 1986 through December 31, 1986. See IRS instructions for details. Any amount you enter here is *subtracted* from the total when computing line 4.

2t Intangible drilling costs preference. See the IRS instructions.

Other adjustments. Several other adjustments apply for which the IRS has provided no specific line. These include adjustments for those who depreciate post-1986 property using pre-1987 rules under transitional provisions of the law, AMT patronage dividend adjustment, an adjustment for certified pollution control facilities and tax shelter farm activities, and a negative adjustment alcohol fuel credit included in income. See IRS instructions for details, *including income-based related adjustments*.

3 Other adjustments plus disaster standard deduction. (*auto-calc*) If you used Schedule A to itemize deductions, or you did not use Schedule A at all, computed as your entry on the preceding line. If you used Schedule A to claim an increased standard deduction on Form 1040 for a qualified disaster loss, computed as the sum of your entry on the preceding line and the standard deduction used *before* its increase for qualified disaster loss. (The IRS label for this line does not mention the standard deduction to be included with other adjustments, but the IRS instructions make it clear that it must be included. However, we add it to the on-screen label for clarity.

4 ALTERNATIVE MINIMUM TAXABLE INCOME. (*auto-calc*) Nominally computed as the sum of lines 1 through 3 (with lines 2b, 2f, and 2s

subtracted instead of added). However, an additional amount is included for married taxpayers filing separately: for 2023, 25% of the amount by which the nominal amount exceeds \$831,150, up to a maximum additional amount of \$63,250.

PART II, ALTERNATIVE MINIMUM TAX. The alternative minimum tax to be used on Form 1040 is computed here.

Filing status on Form 1040. *(auto-calc)* Taken from Form 1040, as indicated.

5 Exemption amount. *(auto-calc)* This amount is computed as a nominal exemption (for 2023: \$62,250 if married filing separately, \$81,300 if single or head-of-household, \$126,500 if married filing jointly or qualifying surviving spouse) less 25% of the amount by which alternative minimum taxable income on line 4 exceeds a threshold (for 2023: \$1,156,300 if married filing jointly or qualifying surviving spouse and \$578,150 for all others). *There is no longer a special calculation for certain children, thanks to the year-end 2019 budget bill.*

6 Subtract line 5 from line 4. *(auto-calc)* Computed as indicated, but no less than zero

Test if Part III required. Because of the complexities of taxes on capital gains, *additional information is required before the amount for line 7 can be computed.* If there are qualified dividends on the return or a net long-term capital gain (after adjustment for the AMT), Part III of the form must be used to compute the amount for line 7. The amounts in this section determine the need for Part III. When it is needed, it is automatically completed for you and the result is used for line 7.

QUALIFIED DIVIDENDS ON FORM 1040, LINE 3a. *(auto-calc)* Taken from Form 1040 as indicated, no adjustment is necessary for the AMT.

Lesser of Schedule D line 15 or 16. *(auto-calc)* Taken from Schedule D as indicated, this is the net long-term capital gain on Schedule D.

Adjustment if refigured for AMT. Enter any adjustment required if net long-term capital gains are treated differently for AMT purposes than on the original Schedule D. You may have an adjustment if the basis of property sold is different under the AMT, or any carryover from 2022 is different. If so, you must complete a separate Schedule D (not attached to this return) using the amounts proper for the AMT so that you can determine the adjustment to make here.

SCHEDULE D, LINE 15 OR 16 AS REFIGURED. *(auto-calc)* Computed as the amount on Schedule D plus the above adjustment.

Part III required for line 7 calculation? *(auto-calc)* Answered Yes if there are qualified dividends on Form 1040, line 3a, or there is a net gain for Schedule D line 15 or 16 as refigured. **CAUTION: If Yes, you must refigure for the AMT several amounts on the Schedule D Tax Worksheet. To do so, you must figure required adjustments and enter them in the following section.**

AMT adjustments for Part III. The adjustments you enter here are used to automate the completion of Part III, when required. *Modifications to Part III for filers of Form 2555 are applied automatically, as described later.*

Form 4952, line 4g. *(auto-calc for Standard and Premium Level)* Taken from Form 4952 for the Standard and Premium Level software. Otherwise, you must enter the amount from Form 4952 yourself.

Adjustment if refigured for AMT. Enter any adjustment required for the AMT.

FORM 4952, LINE 4G AS REFIGURED. *(auto-calc)* Computed as the amount on the current Form 4952 plus the above adjustment.

Form 4952, line 4e (or elected amount). *(auto-calc for Standard and Premium Level)* Taken from Form 4952 for the Standard and Premium Level software. Otherwise, you must enter the amount from Form 4952 yourself.

Adjustment if refigured for AMT. Enter any adjustment required for the AMT.

FORM 4952, LINE 4E AS REFIGURED. *(auto-calc)* Computed as the amount on the current Form 4952 plus the above adjustment.

28% rate net for Schedule D, line 18. *(auto-calc)* Taken from the corresponding line on screen 8 of the current Schedule D, this is the amount taxed at no more than 28%.

Adjustment if refigured for AMT. Enter any adjustment required if any property subject to the 28% rate is treated differently for AMT purposes than it is on the unadjusted Schedule D.

28% rate net AS REFIGURED. *(auto-calc)* Computed as the amount on Schedule D plus the above adjustment.

Unrecaptured sec 1250 gain for Schedule D, line 19. *(auto-calc)* Taken from the corresponding line on screen 8 of the current Schedule D, this is the unrecaptured section 1250 gain that is taxed at no more than 25%.

Adjustment if refigured for AMT. Enter any adjustment required if any sale of section 1250 property is treated differently for AMT purposes than it is on the unadjusted Schedule D.

UNRECAPTURED SEC 1250 GAIN AS REFIGURED. *(auto-calc)* Computed as the amount on Schedule D plus the above adjustment.

Capital gain excess. Thanks to the *Technical Corrections Act of 2007*, several modifications to the calculations in Part III must be made for many of those who file Form 2555 for foreign earned income. The complex modifications are detailed in the IRS instructions for lines 13, 14, and 15 of the *IRS 2023 Instructions for Form 6251* in the paragraph titled "Form 2555." However, *the modifications for Form 2555 only apply if there is a "capital gain excess"* as computed here:

Refigured Schedule D Tax Worksheet line 10. *(auto-calc)* This line is computed using the AMT-adjusted amounts from the preceding section.

Amount on Form 6251, line 6. *(auto-calc)* Taken from this form, as indicated.

Capital gain excess. *(auto-calc)* Computed as the refigured worksheet line less the amount on line 6251 of this form, this amount forms the basis for several modifications when the return includes Form 2555.

Part II continued (lines 7 through 11). Once the above amounts have been defined, Part III (comprised of lines 12 through 40) is computed so that line 7, below, can be computed. However, additional modifications for filers of Form 2555 apply:

Exclusion on Form 2555. *(auto-calc)* Taken from the Form 2555 component of Schedule 1, line 8d, but expressed as a positive number, this is the foreign earned income or housing exclusion claimed on the return.

Line 6 modified by Form 2555. *(auto-calc)* Computed as Form 6251, line 6, plus the exclusion on Form 2555 (added back to income).

Amount on Form 6251, line 40. *(auto-calc)* Taken from this form, as indicated, this amount will be zero if Part III is not used.

Tax on modified line 6 or line 40. *(auto-calc)* If Part III is used, the preceding amount from line 40 appears. Otherwise, this tax is figured as 26% of "Line 6 modified by Form 2555" plus 2% of the amount by which "Line 6 modified by Form 2555" exceeds \$220,700 (\$110,350 if married filing separately) for 2023.

Tax on Form 2555 exclusion. *(auto-calc)* Computed as 26% of the "Exclusion on Form 2555" plus 2% of the amount by which the "Exclusion on Form 2555" exceeds \$220,700 (\$110,350 if married filing separately) for 2023.

7 Usually, multiply line 6 by 26%. *(auto-calc)* Computed as the sum of the preceding two taxes, this result reflects all the subtleties of capital gains in Part III and adjustments for Form 2555, if any.

8 Alternative minimum tax foreign tax credit. This entry is generally *not* the same as line 1 of Schedule 3, where the foreign tax credit from Form 1116 is posted. You must manually prepare Form 1116 (*built into the software at the Standard and Premium Levels*) in a different manner from that used to compute credit for line 1 of Schedule 3. See the IRS 2023 Instructions for Form 6251 for details.

9 Tentative minimum tax. *(auto-calc)* Computed as line 7 less line 8, this result is used in figuring limitations on Form 3800, and to figure credit for prior minimum tax on Form 8801.

Tax on Form 1040, line 16. *(auto-calc)* This is the regular tax before credits, taken from Form 1040 as indicated.

Tax from Form 4972 in line 16. *(auto-calc)* Taken from line 16(2) of Form 1040, this is the tax from Form 4972 that is included in line 16 of Form 1040.

Is tax on line 16 from Schedule J. *(auto-calc)* If the tax on Form 1040, line 16, was figured using Schedule J, the amount for line 10 of Form 6251 is refigured, below.

If Yes, regular tax for Schedule J, line 1. Figure the *regular* tax (ignoring Schedule J) on the amount on line 1 of Schedule J, which is the taxable income on line 15 of Form 1040. (This is the tax that would have been used for line 16 of Form 1040 if Schedule J had not been used in computing that tax.)

If Yes, Form 1040, line 16, refigured. *(auto-calc)* If the answer to “Is tax on line 16 from Schedule J?” is Yes, taken as the amount on the preceding line and used in the calculation for line 10, below, modified by the following two amounts. Otherwise, zero, and the amount used in the calculation for line 10, below, is the tax on line 16 of Form 1040 excluding any amount from Form 4972 included in that line and modified by the following two amounts.

Excess advance PTC on Schedule 2, line 2. *(auto-calc)* Taken from Schedule 2, as indicated.

Foreign tax credit on Schedule 3, line 1. *(auto-calc)* Taken from Schedule 3, as indicated.

10 Tax from Form 1040, line 16, as adjusted. *(auto-calc)* Computed as Form 1040, line 16 less the part from Form 4972 (or the amount for Form 1040, line 16, refigured when schedule J is used) plus any excess advance PTC (Premium Tax Credit) and less any foreign tax credit, above.

11 AMT. Subtract line 10 from line 9. *(auto-calc)* Computed as indicated, but no less than zero.

The result on line 11 is posted to line 1 of Schedule 2.

PART III, TAX COMPUTATION USING MAXIMUM CAPITAL GAINS RATES.

If the return includes net long-term capital gains on Schedule D (as refigured for the AMT) or qualified dividends on Form 1040, line 3a, the tax computation for Form 6251 may involve the capital gains tax, and the entry for line 7 of Form 6251 must be computed in this part of the form. The computation is complex because there are several different rates involved depending on taxable income and the classification of the transaction. And there are additional complexities to handle an additional tax for high-income taxpayers. *This entire Part III of Form 6251 (lines 12 through 40) is fully automatic.* The result at line 40 is used for line 7 of Form 6251 in place of the simpler calculations that are possible when the return has no capital gains nor qualified dividends. *These calculations include all the complexities involving Form 2555, as detailed in the latest IRS instructions.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6252 / Installment Sale Income

Who is it for? This form is used to report the sale of qualifying property for which you did not receive full payment in the year of sale. By filing the form you defer taxation on some of the gain to a later year. You qualify for the installment method by meeting two requirements:

- A** At least one payment from the sale is received in a tax year *AFTER* the year of sale.
- B** The property sold or disposed of is either personal property that is not considered inventory or real property.

If you meet these requirements you may elect to use the installment method by filing this form. If you do not make the election you must be sure to report the gain on Form 4797 or Schedule D, whichever applies. *Form 6252 is accessible through the Road Map above lines 4 and 11 of Schedule D, and at lines 4, 10, and 15 of Form 4797.*

How to handle more than five sales. Five copies of Form 6252 are built into the software for reporting up to five separate installment sales. If you have more than five to report, use the following procedure:

- Step 1.** Remove all copies of Form 6252 attached to this return using the file manager's REMOVE function detailed in Chapter 9.
- Step 2.** Prepare ALL copies of Form 6252 separately from this return by preparing them for dummy returns with up to five Forms 6252 each.
- Step 3.** Enter the totals from all copies of Form 6252 prepared for the dummy returns on the lines of Schedule D and Form 4797 that are noted in the section titled "Posting of results from Form 6252" after the details for line 37, below.

Step 1 is critical because any entries you make on Schedules D and Form 4797 in Step 3 will be overridden by any remaining Form 6252 upon the final recalculation of the return.

Always complete both Part I and Part II. Prior to 2019, you were required to complete Part I only for the year of sale and required to complete Part II only for years in which you receive a payment (as well as the year of sale). *But now you are required to complete both Part I and Part II for all years of the installment agreement.*

TYPE OF PROPERTY. The first few entries on the form describe the property to the software so that it can properly automate the form.

Copy number (1 through 5). *(auto-calc)* The copy you chose is displayed here. Five copies are built into the software. A separate copy of Form 6252 must be prepared for each separate sale for which you elect the installment method.

Main home? If Yes, the remaining entries in this section are ignored and you are allowed to enter the excluded gain on line 15. (See our details for Schedule D for more information on the allowed exclusion, which can be as high as \$500,000 for married taxpayers and \$250,000 for all others.)

Qualified small business stock (sec. 1202)? Certain sales of small business stock are eligible for an exclusion of some or all their gain. See our details for Schedule D for qualifications.

Collectibles gain? If Yes, the gain is ineligible for the lowest tax rates on capital gains, and is instead subject to the 28% rate rules.

Business property? Answer Yes for property used in your trade or business. If Yes, the results of this form are posted to Form 4797.

Investment property? If you answered Yes to this or the preceding question, be sure to answer the below participation questions as well so that any gains or losses are properly handled under the passive loss rules.

Gain is for Form 4797? *Automatically* Yes if you answered Yes to "Business property?" or you have identified a gain in Part III of Form 4797 as destined for this copy of Form 6252. *Automatically No* if you answered Yes to the main home, small business stock, or collectibles question. Otherwise, answer Yes yourself for sales that must be reported on Form 4797 instead of Schedule D.

Gain is for Schedule D. *(auto-calc)* *Automatically* the opposite of the preceding answer.

Material participant? *Automatically Yes* if you answered Yes to the main home, small business stock, or collectibles question. Otherwise, see our instructions for Form 8582 to determine whether you can answer Yes. If not, any gain reported this year will be used on Form 8582 to offset passive losses. **CAUTION: You must answer Yes for ALL sales of rental real estate and you must answer Yes for ALL sales of portfolio assets, regardless of the level of participation.**

Significant participant? If you answered No above, you must also answer this question. See our instructions for Form 8582 to determine whether a Yes answer is appropriate here.

Active rental real estate? Answer Yes if the property is rental real estate and you have significantly participated in making management decisions or arranging for others to provide needed services to renters. This answer controls to which section of Form 8582 any current-year gain will be posted.

GENERAL INFORMATION. The next few entries describe the sale to the IRS.

1 Description of Property. Describe in 35 characters or less.

2a Date acquired. Enter date acquired here in the standard mm/dd/yy format, or, if the property is inherited, enter INHERITED.

2b Date sold. Enter the date sold here in the same mm/dd/yy format.

Sold in the current tax year? *(auto-calc)* Automatically Yes if your entry for "Date sold" lies in the current tax year. Otherwise, No.

Held more than 5 years? *(auto-calc)* Automatically Yes if your date entry for "Date sold" is more than five years after "Date acquired."

Exception to long-term test? Answer Yes here *only* if the automatic computation for the next line is improper because of a special exception. For example, the holding period to qualify as long-term is two years rather than one year for cattle and horses used as live-stock in a business. Do not answer Yes for property inherited from someone who died before or after 2010 because, if you properly entered INHERITED on line 2a, the software will determine that the property is a long-term holding, which is appropriate for inherited property no matter when acquired. (For someone who died in 2010, see IRS Pub. 4895.)

Treated as LONG term. *(auto-calc)* Normally Yes if line 2b is more than one year later than line 2a, or INHERITED was entered on line 2a, but reversed if your answer to the preceding question is Yes.

% of gain to exclude per sec. 1202. You can make an entry here only if you answered Yes to the qualified business stock (QSB) question, your entry for line 2b (Date sold) is at least 5 years later than your entry for line 2a (Date acquired), and the date on line 2a is August 11, 1993 or later. You are then qualified for an exclusion of up to 100% of the total gain on the sale if acquired after September 27, 2010, 75% if acquired after February 17, 2009, and 50% otherwise (60% if empowerment zone stock acquired after December 21, 2000). See IRS Instructions for Schedule D for more information.

% of gain subject to 28% rule? *(auto-calc)* 28% rules apply to collectibles gain and gain on the sale of sec. 1202 stock after reduction by the exclusion taken. If you answered Yes to "Qualified small business stock (sec. 1202)," this line is computed as 100 less the preceding entry. If you answered Yes to "Collectibles gain," this line is computed as 100%. Otherwise, the amount for this line is zero.

3 Sold to related party after May 14, 1980? A related party can be a person (spouse, child, grandchild, parent, brother, or sister) or an organization (corporation, S corporation, partnership, estate, or trust). If you answer Yes, you must complete Part III for the first three years of the installment period (including the year of sale) and any year in which you received a payment.

4 If 3 is yes, was the property a marketable security? If you answer Yes, you must complete Part III of this form EVERY year of the installment period, whether a payment was received or not.

PART I, GROSS PROFIT AND CONTRACT PRICE. This part should be completed *for all years of the installment agreement*. **CAUTION:** Note the *change in the requirement* to complete this part of Form 6252. Prior to 2019, this part was required to be completed only for the tax year of the sale.

- 5 Selling price including debt.** Enter the total amount you will receive, including cash, face amount of the installment obligation, and fair market value of any other property or debt, including mortgages and other indebtedness. *In a supporting statement for this line, explain your computation for this line in the text column and enter only the result in the amount column.*
- 6 Mortgage and other debt assumed.** Enter only the amount of mortgages or other indebtedness that the buyer assumes from the seller or takes the property subject to.
- 7 Subtract line 6 from line 5.** *(auto-calc)* As indicated.
- 8 Cost or other basis.** Enter original cost plus buying expenses plus improvements less previously allowed casualty losses, employer-provided child care credit, diesel-powered highway vehicle credit, enhanced oil recovery credit, disabled access credit, or new markets credit.
- 9 Depreciation allowable.** Enter all depreciation or amortization allowed or allowable from date of purchase until date of sale. Include any deduction you took under section 179 and add back any downward basis adjustment you made for investment tax credit. But subtract out any section 179 or 280F recapture that you had to include in income in any prior year.
- 10 Adjusted basis.** *(auto-calc)* Line 8 less line 9.
- 11 Commission and other expenses of sale.** Enter expenses incurred in selling the property, including sales commissions, advertising expenses, and legal fees.
- 12 Income recapture from Part III of Form 4797.** *(auto-calc)* Amounts you identified in Part III of Form 4797 for line 12 of this copy of Form 6252 are posted here (for Section 1245 and 1250 property).
- 13 Add lines 10, 11, and 12.** *(auto-calc)* As indicated.
- 14 Subtract line 13 from line 5.** *(auto-calc)* Computed as indicated. *If zero or less, there is no gain to report and you should not file Form 6252. Instead, report the entire sale on Form 4797 or Schedule D.*
- Section 1202 exclusion.** *(auto-calc)* Computed as line 14 times the percentage shown above line 3 as the percentage to exclude under sec. 1202. (This line applies only to qualified small business stock.)
- 15 If main home, excluded gain.** If you answered Yes to the "Main home?" question, your entry is accepted here. Otherwise, the preceding sec. 1202 amount is used here and "Sec 1202 excln" is printed beside line 15 on the official printout for the IRS.
- 16 GROSS PROFIT.** *(auto-calc)* Line 14 less line 15.
- 17 Subtract line 13 from line 6.** *(auto-calc)* Line 6 less line 13, but no less than zero.
- 18 CONTRACT PRICE.** *(auto-calc)* Line 7 plus line 17.

PART II, INSTALLMENT SALE INCOME. This part must be completed *for all years of the installment agreement*. **CAUTION:** *Note the change in the requirement to complete this part of Form 6252. Prior to 2019, this part was required to be completed only for the year of the sale and years in which a payment is received.*

Gross profit percentage. *(auto-calc line ONLY if sold in current tax year.)* If this form is prepared for property sold this year, this line is computed as 100% times line 16 divided by line 18. If prepared for property sold in a prior year and this return was created by translation from the prior-year return, this entry will be the amount for this line for the prior year. *But if prepared for property sold in a prior year and you did not create this return by translation from the prior year, you must enter the percentage (from 0 to 100.0) here yourself to match the amount on this line for the year of sale.*

19 Gross profit percentage expressed as a decimal. *(auto-calc)* Gross profit percentage expressed as a ratio (0 to 1.0). (Even though the IRS still uses the word "percentage" in the line label, the label now clarifies that a decimal representation is intended. Technically, the IRS should call this a ratio expressed as a decimal, but their intention is clear.)

20 For year of sale only: line 17. *(auto-calc)* Automatically equal to line 17 for a sale in the current tax year.

21 Payments received during year. Include cash and the fair market value of property received, reflecting all principal payments but not stated or unstated interest. *Before October 22, 2004, a note or other debt was considered a payment (and therefore not eligible for installment sale treatment) if it was payable on demand or readily tradable and issued by a corporation or governmental entity. On or after October 22, 2004, a note or other debt is considered a payment (and therefore not eligible for installment sale treatment) if it is payable on demand or readily tradable whether or not issued by a corporation or governmental entity.* Enter here any such amount considered a payment.

22 Add lines 20 and 21. *(auto-calc)* Computed as indicated.

23 Payments received in prior years. Enter all amounts received prior to the current tax year, including cash and the fair market value of property received, reflecting all principal payments but not stated or unstated interest.

24 INSTALLMENT SALE INCOME. *(auto-calc)* Computed as line 22 times the percentage on line 19.

Amount from Form 4797 for line 25. *(auto-calc)* Amounts you identified in Part III of Form 4797 for line 25 of this copy of Form 6252 are posted here (for Section 1252, 1254, and 1255 property).

Prior-year recapture carryover. Enter here the amount by which last year's recapture (line 25 of last year's Form 6252) was limited by

last year's installment sale income (line 24 of last year's Form 6252).

25 Part of line 24 that is recaptured as ordinary income. *(auto-calc line if sold in current tax year.)* If in the year of sale, this line is the smaller of line 24 and the amount from Form 4797, above. If after the year of sale, it is the smaller of line 24 and the preceding carry-over.

Carryover to Part III or next year. *(auto-calc)* This is the amount by which this year's recapture exceeds line 24, and is therefore carried over for use in Part III line 36, if applicable, or next year's line 25.

26 Subtract line 25 from line 24. *(auto-calc)* Computed as indicated. This result is posted to Schedule D or Form 4797, depending on your answer to "Gain is for 4797?" as explained in "Posting of results from Form 6252" at the end of these details for Form 6252.

PART III, RELATED PARTY INSTALLMENT SALE INCOME. This part is applicable only if your answer to Question 3 on this form was Yes. *TIP: Do NOT complete this part for the year the LAST installment payment is received.*

27 Name of related party. Identify the related party in 25 characters or less. This can be the name of a person or a business or other entity.

SSN of related party. If you entered the name of a person above, enter here that person's social security number (SSN) in the standard xxx-xx-xxxx format. Otherwise, enter the EIN (employer identification number) of the related party in the standard xx-xxxxxxx format.

CAUTION: Because of a change in format, for a translated return in which you entered an EIN for the related party's taxpayer IDN, you must remove in from this line and enter it manually on the next line instead..

Or EIN of related party. If you did not enter the name of a person above, enter here the entity's employer identification number (EIN) in the standard xx-xxxxxxx format. *CAUTION: Do not enter both an SSN and an EIN, even if the person you name has both. Because of a change in format, no entry will appear here for a translated return; you must enter the EIN manually if it applies.*

Street address. Enter the street address in 25 characters or less, abbreviating if necessary.

City. Enter the city in 22 characters or less.

State. Enter the standard 2-character code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

e-file ONLY: If a foreign address, use these lines instead. For a paper return, because of the restricted space on the official Form 6252, you must enter a foreign address on the preceding lines, abbreviating as necessary to fit. The following lines are ignored for a paper return. However, *for an e-file return, a special format is required for foreign addresses, so you must enter a foreign address here and leave the preceding address lines blank.*

Foreign address. Enter the street address of the foreign location in 25 characters or less.

Foreign city. Enter the city in 25 characters or less.

Foreign province or state. Enter the province or state in 15 characters or less.

Foreign country (2-letter code). Enter the official country code for the country as shown in Table 2-6 on page 2-27.

Foreign postal code. Enter the postal code in 15 characters or less.

28 Did related party resell or dispose of property during this tax year?
Enter Yes if applicable.

29 If 28 is Yes, answer Yes to any following condition that applies. If the answer to line 28 is Yes, you must answer the following questions. *If you answered Yes to line 28 but cannot answer Yes to at least one of the following five questions, you MUST complete the rest of this form.*

Second disposition was more than two years after the first. You can answer Yes ONLY if the property is other than marketable securities.

If so, enter date of disposition. Enter the date (in the standard month/day/year format) ONLY if you answered Yes to the preceding question.

First disposition was sale or exchange of stock to the issuing corporation? Answer Yes if applicable.

Second disposition was an involuntary conversion? Answer Yes *ONLY if the threat of conversion occurred after the first disposition.*

Second disposition occurred after death of original seller or buyer?
Answer Yes if applicable.

Tax avoidance was not a principal purpose for either disposition?
Answer Yes ONLY if you can establish *to the satisfaction of the IRS* that tax avoidance was not a principal purpose for either disposition. *You must explain a Yes answer in a supporting statement for this line.*

You need to complete the remaining lines *only* if your answer at line 28 is Yes *and* you qualify for *none* of the preceding five exceptions.

30 Selling price of property sold by related party. Enter the selling price less the cost of improvements made by the related person while the related person held the property.

31 Contract price for year of first sale. *(auto-calc line if sold in current tax year.)* Equal to line 18 if sold this year. Otherwise, enter the amount yourself based on the Form 6252 for the year of sale.

32 Smaller of line 30 or 31. *(auto-calc)* As indicated.

Amount for line 33 not in lines 22 and 23. If you completed Part II of this form, the amount on line 33 is automatically the sum of lines 22 and 23. But if you did not have to complete Part II, enter here the FMV of property you received before 2023 from the sale, including allocable installment income and any other deemed pay-

ments from prior years, but excluding interest whether stated or not.

33 Total payments received by end of 2023 tax year. *(auto-calc)* The preceding entry plus line 22 and line 23.

34 Subtract line 33 from line 32. *(auto-calc)* As indicated.

35 Multiply line 34 by percentage on line 19. *(auto-calc)* Computed as indicated.

Part of line 35 to be recaptured as ordinary income. *(auto-calc)* If sale in current year, the recapture from Form 4797 for line 25 that is *not* included in line 25, above, appears here.

Prior-year recapture carryover. Enter here the amount by which last year's recapture (line 36 of last year's Form 6252) was limited by last year's installment sale income (line 35 of last year's Form 6252).

36 Part of line 35 that is recaptured as ordinary income. *(auto-calc line if sold in current tax year.)* Taken as the smaller of line 35 and either the amount from Form 4797 for line 25 that is NOT included in line 25 if the year of sale, or the prior-year carryover if not.

Carryover to next year. *(auto-calc)* This is the amount by which this year's recapture exceeds line 35, and is therefore carried over for consideration in next year's line 36.

37 Subtract line 36 from line 35. *(auto-calc)* As indicated. This result may be posted to either Schedule D or Form 4797. See "Post of results from Form 6252" on the next page.

SUMMARY AND ALLOCATION. The results are automatically transferred to the appropriate forms and lines based on the answers in the first two screens of this form.

Passive activity gains for Form 8582. Current-year gains are posted to Form 8582 to reduce any passive losses in accordance with your answers to the material participation, significant participation, and active rental real estate questions:

Gain for Form 8582 line 1a. *(auto-calc)* If the property is either business or investment property, and is also active rental real estate, computed as the sum of all gains and recapture to be reported this year (lines 25, 26, 35, and 36). Otherwise, zero.

Gain for Form 8582 line 3a. *(auto-calc)* If the gain is either business or investment property, the property is *not* active rental real estate, you are *not* a material participant, and either you are not a significant participant or the overall net significant participation gain for the return is zero, computed as the sum of all gains and recapture to be reported this year (lines 25, 26, 35, and 36). Otherwise, zero.

Significant participation net for Form 8582. *(auto-calc)* If the gain is either business or investment property, the property is *not* active rental real estate, you are *not* a material participant, but you are a significant participant, computed as the sum of all gains and recapture to be reported this year (lines 25, 26, 35, and 36). Otherwise,

zero. This amount is used in Form 8582 to help determine the overall net significant participation gain for the return.

Allocation to Schedule D and Form 4797. Ordinary and long-term gains are reported on either Schedule D or Form 4797.

Short-term gain for Schedule D, line 4, *(auto-calc)* If treated as a short-term holding and the gain is for Schedule D, computed as the gain on lines 26 and 37. Otherwise, zero.

Long-term gain for Schedule D, line 11, *(auto-calc)* If treated as a long-term holding and the gain is for Schedule D, computed as the gain on lines 26 and 37. Otherwise, zero.

Regular part of the above, *(auto-calc)* Computed as the part of the preceding gain not subject to 28% rate rules.

28% rate gain for Schedule D, *(auto-calc)* Computed as the preceding amount times the percentage shown above line 3 as the "% of gain subject to 28% rule." This result is used in Schedule D for tax calculations, using the highest capital gains rate for this gain.

Long-term gain for Form 4797, line 4, *(auto-calc)* If treated as a long-term holding and the gain is for Form 4797, computed as the gain on lines 26 and 37. Otherwise, zero.

Short-term gain for Form 4797, line 10(g), *(auto-calc)* If treated as a short-term holding and the gain is for Form 4797, computed as the gain on lines 26 and 37. Otherwise, zero.

Recapture for Form 4797, line 15, *(auto-calc)* Computed as the sum of lines 25 and 36.

Current-year Unrecaptured Sec. 1250 Gain. The amount of unrecaptured sec. 1250 gain for the sale to be allocated to the current year is determined here.

From original sale (Form 4797, Part III). If the property reported on this form was sold this year and the gain is section 1250 gain, you must report the gain in Part III of Form 4797, using a worksheet for line 26. You must then allocate (on screen 8 of Form 4797) the unrecaptured sec. 1250 gain computed on that worksheet to *this* copy of Form 6252. *The amount will then appear here automatically.* On the other hand, if you sold the property in a prior year, *you* must enter the unrecaptured section 1250 gain on the sale here.

Amount allocated to prior years. If the property was sold in a prior year, enter here the part of the preceding total that you previously allocated in prior tax returns. (You are not allowed to make an entry here if the property was sold in the current year.)

Remainder still unrecaptured. *(auto-calc)* Computed as the unrecaptured section 1250 gain realized on the original sale less the part allocated to prior years. This is the amount that remains to be allocated to a return.

Amount allocated to this year. *(auto-calc)* Computed as the lesser of the preceding remainder and the previously described "Long-term gain for Form 4797, line 4." That is, each year's installment payment is treated as unrecaptured section 1250 gain until this special

gain is all used up, in accordance with the IRS instructions for their Unrecaptured Section 1250 Worksheet. (However, this was not always the case in the past, as detailed in the IRS Instructions for Schedule D. Otherwise we could have computed the "Amount allocated to prior years" automatically.)

Carryover to next year. *(auto-calc)* Computed as the remainder still unrecaptured less the amount allocated to this year. This is the amount still remaining unrecaptured after the current return is filed.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6478* / Biofuel Producer Credit

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. (See the separate Partnership Edition manual for details on the version of Form 6478 that is built into the Partnership Edition software.)

Purpose. This form has traditionally been used to claim credits for several different types of specialized fuel credits. They included the biofuel producer credit, alcohol mixture credit, alcohol credit, and small ethanol producer credit, but only one of them remains: the biofuel producer credit. (The biofuel producer credit had expired at the end of 2021, but was reinstated retroactively by the *Inflation Reduction Act of 2022* through the end of 2024. This is reflected in the revised IRS *Instructions for Form 6478 (Rev. October 2023)*.) Form 6478 carries no tax year designation because it is designed to be used to claim the credit for all years after 2018 to which it now applies. The latest version of the form is *Form 6478 (Rev. January 2020)*. The result of this form is passed through Form 3800 (the result of which is reported on line 6a of Schedule 3) and all tax liability and passive loss limitations are applied on Form 3800, not here. (Form 3800 is automatically created when Form 6478 is present upon the final recalculation of the return.) Form 6478 is accessible through the Road Map from Form 3800.

1 Qualified second generation biofuel production. For a Form 1040 return for 2023, this form is used for fuel sold or used in calendar year 2023 alone. See IRS *Instructions for Form 6478 (Rev. January 2020)* for detailed qualifications. (For a Partnership return with a 2023 fiscal year starting after January 2023, this form would be used for fuel sold or used in the parts of calendar years 2023 and 2024 that lie within the fiscal year of the partnership.)

(a) Number of Gallons Sold or Used. Enter here the number of gallons sold or used in calendar year 2023 for qualified second generation biofuel..

(b) Rate. (auto-calc) The rate (shown here) for qualified second generation biofuel production is \$1.01 per gallon.

(c) Column (a) X Column (b). (auto-calc) Computed as 1.01 times the number of gallons used.

2 Enter the amount from column (c) on line 1. (auto-calc) Computed as indicated. *You must include this amount in your income for 2023, which must be reflected in the total for line 10 of Schedule 1.*

Your IRS registration number. You must be registered with the IRS before you can claim credit for second generation biofuel. Enter here your IRS-issued registration number. *If you have a claim on line 1, an entry on this line is required.*

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and posted to line 4c of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 4 that it is not a Category A credit and manually enter the credit on line 4c of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

3 Biofuel producer credit from partnerships, S corporations, cooperatives, estates, and trusts. Enter the credit allocated to you from any pass-through entities as follows:

- **From partnerships:** Any amount in box 15 of Schedule K-1 (Form 1065) identified as code I.
- **From S corporations:** Any amount in box 13 of Schedule K-1 (Form 1120S) identified as code I.
- **From estates and trusts:** Any amount in box 13 of Schedule K-1 (Form 1041) identified as code H.
- **From cooperatives:** Any amount in box 10 of Form 1099-PATR for 2023 or in any other written notice of credit allocation.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 3. Thanks to the IRS's complex design for Form 3800, manual entries are required on Part III of that form when you have credit from a pass-through entity. You must enter the EIN of the entity in column (b) of line 4c of the copy of Form 3800, Part III, that applies to this credit.

4 Add lines 2 and 3. (auto-calc) Computed as indicated, this is the total credit for Form 6478. Although the IRS form indicates that this result should be posted to line 4c of Form 3800, Part III, it is instead posted to screen 4 of the on-screen Form 3800, from which it is posted to line 4c of copy 2 of Form 3800, Part III, unless you specify otherwise on screen 4 of Form 3800. *(Copy 2 of Form 3800, Part III, is reserved for the general business credit from a non-passive activity. If the credit is stems from a passive activity, or you have any carryforwards or carrybacks, you will use other copies of Form 3800, Part III, instead.)*

CAUTION: Additional entries may be required on Form 3800. If this is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 4 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the result from line 5, above, posted to line 4c of Form 3800, Part III. But if the credit is from a passive activity, you must indicate this fact by an entry on screen 4 of Form 3800 and then enter the result from line 4, above, on the copy of Form 3800, Part III that applies to your credit.

5 Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust. *(auto-calc)* Computed as zero because this line not relevant to Form 1040 returns.

6 Cooperatives, estates, and trusts. Subtract line 10 from line 9 *(auto-calc)* Computed as zero because this line not relevant to Form 1040 returns.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6765* / Credit for Increasing Research

* Included in Premium Level software ONLY. This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition.

Purpose. This form is used to claim credit for investment in technological research over and above what was invested in the prior year. It had expired at the end of 2014, but it was *made permanent* by the 2016 year-end tax bill, with enhancements that apply after 2016. In the Form 1040 software, Form 6765 is *accessible through the Road Map from Form 3800*, to which its results are posted. (In the Form 1065 software, Form 6765 is accessible through the Road Map at the credit component of line 15f of Schedule K labeled "6765 Increasing research.")

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 3 of the main Form 3800, the credit is *initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity)* and posted to line 1c or 4i of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 3 that it is not a Category A credit and manually enter the credit on line 1c or 4i of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

Small Business Elections. New benefits for small businesses were added to the research credit starting with tax year 2016: offset of the AMT and credit against social security taxes. However, different definitions of small business are used for the two benefits. You must indicate whether your business qualifies on screen 1 of Form 6765:

Eligible small business (for Form 3800). To qualify for this class, average gross receipts for the prior 3 tax years cannot exceed \$50 million. (See IRS *Instructions for Form 6765 (Rev. January 2024)* for a detailed definition of this class.) If you answer Yes here, the allowable credit on line 38 of this form is posted to line 4i of Form 3800, Part III rather than line 1c of Form 3800, Part III, after applying taxable income limitations on research credits. **CAUTION:** *If your research credit stems from a partnership or S corporation, you cannot be treated as an eligible small business unless both you and the entity meet the gross receipts tests.* (The amount on line 4i of Form 3800 can offset the alternative minimum tax, whereas the amount on line 1c cannot.)

Qualified small business (for Section D). To qualify for this class, gross receipts for the current tax year must be less than \$5 million and the business must have no receipts more than 5 years prior. (See the IRS *Instructions for Form 6765 (Rev. January 2024)* for a detailed definition of this class.) *Answer Yes here only if you elect the*

new payroll tax credit. If you answer Yes here, Section D of Form 6765 will be completed for use on IRS Form 8974 (*Qualified Small Business Payroll Tax Credit for Increasing Research Activities*).

By answering Yes, above, to the applicable class(es), you are electing the new benefit(s).

Entries for Sections A and B. Two methods for computing the credit are now available: a regular method (Section A) and an alternative simplified method (Section B). The regular method is used until you elect the alternative method. When originally conceived, it was intended that once you elect an alternative method you must use it for all future tax years. However, you are now allowed to revoke a prior election and make a different current election. While the computations for the two sections are quite different, information required for each section is nearly identical. Therefore, in order to avoid duplicate data entry and make it easy to compare the results of the two methods, we collect the data for all sections here. ***CAUTION: The law for this credit is relatively narrow and applies only to the type of research defined in the IRS instructions. For example, research for customization of an existing product, research for internally used software, research in social sciences, surveys, studies, and research into an existing product are all disallowed. You should therefore consult the IRS Instructions for Form 6765 for detailed qualifications.***

Certain amounts paid or incurred to energy consortia. Enter only amounts paid to energy research consortia for energy research. An energy research consortium is a tax-exempt organization primarily created to conduct energy research. See IRS instructions for details.

Wages for qualified services. Enter only wages related to qualified in-house research. Do not include any wages used in figuring the work opportunity credit (Form 5884).

Cost of supplies. Enter only the cost of supplies related to qualified in-house research.

Rental or lease costs of computers. Enter only the amount paid or incurred for the rental or lease of computers used in qualified research. ***CAUTION: Qualifications for this entry are very narrow. The computer you rent or lease must not be located on your premises and cannot be operated by you or primarily used by you.***

Contract research expenses. Enter the full amount paid or incurred for qualified outside research. This amount is reduced to 65% of your entry when used in Section A or B of Form 6765, unless you make an entry on one of the following two lines.

Part for qualified energy research. Enter the part of "Contract research expenses" that was used for a qualified energy research by an eligible small business, university, or federal laboratory. The amount you enter here is allowed in full when used in Section A or B. See IRS instructions for Form 6765, line 8, for details.

Part to a qualified research consortium. Enter the part of "Contract research expenses" that was used for a qualified research consor-

tium. The amount you enter here is subject to a reduction to 75% of your entry when used in Section A or B. See IRS instructions for Form 6765, line 8, for details.

Fixed-based percentage. *(Required only for Section A)* If you will compute the credit by the Regular Method (Section A), you must make an entry here that reflects the history of the company and its past research expenses. See the IRS Instructions for Form 6765, line 10, for details. Your entry here is rounded to the nearest .01% and cannot exceed 16%.

Average annual gross receipts. For the business to which the research relates, enter the average annual gross receipts (reduced by returns and allowances) for the 4 tax years that precede the tax year of the return. This will generally be line 3 of the Schedule C for this business.

Taxable income for this activity. *(For Form 1040 returns only)* You must determine how much of the taxable income on line 15 of Form 1040 relates to the business for which the research was conducted. The amount you enter here (together with any taxable income you attribute to credit from pass-through entities below line 37) will be used in computing the taxable income limit that applies to this credit. This limitation is computed at line 1c of Form 3800. **CAUTION:** If you are claiming the research credit for more than one business, you may have to override the result for line 1c of Form 3800 because the limitation must be applied separately for each business. See our instructions for Form 3800 in this Tax Forms Guide for details.

ELECTIONS. There are now only two elections available, each of which has a significant effect on the results of this form.

IRC Section 280C election:

Elect the reduced credit? This election is described in *Section 280C(c)(3) of the Internal Revenue Code.* When you claim the full credit you are required to reduce any deductions for research expenses on your return (such as on Schedule C) by the amount of this credit. However, if you elect the reduced credit, which is 79% of the full credit for tax year 2019 and later, you are not required to reduce your deductions at all. **CAUTION:** If you do NOT elect the reduced credit, you must provide to the IRS, in a supporting statement for the line "Schedule of reduced deductions" on the last screen of our Form 6765, a schedule of the reduced deductions you implemented because of this rule.

Section B election:

Elect Alternative Simplified Credit? If you want to elect the alternative simplified method, answer Yes here. Before deciding whether to answer Yes or No, you may want to see the results for each choice by looking at the result on line 38 of this form for each choice.

Did you elect section B previously (answer No if revoking it now)? If you previously elected the alternative simplified credit, it applies to future years unless you revoke it. However, revocation is as simple as making a different election in the future year. (You can also revoke this election on an amended return.)

Section B to be used. *(auto-calc)* Answered Yes if either of the preceding two answers is Yes. If Yes, Section B is used; otherwise Section A is used. **CAUTION: If Section A is used, you must enter a percentage for the line "Fixed-base percentage" described previously.**

2020, 2021, and 2022 qualified research expenses. When you choose the alternative simplified method you must enter qualified research expenses claimed for the prior 3 years. Your entries are used in the computation of line 29 of this form.

Special procedure for members of controlled groups or businesses under common control. For the cited cases you are required to enter the full amounts for the entire business or group on lines 1 through 16 or 18 through 33, whichever applies, but report only your share on line 17 or 34, whichever applies. You are also required to explain how you arrived at your share. To accomplish this with the software, enter the full amounts on screen 1, note the computed credit at lines 17 or 34, whichever applies, then use the Override Key to access line 17 or 34, and itemize the line to report your share of the computed credit. In the description column of the support describe how you computed your share, which should be a prorated amount based on the ratio of your share the qualified research expenses to the total qualified research expenses. The supporting statement will then be printed with the return and cross-referenced on the dotted line for line 17 or 34, whichever applies. ***e-file Limitation: If you must follow this procedure you are not allowed to e-file the return.***

Section A, Regular Credit. *(Fully automatic; no manual entries required in this section.)* The regular credit is based on a simplified computation in which all research credits are combined and one rate is applied to the overall eligible expense. This version of the credit is computed unless you elected to use Section B instead (or elected the alternative simplified credit in the past and don't revoke it now).

- 1 Certain amounts paid or incurred to energy consortia.** *(auto-calc)*
Taken from your prior entry for this category if Section A is used; otherwise zero.
- 2 Basic research payments paid or incurred to qualified organizations.** *(auto-calc)* Automatically zero because this line relates only to corporations, not to individuals preparing a Form 1040 return nor partnerships preparing a Form 1065 return.
- 3 Qualified organization base period amount.** *(auto-calc)* Automatically zero because this line relates only to corporations, not to individuals

preparing a Form 1040 return nor partnerships preparing a Form 1065 return.

- 4 Subtract line 3 from line 2.** *(auto-calc)* Computed as indicated but no less than zero.
- 5 Wages for qualified services.** *(auto-calc)* Taken from your prior entry for this category if Section A is used; otherwise zero.
- 6 Cost of supplies.** *(auto-calc)* Taken from your prior entry for this category if Section A is used; otherwise zero.
- 7 Rental or lease costs of computers.** *(auto-calc)* Taken from your prior entry for this category if Section A is used; otherwise zero.
- 8 Applicable percentage of contract research expenses.** *(auto-calc)* If Section A is used, computed from your prior entries for contract research expenses as 100% of your entry for "Part for qualified energy research" *plus* 75% of your entry for "Part to a qualified research consortium" *plus* 65% of the balance ("Contract research expenses" *less* "Part for qualified energy research" *less* "Part to a qualified research consortium").
- 9 Total qualified research expenses.** *(auto-calc)* Computed as the sum of lines 5 through 8.
- 10 Fixed-base percentage.** *(auto-calc)* Taken from your prior entry for this category if Section A is used; otherwise zero.
- 11 Average annual gross receipts.** *(auto-calc)* Taken from your prior entry for this category if Section A is used; otherwise zero.
- 12 Multiply line 11 by the percentage on line 10.** *(auto-calc)* Computed as indicated.
- 13 Subtract line 12 from line 9.** *(auto-calc)* Computed as indicated, but no less than zero.
- 14 Multiply line 9 by 50%.** *(auto-calc)* Computed as indicated.
- 15 Smaller of line 13 or line 14.** *(auto-calc)* Computed as indicated.
- 16 Add lines 1, 4, and 15.** *(auto-calc)* Computed as indicated.
- 17 Are you electing the reduced credit under Section 280C?** *(auto-calc)*
 Answered Yes if you elected the reduced credit by your answer at the top of screen 2. *CAUTION: If No and you are using Section A, see Section C for the supporting statement you must supply.*
Multiply line 16 by .158 or .20. *(auto-calc)* If the preceding answer is No, computed as 20% of line 16. If the preceding answer is Yes, computed as 15.8% of line 16 for tax year 2019 and later. *This is the Regular Credit.*

Section B, Alternative Simplified Credit. *(Fully automatic; no manual entries required in this section.)* This version of the credit is used if you elected this alternative on screen 2 (or previously elected and do not revoke the election).

- 18 Certain amounts paid or incurred to energy consortia.** *(auto-calc)*
 Taken from your prior entry for this category if Section B is used; otherwise zero.
- 19 Basic research payments paid or incurred to qualified organizations.** *(auto-calc)* Automatically zero because this line relates only to

- corporations, not to individuals preparing a Form 1040 return nor partnerships preparing a Form 1065 return.
- 20 Qualified organization base period amount.** *(auto-calc)* Automatically zero because this line relates only to corporations, not to individuals preparing a Form 1040 return nor partnerships preparing a Form 1065 return.
- 21 Subtract line 20 from line 19.** *(auto-calc)* Computed as indicated but no less than zero.
- 22 Add lines 18 and 21.** *(auto-calc)* Computed as indicated.
- 23 Multiply line 22 by 20%.** *(auto-calc)* Computed as indicated.
- 24 Wages for qualified services.** *(auto-calc)* Taken from your prior entry for this category if Section B is used; otherwise zero.
- 25 Cost of supplies.** *(auto-calc)* Taken from your prior entry for this category if Section B is used; otherwise zero.
- 26 Rental or lease costs of computers.** *(auto-calc)* Taken from your prior entry for this category if Section B is used; otherwise zero.
- 27 Applicable percentage of contract research expenses.** *(auto-calc)* If Section B is used, computed from your prior entries for contract research expenses as 100% of your entry for "Part for qualified energy research" *plus* 75% of your entry for "Part to a qualified research consortium" *plus* 65% of the balance ("Contract research expenses" *less* "Part for qualified energy research" *less* "Part to a qualified research consortium").
- 28 Total qualified research expenses.** *(auto-calc)* Computed as the sum of lines 24 through 27.
- 29 Total qualified research expenses for the prior three years.** *(auto-calc)* If Section B is used, computed as the sum of your entries for 2020, 2021, and 2022 qualified research expenses. (If any of those three amounts is zero, lines 30 and 31 are skipped.)
- 30 Divide line 29 by 6.0.** *(auto-calc)* Normally computed as indicated, but zero if any of the three amounts that contribute to line 29 is zero.
- 31 Subtract line 30 from line 28.** *(auto-calc)* Normally computed as indicated, but no less than zero. However, computed as zero if any of the three amounts that contribute to line 29 is zero.
- 32 Multiply line 31 by 14%, or line 28 by 6% if skipped lines 30 and 31.** *(auto-calc)* Normally computed as 14% of line 31. However, computed as 6% of line 28 if any of the three amounts that contribute to line 29 is zero.
- 33 Add lines 23 and 32.** *(auto-calc)* Computed as indicated.
- 34 Are you electing the reduced credit under Section 280C?** *(auto-calc)* Answered Yes if you elected the reduced credit by your answer at the top of screen 2. **CAUTION:** *If No and you are using Section B, see Section C for the supporting statement you must supply.*

Multiply line 33 by .79 or 1.0. *(auto-calc)* If the preceding answer is No, computed as 100% of line 33. If the preceding answer is Yes, computed as 79% of line 33 for tax year 2019 and later. *This is the Alternative Simplified Credit.*

Section C, Current Year Credit. The credit claimed is summarized here.

35 Portion of credit from Form 8932, line 2, attributable to wages that were also used to figure the credit on line 17 or line 34 (whichever applies). You must reduce your research credit by the amount of credit you claim for employer differential wage payments that is based on the same wages as the research credit. Enter here the applicable amount included in line 2 of Form 8932 (*Credit for Employer Differential Wage Payments*), which is the credit for your own differential wage payments, not including those from a pass-through entity.

36 Subtract line 35 from line 17 or line 34 (whichever applies). *(auto-calc)* Computed as indicated, but no less than zero, this is the total research credit *before adding amounts from pass-through entities.*

37 Credit for increasing research from partnerships, S corporations, estates, and trusts. Enter any Form 6765 credits allocated to you from a pass-through entity as shown on Schedule K-1 (Form 1120S), box 13, code M from an S corporation, Schedule K-1 (Form 1065), box 15, code M from a partnership, or Schedule K-1 (Form 1041), box 13, code I from an estate or trust.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 37. Thanks to the IRS's complex design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must now enter the EIN of the entity in column (b) of line 1c of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

Taxable income for the line 37 activity. *(For Form 1040 returns only)*

You must determine how much of the taxable income on line 15 of Form 1040 relates to the pass-through entity for which the research was conducted. The amount you enter here will be used in computing the taxable income limit that applies to this credit. This limitation is computed on screen 3 of Form 3800 before the credit is reported on line 1c of Form 3800, Part III. **CAUTION: If you are claiming the research credit for more than one business, you may have to override the adjustment above on screen 3 of Form 3800 because the limitation must be applied separately for each business.**

38 Add lines 36 and 37. *(auto-calc)* Computed as indicated, *this is the total research credit* to be claimed on the return. For a Form 1040 return, this amount is posted to screen 3 of Form 3800, for use in line 1c or 4i of Form 3800, Part III. For a Form 1065 return, this

amount, *reduced by line 44 of Form 6765*, is posted to the Form 6765 component of line 15f of Schedule K (Form 1065, page 3).

ITEMIZED DEDUCTIONS REQUIRED?. *(auto-calc)* Answered No if you elected the reduced credit (via your prior Section 280C(c)(3) election at the top of screen 2). Otherwise, Yes. When you claim the full credit, you are required to reduce any deductions for research expenses on your return (such as on Schedule C) by the credit claimed on Form 6765 (excluding pass-through credits on line 37).

Your credit on line 38 (less line 37). *(auto-calc)* Computed as line 38 less line 37, this is the amount by which you must reduce deductions on your return if the preceding answer is Yes.

ITEMIZE HERE if Yes above:

Schedule of reduced deductions. If the answer to "ITEMIZED DEDUCTIONS REQUIRED" is Yes, you are required to attach a schedule showing in detail where you reduced your deductions. *You must provide the schedule in a supporting statement for this line* so that it is printed with the return and cross-referenced on the official printed Form 6765. The total from your support appears on this line and should match the amount on line 38 less line 37, even if the credit is later limited on Form 3800 by the tax liability limitations. Where the cross-reference is printed depends on the elections made for Form 6765, as follows. **CAUTION: special format for e-file: the IRS requires that your supporting statement follow a strict format for e-file, with the type and schedule or form in the first 27 characters of text column, the line number* for that schedule or form in the last 3 characters of the text column, and the amount of reduction in the amount column.** (*Because of a limitation in the IRS e-file design for this form, the line number referenced must contain only digits, so if you want to reference line 20a of Schedule C, for example, you must enter only 20.) **TIP:** If the answer to "ITEMIZED DEDUCTIONS REQUIRED" is No, any support you provide for this line will be ignored and will not be made a part of the official printout of Form 6765.

Schedule of reduced deductions is referenced in Section A. *(auto-calc)* "ITEMIZED DEDUCTIONS REQUIRED" is Yes and you did not elect to use Section B, the total from your "Schedule of reduced deductions" appears here, and the support will be cross-referenced beside the line 17 amount on the official printout of Form 6765. Otherwise, zero will appear here and no cross-reference will be printed beside line 17.

Schedule of reduced deductions is referenced in Section B. *(auto-calc)* "ITEMIZED DEDUCTIONS REQUIRED" is Yes and you elected to use Section B, the total from your "Schedule of reduced deductions" appears here, and the support will be cross-referenced beside the line 34 amount on the official printout of Form 6765. Oth-

erwise, zero will appear here and no cross-reference will be printed beside line 34.

39 Amount allocated to the beneficiaries of the estate or trust. *(auto-calc)* Computed as zero because this line not relevant to Form 1040 or Form 1065 returns.

40 Estates and trusts: subtract line 39 from line 38. *(auto-calc)* Computed as zero because this line not relevant to Form 1040 or Form 1065 returns.

Section D, Qualified Small Business Payroll Tax Election and Payroll Tax Credit. This section is computed only if you answered Yes to "Qualified small business (for Sec. D)?" on screen 1 of this form. *TIP: Because it depends on a carryforward from Form 3800, this section may not be accurate until the final recalculation of the return.*

41 Qualified small business electing the payroll tax credit? *(auto-calc)*
This answer is taken from your answer on screen 1 for "Qualified small business (for Sec. D)?" A Yes answer indicates not only that you are a qualified small business but also that you have elected the payroll tax credit.

Amount on line 36. *(auto-calc)* Taken from line 36 of this form, this is the credit on line 38 excluding any amount from pass-through entities on line 37.

Amount elected. Enter the amount you elect to use as a payroll tax credit.

42 Portion of line 36 elected as a payroll tax credit. *(auto-calc)* If Section D applies, computed as the lesser of (a) \$250,000, (b) your preceding entry for "Amount elected," and (c) the amount on line 36. Otherwise, zero.

General business credit carryforward from the current year. *(auto-calc, omitted for Form 1065 returns)* Taken from Form 3800, this result is the sum of lines 6, 25, and 36 of Form 3800 less the sum of lines 5, 35, and 38 of Form 3800. *TIP: This amount may not be correct until the final recalculation of the return.*

43 General business credit carryforward from the current year. *(auto-calc, omitted for Form 1065 returns)* Taken from the preceding line only if Section D applies. Otherwise, zero. *(This line is always zero for partnership returns.)*

44 Smallest of line 36, line 42, or line 43. *(auto-calc)* For Form 1040 returns, computed as indicated. For Form 1065 returns, computed as the lesser of line 36 or line 42. This is the amount of credit eligible for IRS Form 8974 (*Qualified Small Business Payroll Tax Credit for Increasing Research Activities*).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 6781* / Gains & Losses from Section 1256 Contracts & Straddles

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition.

Purpose. This form is used to report gains and losses from individuals' investment in futures contracts and non-equity options, and from commodity dealers' equity options and security contracts. In the Form 1040 software, Form 6781 is accessible through the Road Map from the Form 6781 lines above lines 4 and 11 of Schedule D. (In the Form 1065 software, Form 6781 is also accessible through the Road Map at the Code C component of line 11 of Schedule K on Form 1065, page 4.)

Exclusions from section 1256 contracts. The last title of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (signed into law on July 21, 2010) removes certain agreements from treatment as section 1256 contracts for tax years that start after July 21, 2010. The law excludes from the definition of section 1256 contracts any agreement for an "interest rate swap, currency swap, basis swap, interest rate cap, interest rate floor, commodity swap, equity swap, equity index swap, credit default swap, or similar agreement." It also excludes any securities futures contract (or option thereon) that is not a dealer securities futures contract (or option thereon).

IRS instructions and IRS Pub. 550 are indispensable. The regulations for section 1256 contracts and straddles are complex and involve a number of special situations that require special reporting. Furthermore, the IRS has not designed Form 6781 to adequately handle all the reporting requirements, so the IRS instructions for Form 6781 indicate a number of places where separate schedules must be provided in addition to the information provided on the form. It is therefore very important that you read the IRS instructions carefully and provide additional details in supporting statements for the additional lines that we provide, when appropriate. If there are terms in the instructions that you do not understand, we recommend the glossary at the end of IRS Pub. 550 (*Investment Income and Expenses*). We also recommend that publication for helpful examples in reporting straddles and section 1256 contracts.

Check applicable elections. You must identify here any elections you make for special treatment.

A Mixed straddle election. Answer Yes if you are electing now, or elected in the past, to have the mark-to-market rules not apply to section 1256 contracts that are part of a mixed straddle. Once you make this election it is irrevocable and you must use Part II of Form 6781, not Part I, of this form to report the section 1256 contracts in any mixed straddle. (A mixed straddle is one that includes section 1256 contracts but is not comprised solely of section 1256 contracts.)

B Straddle-by-straddle identification election. Answer Yes if you are electing now, or elected in the past, to report mixed straddles by identifying each position by either the close of the day when the mixed straddle was established or the time the position was disposed of, whichever is earlier. Use Part I of Form 6781 only if the net gain or loss is attributable to any section 1256 positions. (This election is covered by Temporary Regulations section 1.1092(b)3T(d).)

C Mixed straddle account election. Answer Yes to establish one or more mixed straddle accounts for the year following the tax year of the return. Once you make the election, the annual net gain or loss from the account is reported in Part II of Form 6781. **CAUTION:** *You must itemize this line and provide a statement as required by the IRS Temporary Regulations section 1.1092(b)-4T(f), using only the text column of the support for your statement.*

D Net Section 1256 Contracts Loss Election. Answer Yes to elect to carry back 3 years any net loss from section 1256 contracts for the tax year. *(Partnerships are not eligible for this election, so the answer will always be No in the Form 1065 software.)*

Itemize here to supply required foreign currency contract information. *(Supported by the Foreign Currency Contracts Worksheet, Figure 2-53.)* Special rules apply to certain foreign currency contracts. If you make an election under IRS section 988(a)(1)(B) or 988(c)(1)(D), you must provide information about the contracts covered by the election(s) on the supplied worksheets.

Foreign Currency Contracts Worksheet. *(Figure 2-54a)* Complete this worksheet if you have any foreign currency contracts that apply to Form 6781.

- a. **Name of Contract(s).** Identify the contract by name.
- b. **Election Type.** Identify the election you are making and the IRS section under which it is made.
- c. **Gain or Loss.**

FOREIGN CURRENCY CONTRACTS
Use this worksheet to list contracts for which you made an election under section 988(a)(1)(B) or 988(c)(1)(D).

- a. **Names of Contract(s).....:**
- b. **Election Type.....:**
- c. **Gain or Loss.....**
- d. **Reference to Form.....:**

0

On line d, identify (by Part, Column, and Line) where the gain or loss is reported.

Enter the gain or loss reported this year for the contract.

- d. **Reference to Form.** Identify the line or lines on Form 6781 where the gain or loss is reflected. Include the Part (I, II, or III), the section (if in Part II), and the line number on the form.

PART I, SECTION 1256 CONTRACTS MARKED TO MARKET. You must report here gains and losses for all section 1256 contracts open at the end of the year or closed out during the year, unless an election you previously identified exempts you from using Part I.

1 Itemize to report contracts. *(Supported by the Section 1256 Contracts Worksheet, Figure 2-54.)* You must identify all accounts in the worksheets that support this line, showing the gain or loss for each.

Section 1256 Contracts Worksheet. *(Figure 2-54b)* This worksheet supports line 1 of Form 6781, for reporting gains and losses, but all other details are entered in a separate supporting statement for the line that follows the access to this worksheet.

SECTION 1256 CONTRACTS		
a.	ID of account	:
	Gain or loss.....	0
b.	Loss.....	0
c.	Gain.....	0

Figure 2-54b. Section 1256 Contracts

a. Identification of account. If you received a

Form 1099-B for the account, enter here "Form 1099-B" and the broker's name. If you are reporting on an amended return a carry-back from a year after 2023, enter "Loss carried back from" and the year. Otherwise, identify the account in 30 characters or less.

Gain or loss. Enter the net gain or loss for the year. If you received a Form 1099-B, this amount should be shown in box 13 of the form.

b. Loss. *(auto-calc)* If your entry was a loss, it is shown here as a positive number. Otherwise, zero.

c. Gain. *(auto-calc)* If your entry was a gain, it is shown here. Otherwise, zero.

2 Add amounts on line 1. Totals from the worksheets appear here:

(b) Loss. *(auto-calc)* Computed as the sum of losses on line b of all worksheets combined.

(c) Gain. *(auto-calc)* Computed as the sum of gains on line c of all worksheets combined.

3 Net gain or loss. *(auto-calc)* Computed as line 2(c) less line 2(b), this is the net gain or loss for section 1256 contracts before adjustments.

4 Form 1099-B adjustments. You may have to make an adjustment if you received a Form 1099-B with a straddle or hedging transaction. See IRS instructions to determine the adjustment to enter. *Itemize your adjustments in a supporting statement for this line with a description and amount for each adjustment.*

5 Combine lines 3 and 4. *(auto-calc)* Computed as indicated, this is the adjusted net gain or loss for section 1256 contracts.

For Form 1065 software only: Special handling provided for partnership returns. For partnership returns the amount on *line 5 is posted to line 11 of Schedule K (Form 1065)*. (It is one of many components of line 11, labeled on the screen as "Code C – Section 1256 contracts." A partner's share will appear in box 11 of the partner's Schedule K-1 with the letter C beside the dollar amount.) *Lines 6 through 9 are not applicable to partnership returns* and are therefore always zero for the 1065 software.

6 If you checked box D, enter amount of loss to be carried back. (*For Form 1040 returns ONLY*) If have a "net section 1256 contracts loss" for the tax year, the election at line D, above, allows you to carry back all or part of the loss to the previous three tax years. You enter here the amount you choose to carry back, so that it will be removed from the loss used in the current tax year, and file amended returns for the prior years to include the elected carry back. *However, the meaning of the IRS term "net section 1256 contracts loss" is not intuitive.* You might think that it would be the amount on line 5, if a loss, but it is not! Instead, the appropriate loss is the lesser of (a) the loss remaining after adding \$3,000 (\$1,500 if married filing separately) to the net amount on line 5, and (b) the amount you would have figured as your loss carryover to the next tax year if line 6 of Form 6781 were zero. In other words, you cannot carry back any amount if the net of all other amounts on Schedule D is a gain that is within \$3,000 of the loss on line 5 (\$1,500 if married filing separately). The software prevents you from entering on line 6 any more than the amount of loss defined in (a), but you must consider (b) as well when making your entry. (*The loss is represented here as a positive number.*)

7 Combine lines 5 and 6. (*auto-calc*) Computed as the sum of lines 5 and 6 for Form 1040 returns, *but zero for Form 1065 returns.*

8 Short-term capital gain or loss. (*auto-calc*) Computed as 40% of the amount on line 7. *Note that 40% of the net gain or loss is considered short-term gain or loss irrespective of the dates involved.*

9 Long-term capital gain or loss. (*auto-calc*) Computed as 60% of the amount on line 7. *Note that 60% of the net gain or loss is considered short-term gain or loss irrespective of the dates involved.*

The amounts on lines 8 and 9 are posted to the appropriate lines of Schedule D (Form 1040), as summarized on the last screen of our Form 6781 for Form 1040 returns. (Lines 8 and 9 are zero for Form 1065 returns.)

PART II, GAINS AND LOSSES FROM STRADDLES. You must report here all recognized gains and losses from straddles for positions closed out or sold during the tax year. You will also include section 1256 contracts if they are part of a mixed straddle and you made the election described previously for box C. All results are automatically posted to Schedule D except for the items described in the following shaded paragraph.

CAUTION: Do not use the worksheets below for (a) section 988 contracts that are part of a mixed straddle or (b) any gain on termination of any position held as part of a conversion. Instead, report these transactions as follows:

- On Form 6781, report a loss in a supporting statement for the line "Itemize losses for 4797..." below line 11b, and report a gain in a supporting statements for line "Itemize gains for 4797..." below line 13b;
- On Form 4797, report the gain or loss in a worksheet for line 10; there is no automatic link between Form 6781 and Form 4797.

Itemize this line to list each straddle and its components. (*Supported by the Straddle Components Worksheet, Figure 2-55.*) For straddles with separate components, you must define each straddle you report in Part II by listing all components that make up the straddle. The details you provide on the supporting worksheet for this line are used only for purposes of defining each straddle, and not for determining any gain or loss. *Exception for e-file: The worksheet for this line is not supported for e-file. Therefore, if you must define components on this line, you must file a paper return instead.*

Straddle Components Worksheet. (*Figure 2-55*) This worksheet is used to identify the components of complex straddles.

a. Type of Straddle. Identify the type of straddle in 30 characters or less.

b. Component. Identify the component for which the gain or loss is entered on this worksheet in 30 characters or less.

STRADDLE COMPONENTS	
Use this worksheet to identify components of complex straddle	
a. Type of Straddle.....:	
b. Component.....:	
c. Gain or loss.....:	0

Figure 2-55. Straddle Components Worksheet

c. Gain or loss. Enter the net gain or loss for the year for the identified component.

Section A—Losses from Straddles. Report in this section only straddles, including mixed straddles, that result in a loss for the tax year.

10 Itemize losses from straddles. (*Supported by the Losses from Straddles Worksheet, Figure 2-56.*) Report on the supporting worksheets all straddles resulting in a loss except those to be reported on Form 4797 (as described previously).

11a Short-term portion of losses from line 10(h). *(auto-calc)* Computed as the sum of line (h) from all worksheets for line 10 identified as short-term losses.

11b Long-term portion of losses from line 10(h). *(auto-calc)* Computed as the sum of line (h) from all worksheets for line 10 identified as Long-term losses, this is the total loss recognized for the tax year.

28% rate loss in line 11b. *(auto-calc)* Computed as the sum of "Loss from collectibles" from all worksheets for line 10 identified as Long-term losses. This loss can offset gains that are taxed at a 28% rate.

Itemize contracts in lines 11a and 11b. *(Supported by the Contracts for Straddles Worksheet, Figure 2-57.)* You must separately report here losses that must be reported on Form 4797 instead of Schedule D, as detailed in the shaded paragraph above. **CAUTION:** *You must also report the loss on a worksheet for line 10 of Form 4797; posting to Form 4797 is not automatic.*

Losses from Straddles Worksheet. *(Figure 2-56)* This worksheet supports line 10 of Form 6781.

a. Description of property. Enter property description, delivery date, and

whether it is a long or short position. *Although we allow the entry of 30 characters here because it is accommodated by the IRS for an e-filed return, the IRS provides space for only 18 characters*

LOSSES FROM STRADDLES		
a.	Description of property..	
	(only 18 long if paper return)	
b.	Date entered into or acq	
c.	Date closed out or sold	
	Qualifies as long-term...? No	
d.	Gross sales price.....	0
	Cost or other basis..	0
	Expense of sale.....	0
e.	Cost or other basis plus.█	0
	Prior unallowed loss.	0
f.	Loss.....█	0
g.	Unrec gain on offset posn	0
h.	Recognized loss.....█	0
	Loss from collectibles	0

Figure 2-56. Losses from Straddles

on a paper Form 6781, so keep your entry short for a paper return.

b. Date entered into or acquired. Enter the date in the standard mo/dy/year format. The software will shorten it to a xx/xx/xx format in order to fit on the printed form.

c. Date closed out or sold. Enter the date in the standard mo/dy/year format, as above.

Qualifies as long-term? Qualification for long-term treatment of straddles is not always clear from the dates. See IRS Pub. 550 for details and examples. (Holding periods are defined in Temporary Regulations section 1.1092(b)-2T.)

d. Gross sales price. Enter the closing price or sales price.

Cost or other basis. Enter as indicated.

Expense of sale. Enter expenses including commissions paid and nondeductible interest or carrying charges for personal property that is part of a straddle.

e. Cost or other basis plus expense of sale. *(auto-calc)* Computed as the sum of the preceding two lines.

Prior unallowed loss. Make an entry here for a loss not allowed in the prior year, *only to the extent of the unrecognized gain for the position.*

f. Loss. *(auto-calc)* Computed as (e) less (d), but no less than zero, plus the prior loss on the preceding line.

g. Unrecognized gain on offsetting positions. Enter the unrecognized gain on positions offsetting those reported on this worksheet. See IRS instructions for details.

h. Recognized loss. *(auto-calc)* Computed as (f) less (g), but no less than zero.

Loss from collectibles. Enter only the loss for collectibles, gains for which are taxed at a 28% tax rate.

Contracts for Straddles Worksheet. *(Figure 2-57)* One set of worksheets is used to support lines 11a and 11b (for losses from straddles), and a separate set of worksheets is used to support lines 13a and 13b (for gains from straddles).

a. Name of Contract(s). Identify the contract in 30 characters or less.

b. Description. Describe the contract in 30 characters or less.

c. Holding Period. Enter the holding period in 25 characters or less.

```

CONTRACTS FOR STRADDLES
Use this worksheet to report
required additional info on
gains & losses from straddles.

a. Name of Contract(s).....:
b. Description.....:
c. Holding Period..

Use next two lines if you
are supporting lines 11a&b
d. Short Term Losses..... 0
e. Long Term Losses..... 0

Use next two lines if you
are supporting lines 13a&b
f. Short Term Gains..... 0
g. Long Term Gains..... 0
    
```

Figure 2-57. Contracts for Straddles Worksheet

If supporting lines 11a and 11b:

d. Short Term Losses. Enter the short-term loss for the contract, which should be included in line 11a. *If you reached the worksheet from the line "Itemize contracts in 13a & 13b," this entry will be forced to zero.*

e. Long Term Losses. Enter the long-term loss for the contract, which should be included in line 11b. *If you reached the worksheet from*

the line "Itemize contracts in 13a & 13b," this entry will be forced to zero.

If supporting lines 13a and 13b:

- f. Short Term Gains.** Enter the short-term gain for the contract, which should be included in line 13a. *If you reached the worksheet from the line "Itemize contracts in 11a & 11b," this entry will be forced to zero.*
- g. Long Term Gains.** Enter the long-term gain for the contract, which should be included in line 13b. *If you reached the worksheet from the line "Itemize contracts in 11a & 11b," this entry will be forced to zero.*

Section B—Gains from Straddles. Report in this section only straddles, including mixed straddles, that result in a gain for the tax year.

12 Itemize gains from straddles. *(Supported by the Gains from Straddles Worksheet, Figure 2-58.)* Report on the supporting worksheets all straddles resulting in a gain except those to be reported on Form 4797 (as described previously).

13a Short-term portion of gains from line 12(f). *(auto-calc)* Computed as the sum of line (f) from all worksheets for line 12 identified as short-term gains.

13b Long-term portion of gains from line 12(f). *(auto-calc)* Computed as the sum of line (f) from all worksheets for line 12 identified as Long-term gains, this is the total gain recognized for the tax year.

28% rate gain in line 13b. *(auto-calc)* Computed as the sum of "Gain from collectibles" from all worksheets for line 12 identified as Long-term gains. This gain is taxed at a 28% rate.

Itemize contracts in lines 13a and 13b. *(Supported by the Contracts for Straddles Worksheet, Figure 2-57.)* You must separately report here gains that must be reported on Form 4797 instead of Schedule D, as detailed in the prior shaded paragraph. **CAUTION:** *You must also report the gain on a worksheet for line 10 of Form 4797; posting to Form 4797 is not automatic.*

Gains from Straddles Worksheet. *(Figure 2-58)* This worksheet supports line 12 of Form 6781.

- a. Description of property.** Describe the property along with the delivery date and whether it is a long or short position. **CAUTION:** *We allow the entry of 30 characters here because it is accommodated by the IRS for an e-filed return. However, the IRS provides space for only 18 characters on a paper Form 6781, so you must keep your entry short for a paper return.*
- b. Date entered into or acquired.** Enter the date in the standard mo/dy/year format. The software will shorten it to a xx/xx/xx format in order to fit on the printed form.

c. Date closed out or sold. Enter the date in the standard mo/dy/year format, as above. Qualifies as long-term? Unlike normal sales, qualification for long-term

GAINS FROM STRADDLES		
a.	Description of property..	
(only 18 long if paper return)		
b.	Date entered into or acq	
c.	Date closed out or sold	
	Qualifies as long-term...? No	
d.	Gross sales price.....	0
	Cost or other basis..	0
	Expense of sale.....	0
e.	Cost or other basis plus.	0
f.	Gain.....	0
	Gain from collectibles	0

Figure 2-58. Gains from Straddles

treatment is not always clear from your date entries. You must therefore determine qualification yourself and answer this question appropriately. See IRS Pub. 550 and Temporary Regulations section 1.1092(b)-2T for information on holding periods that qualify for long-term treatment for straddles.

- d. **Gross sales price.** Enter the closing price or sales price.
Cost or other basis. Enter as indicated.
Expense of sale. Enter expenses including commissions paid and nondeductible interest or carrying charges for personal property that is part of a straddle.
- e. **Cost or other basis plus expense of sale.** *(auto-calc)* Computed as the sum of the preceding two lines.
- f. **Gain.** *(auto-calc)* Computed as (d) less (e), but no less than zero.
Gain from collectibles. Enter only the gain for collectibles, which are taxed at a 28% tax rate.

PART III, UNRECOGNIZED GAINS FROM POSITIONS HELD ON LAST DAY OF TAX YEAR. The part is used as a memorandum to the IRS, and does not otherwise affect the return. You are required to use this part only if you have a recognized loss on some position (including regulated futures contracts).

- 14 **Itemize unrecognized gains.** *(Supported by the Unrecognized Gains Worksheet, Figure 2-59.)* You must generally list all positions held at the end of the tax year for which the fair market value (FMV) exceeds your adjusted basis. See IRS instructions for exceptions.
Itemize here to file additional information. Itemize this line to provide any other memorandum-type information to the IRS.

Unrecognized Gains Worksheet. *(Figure 2-59)* Report only unrecognized gains for positions held at year-end for which FMV exceeds your basis.

- a. **Description of property.** Describe the position in 30 characters or less (no more than 25 characters for a paper return because of the limited space on the printed form) .

b. Date entered into or acquired. Enter the date in the standard mo/dy/year

format. The software will shorten it to a xx/xx/xx format in order to fit on the printed form.

c. FMV on last business day of tax year. Enter the fair market value as indicated.

d. Cost or other basis as adjusted. Enter the adjusted basis for the position.

e. Unrecognized gain. *(auto-calc)* Computed as (c) less (d), but no less than zero.

UNRECOGNIZED GAINS		
a.	Description of property...	
(only 25 long if paper return)		
b.	Date entered into or acq	
c.	FMV on last bus day of yr	0
d.	Cost or other basis adj'd	0
e.	Unrecognized gain.....	0

Figure 2-59. Unrecognized Gains

Posting to Schedule D. This section summarizes the automatic posting of results on Form 6781 to Schedule D. Posting for Form 1065 returns differs from that for Form 1040 returns because of the special instructions for partnerships in Part I of Form 6781.

Posting for Form 1040 returns:

Amount from Parts I and II for Schedule D, line 4. *(auto-calc)* Computed as the combination of lines 8, 11a, and 13a, this is the net short-term gain or loss for the entire year.

Amount from Parts I and II for Schedule D, line 11. *(auto-calc)* Computed as the combination of lines 9, 11b, and 13b, this is the net long-term gain or loss for the entire year.

28% rate amount for Schedule D, Part II. *(auto-calc)* Computed as the "28% rate gain in line 13b" less "28% rate loss in line 11b," this is the net 28% rate gain or loss (collectibles gain or loss).

Posting for Form 1065 returns:

Amounts from Part I do not appear here. Part I, line 5 is posted directly to line 11 of Schedule K (Form 1065), and is therefore not shown here.

Amount from Part II for Schedule D, line 4. *(auto-calc)* Computed as the combination of lines 11a and 13a, this is the net short-term gain or loss for the entire year reported in Part II.

Amount from Part II for Schedule D, line 11. *(auto-calc)* Computed as the combination of lines 11b and 13b, this is the net long-term gain or loss for the entire year reported in Part II.

28% rate amount for Schedule D, Part II. *(auto-calc)* Computed as the "28% rate gain in line 13b" less "28% rate loss in line 11b," this is the net 28% rate gain or loss (collectibles gain or loss).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8283 / Noncash Charitable Contributions

Who is it for? This form is used to report information that the IRS requires when your deduction for all noncash gifts combined exceeds \$500. The form is not computational, and has no results for Schedule A, where noncash gifts are reported on line 12. Rather, it is a form to help the IRS in auditing non-cash transactions and assessing the validity of claims for charitable deductions. If you have questions about what is deductible and how much detail you should provide on this form, see IRS Pub. 526 (*Charitable Contributions*), IRS Pub. 561 (*Determining the Value of Donated Property*), and the IRS *Instructions for Form 8283 (Rev. December 2023)*. *Form 8283 is accessible through the Road Map from the line following line 12 of Schedule A.*

Multiple Forms 8283. There are a couple of conditions for which you must file more than one Form 8283 with your return. If you have donations (or a group of smaller donations) that exceed \$5,000 *and are donated to different charities*, you must file *a separate Form 8283 for each charity* because Section B is designed by the IRS for just one donee. Also, if you have donations allocated from more than one pass-through entity, you must file a separate Form 8283 for each. Since the software supports only one Form 8283, you will have to complete the additional Forms 8283 using a separate mock return for each Form 8283, with a Form 1040 with the same taxpayer name(s) and SSN(s); no other forms are required for this mock return because Form 8283 is a stand-alone form. Separate from your own Form(s) 8283, you will also have to *include with your return paper copies of the Forms 8283 sent to you by pass-through entities.*

ORIGINAL CONTRIBUTOR (if not the taxpayer for this return). If the contributions you are reporting on Form 8283 are allocations from a pass-through entity, such as a partnership or S corporation, you must now identify that entity near the top of page 1 of the Form 8283. Furthermore, if you are a member (partner of a partnership or shareholder of an S corporation) of more than one such entity that made noncash charitable contributions, you must file a separate Form 8283 for allocations from each entity.

If an individual, enter

Name. Enter the individual's name in 35 characters or less.

SSN. Enter the individual's Social Security Number in the standard xxx-xx-xxxx format.

If a business, enter

Business name. Enter the business's name in 35 characters or less.

EIN. Enter the business's Employer Identification Number in the standard xx-xxxxxxx format.

Is the entity a family pass-through entity? Answer Yes if substantially all interests in the entity are held, directly or indirectly, by members of the taxpayer's family (and the family of those members).

If you have noncash contributions allocated from more than one entity, you must file a separate Form 8283 for allocations from each separate entity.

Section A or Section B? Section A is generally used for donated property of \$5,000 or less while Section B is used for donated property over \$5,000. However, there are certain rules that may deviate from these categories:

Contributions allocated from pass-through entities. If the donated property for this copy of Form 8283 is an allocation from a pass-through entity, you must use the section used by that entity on its Form 8283, irrespective of the dollar amount.

Contributions of groups of similar items. Unless stemming from a pass-through entity, similar items must be grouped together, and the total value of the entire group is used to determine whether Section A or Section B is used. Even items donated to different donees may be members of the same group in making this determination. Examples of groups identified by the IRS include *coin collections, paintings, books, clothing, jewelry, nonpublicly traded stock, land, and buildings*.

Certain special property. Some items are reported in Section A irrespective of value. These items include publicly traded securities, intellectual property, inventory, and certain vehicles specified by the IRS.

The rules are complex for some property, so you should, at the minimum, read pages 2 through 4 of the IRS's *Instructions for Form 8283 (Rev. December 2023)* for details and conditions.

SECTION A. DONATED PROPERTY OF \$5,000 OR LESS AND CERTAIN PUBLICLY TRADED SECURITIES.

You generally report all smaller contributions here – those valued less than \$5,000 per item or group of similar items – and certain publicly traded securities of any value. Securities that must be reported here include most stocks, bonds, and mutual funds that are traded in the open market – specifically, **(a)** those listed on an exchange that has daily published quotes, **(b)** those regularly traded in an over-the-counter market that has published quotes, and **(c)** those that are shares of a mutual fund that has daily published quotes in a general circulation newspaper. In this section you must provide details about each and every donated property required to be reported in Section A, using the worksheets that support line 1, which is the only numbered line in this section of the form.

1 Itemize required information here. (Supported by the Section A Donated Property Worksheet, Figure 2-60.) Complete a separate worksheet for each separate property. You can group together similar items only if acquired on the same date and donated on the same date, even if they are in the same group for the purposes of deciding whether to report them in Section A or Section B.

If either of these is Yes...

Required to reduce FMV? (auto-calc) The answer will be Yes if any of the worksheets that support line 1 have a Yes for the corresponding question below line 1i of the worksheet. Otherwise, No.

Qualified conservation contribution? *(auto-calc)* The answer will be Yes if any of the worksheets that support line 1 have a Yes for the corresponding question below line 1i of the worksheet. Otherwise, No.

...**detail in a supporting statement here.** If either answer above is Yes, provide required information in a supporting statement for this line as detailed below our details for line 1i of the *Section A Donated Property Worksheet*. ***CAUTION for e-file:*** *If a supporting statement is required here, you will not be able to e-file the return. Instead, you must file a paper return.*

If either of these is Yes...

Form 1098-C received? *(auto-calc)* The answer will be Yes if any of the worksheets that support line 1 have a Yes for the corresponding question below line 1b of the worksheet. Otherwise, No.

Equivalent statement received? *(auto-calc)* The answer will be Yes if any of the worksheets that support line 1 have a Yes for the corresponding question below line 1b of the worksheet. Otherwise, No.

...**detail in a supporting statement here.** If either answer above is Yes, you must attach a copy of the indicated document to the return and so indicate in a supporting statement for this line. ***CAUTION for e-file:*** *If you donated a vehicle, a supporting statement is REQUIRED here AND you must mail Form 8453 to the IRS with a copy of the indicated document within 3 business days after receiving acknowledgment that the IRS has accepted the e-filed return. See the out-lined box in our details for the worksheet that supports line 1 for more details.*

ITEMIZE any other information HERE (*for paper returns ONLY*). Provide any other information you need to give the IRS relative to line 1 in a supporting statement for this line.

SECTION A DONATED PROPERTY WORKHSEET. *(Figure 2-60)* These worksheets support lines 1a through 1i of Form 8283 for each property. You must provide the details on this worksheet for ALL property reported in Section A.

PROPERTY LETTER IDENTIFIER. *(auto-calc)* Each worksheet is identified by a letter that corresponds with the page number. For example, letters A, B, C, etc., correspond to worksheet pages 1, 2, 3, etc. 2-character identifiers are used, so letters A through Z identify pages 1 through 26, AA through AZ identify pages 27 through 52, BA through BZ identify pages 53 through 78, etc.

1a Name of the donee organization. Enter the name of the organization to which you donated the property in 25 characters or less.

Address of the donee organization. Only U.S. addresses are supported by the software for e-file. *If you must enter a foreign address, you must file a paper return.*

Street address. Enter the U.S. street address in 25 characters or less.

<p>City. Enter the U.S. city in 22 characters or less.</p> <p>State. Enter the standard 2-letter code for the state.</p> <p>ZIP code. Enter the ZIP code in the standard xxxxx-xxxx format.</p> <p>1b Is the donated property a vehicle? If Yes, you <i>must</i> enter the vehicle VIN below and be able to answer Yes to one of the two questions that follow it.</p> <p>Vehicle VIN. If</p>	<p>SECTION A DONATED PROPERTY PROPERTY LETTER IDENTIFIER.... A 1a Name donee org'n Street address.. City..... State..... ZIP code..... 1b Is donated propy a vehicle? No If Y,include in 1c cond'n, year,make,model,mileage & Vehicle VIN..... Form 1098-C received.....? No Equiv. stmt. received.....? No If Yes to either,attach to rtn 1c Description.....:</p> <p>[Press PageDown for 1d to 1i.]</p> <hr/> <p>SECTION A continued 1d Date of contribn mo/dy/yr 1e Date acqd by donor (mo/yr) 1f How acquired by donor.... 1g Donor's cost/adj. basis.. 0 1h Fair market value..... 0 1i Method used.... Required to reduce FMV...? No Qlfd conservation contribn? No If Yes to either, attach stmt.</p>
--	--

Figure 2-60. Section A Donated Property Worksheet

your answer to the preceding question is Yes, enter the vehicle's VIN (Vehicle Identification Number) in 17 characters or less. It will generally be a 17-character combination of letters and numbers. You can generally find the vehicle's VIN on the vehicle itself, its registration, its title, or its insurance.

Form 1098-C received? If Yes, you must attach a copy of the Form 1098-C to the return, and so indicate in a supporting statement for the appropriate line below line 1 of our on-screen Form 8283. **CAUTION for e-file:** *If 1b is Yes, you must answer Yes to this or the next line and follow the instructions in the following outlined box.*

Equivalent statement received? If Yes, you must attach a copy of the statement to the return, and so indicate in a supporting statement for the appropriate line below line 1 of our on-screen Form 8283. **CAUTION for e-file:** *If 1b is Yes, you must answer Yes to this or the preceding line and follow the instructions in the following box.*

CAUTION for donated vehicles: Precise reporting procedures for e-file. If you answered Yes to either of the preceding two questions (*as required for donated vehicles*), a Yes will automatically appear in the *Paper Attachments* section of our *e-file Form* (on the line labeled "1098-C or equiv., Donated Vehicle") and the appropriate box on the printed Form 8453 will be

checked. ***You must mail Form 8453 to the IRS with a copy of the document attached within 3 business days*** after receiving acknowledgement that the IRS has accepted the e-filed return. See the details for our *e-file Form* (at the end of this chapter) for information on Form 8453.

Supporting statement also required below the Form 1098-C and Equivalent statement questions on screen 2 of Form 8283. It may seem redundant, but the IRS also requires that you provide a supporting statement that refers to the document(s) to be sent to the IRS with Form 8453 for an e-file return. *Otherwise, the return will be rejected by the IRS* even though the e-file output already indicates that the documents will be sent as a result of your Yes answer to either of the vehicle document questions.

1c Description. Describe the property in 30 characters or less. If a vehicle, include the model, condition, and mileage.

1d Date of contribution (mo/dy/year). Enter the date in the standard mo/dy/year format. The software will shorten it to a xx/xx/xx format in order to fit on the printed form.

1e Date acquired by donor (mo/year). Enter the approximate date the property was actually acquired by the donor, entering only the month and year (not the day). If acquired in more than one month, enter VARIOUS.

1f How acquired by donor. Indicate how you acquired the property, such as purchase, gift, or exchange, in 11 characters or less.

1g Donor's cost or adjusted basis. You need not make an entry for publicly traded securities or for any property held at least 1 year.

1h Fair market value. Enter the fair market value (FMV) of the property on the date you donated it.

1i Method used. Indicate how you determined the FMV, such as appraisal, catalog, comparable, or store value, in 25 characters or less.

Required to reduce FMV? Answer Yes only if you were required to reduce the FMV you entered for line h to conform with the instructions on pages 3 and 4 of the IRS *Instructions for Form 8283 (Rev. December 2023)*. You must also show how you figured the reduction in a supporting statement for the appropriate line below line 1 on screen 2 of our on-screen Form 8283.

Qualified conservation contribution? Answer Yes only if you donated the property exclusively for certain conservation purposes as described on page 4 of the IRS *Instructions for Form 8283 (Rev. December 2023)*. You must also provide certain details in a supporting statement for the appropriate line below line 1 on screen 2 of our on-screen Form 8283.

Paper return required if you answered Yes to either question. The software does not support the special e-file formats for the statements required when you answer Yes to either of the preceding two questions. Instead, you must file a paper return with an explanation in a supporting statement for the ITEMIZE line at the end of Part I of the form (not this worksheet),

SECTION B. DONATED PROPERTY OVER \$5,000 (EXCEPT CERTAIN PROPERTY REPORTABLE IN SECTION A). Report all larger contributions here – those valued at more than \$5,000 per item or group of similar items – except publicly traded securities and certain other property reported in Section A. The property in this section must usually be supported by a written appraisal, and the appraiser must sign a legal statement on this form. Section B is designed by the IRS for a single donor, so you will have to prepare additional copies of Form 8283, Section B, if you contributed to more than one donor during the tax year for which Section B must be used. (The IRS also instructs you to prepare a separate Section B for separate groups of dissimilar property.) *TIP: Since the software only supports one copy of Form 8283, you will have to do this using a separate mock return with only name(s) and SSN(s) completed on Form 1040 for each additional Form 8283 that you need to prepare. No additional steps are required because the form is a stand-alone form that does not affect any other form in the return. Restriction for e-file: The software does not support additional copies of Form 8283 for e-file, so if you need to prepare an additional copy of Form 8283, Section B, you will have to file a paper return.*

PART I – INFORMATION ON DONATED PROPERTY. In this part you must provide details about each and every donated property reported in Section B, using the worksheets that support line 5.

2 Type of property. You should check only one box since the IRS instructs you to prepare a separate Form 8283, Section B, for each type of property donated. See the preceding *TIP* and *Restriction for e-file* if you donated more than one type of property for Section B.

a Art (contribution of \$20,000 or more). Answer Yes only if the art totals \$20,000 or more. Use line d for art totalling less than \$20,000. The IRS definition of “Art” is quite broad. It includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, or historical memorabilia.

b Qualified Conservation Contribution. Answer Yes only if you donated the property exclusively for certain conservation purposes as described on pages 4 and 5 of the IRS *Instructions for Form 8283 (Rev. December 2023)*.

b(1) Certified historic structure. Answer Yes only if the qualified conservation contributions were for the preservation of a certified historic structure for which wither a National Park Service (NPS) number has been assigned or which is already individually listed in the National Register of Historic Places. *(For some contributions for historic structures, you may have special requirements and may have to attached certain documentation to the return, including a qualified appraisal. See page 5 of the IRS Instructions for Form 8283 (Rev. December 2023) for details. If you have to attach documents to the return you will have to file a paper return.)*

- NPS #.** If you answered Yes to line b(1), enter the 5-digit number assigned by the National Park Service. Exception: If the structure has no number because it is already individually listed in the National Register of Historic Places, enter 00000 (5 zeroes) in place of an NPS number.
- c Art (contribution of less than \$20,000).** Answer Yes only if the art totals less than \$20,000. Use line a for art totaling \$20,000 or more. The IRS definition of "Art" is quite broad. It includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, or historical memorabilia.
- d Other Real Estate.** Answer Yes only for real estate for which line b (for "qualified conservation contributions") does not apply.
- c Equipment.** Includes office equipment and industrial machinery.
- f Securities.** Answer Yes only for securities not reportable in Section A of Form 8283. Most stocks, bonds, and mutual funds that are traded in the open market are reported in Section A, not here, irrespective of total value.
- g Collectibles.** Includes coins, stamps, books, gems, jewelry, sports memorabilia, and dolls that are not reportable in line a or c as "Art."
- h Intellectual property.** This is intangible property that has a value.
- i Vehicles.** If Yes, you must attach a copy of Form 1098-C or equivalent statement to the return and so indicate on a worksheet for line 5. See details of the *Section B Donated Property Worksheet* for more information and requirements. ***CAUTION for e-file:*** *A Yes here is **mandatory for e-file** if you identified the donation as a vehicle on any of the worksheets by answering Yes to the Form 1098-C or the Equiv. statement question on the worksheet.*
- j Clothing and household items.** Generally, clothing and household items must be in good used condition to claim them. However, if not in good used condition they must be valued at more than \$500 and must be substantiated with a qualified appraisal.
- k Digital assets.** Digital assets are digital representations of value recorded on a cryptographically secured, distributed ledger.
- l Other.** Answer Yes only if the contributed property does not fit into categories a through k.

3 Itemize required information here. (*Supported by the Section B Donated Property Worksheet, Part I, Figure 2-61.*) Complete a separate worksheet for each separate property. You can group together similar items only if donated on the same date, even if they are in the same group for the purposes of deciding whether to report them in Section A or Section B. (*Note that screen 1 of the supporting worksheet supports this line of Form 8283 while screen 2 supports lines 4 and 5 of Form 8283, as detailed in Part II, below.*)

If either of these is Yes:

Form 1098-C received? (*auto-calc*) The answer will be Yes if any of the worksheets that support line 3 have a Yes for the corresponding question below line b of the worksheet. Otherwise, No.

Equivalent statement received? (*auto-calc*) The answer will be Yes if any of the worksheets that support line 3 have a Yes for the corresponding question below line b of the worksheet. Otherwise, No.

... **detail in a supporting statement here.** If either answer above is Yes, you must attach a copy of the indicated document to the return and so indicate in a supporting statement for this line. *Additional steps for e-file: If a supporting statement is required here, you must mail Form 8453 to the IRS with a copy of the indicated document attached within 3 business days after receiving acknowledgment that the IRS has accepted the e-filed return.*

ITEMIZE any other information HERE (for paper returns). Provide any other information you need to give the IRS relative to line 3 in a supporting statement for this line. *CAUTION for e-file: Any support you provide here is not made a part of the e-file output, so this line is relevant only to paper returns.*

PART II – PARTIAL INTERESTS AND RESTRICTED USE PROPERTY. (*Supported by the Section B Donated Property Worksheet, Part II, Figure 2-62.*) In this part of Section B you must provide additional information on lines 4a through 4e and 5a through 5c for certain properties reported in Part I of Section B. This information is entered on screen 2 of the same worksheets that you access at line 3 so that the information in Part II is automatically associated with the corresponding property in Part I. *You must complete lines 4a through 4e of a worksheet if you donated less than your entire interest in the property identified in that worksheet. You must complete lines 5a through 5c of a worksheet if conditions were placed on your contribution of the property identified in that worksheet.*

Properties using Section B, Part II. (*auto-calc, supported by the Section B Donated Property Worksheet, Screen 2, Figure 2-62*) The number of worksheets supporting line 3 (in Part I) that also use Part II of the worksheet appears here. See the following box if greater than zero.

CAUTION if Section B, Part II used. If any worksheet uses Part II, *the first use must be on the first worksheet* that supports line 3. Otherwise, the official printout will not be complete for Part II.

5a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property? (*auto-calc, supported by the Section B Donated Property Worksheet, Part II, Figure 2-62*) Answered Yes if ANY worksheet that supports Section B has a Yes answer to the corresponding question. Otherwise, No. An example of such a restriction would be that the property must not be sold within 5 years after the donation.

If **5a** is Yes, **ITEMIZE HERE**. See IRS instructions to determine whether any additional information must be included in a supporting statement for this line.

5b Did you give to anyone else the right to income from or possession of the property? (*auto-calc, supported by the Section B Donated Property Worksheet, Part II, Figure 2-62*) Answered Yes if ANY worksheet that supports Section B has a Yes answer to the corresponding question. Otherwise, No. An example of such a right is giving the right to vote donated securities or to purchase or otherwise acquire the property.

If **5b** is Yes, **ITEMIZE statement here**. See the IRS instructions to determine whether any additional information must be included in a supporting statement for this line.

5c Is there a restriction limiting the donated property to a particular use? (*auto-calc, supported by the Section AB Donated Property Worksheet, Screen 2, Figure 2-62*) Answered Yes if ANY worksheet that supports Section B has a Yes answer to the corresponding question. Otherwise, No. An example of this restriction would be that the property must be used for a particular project or in a particular division of the donee organization.

If **5c** is Yes, **ITEMIZE statement here**. See the IRS instructions to determine whether any additional information must be included in a supporting statement for this line must be included in a supporting statement for this line.

Section B Donated Property Worksheet. (Figures 2-61 and 2-62) These worksheets support Parts I and II of Section B of Form 8283, where the details of property that must be reported in Section B of Form 8283 are entered. **CAUTION:** *If any of these worksheets use Part II (for partial interests and restricted use property), the first use must be on the first worksheet that is accessed at line 3 of Form 8283. Otherwise, the official printout will not be complete for Part II. (e-file returns do not have this requirement, but we recommend it anyway so that official printouts will accurately reflect what is included in the e-file output.)*

PART I INFORMATION ON DONATED PROPERTY

Letter that Identifies this property. (auto-calc) Each worksheet is identified by a letter that corresponds with the page number. For example, letters A, B, C, etc., correspond to worksheet pages 1, 2, 3, etc. 2-character identifiers are used, so letters A through Z identify pages 1 through 26, AA through AZ identify pages 27 through 52, BA through BZ identify pages 53 through 78, etc. The letter shown here corresponds to the letter for the corresponding row on the official printout of line 3 (or it's supporting statements if more than 3 worksheets). This letter is also used in Part II to identify to which property in Part I it applies.

If a vehicle, enter year, make, and model in line 3a, mileage in line 3b, and answer:

Form 1098-C received? If Yes, you must attach a copy of the Form 1098-C to the return, and so indicate in a supporting statement for the appropriate line below line 3 on screen 4 of our on-screen Form 8283. **CAUTION for e-file:** *If the donated property is a vehicle, you must answer Yes to this or the next line and line 2i on Form 8283 and follow the instructions in the following outlined box.*

```

I INFO ON DONATED PROPERTY
Letter that IDs this property:
  If a vehicle, enter year,
  make, & model in line 3a,
  mileage in 3b, and answer:
  Form 1098-C received.....? No
  Equip. stmt. received.....? No
  If Yes to either, attach
  it to the tax return.
3a Description :
3b If tangible, condition....:
3c Appraised fair mkt value.. 0
3d Date donor acq'd (mo.yr)
3e How acquired by donor.....
3f Donor's cost/adj. basis.. 0
3g For bargain sales,$ rcvd.. 0
3h QCC relevant basis..... 0
3i Deduction claimed..... 0
[Press PageDown foe 4a-e,5a-c]
    
```

Figure 2-61. Section B Donated Property Worksheet, Part I

Equivalent statement received? If Yes, you must attach a copy of the statement to the return, and so indicate in a supporting statement for the appropriate line below line 3 on screen 4 of our on-screen Form 8283. ***CAUTION for e-file:*** If the property is a vehicle, you must answer Yes to this or the preceding question and line 2i on Form 8283 and follow the instructions in the following outlined box.

CAUTION for donated vehicles: Precise reporting procedures for e-file. If you answered Yes to either of the preceding two questions (*as required for donated vehicles*), a Yes will automatically appear in the *Paper Attachments* section of our *e-file Form* (on the line labeled "1098-C or equiv., Donated Vehicle") and the appropriate box on the printed Form 8453 will be checked. ***You must mail Form 8453 to the IRS with a copy of the document attached within 3 business days*** after receiving acknowledgment that the IRS has accepted the e-filed return. See the details for our *e-file Form* (at the end of this chapter) for information on Form 8453.

Supporting statement also required below the Form 1098-C and Equiv. statement questions on screen 4 of Form 8283. It may seem redundant, but the IRS also requires that you provide a supporting statement that refers to the document(s) to be sent to the IRS with Form 8453 for an e-file return. *Otherwise, the return will be rejected by the IRS* even though the e-file output already indicates that the documents will be sent as a result of your Yes answer to either of the vehicle document questions.

- a Description.** Describe the property in 30 characters or less. If a vehicle, enter the make, model, and year.
- b If tangible property, condition.** Describe the condition of the property in 30 characters or less. If a vehicle, include the mileage.
- c Appraisal fair market value.** If you have an appraisal, use the FMV in the appraisal. Otherwise, make your own reasonable estimate.
- d Date acquired by donor (mo/yr).** Enter the approximate date the property was actually acquired by the donor, entering only the month and year (not the day). If acquired in more than one month, enter VARIOUS. ***CAUTION:*** *If you have a good reason for not completing lines d through f, explain in a supporting statement for the line "ITEMIZE any other info" on screen 5 of Form 8283. However, you will not be able to e-file the return in this case. You must instead file a paper return.*
- e How acquired by donor.** Explain how you transferred the property to the donor in 11 characters or less (such as delivered, picked up, etc.)
- f Donor's cost or adjusted basis.** Enter the basis that the donor would report if the donor sold the property acquired.
- g For bargain sales, enter amount received.** In this context, a "bargain sale" is a transfer that is a mixture of a sale and a contribution.
- h Deduction claimed.** Enter zero if you were required to get an appraisal. Otherwise, enter the amount you will claim on Schedule A as an itemized deduction.

i **Date of contribution.** Leave blank if you were required to get an appraisal. Otherwise, enter the date in the mm/dd/yyyy format.

PART II PARTIAL INTERESTS AND RESTRICTED USE PROPERTY. CAUTION: If any of these worksheets use this part (for partial interests and restricted use property), the first use must be on the first worksheet that is accessed at line 3 of Form 8283. Otherwise, the official printout will not be complete for Part II. (e-file returns do not have this requirement, but we recommend it anyway so that official printouts will accurately reflect what is included in the e-file output.)

Does Part II apply to this property? Answer Yes only if you are completing lines

2a through

2e and/or

lines 3a

through 3c.

If the answer

is No, none

of the infor-

mation you

enter on the

following

lines will ap-

pear on an

official print-

out.

4a Letter from

Sec. B, Part I.

(auto-calc) If

you an-

swered Yes

above, the

letter on screen 1 of this worksheet will appear here. Otherwise, the

entry is blank. *If blank, none of the following entries will be used in*

the return.

4b(1) Amount claimed this tax year. Enter only the contribution deducted for the tax year of the return.

4b(2) Amount claimed any prior tax years. Enter the total of total contributions deducted in all prior years combined.

4c Name prior donee organization. If you entered an amount on line

4b(2), you must identify here the other donee to whom you donated

a partial interest in the property in a prior year. Enter the name here

(in 25 characters or less) and the address in the following lines. *Do*

not complete these lines if the prior donee is the same as the cur-

rent donee.

Street address. Enter the street address in 25 characters or less.

City. Enter the city in 22 characters or less.

Figure 2-62. Section B Donated Property Worksheet, Part II

State. Enter the standard 2-letter code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

4d If tangible property, enter the place the property is located or kept.

For tangible property only, enter the physical location of the property in 30 characters or less.

4e Name of actual possessor of the property. Only for property not possessed by the donee, enter the name of the person who has actual possession of the property (in 30 characters or less).

5a Is there a restriction on donee's right to use or dispose of the property? See IRS instructions for examples.

5b Did you give to anyone (other than the donee) the right to income from the property or possession of the property? See IRS instructions for examples.

5c Is there a restriction limiting the property for a particular use? See IRS instructions for examples.

If your answer to line 5a, 5b, or 5c is Yes, you may have to explain in a supporting statement. When you return from the worksheets, see screen 5 of Form 8283 for access to the support that may be required.

PART III – TAXPAYER (DONOR) STATEMENT. Part III contains a statement that the taxpayer (donor) must sign concerning items in Part I that have a value of \$500 or less:

I declare that the following item(s) in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). The donor must sign and date this statement on the official printout of Form 8283.

Identifying letter(s) from Part I. Enter all identifying letters on the worksheets that support line 5 for which the FMV is no more than \$400 separated by spaces. If you need to enter more than 2 letters, you should do so in a supporting statement for this line because any entry longer than four characters will be overwritten by your entry on the following line. Exception for e-file: For e-file, only one or two letters are allowed because of restrictions in the IRS e-file format. If you need to enter more than 2 letters you must file a paper return.

Describe. Describe the identified item(s) in 25 characters or less. For a paper return, use a supporting statement for this line if you need more room. (The IRS does not support a supporting statement at this line in its e-file specifications.)

PART IV – DECLARATION OF APPRAISER. You must generally get a written appraisal from a qualified appraiser for property that you must report in Section B. Exceptions include certain securities with readily available market quotations, nonpublicly traded stock of \$10,000 or less, and intellectual property. See the IRS instructions for Section B, Part I, for other exceptions. If an appraisal is required, the appraiser must sign and date the statement in Part IV of the official printout of Form 8283. The information collected on the following lines will appear below the signature.

First name. Enter the first name of the appraiser in 10 characters or less.

Last name. Enter the last name of the appraiser in 15 characters or less.

Title. Enter professional title of the appraiser in 15 characters or less.

Date Signed. Enter the date in the standard mo/dy/year format.

Identifying Number (SSN or EIN). Enter the taxpayer identification number of the appraiser in the standard xxx-xx-xxxx or xx-xxxxxxx format.

Business Address. Enter the street address of the appraiser in 35 characters or less.

City or town. Enter the city in 22 characters or less.

State. Enter the standard 2-letter code for the state.

ZIP code. Enter ZIP code in the standard xxxxx or xxxxx-xxxx format.

Additional instructions for e-file: If an appraisal applies and you *e-file* the return, you must so indicate by a Yes answer to “*Form 8283, Appraisal Summary*” in the *Paper Attachments* section of our *e-file Form*. You must mail Form 8453 to the IRS with a copy of the document attached within 3 business days after receiving acknowledgement that the IRS has accepted the e-filed return. Include an official printout of Form 8283, page 2, bearing the appraiser’s signature in Part IV. See the details for our *e-file Form* (at the end of this chapter) for information on Form 8453.

PART V – DONEE ACKNOWLEDGMENT. The donee must affirm that it is a qualified organization and will comply with IRS regulations concerning the donation. The donee must sign and date the statement in Part V of the official printout of Form 8283. The information collected on the following lines will appear above the signature.

Organization received the property on (date). Enter the date of the donation in the standard mo/dy/year format.

Does the organization intend to use the property for an unrelated use?

This question applies only to tangible property. *If Yes, your deduction may be limited.* In addition, there may be a recapture of part of your prior deduction if the donee sells the property within 3 years of receiving it. See IRS instructions for details.

Name of charitable organization (donee). Enter the name of the business name of the donee in 35 characters or less.

Address. Enter the street address of the donee in 35 characters or less.

City or town. Enter the city in 22 characters or less.

State. Enter the standard 2-letter code for the state.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

Employer identification Number. Enter the EIN of the donee in the standard xx-xxxxxxx format.

Additional instructions for e-file: If and you *e-file* the return, you must indicate that the donee has signed Part V by a Yes answer to “*Form 8283, Appraisal Summary*” in the *Paper Attachments* section of our *e-file Form*. You must

mail Form 8453 to the IRS with a copy of the document attached within 3 business days after receiving acknowledgement that the IRS has accepted the e-filed return. Include an official printout of Form 8283, page 2, bearing the donee's signature in Part V along with a contemporaneous written acknowledgement. See the details for our *e-file Form* (at the end of this chapter) for information on Form 8453.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8332* / Release/Revocation of Claim to Exemption for Child by Custodial Parent

* **Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. Even though the deduction for personal exemptions is suspended by the tax reform bill, *qualification* for the exemption is still important in determining eligibility for other tax benefits, such as the child tax credit, the additional child tax credit, and the credit for other dependents. This form is therefore still used to support a claim for a dependent exemption for a child of divorced or separated parents when *either* the noncustodial parent is claiming the exemption *or* the custodial parent who previously released his or her claim is now claiming the exemption. (By the IRS definition for this form, separated parents *includes parents who never married* if the parents lived apart for the entire second half of the tax year.) This multipurpose form must be signed by the custodial parent and

- attached to the tax return of the noncustodial parent who claims the child for the year(s) specified in Part I and/or Part II of the form, or
- attached to the tax return of the custodial parent who claims the child, but previously released his or her claim for an exemption, for the year(s) specified on the form in Part III (and must give a copy of the form to the noncustodial parent a year in advance of the first applicable tax year).

The parent who claims the exemption must still meet all other requirements for an exemption; *only the custody requirement is excepted or reinstated by this signed release*. A separate Form 8332 must be prepared for each child. Five copies of Form 8332 are built into the software for this purpose. Because of its stand-alone nature, *Form 8332 is accessible only from the Forms Menu (as form 53), or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.*

Special filing for e-file: Paper Form 8453 with Form 8332 attached. Because Form 8332 often requires a signature other than the taxpayer's signature, it cannot be filed electronically. For any return that requires the attachment of Form 8332, you must use the following procedure involving our *e-file Form* (form 90 on the Forms Menu):

- (1) On screen 6 of our e-file form, answer Yes to "Form 8332, Exempt Non-cust Parent?" in the *Paper attachments* section.
- (2) On screen 5 of our e-file form, answer No to "Omit Form 8453?" in the *Paper Printout Options* section.
- (3) If you do not already have a signed copy of the applicable Form 8332, you can complete it with this software. You should then generate an official printout of the form and have it signed by the custodial parent sign it (which would be you if you are using Part III of Form 8332).
- (4) Once the return is complete, print an official paper copy of Form 8453 from our *PRINT Official Returns* option.

HowardSoft

Form 8332

(5) After you e-file the return and receive acknowledgement of its acceptance by the IRS, you must mail the paper Form 8332 (or other accepted documentation) along with Form 8453 as a cover page to the address listed in the Form 8453 instructions. *You must do this within 3 business days of acceptance of the e-file return by the IRS.*

Exceptions to filing Form 8332. If the divorce decree or separation agreement went into effect *prior to 2009*, the parent who is claiming an exemption for the child may be able to attach certain pages of the decree or agreement in lieu of Form 8332. To qualify, the decree or agreement must have gone into effect *after 1984* and the pages submitted are substantially similar to Form 8332. (The use of Form 8332 is *mandatory* for a decree or agreement after 2008.)

IDENTIFY CHILD AND PARENTS. For each copy of Form 8332 you must identify the child, the custodial parent, and the noncustodial parent.

Copy number (1 through 5). *(auto-calc)* This is the copy you selected when you entered the form. You must file a separate Form 8332 for each child.

Name of child for this copy. The child must be the child of divorced or separated (whether or not married) parents.

First name. Enter the child's first name in 10 characters or less.

Last name. Enter the child's last name in 15 characters or less.

Filing status on return. *(auto-calc)* Taken from screen 4 of Form 1040, certain automation on the form differs when married filing jointly.

If 2 (MFJ), is spouse the parent?. You can answer Yes here only if married filing jointly. You must indicate only the parent who is a party to the divorce or separation decree that relates to the child. The name and SSN of the proper parent is then taken from Form 1040 for use in printouts of this form.

Information on other parent. You must supply here information on the parent who is *not* a party to the tax return being prepared.

Is this the custodial parent? The custodial parent is generally the parent with whom the child lived for the most nights during the tax year. If the child lived with each parent for the same number of nights, it is the parent with the higher adjusted gross income (AGI).

First name. Enter the child's first name in 10 characters or less.

Last name. Enter the child's last name in 15 characters or less.

SSN. Enter the social security number of the other parent in the standard xxx-xx-xxxx format. *This is a required entry.*

Noncustodial parent. The other parent is identified here if the answer is No to "Is this the custodial parent?" Otherwise, the spouse is identified here if the answer is Yes to "If 2 (MFJ), is spouse the parent?" Otherwise, the taxpayer for the return being prepared is identified here. The information for these lines is taken from Form 1040 if you or spouse are the noncustodial parent. Otherwise, taken from the above entries for the other parent.

First name. *(auto-calc)* Taken from Form 1040 or the above entries.

Last name. *(auto-calc)* Taken from Form 1040 or the above entries.

SSN. *(auto-calc)* Taken from Form 1040 or the above entries.

The name and SSN of the noncustodial parent is printed at the top of the printed Form 8332.

Signing custodial parent. For all parts of the form, the custodial parent must sign. The other parent is identified here if the answer is Yes to "Is this the custodial parent?" Otherwise, the spouse is identified here if the answer is Yes to "If 2 (MFJ), is spouse the parent?" Otherwise, the taxpayer for the return being prepared is identified here. The information for these lines is taken from Form 1040 if you or spouse are the custodial parent. Otherwise, taken from the above entries for the other parent.

First name. *(auto-calc)* Taken from Form 1040 or the above entries.

Last name. *(auto-calc)* Taken from Form 1040 or the above entries.

SSN. *(auto-calc)* Taken from Form 1040 or the above entries.

Date signed. You can leave this entry blank if the other parent is signing or you do not know when you will sign. The signer will then write the date next to his or her signature.

The name and SSN of the custodial parent is printed in Parts I, II, or III, whichever applies, and the custodial parent must sign the applicable part and deliver a copy to the noncustodial parent.

Custodial parent's statements. In signing the form, the custodial parent is affirming one of the following three statements, corresponding to the three parts of the form.

I – I agree not to claim an exemption for the tax year ____ for the child.

Answer Yes only if the custodial parent is releasing his or her claim for the current tax year (which is *shown on the screen at this line*). If you are preparing the form for the custodial parent to use in some other year, use II, below, instead.

II – I agree not to claim an exemption for the child for the below future year(s). If Yes, this form must be signed by the custodial parent and given to the noncustodial parent *one year in advance of the first tax year listed*. The years are specified in the section after this one titled "For II or III."

III – I revoke the release of claim to an exemption for the child for the below future year(s). Answer Yes only if the custodial parent previously released the claim for a year in which the custodial parent is now claiming the exemption for the child. If Yes, the custodial parent must include the signed form with his or her return for the affected year, and must give a copy of the form to the noncustodial parent *one year in advance of the first tax year listed*. (Note that you cannot answer Yes here if you answered Yes to I or II because Part III requires that a Form 8332 was already prepared using Part I and/or Part II for a prior year.)

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Form 8332

For II or III. If you answered Yes to II or III above, you must specify the years here in 25 characters or less. The years you enter must be after the year when you are preparing the form because the custodial parent is required to give a signed copy to the noncustodial parent one year in advance of the first tax year listed. To give an open-ended release, you can enter "ALL FUTURE YEARS" rather than listing specific years.

Copy must be filed with... The form must be filed with the tax return of the appropriate parent only for the tax years indicated on the form.

custodial parent's tax return. (auto-calc) Answered Yes only if Statement III is answered Yes. In addition to filing the form with his or her tax return, the custodial parent must also deliver the form to the noncustodial parent and retain evidence of that delivery (or evidence of reasonable effort to deliver it).

Noncustodial parent's tax return. (auto-calc) Answered Yes only if Statement I and/or II is answered Yes. The noncustodial parent must file the signed form with his or her return every year that he or she claims and exemption for the child.

For special filing information for an e-file return, see the shaded box on the first page of these details for Form 8332.

Remainder of form is automatically completed for you. The body of the form is completed automatically based on your prior entries. There are no user entries.

PART I, RELEASE OF CLAIM TO EXEMPTION FOR CURRENT YEAR. Information that will be printed in this part of the form is shown here. No entries will be shown here and no information will be printed on the form if you did not answer Yes to Statement I on screen 2.

I agree not to claim an exemption for:

First name. (auto-calc) Taken from your entry for the child on screen 1 when Part I applies.

Last name. (auto-calc) Taken from your entry for the child on screen 1 when Part I applies.

for tax year. (auto-calc) Taken from the year shown at Statement I when Part I applies.

Signing custodial parent:

First name. (auto-calc) Taken from the bottom of screen 1 of Form 8332 when Part I applies.

Last name. (auto-calc) Taken from the bottom of screen 1 of Form 8332 when Part I applies.

SSN. (auto-calc) Taken from the bottom of screen 1 of Form 8332.

Date signed. (auto-calc) Taken from the bottom of screen 1 of Form 8332 when Part I applies.

PART II, RELEASE OF CLAIM TO EXEMPTION FOR FUTURE YEARS. Information that will be printed in this part of the form is shown here. *No entries will be shown here and no information will be printed on the form if you did not answer Yes to Statement II on screen 2.*

I agree not to claim an exemption for:

First name. *(auto-calc)* Taken from your entry for the child on screen 1 when Part II applies.

Last name. *(auto-calc)* Taken from your entry for the child on screen 1 when Part II applies.

for tax year(s). *(auto-calc)* Taken from the year or years you entered for II or III at the bottom of screen 2.

Signing custodial parent:

First name. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part II applies.

Last name. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part II applies.

SSN. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332.

Date signed. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part II applies.

PART III, REVOCATION OF RELEASE OF CLAIM TO EXEMPTION FOR FUTURE YEAR(S). Information that will be printed in this part of the form is shown here. *No entries will be shown here and no information will be printed on the form if you did not answer Yes to Statement III on screen 2.*

I agree not to claim an exemption for:

First name. *(auto-calc)* Taken from your entry for the child on screen 1 when Part III applies.

Last name. *(auto-calc)* Taken from your entry for the child on screen 1 when Part III applies.

for tax year(s). *(auto-calc)* Taken from the year or years you entered for II or III at the bottom of screen 2.

Signing custodial parent:

First name. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part III applies.

Last name. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part III applies.

SSN. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332.

Date signed. *(auto-calc)* Taken from the bottom of screen 1 of Form 8332 when Part III applies.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8379* / Injured Spouse Allocation

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used by joint filers so that one of the filers can ensure that his or her part of an expected refund is not applied to liabilities of the other spouse. Liabilities that apply include past-due Federal debt (such as student loans), child support, alimony, federal or state income tax, and state unemployment compensation. *Form 8379 is accessible only from the Forms Menu (as form 54.) or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.* It does not affect the return, but is printed with the return when you are qualified to use it.

When to file Form 8379. For quickest relief, file Form 8379 with the original return to which it applies. If you file it with a paper return, write "Injured Spouse" on the upper-left corner of the Form 1040. (No special indicator is required if you file it with an e-file return.) You should also file Form 8379 anytime you file an amended return, so that any revised refund is properly reallocated among the spouses. You can also file Form 8379 by itself after filing your return, sending it to the IRS Service Center that applied when you filed the return. (The most common reason an injured spouse would file Form 8379 by itself is not knowing until after the applicable return was filed that the other spouse had liabilities subject to payment from the refund on the return.) *If you will file Form 8379 by itself, you must so indicate in the first entry of our on-screen form; required information will then be printed in the signature block, which the injured spouse must sign.*

What is an injured spouse? In the context of this form the injured spouse is the spouse whose refund would be applied (or expected to be applied) by the IRS to reduce the other spouse's past-due debt if this form were not filed. However, unless you live in a community property state, at least some of the net income and tax payments on the return must be attributable to you in order for any of the refund to be allocated to you. The portion of the refund that is allocable to you is not offset by the other spouse's past-due amounts if you file a properly completed Form 8379 with the return.

CAUTION: Do not prepare Form 8379 until the return is complete. The amounts on Form 8379 depend on the final amounts for nearly all lines of Form 1040, so you cannot properly allocate these amounts until they are accurate. If any amounts on Form 1040 change after you have entered allocations on this form, you must return to this form to reallocate the changed amounts. Furthermore, *if any amounts on lines 1a through 8 of Form 1040 change, you must return to all of the worksheets you created to support any income shown on line 13b of this form in order to reallocate the amounts, even for the worksheets for the four predefined categories that get all their entries from the return automatically.*

PART I, SHOULD YOU FILE THIS FORM? You will identify the injured spouse later, but you must first determine your qualification to use this form.

Are you filing this form by itself? If you need to file Form 8379 by itself (that is, not with the Form 1040 return), you must answer Yes here so that required identifying information is printed in the signature block on page 2 of the form, *which the injured spouse must sign (and the paid preparer, if any)*.

1 Tax year for which you are filing this form. *(auto-calc)* Taken from Form 1040, this is the tax year for Form 1040 return you are filing.

2 Did you (or will you) file a joint return? *(auto-calc)* Answered Yes only if the filing status you entered on Form 1040 is married filing jointly. *If No, you cannot file this form and all totals used on printouts will be zero.*

3 Did (or will) the IRS use the joint overpayment to pay any of the listed legally enforceable past-due debt(s) owed only by your spouse? In the context of this line, the listed debts are federal tax, state income tax, state unemployment compensation, child support, spousal support, and federal nontax debt (such as a student loan). Answer Yes only if you have good reason to believe that the IRS will do so. *If No, you are not considered an injured spouse and you cannot file this form.*

4 Are you legally obligated to pay this past-due amount? Answer Yes if you are legally obligated to pay the debt. *If Yes, you cannot file this form.*

5 State where you resided at any time during the year entered on line 1.

Answer Yes for all states that apply for the tax year indicated in line 1:

Arizona, AZ?	Louisiana, LA?	Texas, TX?
California, CA?	Nevada, NV?	Washington, WA?
Idaho, ID?	New Mexico, NM?	Wisconsin, WI?

Were you a resident of a community property state at any time during the tax year entered on line 1? *(auto-calc)* Answered Yes if you answered Yes for any of the above community property states. If No, continue to line 6. If Yes, you can skip the rest of Part I because your answers for lines 6 through 9 are irrelevant in this case and neither the Yes nor the No boxes will be checked on the official printout of Form 8379 for these lines. *If Yes, see the instructions for line 5a in the IRS Instructions for Form 8379 (Rev. November 2023) for restrictions on your allocation of certain amounts among spouses.*

6 Did you make and report payments? *(auto-calc)* Answered Yes only if the sum of the following payments from Form 1040 and Schedule 3 (shown on lines 19 and 20 of this form) is nonzero: Form 1040, lines 25d and 26, and Schedule 3, lines 10, 11, 13d, and 13z. *If the answer to line 5 is Yes, then neither the Yes box nor the No box for line 6 will be checked on the official printout of Form 8379, in accordance with IRS instructions.*

7 Did you have earned income on the return? *(auto-calc)* Automatically determined based on all information on Form 1040 and Schedule 1, the answer will be Yes if your net earned income (wages plus net self-employment income) is greater than zero. *If the answer to line 5 or 6 is Yes, then neither the Yes box nor the No box for line 7 will be checked on the official printout of Form 8379, in accordance with IRS instructions.*

Earned income credit (Form 1040, line 27). *(auto-calc)* Taken from Form 1040 as indicated.

8 Did you claim the earned income credit or additional child tax credit? *(auto-calc)* Answered Yes only if the sum Form 1040, line 27 (shown above), and Form 1040, line 28 (shown on-screen as the first component of line 17 of this form), is nonzero. *If the answer to line 5 or 6 is Yes, or the answer to line 7 is No, then neither the Yes box nor the No box for line 8 will be checked on the official printout of Form 8379, in accordance with IRS instructions .*

9 Did you claim a refundable tax credit? *(auto-calc)* The IRS label for line 9 is misleading because the refundable credits for this line do not include the two credits used for line 8, above, which are also refundable credits. In addition, the IRS instructions for line 9 fail to mention a number of other refundable credits that are applicable to line 9. With this in mind, line 9 is answered Yes if the sum of the following credits (all shown on-screen as components of line 17 of this form) is nonzero: Form 1040, line 29, Schedule 3, lines 9, 12, 13a, and 13b, and the part of Schedule 3, line 8z that stems from Schedule H, lines 8e and 8f. *If the answer to line 5, 6, or 8 is Yes, or the answer to line 7 is No, then neither the Yes box nor the No box of line 9 will be checked on the official printout of Form 8379, in accordance with IRS instructions. .*

QUALIFICATION. All answers in Part I are taken into account in determining your qualification to claim an injured spouse refund.

QUALIFIED to use file form? *(auto-calc)* Joint filing is always required for qualification, so the answer to line 2 must be Yes. In addition, the answer to line 3 must be Yes and the answer to line 4 must be No. Once you have met the requirements for questions 2, 3, and 4, you are qualified only if:

- ◆ Line 5 is Yes, or
- ◆ Line 6 is Yes, or
- ◆ Line 7 is Yes and either line 8 is Yes or line 9 is Yes, or
- ◆ Line 7 is No and line 9 is Yes.

If the result of this determination is No, no allocations will be computed for columns (b) and (c) in Part III, and the form will not print when you choose to print a complete return.

PART II, INFORMATION ABOUT THE JOINT TAX RETURN FOR WHICH THIS FORM IS FILED. You must identify the injured spouse here and indicate how and where you want any refund sent.

10 Identify Injured Spouse

Phone number (optional). Your entry here is printed in the signature block on page 2 of Form 8379 only if you answered Yes to "Filing this form by itself?" (the first entry on screen 1 of Form 8379). Otherwise, this entry is not used on the form.

Name of 1st spouse. *(auto-calc)* Taken from Form 1040, this is the name of the primary taxpayer (the spouse listed first on Form 1040).

Is this the injured spouse? Answer Yes if the *primary* taxpayer is the injured spouse. *Your answer to this question is critical because it controls whether or not amounts identified throughout the return as spouse's amounts are associated with the injured spouse or the other spouse.* If Yes, the primary taxpayer is identified as "injured spouse" throughout Form 8379. If No, the primary taxpayer is identified as "other spouse."

Name of 2nd spouse. *(auto-calc)* Taken from Form 1040, this is the name of the secondary taxpayer (the spouse listed second on Form 1040).

Is this the injured spouse? *(auto-calc)* Automatically the opposite of the answer for the first spouse. If Yes, the secondary taxpayer is identified as "injured spouse" on Form 8379. If No, the secondary taxpayer is identified as "other spouse" on Form 8379.

11 Do you want your refund issued in both names? If you answer Yes, the IRS will issue a single refund check in both names. Otherwise, separate refunds will be issued to each spouse. ***CAUTION: The sense of this question is reversed from prior versions of Form 8379! The former IRS wording of the question required you to answer No here if you wanted the refund check issued in both names.***

12 Do you want any injured spouse refund mailed to an address different from the one on your joint return? If you answer No, the address on Form 1040 will be used by the IRS to mail any refund. If Yes, you must supply the address on the following lines:

If "Yes," enter the U.S. address:

Number and street. If you choose a U.S. address, enter the number street or rural route here in 35 characters or less. Enter a P. O. Box instead *only* if the post office does not deliver mail to your street address. *Do not enter both a U.S. and foreign address; the IRS allows only one or the other.*

City. Enter the city, town, or post office in 22 characters or less.

State. Enter the standard two-letter state code.

ZIP code. Enter ZIP code in the standard five-number (00000) or nine-number (00000-0000) format.

OR foreign address:

Number and street. If you did not enter a U.S. address, enter the foreign street address in 35 characters or less.

City. Enter the foreign city in 35 characters or less.

Province/state. Enter the province or state in 15 characters or less.

Country. Enter the standard 2-letter country code shown in Table 2-6.

Postal code. Enter the postal code in 15 characters or less.

PART III, ALLOCATION BETWEEN SPOUSES OF ITEMS ON THE JOINT TAX RETURN. To determine the portion of each amount on Form 1040 that is attributable to each spouse, follow the rules for returns that are filed as married filing separately. For line items related to joint accounts, such as bank and brokerage accounts, and lines for which the allocation is not clear, split the item equally between the two spouses. For lines for which a separate supporting form is prepared for each spouse (such as Schedules C and Schedule F), attribute amounts from each form to only one spouse, and use any reasonable allocation for other items. Exception: Allocation in community property states must conform with the rules for those states. **IMPORTANT:** *In your data entry for this section, keep in mind that the "2nd spouse" is always the spouse listed second on Form 1040 (and line 10 of this form). The software will automatically print amounts in the proper columns of Form 8332 ("injured spouse" vs. "other spouse") depending on which spouse (1st or 2nd) you identified in line 10 as the injured spouse.*

Form 8379 line labels not consistent with Form 1040! Form 8379 can be especially confusing because the IRS lines in Part III of Form 8379 (lines 13 through 20) do not always match Form 1040 sections that have the same title. The IRS attempts to guide you through this debacle in a table in the IRS instructions, but their table is neither explicit enough nor accurate enough to be of practical use. We therefore provide *our own table of cross-references between lines on the two forms in Table 2-16 in accordance with IRS intent.*

Table 2-16. Form 1040 / Form 8379 Cross-Reference

Form 8379 line	Form 1040 lines
13 Income	9
14 Adjustments to Income	10
15 Standard or itemized deduction	12
16 Nonrefundable credits	19 and 20
17 Refundable credits	28, 29, and part of line 31 (Sch. 3, lines 9, 12, 13a, 13b, and the part of 13z from Sch. H, lines 8e and 8f)
18 Other taxes	part of line 17 (Sch. 2, line 2) and line 23 (from sch. 2, line 21)
19 Federal income tax withheld	25d, and Sch. 3, line 11
20 Payments	26, and part of line 31 (Sch. 3, lines 10, 13d, and 13z)

NOTE: Form 1040 line 27 (EIC) excluded because IRS will allocate EIC.

13 Income. You must allocate all income you reported on lines 1a through 8 of Form 1040 (which includes lines 1 through 9 of Schedule 1) in lines 13a and 13b. Line 13a is used for W-2 wages only, and line 13b is used for all other taxable income reported on Form 1040. The allocation for wages is automatic, but YOU must separately allocate all other income between spouses on the *Line 13b Allocation Worksheets*, which are accessed from the bottom of screen 5 of Form 8379.

α Income reported on Form W-2. *(auto-calc)* Taken from “wages, etc., on W-2” for you and spouse on screen 5 of Form 1040, this is the wages for you and spouse reported on Forms W-2 and shown on line 1a of Form 1040.

b All other income. *(auto-calc)* Taken from Form 1040, this is the total income on line 9 of Form 1040 less the above wages on line 1a of Form 1040. **CAUTION:** *If this total is nonzero, you must itemize the allocation between spouses for each separate item of income. Use of the worksheets that we provide for this purpose is mandatory.*

Components of line 13b. If any amount appears on line 13b, you must complete the mandatory worksheets for line 13b. As an aid to completing these worksheets, the following auto-calc lines are provided and used on the worksheets. For all but the last component, the allocation between spouses is known from the return, so the worksheets you create for those components automatically show the proper allocation. But for the last component (*Balance for all other income*), you must provide the proper allocation on the worksheets yourself.

Form 1040, line 1z income NOT reported on α Form W-2. *(auto-calc)*

Taken from Form 1040 as Form 1040, line 1z, less the wages shown for you and spouse on screen 5 of Form 1040, this is the income that the IRS requires you to include in Form 1040, line 1z, even though it was not reported to you on a Form W-2. Examples of such income include taxable scholarships not reported to you on a Form W-2, reimbursements from your employer that exceed your employee business expenses, etc. See our details for Form 1040, line 1z, in this *Tax Forms Guide* for more information.

Business income (Schedule 1, line 3). *(auto-calc)* Taken from Schedule 1 as indicated, this is the taxable income from all copies of Schedule C combined.

Form income (Schedule 1, line 6). *(auto-calc)* Taken from Schedule 1 as indicated, this is the taxable income from all copies of Schedule F combined.

IRA distributions (Form 1040, line 4b). *(auto-calc)* Taken from Form 1040 as indicated, this is the taxable income from IRAs for both taxpayers combined.

Pensions and annuities (Form 1040, line 5b). *(auto-calc)* Taken from Form 1040 as indicated, this is the taxable income from pensions and annuities for both taxpayers combined.

Balance for all other income. *(auto-calc)* Computed as line 13b less the totals for both taxpayers combined for the above four categories, this is the balance that you must allocate between spouses category-by-category on the provided worksheets.

Worksheets REQUIRED for line 13b. If any amount appears on line 13b, you must complete the mandatory worksheets accessed in this section:

MINIMUM number of worksheets. *(auto-calc)* This is the number of categories in the preceding section that have nonzero amounts. If the total for "Balance for all other income" is zero, then this is exactly the number of worksheets that you must create (one for each of the five predefined categories that have income). But if the total for "Balance for all other income" is nonzero, then you must create the computed number of worksheets or more, depending on the number of income categories that make up "Balance for all other income." *If the result on this line is zero, you are not required to (and should not) complete any worksheets.*

CURRENT number of worksheets. *(auto-calc)* Computed as the number of worksheets created for the next line that have nonzero amounts on line a or line b of the worksheet. If this number is less than the preceding number, you have *not* create enough worksheets to properly allocate the total in line 13b. But if this number is exactly the same as the preceding number, you may still have to create more worksheets, as indicated on the below "DISCREPANCY" line.

ITEMIZE allocation for line 13b. *(Supported by the Line 13b Allocation Worksheet, Figure 2-63.)* These worksheets are mandatory if the number on the preceding line is greater than zero.

→ **DISCREPANCY with line 13b.** *(auto-calc)* Computed as the preceding amount (*Amount allocated on worksheets*) less the total for line 13b (*All other income*) at the top of the screen, the result will be zero when the proper amount of income is reported on line a of the worksheets. If greater than zero, the amount reported on worksheet line a for all worksheets combined is too high. If less than zero, the amount reported on worksheet line a for all worksheets combined is too low. *In either case, the worksheets must be corrected so that the result on this line is zero.*

CAUTION: If any amounts on 1a through 1h of Form 1040 change after you have completed these worksheets, you will have view all of the worksheets anew so that they are recomputed using the proper amounts. You may also have to reenter the data for some allocations of other income on these worksheets.

Line 13b Allocation Worksheet, Figure 2-63. This worksheet is used to allocate all income between spouses other than wages in Form 1040, line 1z. It is *mandatory* when line 13b of Form 8379 is nonzero.

2nd spouse is injured spouse? *(auto-calc)* Determined from your an-

swers on line 10 of Form 8379 that identify which spouse is the injured spouse. If the answer to this question is Yes, the amount on line b of this worksheet is attributed to the 2nd spouse and the amount on line c is attributed to the 1st spouse (the primary taxpayer).

13B ALLOCATION WORKSHEET		
2nd spouse is injured spouse?	Yes	
1 1040,1n1z income NOT on W-2		0
2 Business income in 13b.....		0
3 Farm income in 13b.....		0
4 IRA distributions in 13b...		0
5 Pensions/annuities in 13b..		0
6 Balance all others in 13b..		0
Line to allocate for THIS page		0
If 1,2,3,4, or 5, go to NEXT page;THIS page is automatic.		
If 6, use as many pages as you need to list components of balance shown for line 6.*		
Type of income allocated :		
a. Amt. for the type.....		0
b. Allocated to injured spou		0
c. Allocated to other spouse		0
* Additional worksheets req'd?		0

Figure 2-63. Line 13b Allocation Worksheet

If No, the attributions are reversed.

1 Income in Form 1040, line 1z that is NOT on a Form W-2. *(auto-calc lines)*

Taken from the corresponding total on screen 5 of Form 8379, this is the first potential component of line 13b.

2 Business income in line 13b. *(auto-calc lines)* Taken from the correspond-

ing total on screen 5 of Form 8379, this is the second potential component of line 13b.

3 Farm income in line 13b. *(auto-calc lines)* Taken from the corresponding

total on screen 5 of Form 8379, this is the third potential component of line 13b.

4 IRA distributions in line 13b. *(auto-calc lines)* Taken from the correspond-

ing total on screen 5 of Form 8379, this is the fourth potential component of line 13b.

5 Pensions and annuities in line 13b. *(auto-calc lines)* Taken from the corre-

sponding total on screen 5 of Form 8379, this is the fifth potential component of line 13b.

6 Balance for all others in line 13b. *(auto-calc lines)* Taken from the corre-

sponding total on screen 5 of Form 8379 ("Balance for all other"), this is the remainder of other income in line 13b that must be allocated between spouses.

Line to allocate for THIS page. *(auto-calc lines)* The result for this line de-

pends on the page number of the support (shown in the upper right corner of the main window) and the number of nonzero lines for lines 1

through 5. It is the category number for the first nonzero category above that has *not* been allocated on a previous worksheet. However, once the result is 6, all subsequent worksheets also have 6 as the result, meaning that as many worksheets as you need can be used to separately allocate components of all income other than wages and the income in categories 1 through 5. For example, if category 1 is zero, categories 2 and 3 are nonzero, and categories 4 and 5 are zero, then the result on this line for the first two worksheets will be 2 and 3, and the result for all subsequent worksheets will be 6. When the result is 1, 2, 3, 4, or 5, the following lines are automatically completed for you based on the amounts on screen 5 of Form 8379. On the other hand, *when the result for this line is 6, you must make entries on all but the last line below.*

Type of income allocated. If “Line to allocate for THIS page” is 1, 2, 3, 4, or 5, this entry is completed for you based on the corresponding line label above. Otherwise, you must identify the component of the balance (line 6) that you are allocating on this worksheet (in 30 characters or less).

a. Amount for the type. If “Line to allocate for THIS page” is 1, 2, 3, 4, or 5, this entry is completed for you based on the corresponding total shown on screen 5 of Form 8379. Otherwise, you must enter the total for the component of the balance that you are allocating on this worksheet.

b. Allocated to injured spouse. If “Line to allocate for THIS page” is 1, 2, 3, 4, or 5, this entry is completed for you based on the amount on line a, above, the identification of the injured spouse, and the secondary taxpayer’s part of line a shown elsewhere on the return. Otherwise, you must enter the part of line a that you are allocating to the injured spouse.

c. Allocated to other spouse. *(auto-calc)* Computed as line a less line b.

*** Additional worksheets required?** *(auto-calc)* The answer will be Yes as long as the sum of amounts on line a of all worksheets combined differs from the amount shown for line 13b on screen 5 of Form 8379. In this case, the line “DISCREPANCY with line 13b” on screen 5 of Form 8379 will show an amount as well.

Any worksheet for which there are no amounts on line a or b is *not counted* and is *not printed* with the return. Otherwise, the worksheets will be printed in a supporting statement for line 13b. **CAUTION:** *If any amounts on lines 1a through 8 of Form 1040 change after you have completed these worksheets, you will have view all of the worksheets anew so that they are recomputed using the proper amounts. You will also have to reenter the data for allocations of line 6 of Form 8379 if the number of predefined categories (1 through 5) changes.*

14 Adjustments to Income. You must allocate all adjustments you included in line 26 of Schedule 1. The software automatically allocates adjustments for which spouse's part has already been identified on the return, but you must allocate all other adjustments in the sole data entry line for this section.

Educator expenses (Schedule 1, line 11). *(auto-calc)* Taken from Schedule 1 as indicated, this is the total educator expenses you claimed on Schedule 1.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 14, identified as "spouse's" on Schedule 1.

Certain business expenses (Schedule 1, line 12). *(auto-calc)* Taken from Schedule 1 as indicated, this is the deduction from Form 2016 for reservists, performing artists, and fee-basis government employees.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 12, identified as "spouse's" on Form 2106.

HSA deduction (Schedule 1, line 13). *(auto-calc)* Taken from Schedule 1 as indicated, this is the health savings account deduction from Form 8889 you claimed on Schedule 1.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 13, identified as "spouse's" on Form 8889.

Self-employment tax deduction (Schedule 1, line 15). *(auto-calc)* Taken from Schedule 1 as indicated, this is the self-employment deduction for you and spouse, which is half the self-employment tax on Schedule SE.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 15, identified as "spouse's" based on the Schedule(s) SE for the return.

Self-employed SEP, SIMPLE, etc. (Schedule 1, line 16). *(auto-calc)* Taken from Schedule 1 as indicated, this is the total deduction for contributions to self-employed SEPs, SIMPLEs, and qualified plans for you and spouse.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 16, identified as "spouse's" above line 16 of Schedule 1.

Self-employed health insurance (Schedule 1, line 17). *(auto-calc)* Taken from Schedule 1 as indicated, this is the deduction for health insurance of self-employed taxpayers you claimed on Schedule 1.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 14, identified as "spouse's" on above line 17 of Schedule 1.

IRA deduction (Schedule 1, line 20). *(auto-calc)* Taken from Schedule 1 as indicated, this is the total IRA deduction for you and spouse.

Allocated to 2nd spouse. *(auto-calc)* This is the part of Schedule 1, line 20, identified as "spouse's" above line 20 of Schedule 1.

Other adjustments in Form 1040, line 10. *(auto-calc)* Taken from Schedule 1, this is the total on line 26 of Schedule 1 less the totals for lines 11, 12, 13, 15, 16, 17, and 20, which were automatically allocated above.

Allocated to 2nd spouse. Enter the part of the preceding amount attributable to the 2nd spouse.

TOTAL ADJUSTMENTS FOR LINE 14. *(auto-calc)* Computed as the sum of the above amounts for both spouses combined, this is the total adjustments shown on Schedule 1, line 26.

15 Standard or itemized deduction. *(auto-calc)* Taken from Form 1040, line 12. If the standard deduction is used, the allocation is automatic, as shown below. But if itemized deductions are used you must provide the allocation between spouses below:

Itemized deductions used. *(auto-calc)* Answered Yes only if deductions from Schedule A are used for Form 1040, line 12.

If Yes, 2nd spouse's part. If itemized deductions are used, you must enter here the part of line 15 that is attributable to the 2nd spouse.

Allocated to 2nd spouse. *(auto-calc)* If itemized deductions are used, your entry above for "If Yes, 2nd spouse's part" is used here. Otherwise the 2nd spouse's part of the standard deduction is computed as half of the \$27,700 base standard deduction for 2023 (resulting in \$13,850) plus \$1,500 each for any age or blind exemption for the 2nd spouse (shown on screen 2 of Form 1040).

16 Nonrefundable credits. You must allocate here the credits included in line 19 of Form 1040 and lines 1 through 7 of Schedule 3.

Child tax credit/other dependents credit (Form 1040, line 19). *(auto-calc)* Taken from Form 1040, as indicated.

Allocated to 2nd spouse. You must enter here only the part of the preceding total that is attributable to children for whom the 2nd spouse is qualified for an exemption (albeit exemptions are not deductible for 2023).

Foreign tax credit (Schedule 3, line 1). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here the amount figured on Form 1116 that is attributable to the 2nd spouse.

Credit for child and dependent care expenses (Schedule 3, line 2). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to dependents claimed by the 2nd spouse.

Education credit – nonrefundable (Schedule 3, line 3). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to dependents claimed by the 2nd spouse and, if the 2nd spouse is one of the claimed students, the amount stemming from that spouse.

Retirement savings credit (Schedule 3, line 4). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to contributions and deferrals to accounts of the 2nd spouse.

Residential energy credits (Schedule 3, lines 5a and 5b). *(auto-calc)*

Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to the 2nd spouse.

Business and other credits (Schedule 3, line 7). *(auto-calc)* Taken from Schedule 3, line 7, this line includes business credits and some others.

Allocated to 2nd spouse. Enter the part of Schedule 3, line 7, attributable to businesses (and other) of the 2nd spouse.

TOTAL CREDITS FOR LINE 16. *(auto-calc, but not shown on the screen)*

Computed as the sum of all preceding nonrefundable credits for line 16.

17 Refundable credits. You must allocate here credits included in lines 28 and 29 of Form 1040 and select credits in lines 9 through 13z of Schedule 3. *TIP: The earned income credit (Form 1040, line 27) is specifically excluded. The IRS will allocate that credit based on each spouse's income.*

Additional child tax credit (Form 1040, line 28). *(auto-calc)* Taken from Form 1040, as indicated.

Allocated to 2nd spouse. You must enter here only the part of the preceding total that is attributable to children claimed by the 2nd spouse.

Refundable American Opportunity Credit (Form 1040, line 29). *(auto-calc)* Taken from Form 1040, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to dependents for whom the 2nd spouse is qualified for an exemption and, if the 2nd spouse is one of the claimed students, the amount stemming from that spouse.

Premium tax credit (Schedule 3, line 9). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the part of the preceding amount attributable to insurance premiums for the 2nd spouse and 2nd spouse's dependents.

Credit for federal tax on fuels (Schedule 3, line 12). *(auto-calc)* Taken from Schedule 3, line 12.

Allocated to 2nd spouse. You must enter here the part of the preceding amount attributable to the 2nd spouse.

Credit from Form 2439 (Schedule 3, line 13a). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to the 2nd spouse if a shareholder of the entity that paid tax for which you claim a credit.

Credit for sick and family leave wages paid to household employees-I (Schedule H, line 8e). *(auto-calc)* Taken from the part of Schedule 3, line 13z attributable to the refundable portion of the credit for leave taken before April 1, 2021 by your household employees, which comes from Schedule H, line 8e.

Allocated to 2nd spouse. You must enter here only the amount attributable to the 2nd spouse as the employer.

Credit for repayment of amounts included in income in prior years (Schedule 3, line 13b). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. You must enter here only the amount attributable to the 2nd spouse.

Credit for sick and family leave wages paid to household employees-II (Schedule H, line 8f). *(auto-calc)* Taken from the part of Schedule 3, line 8z attributable to the refundable portion of the credit for leave taken after March 31, 2021 and before October 1, 2021 by your household employees, which comes from Schedule H, line 8f.

Allocated to 2nd spouse. You must enter here only the amount attributable to the 2nd spouse as the employer.

TOTAL CREDITS FOR LINE 17. *(auto-calc, but not shown on the screen)*
Computed as the sum of all preceding refundable credits for line 17.

18 Other taxes. You must allocate here all taxes other than the regular tax and the alternative minimum tax.

Excess advance premium tax credit repayment (Schedule 2, line 2). *(auto-calc)* Taken from Schedule 2, as indicated.

Allocated to 2nd spouse. Enter the part of the above stemming from insurance for the 2nd spouse's and 2nd spouse's dependents.

Self-employment tax (Schedule 2, line 4). *(auto-calc)* Taken from Schedule 2, as indicated.

Allocated to 2nd spouse. Enter the part of the above stemming from the 2nd spouse's copy of Schedule SE (*Self-Employment Tax*).

Additional social security and Medicare tax (Schedule 2, line 7). *(auto-calc)* Taken from Schedule 2, as indicated, this is the sum of taxes on unreported tips (from Form 4137) and uncollected taxes on wages (from Form 8919), as reported on lines 5 and 6 of Schedule 2.

Allocated to 2nd spouse. You must enter here the part of the preceding tax from copies of Forms 4137 and 8919 that were prepared for the 2nd spouse.

Additional tax on IRAs, et al. (Schedule 2, line 8) *(auto-calc)* Taken from Schedule 2, as indicated, this is the amount from Forms 5329.

Allocated to 2nd spouse. You must enter here the part of the preceding tax from copies of Form 5329 that were prepared for the 2nd spouse.

Household employment taxes (Schedule 2, line 10). *(auto-calc)* Taken from Schedule 2, as indicated, this is the amount from Schedule H for household employees.

Allocated to 2nd spouse. You must enter here the part of the preceding tax from Schedule H attributable to the 2nd spouse as the employer.

Repayment of homebuyer credit (Schedule 2, line 10). *(auto-calc)* Taken from Schedule 2, as indicated, this is the amount from Form 5405.

Allocated to 2nd spouse. You must enter here the part of the preceding tax attributable to the 2nd spouse.

Other taxes in Schedule 2, line 21. *(auto-calc)* Computed as the total tax in Part II of Schedule 2 (which is Schedule 2, line 21), less all preceding taxes except the tax from Schedule 2, line 2 (which is from Part I of Schedule 2). The is the sum of all taxes in Part II not separately allocated on the preceding lines.

Allocated to 2nd spouse. Enter here the part of the preceding total that is attributable to the 2nd spouse.

TOTAL CREDITS FOR LINE 18. *(auto-calc)* Computed as the sum of the preceding taxes, which is the sum of Schedule 2, line 2, and Schedule 2, line 21.

19 Federal income tax withheld. You must allocate here withholding reported throughout the return and any excess social security or tier 1 Railroad Retirement (RRTA) tax withheld.

Withholding on Forms W-2. *(auto-calc)* Taken from *your* W-2 Worksheets for line 1a of Form 1040.

Allocated to 2nd spouse. *(auto-calc)* Taken from *spouse's* W-2 Worksheets for line 1a of Form 1040.

Other withholding in Form 1040, line 25d. *(auto-calc)* Taken from Form 1040 and computed as Form 1040, line 25d, less the preceding "Withholding on Forms W-2." This amount includes withholding shown on Forms W-2G, 1099-R, 1099-DIV, 1099-INT, 1099-G, and SSA-1099 plus amounts shown on Schedules K-1 from partnerships, S corporations, etc., of which the taxpayers are members.

Allocated to 2nd spouse. Enter the part of the preceding total attributable to the 2nd spouse.

Excess social security or RRTA tax (Schedule 3, line 11). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. Enter the part of excess withholding for social security or tier 1 RRTA tax attributable to the 2nd spouse.

TOTAL WITHHOLDING FOR LINE 19. *(auto-calc)* Computed as the sum of all preceding withholding (the sum of line 25d of Form 1040 and line 11 of Schedule 3).

20 Payments. You must allocate here payments in line 14 of Schedule 3 that have not been allocated in any preceding lines.

Estimated tax payments (Form 1040, line 26). *(auto-calc)* Taken from Form 1040, as indicated.

Allocated to 2nd spouse. Enter the part of estimated tax payments attributable to the 2nd spouse based the earlier income allocations..

Extension payments (Schedule 3, line 10). *(auto-calc)* Taken from Schedule 3, as indicated.

Allocated to 2nd spouse. Enter the part of tax payments that accompanied an extension form attributable to the 2nd spouse based the earlier income allocations.

Tax payments in Schedule 3, line 13d. *(auto-calc)* Taken from Schedule 3, as indicated, this is this is the deferred amount of net 965 tax liability.

Allocated to 2nd spouse. Enter the part of the preceding amount attributable to the 2nd spouse.

Other payments in Schedule 3, line 13z. *(auto-calc)* Computed as the sum of the on-screen lines above line 13z of our Schedule 3 THAT ARE labeled "Tax paid to Virgin Islands (8689)" and "Other (ITEMIZE)." (The other two components of line 13z are refundable credits from Schedule H, which are already reflected in line 17 of this form.)

Allocated to 2nd spouse. Enter the part of the preceding total attributable to the 2nd spouse.

TOTAL PAYMENTS FOR LINE 20. *(auto-calc)* Computed as the sum of the preceding four total lines.

Injured Spouse Allocation. The final screen of Form 8379 shows how the preceding amounts for lines 13 through 20 are separately attributed to the "injured spouse" and the "other spouse." The top half of the screen shows the amounts that will be printed in column (b) in Part III of the official Form 8379 (for the "injured spouse"):

13 Income:

a Income reported on Form W-2. *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the amount for "Allocated to 2nd spouse" below line 13a on screen 5. Otherwise, computed as line 13a less that amount.

b All other income. *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts on line b of all *Line 13b Allocation Worksheets* combined. Otherwise, computed as the sum of amounts on line c of the worksheets.

14 Adjustments to income. *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all adjustments that contribute to line 14 on screen 6. Otherwise, computed as "TOTAL ADJUSTMENTS FOR LINE 14" less that sum.

15 Standard deduction or itemized deductions. *(auto-calc)* If the 2nd spouse is the injured spouse, computed as "Allocated to 2nd spouse" below line 15 on screen 7. Otherwise, computed as the amount for line 15 less that amount.

16 Nonrefundable credits. *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all credits that contribute to line 16 on screen 7. Otherwise, computed as "TOTAL CREDITS FOR LINE 16" on screen 7 less that sum.

- 17 Refundable credits.** *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all credits that contribute to line 17 on screens 8 and 9. Otherwise, computed as "TOTAL CREDITS FOR LINE 17" on screen 9 less that sum.
- 18 Other taxes.** *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all taxes that contribute to line 18 on screen 9. Otherwise, computed as "TOTAL OTHER TAXES FOR LINE 18" on screen 9 less that sum.
- 19 Federal income tax withheld.** *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all withholding that contributes to line 19 on screen 10. Otherwise, computed as "TOTAL WITHHOLDING FOR LINE 19" on screen 10 less that sum.
- 20 Payments.** *(auto-calc)* If the 2nd spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for all payments that contribute to line 20 on screen 10. Otherwise, computed as "TOTAL PAYMENTS FOR LINE 20" on screen 10 less that sum.

Other Spouse Allocation. The bottom half of the screen shows the amounts that will be printed in column (c) in Part III of the official Form 8379 (for the "other spouse"):

13 Income:

- a Income reported on Form W-2.** *(auto-calc)* If the 1st spouse (the primary taxpayer) is the injured spouse, computed as the amount for "Allocated to 2nd spouse" below line 13a on screen 5. Otherwise, computed as the amount for line 13a less that amount.
- b All other income.** *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts on line b of all *Line 13b Allocation Worksheets* combined. Otherwise, computed as the sum of amounts on line c of the worksheets.
- 14 Adjustments to income.** *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for the line 14 contributors on screen 6. Otherwise, computed as "TOTAL ADJUSTMENTS FOR LINE 14" less that sum.
- 15 Standard deduction or itemized deductions.** *(auto-calc)* If the 1st spouse is the injured spouse, computed as "Allocated to 2nd spouse" below line 15 on screen 6. Otherwise, computed as the amount for line 15 less that amount.
- 16 Nonrefundable credits.** *(auto-calc)* If the 1st spouse is the injured spouse, computed as "Allocated to 2nd spouse" for the line 16 contributors on screen 7. Otherwise, computed as "TOTAL CREDITS FOR LINE 16" on screen 8 less that amount.
- 17 Refundable credits.** *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd

spouse" for the line 17 contributors on screens 8 and 9. Otherwise, computed as "TOTAL CREDITS FOR LINE 17" on screen 9 less that sum.

18 Other taxes. *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for the line 18 contributors on screen 9. Otherwise, computed as "TOTAL OTHER TAXES FOR LINE 18" on screen 9 less that sum.

19 Federal income tax withheld. *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" for the line 19 contributors on screen 10. Otherwise, computed as "TOTAL WITHHOLDING FOR LINE 19" on screen 10 less that sum.

20 Payments. *(auto-calc)* If the 1st spouse is the injured spouse, computed as the sum of amounts for "Allocated to 2nd spouse" below the line 20 categories on screen 10. Otherwise, computed as "TOTAL PAYMENTS FOR LINE 20" on screen 10 less that sum.

PART IV, SIGNATURE. The injured spouse (and paid preparer, if any) must sign the official printed Form 8379 only if the form is being filed by itself (that is, not with the joint return to which it relates). Paid preparer information is printed in this part *only* if you answered Yes to "Filing this form by itself?" (the first entry on screen 1 of Form 8379).

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8396* / Mortgage Interest Credit

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure a credit for mortgage interest for those who were issued a qualified Mortgage Credit Certificate (MCC) by their state or local government agency. The certificate is issued to low-income homebuyers under a program to help them afford home ownership. The federal credit is a form of mortgage subsidy, which gives the homebuyer a substantial credit for interest paid during the year. The credit is nominally the credit rate on the certificate (from 10% to 50%) times the interest paid for the tax year. However, the credit is limited to \$2,000 if the rate on the certificate exceeds 20%. (You are subject to a recapture of the credit when you sell the home. The recapture is figured on Form 8828, which is also built into the software.) Form 8396 is accessible through the Road Map at the Form 8396 component of line 6c of Schedule 3 and our exclusion line above line 8a of Schedule A.

CAUTION: Federal certificates do not qualify. This credit is only for taxpayers who were issued a qualified Mortgage Credit Certificate (MCC) by their state or local government agency. Certificates issued by the Federal Housing Administration, Department of Veteran Affairs, or Farmers Home Administration do not qualify you for the credit, nor do Homestead Staff Exemption Certificates.

ADDRESS AND MORTGAGE CREDIT CERTIFICATE. To qualify, the home must be your main home and must be located in the jurisdiction of the state or local government that issued the Mortgage Credit Certificate. If the address you entered on Form 1040 is a street address for the same home, you do not need to enter it again here. However, if the address on Form 1040 is a P.O. box or a different location from the home to which the certificate applies, you must enter the street address for the home below.

Address on Form 1040:

Mailing address (*auto-calc*) Taken from your entry on Form 1040.

City, State. (*auto-calc*) Taken from your entry on Form 1040.

ZIP code. (*auto-calc*) Taken from your entry on Form 1040.

Enter below the address of your main home to which the qualified mortgage certificate relates ONLY if different from ABOVE:

Street address. If different from the address on Form 1040, enter the street address for the property here in 35 characters or less.

City. Enter the city in 22 characters or less.

State. Enter the 2-character state code.

ZIP code. Enter the ZIP code in the standard xxxxx-xxxx format.

Mortgage Credit Certificate. You cannot claim the credit without having been issued a qualified Mortgage Credit Certificate (MCC) by a state or local government unit or agency under a qualified mortgage

credit certificate program. As a result, all of the following entries are mandatory in order to prove your qualification:

Name of Issuer. Identify the issuing agency in 35 characters or less.

Certificate number. Enter the number on the Mortgage Credit Certificate, which should be no more than 22 characters in length.

Issue Date (mm-dd-yyyy). Enter the date of issue in the standard format for dates.

PART I, CURRENT YEAR MORTGAGE INTEREST CREDIT. The credit available for the current tax year is computed here, including carryovers from prior years. (Only carryovers from the prior 3 years are allowable.)

1 Interest paid on certified indebtedness amount. You will generally enter the interest shown in box 1 of the 2023 Form 1098 or similar statement you receive from the lender. However, if someone else (other than spouse, if filing jointly) holds an interest in the property, you must enter only your share of interest paid, and if the loan amount on your MCC is less than the loan amount of your current mortgage, you must enter only the part of interest paid that relates to the lesser amount. See IRS Pub. 530 for details. *CAUTION: You cannot claim the credit if you paid the interest to a related person.*

2 Certificate credit rate shown on your mortgage credit certificate. Enter the rate shown on your MCC. This is the credit rate for which you are eligible, not an interest rate, and will be no less than 10% and no more than 50%.

Special procedure for refinanced mortgage. If you refinanced the mortgage and were reissued an MCC that still qualifies you for the mortgage interest credit (as detailed in the IRS *2023 Instructions for Form 8396*), you must follow the special procedures outlined here:

For the year of the refinancing. If the reissued MCC carries a different certificate rate than the original MCC, you must leave lines 1 and 2 blank and instead, in a supporting statement for our line "Explain special calc for line 3," compute line 3 as the sum of two calculations: one for the part of the year to which the original certificate applies and the other for the part of the year to which the reissued certificate applies. The total you show in the supporting statement is carried back to Form 8396 and appears at line 3 in place of any calculation using lines 1 and 2 of the form.

For all years. Even though the reissued MCC cannot have a credit rate higher than the original rate in order for you to still qualify for the credit, and even if the interest rate on the refinanced mortgage is less than the interest rate on the original mortgage, it is possible that the credit you compute at line 3 using the new rates could be higher than the credit you would have received under the original MCC. When this is the case you must override line 3 and enter the lesser amount.

Explain special calc for line 3. Use this line *only* to provide a supporting statement in a year of refinancing, as detailed in the preceding shaded box. *You must explain your calculation in the text column of the support, and enter the result of your calculation in the amount column.* The result you enter is used for line 3 in place of the normal calculation for that line.

Interest held by others (%). If someone else (other than spouse, if filing jointly) holds an interest in the property, you must enter here the percentage interest held by all others. Your entry here is used only to apply the proper limitation at line 3 when the credit rate on line 2 exceeds 20%.

3 If line 2 is 20% or less, multiply line 1 by line 2. (auto-calc) Normally computed as indicated as long as line 2 is 20% or less. If line 2 is more than 20%, the same computation is used but is limited to no more than \$2,000, or a prorated lesser amount if you made an entry on the line "Interest held by others (%)." However, if you itemized the special line "Explain special calc for line 3," neither computation is used and the result here is taken from your supporting statement for the special line. The amount of mortgage interest you claim as an itemized deduction on Schedule A cannot include the amount claimed here. Therefore, the amount on this line is automatically posted above line 8a of Schedule A so that *the amount you report on Schedule A, line 8a from box 1 of Form 1098 is automatically reduced by this amount. However, if you deduct the interest you paid on Schedule A, line 8b instead of Schedule A, line 8a, you must enter the amount from line 3 of Form 8396 on the line above Schedule A, line 8b (labeled "Amount exceeding limit") yourself.*

4 2020 credit carryforward from line 16 of your Form 2022 Form 8396.
Enter as indicated from your prior-year Form 8396.

5 2021 credit carryforward from line 14 of your Form 2022 Form 8396.
Enter as indicated from your prior-year Form 8396.

6 2022 credit carryforward from line 17 of your Form 2022 Form 8396.
Enter as indicated from your prior-year Form 8396.

7 Add lines 3 through 6. (auto-calc) Computed as indicated.

Credit Limit Worksheet. The IRS provides a worksheet in their *2023 Instructions for Form 8396* to determine the amount for line 8. The calculations on the worksheet are shown on the screen as follows:

1-Amount from Form 1040, line 18. (auto-calc) Taken from 2023 Form 1040 as indicated, this is your total tax before credits.

Schedule 3, lines 1 through 4, 6d, 6f, 6l, and 6m, and Form 5695, line 32. (auto-calc) Taken from Schedule 3 and Form 5695 as indicated, this is the sum of selected nonrefundable personal credits.

Form 1040, line 19, or Schedule 8812 Worksheet B, line 14. In addition to the above personal credits, the nonrefundable part of child tax credit is taken into account by using either line 19 of Form 1040 or,

if required, line 14 of the worksheet in IRS *2023 Schedule 8812 Instructions*.

2-Total of above credits.. *(auto-calc)* Computed as the sum amounts on the preceding two lines. This is the sum of credits that must be applied before the credit on Form 8396 can be claimed.

3-Subtract line 2 from line 1. *(auto-calc)* Computed as indicated, this is the net tax available for reduction by the Form 8396 credit.

8 Limitation based on tax liability. *(auto-calc)* Computed as line 3 of the *Credit Limitation Worksheet*, above.

9 CURRENT YEAR MORTGAGE INTEREST CREDIT. *(auto-calc)* Computed as the lesser of line 7 or line 8.

The result on line 9 is the total credit available this year and is automatically posted to the Form 8396 component of line 6c of Schedule 3.

PART II, MORTGAGE INTEREST CREDIT CARRYFORWARD TO 2024. If line 9 is less than line 7, you may have a carryforward to 2024.

Carryforward limit (if nonzero). *(auto-calc)* If the credit rate on line 2 is more than 20%, you are subject to the same \$2,000 limit (or pro-rated lesser amount) on carryforwards as you are for line 3. If so, the limit will appear here automatically, and the sum of carryovers resulting at lines 14, 16, and 17 is limited to this amount. If zero appears here you are not subject to a limit. **EXCEPTION:** *If you itemized the special line "Explain special calc for line 3," no amount will appear here and you must override this line to enter any limit that applies.*

10 Add lines 3 and 4. *(auto-calc)* Computed as indicated.

11 Amount from line 7. *(auto-calc)* Computed as indicated.

12 Larger of line 9 or line 10. *(auto-calc)* Computed as indicated.

13 Subtract line 12 from line 11. *(auto-calc)* Computed as indicated.

14 2022 CREDIT CARRYFORWARD TO 2024. *(auto-calc)* Computed as the smaller of line 6 or line 13, but no more than any limit shown on the line "Carryforward limit (if nonzero)."

15 Subtract line 14 from line 13. *(auto-calc)* Computed as indicated.

16 2021 CREDIT CARRYFORWARD TO 2024. *(auto-calc)* Computed as the smaller of line 5 or line 15, but no more than any limit shown on the line "Carryforward limit (if nonzero)" less the amount on line 14.

17 2023 CREDIT CARRYFORWARD TO 2024. *(auto-calc)* Computed as line 3 less line 9, but no less than zero, but no more than any limit shown on the line "Carryforward limit (if nonzero)" less the amounts on lines 14 and 16.

The sum of lines 14, 16, and 17 is the total carryforward to 2024, to be entered on lines 5, 4, and 6, respectively, of the 2024 Form 8396.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 8582 / Passive Activity Loss Limitations

Passive loss limitations. The passive loss limitations created by the *Tax Reform Act of 1986* apply to income and loss from a number of popular investments, including rental property and limited partnerships. They prevent you from deducting losses from passive activities to the extent that they exceed gains from passive activities in the same year. You eventually get to deduct the unallowed losses, however, through carryforward to years with passive gains or reclassification as nonpassive losses in the year of sale.

Fully automatic for most liable taxpayers. This form is automatically generated and completed upon final recalculation when any passive losses are reported on the return, unless you chose to block its auto-creation. This means that returns that have a Schedule C, D, E, F, or Form 4797 will have a Form 8582 if ANY passive losses are claimed. Although the form is automatic, you will have to access this form yourself to supply additional information on passive activities reported on forms that are NOT built into the software.

Material vs. significant participation. You are required to classify your activities on most income and loss worksheets throughout the return as passive or nonpassive. The instructions for making the determination, however, have never been clear, and have changed in subtle ways over the years as the IRS has tried to clarify the rules in a number of temporary regulations. You can classify certain activities as nonpassive activities only if you "materially participate" in the operation of the business. You generally qualify if you participate more than 500 hours in the year, but you should refer to IRS Pub. 925 (*Passive Activity and At-Risk Rules*) for details. If you cannot satisfy the requirements for material participation, you may fall under the rules for "significant participation." You are tentatively considered to be a significant participant if you participated in the activity for more than 100 hours but no more than 500 hours during the tax year. If the net of ALL significant participation activities throughout the return taken together is a gain, no amounts from these activities should be used in Form 8582, so the benefit of offsetting passive gains against passive losses from other activities is not available. If the net is a loss, all amounts will be used in Form 8582, so the limitations on passive losses apply. As a result, significant participation has all the limitations on losses that no participation has, but none of the benefits that allow passive gains to offset losses from other passive activities. However, an escape clause introduced in 1988 makes this classification relatively rare in practice: If the aggregate number of hours of participation for ALL significant participation activities on the return COMBINED is more than 500 hours, then the participation will be considered as material participation for ALL such activities rather than significant participation. See IRS Pub. 925 (*Passive Activity and At-Risk Rules*) for further details and restrictions.

How unallowed losses are carried over to future years. The passive loss rules effectively block you from deducting passive losses that exceed passive gains as they arise. They instead defer the deductions until passive gains are real-

ized or you sell the property. The carryovers of unallowed losses to future years is automated by the software through its "translate" feature. But if you enter the carryovers yourself instead of using the "translate" feature, you must make the entries on the forms to which they apply, NOT directly on Form 8582. (For example, you would enter prior unallowed loss for active rental real estate directly on Schedule E on the line labeled "Prior loss for 8582 line 1c.") Form 8582 is accessible through the Road Map at the lines for "loss unallowed in 2023" that appear on all forms and schedules that it supports (including Schedules C, D, E, F, and Forms 4797 and 6252). TIP: Even though the software does not require you to complete any of the IRS Worksheets for Form 8582, you may want to keep a property-by-property record of losses allowed and unallowed over the years by producing "Quick Print" printouts of the various worksheets that the software provides in support of Schedules D, E, Form 4797, etc., because this type of printout shows both all your entries and the unallowed loss attributed to each property. For an accurate record, however, you must produce the printouts only after the return is complete.

How unallowed losses are allowed when you sell. If your sale does not constitute an entire disposition of the property, the handling of the gains and losses for the year is the same as if you had not sold any portion of the property. But if your sale does represent an entire disposition, the previously unallowed losses are then allowed in one of two ways:

If the net of all gain and loss for the activity is an overall gain for the year, all gains and losses retain their passive classification and you must report them as you normally would. Accordingly, you report unallowed losses on the forms and schedules from which they arose, as "prior passive unallowed loss." The losses will be allowed through Form 8582, however, because they are offset by passive gains from the same activity.

If the net of all gain and loss for the activity is an overall loss for the year, all gains and losses are reclassified as nonpassive and you must report all gains and losses as nonpassive gains and losses on the same forms and schedules as you normally would use. The losses will be allowed without involving Form 8582 because they are nonpassive. However, you must generally change several entries to effect the reclassification, as follows. Remove any remaining unallowed losses for the activity from the "prior unallowed loss" lines on the forms and schedules themselves. Reenter those losses as nonpassive losses on the worksheets that support them. Identify amounts on all worksheets for the activity as nonpassive, either through changing the answer to the relevant question or actually moving entries to different lines.

For Gain/Loss Worksheets that support Schedule D and Form 4797, you must remove this activity's contribution to the "prior unallowed" entries on those forms, then return to the worksheets

themselves and change your entry for "Entire interest sold" to Yes.

For Rental/Royalty Worksheets for Part I of Schedule E, you must remove this activity's contribution to the "prior unallowed" entries above line 22 of Schedule E, then return to the worksheets themselves and change your entry for "Qualifies as nonpassive" to Yes and move the amounts on the "PRIOR-year unallowed" line to line 19. Now return to Schedule E again and enter, for line 19 (19 Describe other:), "Sale (prior loss)."

For the Partnership and S Corps Worksheets for Part II of Schedule E, you must remove this activity's contribution to the "prior unallowed" entries between lines 29a and 29b of Schedule E, then return to the worksheets themselves and move your entries for "PASSIVE loss on K-1" and "PRIOR-year unallowed loss" to line i ("NONPASSIVE loss"), and move your entries for line h ("PASSIVE income") to line k (NONPASSIVE income).

For the Estates and Trusts Worksheets for Part III of Schedule E, you must remove this activity's contribution to the "prior unallowed" entries between lines 34a and 34b of Schedule E, then return to the worksheets themselves and move your entries for "PASSIVE loss on K-1" and "PRIOR-year unallowed loss" to line e ("NONPASSIVE loss"), and move your entries for line d ("PASSIVE income") to line f (NONPASSIVE income).

Grouping of activities. In order to simplify reporting, you can generally group activities that make up a meaningful economic unit for the purpose of applying passive activity rule. However, for tax years that begin after January 24, 2010, you are subject to special disclosure requirements. See the IRS 2023 *Instructions for Form 8582* for detailed guidance on grouping activities and the disclosure requirements that must be made with your calendar year 2023 return.

SIGNIFICANT PARTICIPATION SUMMARY. The appropriate handling of significant participation activities cannot be determined until ALL such activities in the return have been reported, because the handling depends on the result for the final question in this section: "Net gain for ALL significant participation activities?" If the answer is Yes, then all significant participation activities must be reported as nonpassive throughout the return. But if the answer is No, all significant participation activities must be reported as passive, and the losses will therefore be limited by the passive loss rules.

Significant participation net on Schedules C, D, E, and F, and Forms 4797, 4835, and 6252. (auto-calc lines) Posted automatically from the indicated forms and schedules.

Other significant participation net. Enter any significant participation net for forms *NOT* built into the software and for Part III of Form 4797 (for which the significant participation rules are not automated).

Significant participation net on entire return. *(auto-calc)* Computed as the sum of the above eight lines.

Net gain for ALL significant participation activities? *(auto-calc)* Automatically Yes unless the above result is a loss.

The answer to the last question is posted to all of the above forms and schedules so that the significant participation amounts are properly handled, including their posting back to Form 8582 as passive activity amounts when appropriate.

ACTIVE RENTAL REAL ESTATE. Entries from forms and schedules that are built into the software are posted here automatically, but you must enter any applicable gains and losses from other forms here yourself:

Transfers from Schedule E, Form, Form 4835, and Form 6252 for lines 1a, 1b, and 1c. *(auto-calc lines)* Gains and losses and passive loss carryovers throughout the return identified as related to active rental real estate are posted to these lines.

Other Active Rental Real Estate. *(Supported by the Passive Activity Worksheet, Figure 2-64.)* The first two lines are supported by the same set of worksheets, described next. You must enter any carryover of prior unallowed loss for this property on the third line as well as the worksheet.

The automatic entries are summed with the worksheet entries and carried to lines 1a through 1d of Part I of this form (described later).

PASSIVE ACTIVITIES. All other passive activities are reported here. Most of the entries are automatic, from numerous sources, but you must enter yourself any gains and losses and prior unallowed loss from passive activities on forms not built into this software:

Transfers from Schedules C, D, E, and F, and Forms 4797, 4835, and 6252 for lines 3a, 3b, 3c. *(auto-calc lines)* Several screens full of passive amounts appear here from the forms and schedules that are built into the software.

Other Passive Activities. *(Supported by the Passive Activity Worksheet, Figure 2-64.)* The first two lines are supported by the same set of worksheets, described next. You must enter any carryover of prior unallowed loss for this property on the third line as well as the worksheet.

The automatic entries are summed with the above manual entries and carried to lines 3a through 3d of Part I of this form.

Passive Activity Worksheet, Figure 2-64. This worksheet is used *ONLY* for reporting passive gains and losses that are *NOT* reported in the forms built into this software:

Name of activity. Identify the activity in 25 characters or less.

Form or Schedule to Report On. Identify the form to which this worksheet applies (for record-keeping, not automatic transfers).

Net income or loss. Enter income as a positive and loss as a negative.

Enter here only amounts for the current year's transactions. Unused carryovers from prior years are NOT entered on the worksheet.

PASSIVE ACTIVITY WORKSHEET		
	Name of activity.....	
	Form or Sched to Report On	
	Net income or loss...	
a.	Gain.....	0
b.	Loss.....	0
	PRIOR-year unallowed loss	0
	Net elsewhere for same activity	
	Total loss subj. to limitation	0
	Unallowed THIS yr on 8582	0

Figure 2-64. Passive Activity Worksheet

a Gain. *(auto-calc)* The same as the above entry for net income when that entry is positive; otherwise, zero.

b Loss. *(auto-calc)* The above entry for net income (expressed as a positive number) when that entry is negative; otherwise, zero.

PRIOR-year unallowed loss. Enter the unallowed loss last year for this activity. If more than one activity is reported directly on these Form 8582 worksheets, you must allocate that total unallowed loss among all activities in these worksheets. CAUTION: You must also enter, on Form 8582 itself, the total of this entry for all worksheets combined on the line "Prior unallowed for 1c" or "Prior unallowed for 3c" (depending on whether you accessed the worksheet from screen 3 or screen 6 of Form 8582).

Net elsewhere for the same activity. If other transactions for the same passive activity appear elsewhere on the return, you must enter the net gain or loss from all such other transactions here in order for the allocation of unallowed losses among the various worksheets to be performed in strict conformance with the IRS rules. If the sum of the net on this line plus the net shown above for this particular transaction is an overall gain, all losses for this worksheet are allowed in full (and more of the total disallowance on Form 8582 is allocated to other passive activities).

Total loss subject to limitation. *(auto-calc)* If the sum of the net on this worksheet (before disallowances) plus the net elsewhere for the same activity is an overall gain, or the net on this worksheet is not a loss, the result here is zero. Otherwise the net loss on this worksheet (before disallowances) appears here as a positive amount, for use in Form 8582 to allocate unallowed losses among activities.

Unallowed THIS year on Form 8582. *(auto-calc lines)* Computed using the math on the IRS worksheets without requiring you to complete any IRS worksheets yourself, this result is assured of full accuracy *ONLY* when you view the worksheet after the final recalculation of the return.

CAUTION: Because the forms to which these worksheets relate are not built into the software, you must reflect the amounts "Unallowed THIS year" on those forms yourself.

PART I, 2023 PASSIVE ACTIVITY LOSSES. The entries from all of the preceding sections are consolidated here into two sections.

Rental Real Estate (Active). Gains and losses for rental real estate in which you actively participated are summarized first. :

1a Activities with net income. *(auto-calc)* The sum of all gains for line 1a from all sources.

1b Activities with net loss. *(auto-calc)* The sum of all losses for line 1b from all sources.

1c Prior year unallowed losses. *(auto-calc)* The sum of all prior unallowed losses for line 1c from all sources.

1d Combine lines 1a, 1b, and 1c. *(auto-calc)* Computed as the gain on line 1a less the losses on lines 1b and 1c. If a loss, up to \$25,000 of the loss is deductible in the current year, depending on AGI, as computed in Part II.

All other Passive Activities. Gains and losses for all other passive activities are summarized next:

2a Activities with net income. *(auto-calc)* The sum of all gains for line 3a from all sources.

2b Activities with net loss. *(auto-calc)* The sum of all losses for line 3b from all sources.

2c Prior year unallowed losses. *(auto-calc)* The sum of all prior unallowed losses for line 3c from all sources.

2d Combine lines 2a, 2b, and 2c. *(auto-calc)* Computed as the gain on line 2a less the losses on lines 2b and 2c.

Prior-year unallowed CRD. If you had an unallowed commercial revitalization deduction (CRD) remaining from the previous tax year, enter that amount here as a negative number. This amount and the flag "CRD" will then be printed on the dotted line for line 3 of Form 8582, and the calculation for line 3 will be modified by this amount. *TIP: The commercial revitalization deduction was an annual deduction taken ratably over 10 years for qualified real property placed in service before 2010. Therefore, 2019 was the last tax year when the annual deduction could be claimed. However, any amount unallowed owing to the passive loss rules can be carried over into future years until used.*

3 Combine lines 1d and 2d and subtract any prior year unallowed CRD. *(auto-calc)* Computed as line 1d, line 2d, and the amount on the preceding line combined. This is the combined net gain or loss from all passive activities throughout the return.

PART II, SPECIAL ALLOWANCE FOR RENTAL REAL ESTATE. A special exception to the passive loss rules is provided for rental real estate in which you actively participate. However, married taxpayers filing separately who lived together anytime during the year are *NOT* eligible. (Be sure to properly answer the "Lived apart?" question in the screen 4 of our Form 1040 for proper treatment if married filing separately.) Up to \$25,000 of rental losses are exempt from the limitations, but the amount exempted decreases as AGI increases, as detailed below:

4 Smaller of loss on line 1d or loss on line 3. *(auto-calc)* As indicated.

5 Enter \$150,000 (unless married filing separately). *(auto-calc)* \$150,000 for most filers, but \$75,000 for MFS filers if answered Yes to "Lived apart from spouse all year" on Form 1040, and zero otherwise.

Modified AGI as computed. *(auto-calc)* Computed from Form 1040 as AGI (line 11) with the following modifications:

plus passive net losses included in the above AGI,

less taxable social security benefits (Form 1040, line 6b),

plus deductible part of self-employment tax (Schedule 1, line 15),

plus your and spouse's IRA deductions (Schedule 1, line 20),

plus any exclusion of interest for Series EE U.S. Savings Bonds (Schedule B, line 3),

plus excluded adoption benefits (Form 8839, line 28),

plus student loan interest deduction (Schedule 1, line 21).

Other adjustment to AGI. Enter any other adjustments described in the IRS instructions, such as an overall loss from a publicly traded partnership (PTP), nonpassive real estate loss for real estate professionals, and deductions for plans other than IRAs.

6 Modified adjusted gross income. *(auto-calc)* Computed as the modified AGI as computed plus the above adjustment, but no less than zero.

7 Subtract line 6 from line 5. *(auto-calc)* As indicated.

8 Multiply line 7 by 50%. *(auto-calc)* Computed as half of line 7, but no more than \$25,000 for most taxpayers. For MFS filers the limit is \$12,500 if you lived apart the entire year, and zero otherwise.

Smaller of line 4 or line 8. *(auto-calc)* Computed as indicated.

If CRD in 3, adjustment for CRD. *(auto-calc)* If you entered an amount above line 3 for prior year unallowed CRD, you may be eligible for an additional amount for line 9 if the entire \$25,000 (or \$12,500) allowance has not been used up on the preceding line. That additional amount is computed here in accordance with the IRS instruction for line 9, added by their *Worksheet for Special Allowance for Prior Unallowed Commercial Revitalization Deductions From Rental Real Estate Activities*. TIP: If you had a prior year unallowed CRD, you may have an amount on this line even if you had no amount on line 4 because line 1d was not a loss. If an amount appears here, the amount and the flag "CRD" will be printed on the dotted line for

line 9 of Form 8582, and the calculation for line 9 will be modified by this amount.

- 9 Smaller of line 4 or line 8.** *(auto-calc)* Computed as indicated by the IRS label for this line ONLY if there is no adjustment for CRD carry-over on the preceding line. Otherwise, computed as the amount on the preceding line plus the smaller of line 4 or line 8.

The effect of the special allowance for most taxpayers is to exempt the first \$25,000 of losses from the passive loss rule, subject to a reduction of the allowance to zero as income rises from \$100,000 to \$150,000. But the allowance is halved for MFS filers who lived apart the whole year, and NO allowance is allowed for MFS files who lived together anytime during the year. ***CAUTION: The software is unusually sophisticated in automating this form; if you think you need to override a calculation, it is probably because you are unaware of a subtlety of the law that the software takes into account.***

PART III, TOTAL LOSSES ALLOWED. This section is fully automatic, based on the results in Parts I and II.

- 10 Add income on lines 1a and 2a.** *(auto-calc)* If line 3 shows a net loss, computed as the sum of lines 1a and 2a appears here. Otherwise, zero.

- 11 TOTAL LOSSES ALLOWED FROM ALL PASSIVE ACTIVITIES FOR 2023.** *(auto-calc)* If line 3 shows a loss, computed as the sum of line 9 and line 10. Otherwise, computed as the sum of lines 1b, 1c, 2b, and 2c because all losses are offset by gains and therefore allowed. ***TIP: The IRS instructs you to stop at line 3 when line 3 is a loss, because all losses are allowed. However, we proceed through line 11 in order to show the allocation of allowed losses in the next section for all scenarios, including those for which all losses are allowed.***

The result on line 11 is the amount of loss allowed for the year from all passive activities combined.

Total of unallowed losses. *(auto-calc)* If line 4 is less than zero (that is, shows an overall passive loss throughout the return), then this line is computed by adding line 4 and line 15, setting it to zero if it is greater than zero, then entering the resulting loss here as a positive amount. ***This is the sum of all unallowed amounts for 2023 that must be allocated among the various forms and schedules that have passive activity losses,*** which is done in the next section.

SUMMARY OF LOSS ALLOCATION. Losses that are unallowed because of the passive loss limitations are not applied arbitrarily among your activities. The IRS requires that you apply them in a particular pro rata manner, and has designed a set of worksheets to help you do this. The software, however, performs the allocations for you by implementing the worksheets internally. You can see how the allocation was applied by viewing this last section of Form 8582 on the screen. ***All lines in this section are posted automatically to the proper forms and schedules*** except for the following:

Unallowed on specific forms and schedules. *(auto-calc lines)* Unallowed losses on forms and schedules built into the software are automatically computed. They are shown on these lines and automatically posted to the corresponding forms and schedules, including Schedules C, D, E, and F, and Forms 4797 and 4835.

Unallowed elsewhere, active rental real estate. *(auto-calc)* This is the amount of disallowance attributable to activities for which you entered data directly on the Passive Activity Worksheets in the "Other Active Rental Real Estate" section of Form 8582 yourself, and are therefore destined for forms NOT built into the software.

Unallowed elsewhere, all others. *(auto-calc)* This is the amount of disallowance attributable to activities for which you entered data directly on the Passive Activity Worksheets in the "Other Passive Activities" section of Form 8582 yourself, for forms *not* built into the software.

CAUTION-W/S ERROR on return is. *(auto-calc)* Any remaining amount here indicates that somewhere in the return the worksheets do not agree with the totals on Form 8582. The usual error is a failure to enter a prior unallowed loss on a worksheet. All prior unallowed losses appearing on lines 1c and 3c of Form 8582 must be properly allocated among all the worksheets in the return. This means that you must create worksheets yourself for any prior unallowed loss for an activity with no current income or loss on the same form, so that the sum of all prior unallowed losses on all worksheets throughout the return matches the totals on Form 8582.

PART IV THROUGH PART 1X. The remainder of Form 8582 is comprised solely of worksheets provided by the IRS to help you determine the proper allocation of unallowed losses among activities. However, Tax Preparer performs accurate allocations without using these manually-prepared worksheets through its sophisticated mathematical approach to the passive activity regulations. Therefore, these worksheets are totally unnecessary for an accurate return with this software unless you report the amounts on forms not built into the software or claim commercial revitalization deductions. Nevertheless, we have built the manually-prepared worksheets into the software so that you can complete them for the IRS if you choose to do so. If you do, you must complete them in order because totals from some worksheets are used on subsequent worksheets.

Omit worksheets from printouts? You can control whether or not these worksheets are included with the official printout or e-file output of the complete return through your answer to this question, which appears on screen 10. *You should answer No only if you have taken the time to complete all worksheets that apply to your Form 8582.*

Extra line for personal memos. The supporting statement you create for this line (at the bottom of the last screen of Form 8582) will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8586* / Low-Income Housing Credit

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. See the separate Partnership Edition manual for details on the version of Form 8586 that is built into the Partnership Edition software.

Purpose. This form is used to claim credit for placing in service a new qualified low-income housing building. Form 8586 is accessible through the Road Map from Form 3800, to which its results are posted. These results are then posted to lines 1d and 4d of the appropriate copy of Form 3800, Part III.

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 3 or 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and posted to line 1d or 4d of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 3 or 4 that it is not a Category A credit and manually enter the credit on line 1d or line 4d of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

Filing of form not always required. If the only entry you have for Form 8586 is on line 4, you do not have to file Form 8586 but can instead enter directly on line 1d or 4d of the appropriate copy of Form 3800 the amount of credit and the EIN of the pass-through entity from which you received the credit you would have entered on line 4 of Form 8586.

Recapture. You may have to pay a recapture tax in the future if, within 15 years of the date placed in service, your ownership in the building changes, the basis of the building decreases, or the building fails to meet the minimum set-aside requirements. Recapture is reported on Form 8611, which is also built into the software at the Premium Level.

e-file restricted. Because a copy of Form 8609-A, *Annual Statement for Low-Income Housing Credit*, must be attached to the return for each property claimed in lines 1 through 3 or 8 through 10 of Form 8586, and *Form 8609-A is not built into the software*, e-file is not allowed if there is any entry on lines 1 through 3 or 8 through 10. If you must use lines 1 through 3 or 8 through 10 then you must file a paper return instead.

PART I, BUILDINGS PLACED IN SERVICE BEFORE 2008. The full credit is reported here for buildings placed in service before January 1, 2008. Tax liability limitations are then applied on Form 3800. Buildings placed in service on January 1, 2008 or later are reported in Part II, not here, for more favorable treatment, thanks to tax legislation in 2008.

1 Number of Forms 8609-A attached. If you use lines 1 through 3 you must attach copies of the associated Form 8609-A for each building. You must have a Form 8609 signed by an authorized housing credit agency official, which you must keep with your records for 3 years after the 15-year compliance period ends. Enter here only the number of Forms 8609-A applicable to buildings placed in service before 2008. (Buildings reported here could have been placed in service as long as 10 years ago because the credit is generally taken over a 10-year period.)

Itemize if multi-building projects. If any Form 8609-A you counted in line 1 is for buildings that are part of a multiple building project, you must supply certain information in a supporting statement for this line (not line 1). For each multiple building project you must provide the name and address of the project and the total credit claimed for the project. For each building within the project you must enter its name and address, building identification number (BIN), and the amount of credit allocated to the building.

2 Has there been a decrease in the qualified basis of any buildings accounted for in line 1 since the close of the preceding tax year? If Yes, you must enter the building identification numbers (BINs) of any such buildings on the following lines:

(i), (ii), (iii), (iv). Use these lines to supply the 9-digit BIN for up to four buildings. If you make an entry on any of these lines, the answer to line 2 is forced to be Yes.

Itemize if 5 or more BINs. If more than four buildings had a decreased basis, itemize this line to supply the BINs for the buildings.

3 Current year credit from attached Form(s) 8609-A. Enter here the sum of credit on all Form(s) 8609-A completed for buildings placed in service before January 1, 2008, which you must attach to the return. (A separate copy of Form 8609-A is prepared for each building, and the credit for that building is computed on that form.)

4 Low-income housing credits from pass-through entities. Enter here any low-income housing credit for buildings placed in service before January 1, 2008, from a pass-through entity (S corporation, partnership, estate, or trust). The appropriate amounts are shown as codes A and B in box 13 of Schedule K-1 (Form 1120S), and codes A and B in box 15 of Schedule K-1 (Form 1065). For Schedule K-1 (Form 1065-B), if a monetary entry appears in box 8, that amount applies only to buildings placed in service before 2008 and is reported here; otherwise, the amount for this line is identified in a supporting statement for box 8. For Schedule K-1 (Form 1041), the

amount for this line is identified in a supporting statement for code C in box 13. *(The distinction between entities subject to section 42(j)(5) and those that are not is not relevant for a Form 1040 return, so the sum of the two amounts shown on Schedules K-1 from partnership and S corporations is reported here.)*

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 4. Thanks to the IRS's complex new design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must now enter the EIN of the entity in column (b) of line 1d of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

5 Add lines 3 and 4. *(auto-calc)* Computed as indicated, *this is the total credit for Part I before any passive activity or tax limitations are applied.*

CAUTION: Additional entries may be required on Form 3800. If this is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 3 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the result from line 5, above, posted to line 1d of Form 3800, Part III. But if the credit is from a passive activity, you must indicate this fact by an entry on screen 3 of Form 3800 and then enter the result from line 5 of Form 8586 on the copy of Form 3800, Part III that applies to your credit.

Lines 6 and 7 apply only to estates and trusts, not Form 1040 returns:

6 Amount allocated to beneficiaries of the estate or trust. *(auto-calc)* Always zero because it applies only to estates and trusts, not individuals.

7 Estates and trusts. Subtract line 6 from line 5. *(auto-calc)* Always zero because it applies only to estates and trusts, not individuals.

PART II, BUILDINGS PLACED IN SERVICE AFTER 2007. Credit is reported here for buildings placed in service after December 31, 2007. Passive activity limitations are applied here, and the limited credit is reported on line 29d of Form 3800. Tax liability limitations are then applied on Form 3800, but *without the usual reduction by the tentative minimum tax. Buildings placed in service before January 1, 2008 are reported in Part I, not here*, and are subject on Form 3800 to reduction by the tentative minimum tax.

8 Number of Forms 8609-A attached. If you use lines 8 through 10 you must attach copies of the associated Form 8609-A for each building. You must have a Form 8609 signed by an authorized housing credit agency official, which you must keep with your records for 3 years after the 15-year compliance period ends. Enter here only the number of Forms 8609-A applicable to buildings placed in service after December 31, 2007.

Itemize if multi-building projects. If any Form 8609-A you counted in line 8 is for buildings that are part of a multiple building project, you *must* supply certain information in a supporting statement for *this* line (not line 8). For each multiple building project you must provide the name and address of the project and the total credit claimed for the project. For each building within the project you must enter its name and address, building identification number (BIN), and the amount of credit allocated to the building.

9 Has there been a decrease in the qualified basis of any buildings accounted for in line 8 since the close of the preceding tax year? If Yes, you must enter the building identification numbers (BINs) of any such buildings on the following lines:

(i), (ii), (iii), (iv). Use these lines to supply the 9-digit BIN for up to four buildings. If you make an entry on any of these lines, the answer to line 9 is forced to be Yes.

Itemize if 5 or more BINs. If more than four buildings had a decreased basis, itemize this line to supply the BINs for the buildings.

10 Current year credit from attached Form(s) 8609-A. Enter here the sum of credit on all Form(s) 8609-A *completed for buildings placed in service after December 31, 2007*, which you must attach to the return. (A separate copy of Form 8609-A is prepared for each building, and the credit for that building is computed on that form.)

11 Low-income housing credits from pass-through entities. Enter here any low-income housing credit for buildings *placed in service after December 31, 2007*, from a pass-through entity (S corporation, partnership, estate, or trust). The appropriate amounts are shown as codes C and D in box 13 of Schedule K-1 (Form 1120S), and codes C and D in box 15 of Schedule K-1 (Form 1065). For Schedule K-1 (Form 1065-B), the amount for this line is identified in a supporting statement for box 8. For Schedule K-1 (Form 1041), the amount for this line is identified in a supporting statement for code C in box 13. *(The distinction between entities subject to section 42(j)(5) and those that are not is not relevant for a Form 1040 return, so the sum of the two amounts is reported here.)*

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 11. Thanks to the IRS's complex new design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must now enter the EIN of the entity in column (b) of line 4d of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

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Form 8586

12 Add lines 10 and 11. *(auto-calc)* Computed as indicated, this is the total credit for Part II before any passive activity or tax limitations are applied.

CAUTION: Additional entries may be required on Form 3800. If this is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 4 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the result from line 12, above, posted to line 4d of Form 3800, Part III. *But if the credit is from a passive activity, you must indicate this fact by an entry on screen 4 of Form 3800 and then enter the result from line 12 of Form 8586 on the copy of Form 3800, Part III that applies to your credit.*

Lines 13 and 14 apply only to estates and trusts, not Form 1040 returns:

13 Amount allocated to beneficiaries of the estate or trust. *(auto-calc)* Always zero because it applies only to estates and trusts, not individuals.

14 Estates and trusts. Subtract line 13 from line 12. *(auto-calc)* Always zero because it applies only to estates and trusts, not individuals.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8594* / Asset Acquisition Statement Under Section 1060

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition.

Purpose. This form is used to satisfy a reporting requirement when there is a transfer of a group of assets that make up a trade or business and the purchaser's basis in such assets is determined wholly by the amount paid for the assets. In this context, a group of assets makes up a trade or business if goodwill or going concern value could attach to such assets. Form 8594 must be filed by *both* the purchaser and the seller with their returns for the year in which the sale occurred. It must also be filed in any subsequent year in which there is a change in the purchaser's cost of the assets or a change in the amount realized by the seller. Although Form 8594 is generally filed with the tax return of the individuals or entities involved, it is not tied to any form in the return and does not affect any calculations. Because of its stand-alone nature, *Form 8594 is accessible only from the Forms Menu (as form 58), not through the Road Map.*

Classes of assets. The assets that comprise the sale are reported in seven IRS-defined classes. Common assets that fall into each class are referenced in our instructions that follow, but you should read the IRS *Instructions for Form 8594 (Rev. November 2021)* for more detailed definitions and examples. For the year of the sale you must report in Part II of Form 8594 the part of the sales price that relates to each class. In any subsequent year you must report in Part III of Form 8594 any subsequent change in these allocations.

Identify your role. You must identify your role in the transaction reported on this form. Answer the first question below and the second question is automatically the opposite:

Are you the purchaser. Answer Yes if you are the buyer, No if you are the seller.

Are you the seller. *(auto-calc)* Automatically the opposite of the preceding answer.

PART I, GENERAL INFORMATION. All filers must complete this part. You must identify here the sale and the other party in the transaction:

1 Name of other party to the transaction. Enter the name of the other party in 35 characters or less.

Other party's identifying number. If an individual, enter the SSN of the individual in the standard xxx-xx-xxxx format. Otherwise enter the EIN in the standard xx-xxxxxxx format.

Address (number, street, and room or suite no.). Enter the address of the other party in 35 characters or less.

City or town. Enter the city or town in 22 characters or less.

State. Enter the 2-character state code.

ZIP code. Enter the ZIP code in the standard xxxxx-xxxx format.

2 Date of sale. Enter the sale date in the standard mo/dy/year format.

3 Total sales price. Enter the total consideration transferred for the assets.

PART II, ASSETS TRANSFERRED. Complete this part *only for the first Form 8594 that you file* for this group of assets.

4 Assets by Class. For each class of assets you must report both the fair market value (FMV) on the sale date and your "allocation of sales price" (the dollar amount you actually attribute to these assets in arriving at the total sales price on line 3). The total for "allocation of sales price" should match the total you entered on line 3.

Class I. This class is comprised solely of cash and deposits, but excludes certificates of deposit.

Actual amount. For this class you enter the actual dollar amount because the FMV of cash is always the dollar amount because FMV is measured in dollars.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to assets in this class.

Class II. This class includes actively traded personal property and certificates of deposit. See IRS instructions for examples.

Aggregate FMV. Enter the fair market value on the date of sale for all assets in this class combined.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to assets in this class.

Class III. This class is comprised of assets that are periodically (at least annually) marked-to-market by the taxpayer. However, see IRS instructions for details on exclusion of debts to related parties and contingent debt.

Aggregate FMV. Enter the fair market value on the date of sale for all assets in this class combined.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to assets in this class.

Class IV. This class is comprised of stock in trade and other property includable in inventory.

Aggregate FMV. Enter the fair market value on the date of sale for all assets in this class combined.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to assets in this class.

Class V. The class is comprised of all assets that don't fall into any of the other classes.

Aggregate FMV. Enter the fair market value on the date of sale for all assets in this class combined.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to assets in this class.

Classes VI and VII. These classes comprise intangibles – goodwill and going concern value for Class VII and all other intangibles for Class VI.

Aggregate FMV. Enter here the fair market value on the date of sale for all intangible assets combined.

Allocation of sales price. Enter the part of the sales price on line 3 that you attribute to intangibles.

Total Aggregate FMV (actual amount for I). *(auto-calc)* Computed as the sum of aggregate FMV for all seven classes combined.

Total Allocation of sales price. *(auto-calc)* Computed as the sum of allocation of sales price or all seven classes combined, this total should match the total you entered for line 3.

Discrepancy with line 3. *(auto-calc)* Computed as the preceding result less the amount you entered for "Total sales price" on line 3. A discrepancy means that you failed to allocate all sales in line 3 among the classes in line 4 and must correct this omission.

5 Did the purchaser and seller provide for an allocation of the sales price in the sales contract or in another written document signed by both parties? If you answer Yes, you must also answer the second question for line 5.

If "Yes," are the aggregate fair market values (FMV) listed for each of asset Classes I, II, III, IV, V, VI, and VII the amounts agreed upon in your sales contract or in a separate written document? Your answer is printed on the form only if you answered Yes to the first question for line 5.

6 In the purchase of the group of assets (or stock), did the purchaser also purchase a license or a covenant not to compete, or enter into a lease agreement, employment contract, management contract, or similar arrangement with the seller (or managers, directors, owners, or employees of the seller)? Both the purchaser and the seller must answer this question on their respective Form 8594. See IRS instructions for details. If you answer Yes, you *must* itemize the next line.

If "Yes," attach a schedule that specifies (a) the type of agreement and (b) the maximum amount of consideration (not including interest) paid or to be paid under the agreement. To provide such a schedule *itemize this line* and enter (a) in the text column and (b) in the amount column for each type of agreement. *Exception for e-file: The IRS looks only at the text column for this line, so you must enter both (a) and (b) in the text column alone!*

PART III, SUPPLEMENTAL STATEMENT. Complete this part *only for years AFTER the first Form 8594 that you file* in order to amend the last Form 8594 filed for this group of assets because of a change in consideration.

7 Tax year and tax return form number with which the original Form 8594 and any supplemental statements were filed. If you filed only one prior Form 8594 for this group of assets, enter the year and form number on this line in the format, such as "2009 Form 1040" or "2014 Form 1065." *If you filed more than one Form 8594 in*

the past, list the prior years in the same format in a supporting statement for this line, accessing the line with the F10 or ctrl-Y key (since you cannot use the i-key to access support on a text line).

8 Assets by Class. For each class of assets you must show the allocation of sales price last reported, the change to be made, and the resulting new allocation of sales price.

Class I.

Allocation of sales price as previously reported. Enter the amount shown on the last Form 8594 for filed for this group of assets.

Increase or decrease. Enter the change to be reported as a positive or negative amount.

Redetermined allocation of sales price. *(auto-calc)* Computed as the previous allocation plus your entry on the preceding line.

Classes II through VII. The entries for the other classes follow the same 3-line format as Class I.

Total Allocation as previously reported. *(auto-calc)* Computed as the sum of previously reported allocations for all seven classes combined, this total should match the total reported on the last Form 8594 you filed.

Total Redetermined allocation. *(auto-calc)* Computed as the sum of redetermined allocation for all seven classes combined.

9 Reason(s) for increase or decrease in consideration. **ITEMIZE here to explain.** If you use Part III of Form 8594, you *must explain your reasons for the changes in a supporting statement for this line, using only the text column.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8606 / Nondeductible IRAs

Who is it for? This form is REQUIRED if any of the following apply for 2023:

- you made any nondeductible IRA contributions during 2023 (or during 2024 for 2023),
- you received IRA distributions and have made nondeductible contributions in the past,
- you converted any traditional, SEP, or SIMPLE IRAs to Roth IRAs,
- you recharacterized any Roth IRAs or Roth IRA contributions,
- you received any distribution from a Roth IRA, or
- any other conditions cited in the IRS *2023 Instructions for Form 8606*.

It is to your benefit to complete Form 8606 even when it is not required in order to keep track of changes in basis, which you will need to know when future distributions are received, and to see the limits on your Roth IRA contributions. (Even if you are not required to file a Form 1040, you may still have to file Form 8606 if you received any distributions during the year.)

Automatically created for excess IRA contributions. Form 8606 is automatically created for the relevant spouse based on entries on Form 1040 and Schedule 1 (unless you block its auto-creation on the Control Form) when:

- A distribution was entered on line 4a of Form 1040 and the age at year-end for the corresponding spouse is under 60.5.
- The distribution entered on line 4a of Form 1040 exceeds the taxable amount on line 4b.
- The IRA contribution entered above line 20 of Schedule 1 is more than the allowed deduction included in the total shown at line 20.

Form 5329, where penalties are figured on taxable amounts from Form 8606, is automatically created under similar conditions. (You must complete Form 8606 before you complete Form 5329.) ***CAUTION: Even though this form is automatically generated, you will have to access it to report the current value and past basis of your IRA accounts, to report transactions related to Roth IRAs, and to identify qualified disaster distributions (which receive favored treatment).*** Form 8606 is accessible through the Road Map at line 4b of Form 1040 and several special access lines on Form 5329.

Special treatment for qualified disaster distributions. Distributions from IRAs and other retirement plans may receive favorable treatment on Form 8606 if your main home was in the disaster area of certain Presidentially declared disasters. To qualify, your main home must lie in specific areas affected by the disasters, and certain other conditions must be met. Certain repayments may also receive favorable treatment. Form 8606 is materially affected at lines 6, 7, 15b, 19, and 25b. For details, see the IRS *2023 Instructions for Form 8606 and Form 8915-F*.

CHARACTERIZATIONS. A separate Form 8606 is available for each spouse.

Social security number for this copy. (*auto-calc*) The social security entered on Form 1040 for the spouse whose copy you chose when you entered Form 8606.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also automatic based on your choice when you entered.

Is this an Amended Return? If Form 8606 is being prepared as part of an amended return, then you must file Form 1040X in addition to any forms that are changed from the forms filed with the original Form 1040 return. If you answer Yes, the box near the top of Form 8606 is checked on the official printout and the rest of the address section of Form 8606 is left blank.

Are you filing this form by itself? If you do not have to file Form 1040 yet you have to file Form 8606 because you received a relevant distribution in the tax year, answer Yes here so that the form will show the name, address, and social security number of the filer and the name, address, and PTIN of the paid preparer, if any (as entered in the Program Settings of the software). The taxpayer, and paid preparer if any, must sign the bottom of page 2 of this form when filed separately from Form 1040. *TIP: This entry is forced to be No when the answer to the preceding question is Yes because the form is being filed with a Form 1040X return, not by itself.*

Address, city, state, ZIP (and foreign information, if applies). *(auto-calc lines)* Entries will appear here ONLY if you answered Yes to the preceding question because the address block at the top of the printed Form 8606 must remain blank if you are filing Form 8606 with the Form 1040 return. When shown, these entries come from your entries on Form 1040. *TIP for foreign addresses: If you are using a foreign address for a Form 8606 that you are filing alone, you should enter the foreign street address and the foreign city in the entries for U.S. street address and city on Form 1040 because only the entries for foreign city, province or state, and postal code are used on IRS's Form 1040 in addition to the complete U.S. address.*

Amounts reported on Form 1040, line 4a, are characterized here so that they are properly treated on or omitted from Form 8606.

IRA distributions on Form 1040 for THIS copy. *(auto-calc)* Taken from the IRA distribution on line 4a of Form 1040 for the proper spouse, this amount is used in applying limitations on line 1 of this form. (Each spouse's amounts are reported in the 1099-R Worksheets that support line 4a.)

ITEMIZE for any entries below. There are a number of special distributions that must be reported on Form 1040 line 4a yet are not reportable on Form 8606. However, you must identify them to the IRS so that they do not consider your Form 8606 to be inconsistent with your Form 1040. You must therefore show all exclusions in the following lines. *For each of these exceptions you must report details and the amount to be excluded in a supporting statement for the line.* The amounts will then be excluded from distributions for the purposes of Form 8606 and the explanations will be printed with the return, cross-referenced on the official Form 8606 near the Part I title. **CAUTION**

for e-file: The IRS ignores the amount column in processing your supporting statement, so you must repeat the amount in the text column if it is integral to your explanation.

Prior excess contributions returned. If the above distributions include the return in 2023 of any excess contributions you made prior to 2023, the returned contributions are treated as if they never made. As long as the conditions listed under "Return of Excess Traditional IRA Contributions" on page 6 of the IRS *2023 Instructions for Form 8606* are met, enter any such returned contributions that are included above in a supporting statement for this line, explaining the distribution. *Reminder for e-file: Include the amount in the text column in addition to the amount column if it is integral to your explanation.*

Other returned contributions. If any contributions you made to an IRA in 2023 (or in 2024 for 2023) were returned to you (with any related earnings) by the due date (including extensions) of your return, the returned contributions are treated as if they never made. Enter any such returned contributions that are included above in a supporting statement for this line, explaining the distribution. *Reminder for e-file: Include the amount in the text column in addition to the amount column if it is integral to your explanation.* **Exception:** If a returned contribution stems from an excess contribution in a traditional IRA that was the result of incorrect information from the plan, do not include that distribution here. Instead, enter it above line 7 as a special adjustment to line 7.

Recharacterizations. Enter on this line all recharacterizations that make the distribution non-taxable. For example, if you converted a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2023, then later recharacterized any of it back, the part recharacterized back is treated as if it the original conversion and later recharacterization never occurred. Enter the amount included above that is transferred back from the Roth IRA in a supporting statement for this line, explaining the conversion and recharacterization. *Reminder for e-file: Include the amount in the text column in addition to the amount column if it is integral to your explanation.*

Other exclusions (except rollovers). Report certain other allowed exclusions from the above distributions here, *but see "Exceptions" at the end of this paragraph.*

Examples:

(1) Up to \$100,000 of *qualified charitable distributions* are non-taxable for IRA holders who are age 70-1/2 or more at the time of the distribution and the distribution is made through direct transfer from the IRA account to the charity. In a supporting statement for this line you need only enter "*Qlfd. charitable distribution*" in the amount column and the distribution in the amount column, and the amount will be excluded from the result for line 15 of Form 8606 (*Taxable amount*). *This special tax break had expired at the end of 2014, but*

was retroactively reinstated and made permanent by the year-end 2015 tax bill. **CAUTION:** If you contributed to your IRA during the tax year, the \$100,000 maximum deduction is reduced by your contribution.

(2) Qualified Roth IRA distributions are generally non-taxable distributions from your Roth IRA. They include Roth IRA distributions (a) on or after age 59½, (b) upon death, and (c) due to disability. Enter only qualified distributions here; you will enter nonqualified Roth IRA distributions a few entries later. Qualified Roth IRA distributions you enter here will generally be omitted from Part III (*Distributions from Roth IRAs*).

(3) The transfer of any or all of your traditional, SEP, or SIMPLE IRA to your spouse under a divorce or separation agreement is not taxable to either of you. Any such distributions you enter here will be excluded from line 7. **CAUTION:** *If the divorce or separation agreement affects your basis, you must also enter the necessary adjustment to basis in a supporting statement above line 2.* (Adjustments to basis for a Roth IRA are entered above line 22 or line 24, whichever applies.)

Exceptions:

(1) Although qualified first-time homebuyer expenses are excluded under certain circumstances, you should not include them here. Instead, include them with nonqualified Roth IRA distributions, later, and enter them above line 20 in Part III. If qualified, they will be reflected in line 20 and excluded from line 21.

(2) You should not include rollovers here. They are deducted later.

Net reportable IRA distributions. (*auto-calc*) Computed as the "IRA distributions on Form 1040 for THIS copy" less the preceding exclusions, this is the net amount to be considered for Form 8606, which includes distributions from both traditional and Roth IRAs.

Nonqualified Roth IRA distribution for Part III (*including qualified first-time homebuyer distributions*). Nonqualified distributions include those made before age 59½ and those made within 5 years of your first contribution to or conversion to your Roth IRA. (See the above paragraph on "Qualified Roth IRA distributions" for more details.) Your entry is limited to the preceding result for "Net reportable IRA distributions." The amount you enter here will be reflected in Part IV of Form 8606, where the taxable part of the distributions is computed. **CAUTION:** You MUST include "Qualified First-time Homebuyer Distributions" on this line. *Qualification of your First-time Homebuyer Distribution is determined in Part III of the form, where you must enter your first-time homebuyer expenses above line 20 and identify whether the Roth IRA is old enough to have a qualified distribution.*

Traditional, SEP, and SIMPLE IRA converted to Roth IRA. Enter the amount of the cited IRAs converted to Roth IRAs in 2023. The taxable part of the conversion is figured in Part II of Form 8606.

Traditional, SEP, and SIMPLE IRA distribution for Part I. *(auto-calc)* Computed as the "Net reportable IRA distributions" less "Nonqualified Roth IRA distributions for Part IV" and "Traditional, SEP, and SIMPLE distributions converted to Roth IRA," this amount is used in Part I of Form 8606 as the total distributions from traditional, SEP, and SIMPLE IRAs.

Rollover on Form 1040 for THIS copy. *(auto-calc)* Taken from the worksheets that support line 4a, this is the part of the IRA distribution that is not taxable because it was used for a timely rollover into another IRA.

Roth IRA part of the above. Enter the part of the total for Roth IRAs.

Traditional, SEP, and SIMPLE IRA part. *(auto-calc)* Computed as the total rollover for all IRAs less the Roth IRA part.

PART I, NONDEDUCTIBLE CONTRIBUTIONS TO TRADITIONAL IRAs AND DISTRIBUTIONS FROM TRADITIONAL, SEP, AND SIMPLE IRAs. This part is used to figure the nondeductible contributions to, taxable distributions from, and basis in your IRA. *In spite of the IRS label for this part, you must supply all information in this part concerning value and basis in order for the Roth IRA part of the form to be properly computed. In particular, Parts I and II of Form 8606 interact even though the wording on Form 8606 does not make this clear.*

The first few lines are provided to give you some visibility of the calculations when you perform tax planning for future tax years:

Your and spouse's age at the end of the tax year. *(auto-calc lines)* Taken from your entries for ages on our Form 1040, age now affects the maximum contribution. For 2023, the maximum contributions is raised by \$1,000 for taxpayers age 50 or more by year-end.

Your and spouse's initial maximum contribution. *(auto-calc lines)* The initial maximum (before high income limitations and coverage by employers) is \$6,500 for 2024, plus \$1,000 additional for those of age 50 or older.

Maximum for THIS Form 8606 copy. *(auto-calc)* Taken as the maximum for the spouse whose Form 8606 is being viewed.

The next few lines summarize the contributions and allowed deduction for those contributions on Form 1040, in order to compute the allowed nondeductible contributions already entered:

Your earned income limitation. *(auto-calc)* Wages on Form 1040, plus net self-employment income if a gain, for you.

Spouse earned income limitation. *(auto-calc)* Wages on Form 1040, plus net self-employment income if a gain, for spouse.

IRA contribution entered on Form 1040. *(auto-calc)* Taken from the contribution you entered on Form 1040 for the spouse you identified for the copy of Form 8606 you are completing.

IRA deduction claimed on Schedule 1. *(auto-calc)* Taken as the part of line 20 of Schedule 1 that applies to the spouse you identified for the copy of Form 8606 you are completing.

Additional contributed. Enter here the amount that you voluntarily choose to contribute and not deduct, even though it would be allowed as a deduction on Schedule 1. *CAUTION: If line 20 of Schedule 1 does not increase when you increase the contributions you enter above line 20, no voluntary contributions are allowed and your entry for this line should be zero.*

1 Nondeductible contributions to traditional IRAs for 2023. *(auto-calc)* Computed as the contribution on 1040 less the deduction on 1040 plus the additional contributed above, but subject to the usual maximums for traditional IRAs and the limitation to earned income.

Part made before conversion to a Roth IRA. Many of the rules involving Roth IRAs depend critically on timing. You must therefore identify the nondeductible contributions made *before* a conversion reported in Part II so that the basis at line 15 properly computed.

Basis in traditional IRAs. This is your basis based on 2022 and prior years. Your basis will generally be zero if you made no nondeductible contributions to your traditional IRA in the past. Enter zero if this is the first year you are required to file Form 8606. *TIP: If you filed Form 8606 last year using Tax Preparer and you started the current return by translating the prior-year return with tax year on the Control Form still set to 2022, this entry will already be correct.* Otherwise, if any Form 8606 was filed for the taxpayer after 2000, enter line 14 of the last Form 8606 filed. If none was filed after 2000, but was filed after 1992, enter line 12 of the last Form 8606 filed. If none filed after 1992, but was filed after 1988, enter here line 14 of the last Form 8606 filed. If the last Form 8606 was filed in 1988, enter the sum of lines 7 and 16 of that form. If the last Form 8606 filed was in 1987, enter the sum of lines 4 and 13 of that form. (Amounts from Forms 8606 prior to 1987 are not relevant.) *This is the total of all past nondeductible IRA contributions less nontaxable distributions received.*

Divorce/separation adjustment. If you included a distribution due to divorce or separation in your entry on screen 1 for "Other exclusions (except rollovers)," and that distribution affects your basis your traditional IRA, enter here the corresponding adjustment, which could be positive or negative, in a supporting statement for this line. See the last bullet in the IRS instructions for line 7 (in IRS 2023 Instructions for Form 8606) for details on what you must include in the support.

2 Total basis in traditional IRAs. *(auto-calc)* Computed as the sum of the preceding two amounts.

3 Add lines 1 and 2. *(auto-calc)* As indicated.

4 Contributions included in line 1 made during January 1, 2024 through April 15, 2024. If all contributions in excess of your deductible amount were made in 2024, line 4 could be the same as line 1.

5 Subtract line 4 from line 3. *(auto-calc)* As indicated if there are any IRA distributions this year for this spouse. Otherwise, zero.

Gross distributions on Form 1040. *(auto-calc)* Taken from "Traditional, SEP, and SIMPLE IRA distribution for Part 1" on screen 1.

Total rollovers in above. *(auto-calc)* Taken from the "Traditional, SEP, and SIMPLE part" of "Rollovers on Form 1040 of THIS copy" shown on screen 1.

Rollovers outstanding on 12/31. Enter here all remaining rollovers in the above distributions that were *NOT* yet rolled over by the end of the tax year, yet *ARE* rolled over within the maximum allowed 60-day period to another traditional IRA. This amount is included in line 6, below.

Value of traditional, SEP, and SIMPLE IRAs on 12/31/2023 (after all recharacterizations). Enter the year-end value of all traditional, SEP, and SIMPLE IRAs combined, after any recharacterizations, for the spouse to whom this copy of Form 8606 applies. If you have more than one traditional IRA account you should list the separate accounts in a supporting statement for this line. You should receive the information you need for this line from your trustees by 1/31/2024.

Qualified disaster distribution repayments. Enter any repayments shown on 2023 Form 8915-C and/or 8915-D. This entry will reduce the amount for line 6, below.

Special calculations if contributions and distributions in same year. If net contributions on line 5 exceed the nontaxable portion of distributions taken in the same year, complex instructions in IRS Pub. 590-B (*Distributions from IRAs*) apply. In this case, calculations for lines 6 through 15 may differ from the labels on the form and the IRS *2023 Instructions for Form 8606*. If you see zero on lines 6 through 9 when the normal computations would produce nonzero results, the special calculations are most likely being performed by the software. For details, see IRS Pub. 590-B (*Distributions from IRAs*) for 2023 returns.

6 Value of ALL your traditional, SEP, and SIMPLE IRAs plus outstanding rollovers. *(auto-calc)* Normally computed as "Value of traditional, SEP, and SIMPLE IRAs on 12/31/2023" *plus* "Outstanding rollovers" less "Qualified disaster distribution repayments," but no less than zero. However, if the special calculations noted in the preceding shaded paragraph apply, computed as zero.

Distributions without rollovers. *(auto-calc)* Computed as "Gross distributions on Form 1040" less "Total rollovers in above" (shown on-screen above line 6). This amount includes all distributions, including qualified disaster distributions.

Qualified disaster distribution adjustment. You may be able to make a negative adjustment here if any distributions were to be used to purchase or construct a new main home but the home was not purchased or constructed because of a qualified 2021, 2022, or 2023 disaster, as reported on 2023 Form 8915-F.

Other special adjustment. Number of other adjustments apply, as detailed in the IRS instructions for line 7. For any amount that is not included in "Distributions without rollovers" but should be included, enter the adjustment as a positive number. For any amount that is included in "Distributions without rollovers" but should not be included, enter the adjustment as a negative number.

7 Distributions from traditional, SEP, and SIMPLE IRAs in 2023. (auto-calc) Normally computed as "Distributions without rollovers" plus the preceding two adjustments, but no less than zero, but zero if the special calculations noted in the preceding shaded paragraph apply.

Qualified disaster distributions in line 7. Enter here the qualified disaster distributions included in line 7. This amount will be used in the computation for line 15b.

8 Conversions from traditional, SEP, and SIMPLE IRAs to Roth in 2023. (auto-calc) Unless the special calculations apply, taken from line 16 of Part II of this form (total conversions to Roth in 2023 after any recharacterizations).

9 Add lines 6, 7, and 8. (auto-calc) Computed as indicated unless the special calculations apply.

10 Divide line 5 by line 9 (to 5 places). (auto-calc) Computed as indicated to 5 decimal places, unless the special calculations apply.

11 Multiply line 8 by line 10. (auto-calc) Computed as indicated, unless the special calculations apply. This is the nontaxable part of distributions you converted to Roth IRAs.

12 Multiply line 7 by line 10. (auto-calc) Computed as indicated, unless the special calculations apply. This is the nontaxable part of distributions you did *NOT* convert to Roth IRAs.

13 Add lines 11 and 12. (auto-calc) Normally computed as indicated, this is the nontaxable part of all of the distributions.

14 TOTAL BASIS IN TRADITIONAL IRAs. (auto-calc) Normally computed as line 3 less line 13, this is your basis in traditional IRAs for 2023 and earlier years.

15a Subtract line 12 from line 7. (auto-calc) Normally computed as line 7 less line 12, but no less than zero.

15b Amount on line 15a attributable to qualified disaster distributions. (auto-calc) Computed as line 15a times "Qualified disaster distributions in line 7" (your entry below line 7) divided by line 7. This is the portion of the taxable amount on line 15a that is not subject to tax.

15c TAXABLE AMOUNT. (auto-calc) Computed as line 15a less line 15b.

The result on line 15c is reflected in line 4b of Form 1040. *Any amount that appears for the IRA distribution on line 4b of Form 1040 based on the 1099-R Worksheets that support line 4a is overridden by the taxable amounts computed here and on lines 18 and 25c of this form, for both spouses combined.*

PART II. 2023 CONVERSIONS FROM TRADITIONAL, SEP, or SIMPLE IRAs TO ROTH IRAs. This part is used to figure the taxable conversions from traditional (and SEP and SIMPLE) IRAs to Roth IRAs.

Distributions converted in 2023. *(auto-calc)* Taken from your earlier entry for "Traditional/SEP/SIMPLE converted to Roth."

Recharacterizations (itemize). You are generally allowed to correct a disallowed conversion by making a transfer back to the traditional IRA before the due date of your return (including extensions). *Enter the amount you want to recharacterize in a supporting statement for this line*, explaining the details of the recharacterization by breaking your entry into its components: the part that is the original contribution and the part that is earnings, and identify any part that is now deductible. *Introduced last year: The former rule that prevented you from making a rollover or conversion to Roth if your modified AGI exceeded \$100,000 no longer applies (starting with tax year 2010). In addition, married taxpayers filing separately are no longer prohibited from these transactions. Recharacterizations are therefore now seldom required.*

16 Conversions to Roth IRAs in 2023. *(auto-calc)* Computed as the distributions converted less the above recharacterizations, this is the net converted to Roth IRAs during the tax year.

17 Basis in amount in line 16. *(auto-calc)* Unless you converted all of your traditional, SEP, and SIMPLE IRAs to Roth IRAs, this is generally a prorated share of the basis you have in these IRAs.

18 TAXABLE AMOUNT. *(auto-calc)* Computed as line 16 less line 17, but no less than zero.

The result on line 18 is reflected in line 4b of Form 1040 for 2023. *Any amount that appears on line 4b of Form 1040 based on the 1099-R Worksheets that support line 4a is overridden by the taxable amounts computed here and on lines 15 and 25 of this form, for both spouses combined.*

INFORMATION FOR PART III (Distributions from Roth IRAs). Parts III of Form 8606 requires historical information about your Roth IRAs and designated Roth accounts as far back as 1998. If you filed Forms 8606 in the past, much of the information may be available from those forms. Because the data required from 2022 and earlier years can be extensive, we provide a special worksheet for entering the data. If you have any historical data to report, you MUST use this worksheet, which is accessible on the next line.

ITEMIZE to enter pre-2023 amounts. (*Road Map line, supported by our Roth Worksheet*) The form you access by itemizing this line provides several screens for entering historical data on your Roth IRAs and designated Roth accounts. This data is required for the software to complete several lines on the 2023 Form 8606 and the early distribution for Form 5329, line 1. However, *if you started the return by translating the prior-year return, and you had a Form 8606 for that return, MOST of the required information is already entered for you.* Otherwise, you must provide any information requested yourself.

ROTH WORKSHEET. (*Accessible from all lines on our on-screen Form 8606 labeled "ITEMIZE to enter pre-2023 amounts."*) This multi-screen worksheet is used to collect information from prior Forms 8606 as well as information not reported on Forms 8606 relating to transactions involving Roth IRAs and designated Roth accounts prior to 2023. *This worksheet is critical to the automation of Part III of the 2023 Form 8606, and MUST be completed.* Although most of the entries on this worksheet are translated from the prior-year Form 8606 (provided you started the return by translating the prior-year return as filed, with the tax year retained at 2022), *you must check all entries for omissions because not all amounts are available from the prior-year Form 8606.*

Is this spouse's copy (vs. you)? (*auto-calc*) This answer is also automatic based on your choice when you entered.

Forms 8606 for 1998 through 2022. Part IV of the current Form 8606 and certain parts of Form 5329 depend on a number of amounts from your prior Forms 8606, so those amounts are entered here. *TIP: Almost all of the amounts from prior Forms 8606 are automatically translated from the prior-year return as long as the prior-year return had a Form 8606 and the tax year for the return was retained at 2022. Otherwise, you must enter the amounts yourself.*

From your 1998 Form 8606. Unless already translated, enter the following:

1998 Form 8606, line 14c. This is the amount converted to Roth in 1998.

1998 Form 8606, line 15. (*auto-calc*) Computed as line 14c, above, less line 16, below. This is your basis in the amount on line 14c.

1998 Form 8606, line 16. This is the taxable amount of conversions in 1998, which was eligible for a 4-year spread.

1998 Form 8606, line 18. This is the total Roth distributions received in 1998. *CAUTION: This amount is NOT translated from the prior-year Form 8606 because the line did not exist on our on-screen form last year. You must make this entry yourself.*

1998 Form 8606, line 19c. This is the amount of Roth contributions (after recharacterizations) made for 1998. *CAUTION: This amount is translated from the prior-year Form 8606 because the line did not exist on our on-screen form last year. You must make this entry yourself.*

1998 Form 8606, line 20. This is the net distribution after deducting contributions.

From your 1999 Form 8606. Unless already translated, enter the following:

1999 Form 8606, line 15.

1999 Form 8606, line 16.

1999 Form 8606, line 17.

1999 Form 8606, line 18d.

1999 Form 8606, line 19. (*auto-calc*) Computed as line 17 less line 18d.

1999 Form 8606, line 25.

From your 2000 Form 8606. Unless already translated, enter the following:

2000 Form 8606, line 15.

2000 Form 8606, line 16.

2000 Form 8606, line 17.

2000 Form 8606, line 18d.

2000 Form 8606, line 19. (*auto-calc*) Computed as line 17 less line 18d.

2000 Form 8606, line 25.

From your 2001 Form 8606. Unless already translated, enter the following:

2001 Form 8606, line 17.

2001 Form 8606, line 18.

2001 Form 8606, line 19.

2001 Form 8606, line 20.

2001 Form 8606, line 21. (*auto-calc*) Computed as line 19 less line 20.

2001 Form 8606, line 22.

From your 2002 Form 8606. Unless already translated, enter the following:

2002 Form 8606, line 17.

2002 Form 8606, line 18.

2002 Form 8606, line 19.

2002 Form 8606, line 20.

2002 Form 8606, line 21. (*auto-calc*) Computed as line 19 less line 20.

2002 Form 8606, line 22.

From your 2003 Form 8606. Unless already translated, enter the following:

2003 Form 8606, line 17.

2003 Form 8606, line 18.

2003 Form 8606, line 19.

2003 Form 8606, line 20.

2003 Form 8606, line 21. (*auto-calc*) Computed as line 19 less line 20.

2003 Form 8606, line 22.

From your 2004 Form 8606. Unless already translated, enter the following:

2004 Form 8606, line 17.

2004 Form 8606, line 18.

2004 Form 8606, line 19.

2004 Form 8606, line 22.

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Form 8606

2004 Form 8606, line 23 refigured. *(auto-calc)* Computed as line 19 less line 22, this is the 2004 line 23 without any reduction for qualified first-time homebuyer expenses.

2004 Form 8606, line 24.

From your 2005 Form 8606. Unless already translated, enter the following:

2005 Form 8606, line 17.

2005 Form 8606, line 18.

2005 Form 8606, line 19.

2005 Form 8606, line 22.

2005 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2005 line 23 without any reduction for qualified first-time homebuyer expenses.

2005 Form 8606, line 24.

From your 2006 Form 8606. Unless already translated, enter the following:

2006 Form 8606, line 17.

2006 Form 8606, line 18.

2006 Form 8606, line 19.

2006 Form 8606, line 22.

2006 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2006 line 23 without any reduction for qualified first-time homebuyer expenses.

2006 Form 8606, line 24.

From your 2007 Form 8606. Unless already translated, enter the following:

2007 Form 8606, line 17.

2007 Form 8606, line 18.

2007 Form 8606, line 19.

2007 Form 8606, line 22.

2007 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2007 line 23 without any reduction for qualified first-time homebuyer expenses.

2007 Form 8606, line 24.

From your 2008 Form 8606. Unless already translated, enter the following:

2008 Form 8606, line 17.

2008 Form 8606, line 18.

2008 Form 8606, line 19.

2008 Form 8606, line 22.

2008 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2008 line 23 without any reduction for qualified first-time homebuyer expenses.

2008 Form 8606, line 24.

From your 2009 Form 8606. Unless already translated, enter the following:

2009 Form 8606, line 17.

2009 Form 8606, line 18.

2009 Form 8606, line 19.

2009 Form 8606, line 22.

2009 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2009 line 23 without any reduction for qualified first-time home buyer expenses.

2009 Form 8606, line 24.

From your 2010 Form 8606. Unless already translated, enter the following:

2010 Form 8606, line 17.

2010 Form 8606, line 18.

2010 Form 8606, line 20a. This and the next four lines are unique to the 2010 Form 8606, and represent the taxable amounts deferred from 2010 to 2011 and 2012 (half each year).

2010 Form 8606, line 20b.

2010 Form 8606, line 25a.

2010 Form 8606, line 25b.

In-plan rollover in lines 25a and 25b.

2010 Form 8606, line 26.

2010 Form 8606, line 29.

2010 Form 8606, line 30. *(auto-calc)* Computed as line 26 less line 29, this is the 2009 line 30 without any reduction for qualified first-time home buyer expenses.

2010 Form 8606, line 31.

2010 Form 8606, line 33.

From your 2011 Form 8606. Unless already translated, enter the following:

2011 Form 8606, line 17.

2011 Form 8606, line 18.

2011 Form 8606, line 19.

2011 Form 8606, line 22.

2011 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2011 line 23 without any reduction for qualified first-time home buyer expenses.

2011 Form 8606, line 24.

From your 2012 Form 8606. Unless already translated, enter the following:

2012 Form 8606, line 17.

2012 Form 8606, line 18.

2012 Form 8606, line 19.

2012 Form 8606, line 22.

2012 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2012 line 23 without any reduction for qualified first-time home buyer expenses.

2012 Form 8606, line 24.

From your 2013 Form 8606. Unless already translated, enter the following:

2013 Form 8606, line 17.

2013 Form 8606, line 18.

2013 Form 8606, line 19.

2013 Form 8606, line 22.

2013 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2013 line 23 without any reduction for qualified first-time home buyer expenses.

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2013 Form 8606, line 24.

From your 2014 Form 8606. Unless already translated, enter the following:

2014 Form 8606, line 17.

2014 Form 8606, line 18.

2014 Form 8606, line 19.

2014 Form 8606, line 22.

2014 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2014 line 23 without any reduction for qualified first-time home buyer expenses.

2014 Form 8606, line 24.

From your 2015 Form 8606. Unless already translated, enter the following:

2015 Form 8606, line 17.

2015 Form 8606, line 18.

2015 Form 8606, line 19.

2015 Form 8606, line 22.

2015 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2015 line 23 without any reduction for qualified first-time home buyer expenses.

2015 Form 8606, line 24.

From your 2016 Form 8606. Unless already translated, enter the following:

2016 Form 8606, line 17.

2016 Form 8606, line 18.

2016 Form 8606, line 19.

2016 Form 8606, line 22.

2016 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2016 line 23 without any reduction for qualified first-time home buyer expenses.

2016 Form 8606, line 24.

From your 2017 Form 8606. Unless already translated, enter the following:

2017 Form 8606, line 17.

2017 Form 8606, line 18.

2017 Form 8606, line 19.

2017 Form 8606, line 22.

2017 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2017 line 23 without any reduction for qualified first-time home buyer expenses.

2017 Form 8606, line 24.

From your 2018 Form 8606. Unless already translated, enter the following:

2018 Form 8606, line 17.

2018 Form 8606, line 18.

2018 Form 8606, line 19.

2018 Form 8606, line 22.

2018 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2018 line 23 without any reduction for qualified first-time home buyer expenses.

2018 Form 8606, line 24.

From your 2019 Form 8606. Unless already translated, enter the following:

2019 Form 8606, line 17.

2019 Form 8606, line 18.

2019 Form 8606, line 19.

2019 Form 8606, line 22.

2019 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2019 line 23 without any reduction for qualified first-time home buyer expenses.

2019 Form 8606, line 24.

From your 2020 Form 8606. Unless already translated, enter the following:

2020 Form 8606, line 17.

2020 Form 8606, line 18.

2020 Form 8606, line 19.

2020 Form 8606, line 22.

2020 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2020 line 23 without any reduction for qualified first-time home buyer expenses.

2020 Form 8606, line 24.

From your 2021 Form 8606. Unless already translated, enter the following:

2021 Form 8606, line 17.

2021 Form 8606, line 18.

2021 Form 8606, line 19.

2021 Form 8606, line 22.

2021 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2021 line 23 without any reduction for qualified first-time home buyer expenses.

2021 Form 8606, line 24.

From your 2022 Form 8606. Unless already translated, enter the following:

2022 Form 8606, line 17.

2022 Form 8606, line 18.

2022 Form 8606, line 19.

2022 Form 8606, line 22.

2022 Form 8606, line 23. *(auto-calc)* Computed as line 19 less line 22, this is the 2022 line 23 without any reduction for qualified first-time home buyer expenses.

2022 Form 8606, line 24.

Amounts from current Form 8606. These are not data entry lines but are shown here because they are used in computations or translation from the prior year:

2023 Form 8606, line 17. *(auto-calc)* Taken from the current Form 8606, as indicated.

2023 Form 8606, line 18. *(auto-calc)* Taken from the current Form 8606, as indicated.

2023 Form 8606, line 19. *(auto-calc)* Taken from the current Form 8606, as indicated.

2023 Form 8606, line 22. *(auto-calc)* Taken from the current Form 8606, as indicated.

2023 Form 8606, line 23. *(auto-calc)* Taken from the current Form 8606, as indicated.

2023 Form 8606, line 24. *(auto-calc)* Taken from the current Form 8606, as indicated.

Basis in Roth IRA contributions. The entries in this section are used in combination with amounts on the current Form 8606 to determine the basis for line 22 of the current Form 8606. See the IRS worksheet for *Basis in Regular Roth IRA Contributions—Line 22* in the IRS *2023 Instructions for Form 8606*.

Basis in prior contributions. *(auto-calc)* This result is computed from the previous entries from 1998 through 2022 Forms 8606. They are used in the IRS worksheet for *Basis in Regular Roth IRA Contributions—Line 22*.

Regular contributions for 1998 through 2022. The following entries are used in the IRS's *Basis in Regular Roth IRA Contributions Worksheet—Line 22* on page 10 of the IRS *2023 Instructions for Form 8606*. **TIP:** While it won't hurt to complete all lines below, technically you only need to complete lines for years *after* the last year you received a distribution from your Roth IRA. However, even if you reported a Roth IRA distribution on Form 8606 for 2022, we recommend that you enter any contribution for 2022 below in order for it to automatically appear on *next* year's Form 8606 through translation.

Regular contributions for 2022. Enter Roth IRA contributions made in 2022 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2021. Enter Roth IRA contributions made in 2021 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2020. Enter Roth IRA contributions made in 2020 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2019. Enter Roth IRA contributions made in 2019 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2018. Enter Roth IRA contributions made in 2018 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2017. Enter Roth IRA contributions made in 2017 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2016. Enter Roth IRA contributions made in 2016 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2015. Enter Roth IRA contributions made in 2015 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2014. Enter Roth IRA contributions made in 2014 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2013. Enter Roth IRA contributions made in 2013 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2012. Enter Roth IRA contributions made in 2012 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2011. Enter Roth IRA contributions made in 2011 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2010. Enter Roth contributions made in 2010 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2009. Enter Roth contributions made in 2009 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2008. Enter Roth contributions made in 2008 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2007. Enter Roth contributions made in 2007 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2006. Enter Roth contributions made in 2006 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2005. Enter Roth contributions made in 2005 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2004. Enter Roth contributions made in 2004 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2003. Enter Roth contributions made in 2003 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2002. Enter Roth contributions made in 2002 excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2001. Enter Roth contributions made in 2001, excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 2000. Enter Roth contributions made in 2000, excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Regular contributions for 1999. Enter Roth contributions made in 1999, excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions..

Regular contributions for 1998. Enter Roth contributions made in 1998, excluding rollovers, conversions, recharacterized Roth IRA contributions, and returned contributions.

Results for your 2023 Form 8606. Results from prior Forms 8606 (from the prior screens of this worksheet) that are used in calculations for other lines of the current Form 8606 are shown here.

Total regular prior contributions. *(auto-calc)* Computed from your entries for regular contributions from 1998 through 2022, this is the amount for the right column of the IRS worksheet for the year (the row in the table) that applies to line 22 of the current Form 8606 (screen 7).

Basis in prior conversions. *(auto-calc)* This result is computed from the previous entries from 1998 through 2022 Forms 8606. It represents the middle column of the IRS worksheet for *Basis in Roth IRA Conversions and Rollovers From Qualified Retirement Plans to Roth IRAs—Line 24* and is used in the computation of line 24 of the current Form 8606.

Allocation to 1998 through 2022 basis. *(auto-calc)* This result is computed from the previous entries from 1998 through 2022 Forms 8606 plus an amount from 2023. The computation of this allocation, however, is quite involved. The procedure is described in general terms in the IRS *2023 Instructions for Form 5329* and in IRS Pub. 590-B (*Distributions from IRAs*). Any part of a Roth IRA distribution that is allocable to your basis in past conversions is exempted from penalty at line 1 of Form 5329. Therefore, this result is used in the summary at the end of our on-screen Form 8606 to determine the amount for line 1 of Form 5329.

PART III, DISTRIBUTIONS FROM ROTH IRAs. This part is used to figure the taxable part of 2023 distributions from Roth IRAs. In addition, we have added lines that compute your Contribution Limit and distributions subject to penalty as an aid in automating Form 5329. **CAUTION:** *You must complete the Roth Worksheet described on the preceding pages because several calculations in this part depend critically on the data you enter there.*

19 Nonqualified distributions from Roth IRAs in 2023, including any qualified first-time homebuyer distributions and any qualified disaster distributions. *(auto-calc)* Computed from amounts shown on screen 1 as "Nonqualified Roth IRA distribution for III" less the Roth IRA part of "Rollover on Form 1040 for THIS copy."

Qualified first-time homebuyer expenses. A qualified first-time homebuyer distribution from your Roth IRA is generally not taxable if you made any contribution (or conversion) to your Roth IRA more than 5 years prior.

First-time homebuyer expenses. Enter the amount of any distribution for qualified first-time homebuyer expenses.

Roth IRA contribution or conversion to Roth for 2014 or any earlier year? Answer Yes if you made any contribution or conversion to a Roth IRA in 1998 through 2014 including conversions.

20 Qualified first-time homebuyer distribution. *(auto-calc)* Computed as your entry for "First-time homebuyer expenses" if the preceding answer is Yes, but limited to no more than \$10,000. Otherwise, zero.

21 Subtract line 20 from line 19. *(auto-calc)* Computed as indicated, but no less than zero. *If zero, there is no taxable amount for Part III.*

Qualified disaster distributions in line 21. Enter here the qualified disaster distributions included in line 21. This amount will be used in the computation for line 25b.

Basis in Roth IRA contributions from prior Forms 8606. *(auto-calc, supported by the Roth Worksheet)* Taken from the Roth Worksheet described previously, this is the amount for line 2 of the IRS worksheet for *Basis in Regular Roth IRA Contributions—Line 22* in the *IRS 2023 Instructions for Form 8606*.

Regular prior Roth IRA contributions. *(auto-calc, supported by the Roth Worksheet)* Taken from the Roth Worksheet described previously, this is amount for line 5 of the IRS worksheet for *Basis in Regular Roth IRA Contributions—Line 22* in the *IRS 2023 Instructions for Form 8606*.

Roth IRA contributions for 2023. The amount you can contribute to your Roth IRA is limited, as enforced here:

Actual 2023 Roth contributions. Enter all Roth contributions made in 2023, not including rollovers nor amounts converted from a traditional IRA.

Modified AGI for Roth IRA. *(auto-calc)* Computed in accordance with the paragraph titled "Modified AGI for Roth purposes" on page 3 of the *IRS 2023 Instructions for Form 8606*. **CAUTION:** *If AGI includes any minimum required distributions for conversions, you must use the Override Key to access this line and reduce the automatically-computed result by the amount of those minimum required distributions. (You should wait until the return is complete before overriding this line so that the automatically-computed result is accurate.)*

Maximum 2023 contributions allowed. *(auto-calc)* Computed based on the preceding modified AGI using the *Maximum Roth IRA Contribution Worksheet* on page 4 of the *IRS 2023 Instructions for Form 8606*. (Your contribution is phased out if your modified AGI for 2023 exceeds \$218,000 if married filing jointly or qualifying surviving spouse, \$0 if married filing separately but did not live apart for all of 2023, or \$138,000 for all others, falling to zero if it exceeds \$228,000, \$10,000, or \$153,000, respectively.) This result is used in computing the excess contributions for line 23 of Form 5329, where a penalty is applied.

Excess withdrawn in time. If your actual contributions exceeds the amount allowed, you have an excess contribution subject to penalty (via line 23 of Form 5329). However, you can avoid the penalty by withdrawing the excess contribution and any earnings on it within 60 days of the contribution.

Roth IRA contributions for 2023. *(auto-calc)* Computed as "Actual 2023 Roth contribution" less "Excess withdrawn in time."

Recharacterizations. Instead of withdrawing the excess, you can avoid a penalty by recharacterizing the Roth IRA as a traditional IRA by the due date of your return (including extensions). You can also recharacterize a 2023 contribution to a traditional IRA as a Roth IRA. Enter the first kind of recharacterization as a positive number, and the second kind as a negative number. *You should explain any recharacterizations in a supporting statement for this line.*

Divorce/separation adjustment. If a distribution due to a divorce or separation agreement affected your basis in Roth IRA contributions, enter here the corresponding adjustment, which could be positive or negative, in a supporting statement for this line. See the last bullet in the IRS instructions for line 7 (in IRS *2023 Instructions for Form 8606*) for the kind of information you must include in the support.

Other adjustment. If any other special adjustment for a bulleted item in the IRS instructions for line 7 applies (in IRS *2023 Instructions for Form 8606*), enter that adjustment in a supporting statement for this line.

22 Basis in Roth IRA contributions. *(auto-calc)* Computed as the sum of the "Basis in prior Roth IRA contributions from prior Forms 8606," "Regular prior Roth IRA contributions," "Actual 2023 Roth IRA contributions" (less "Excess withdrawn in time"), and "Recharacterizations," in accordance with the IRS worksheet for *Basis in Regular Roth IRA Contributions—Line 22* in the IRS *2023 Instructions for Form 8606*, plus the preceding two adjustments.

23 Subtract line 22 from line 21. *(auto-calc)* Computed as indicated, but no less than zero.

Basis in conversions to Roth IRAs from 1998 through 2022 from prior Forms 8606. *(auto-calc, supported by the Roth Worksheet)* Taken from the Roth Worksheet described previously, this is the basis in Roth conversions as of the end of tax year 2022 computed in accordance with the instructions for line 24 in the IRS *2023 Instructions for Form 8606*.

Basis in conversions to Roth IRAs in 2023 (line 16). *(auto-calc)* Taken from line 16 of the current Form 8606.

Divorce/separation adjustment. If a distribution due to a divorce or separation agreement affected your basis in Roth IRA conversions, enter here the corresponding adjustment, which could be positive or negative, in a supporting statement for this line. See the last bullet in the IRS instructions for line 7 (in IRS *2023 Instructions for Form 8606*) for the kind of information you must include in the support.

24 Basis in Roth IRA conversions. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the basis in all current and prior conversions, computed in accordance with the IRS worksheet for *Basis in Roth IRA Conversions and Rollovers From Qualified Retirement Plans to Roth IRAs—Line 24* in the IRS *2023 Instructions for Form 8606* plus the preceding adjustment. (TIP: This line will be zero if line 23 is zero, in accordance with IRS instructions.)

25a Subtract line 24 from line 23. *(auto-calc)* Computed as indicated, but no less than zero. If the result for this line is zero, there is *no taxable amount for Part III that stems from distributions received in 2023*.

25b Amount on line 15a attributable to qualified disaster distributions. *(auto-calc)* Computed as line 25a times "Qualified disaster distributions in line 21" (your entry below line 21) divided by line 21. This is the portion of the taxable amount on line 25a that is not subject to tax.

25c TAXABLE AMOUNT. *(auto-calc)* Computed as line 25a less line 25b. If the result for this line is zero, there is *no taxable amount for Part III that stems from distributions received in 2023*. The result on line 25c is reflected in line 4b of Form 1040 for 2023. Any amount that appears on line 4b of Form 1040 based on the 1099-R Worksheets that support it is overridden by the taxable amounts computed here and on lines 15c and 18 of this form, for both spouses combined.

SUMMARY (for end of 2023). This section summarizes the results of Form 8606 and its transfers to Form 1040 and Form 5329.

Net Roth IRA distribution for 2023. *(auto-calc)* Taken as line 23 of the current Form 8606, this is generally the amount of nonqualified Roth IRA distributions received in 2023 less the applicable basis. Unless there is a reduction in the following line, this entire amount is subject to the 10% penalty tax on early distributions. Roth IRA distributions are considered early withdrawals if received less than 5 years after their creation. Nonqualified Roth IRA distributions include distributions withdrawn within the required 5-year holding period for Roth IRAs, and distributions withdrawn before age 59-1/2.

Allocation to 1998 through 2023 basis. *(auto-calc)* Any part of the above distribution that is allocable to the amount on your 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, or 2023 basis is exempted from the penalty because it represents your basis in past conversions. The computation of this allocation, however, is quite involved. The procedure is described in general terms in the IRS *2023 Instructions for Form 5329* and in IRS Pub. 590-B. However, the software performs this computation automatically based on amounts from your 1998 through 2023 Forms 8606 on the Roth Worksheet described earlier.

Early distribution for 5329, line 1. *(auto-calc)* Computed as the "Net Roth IRA distribution for 2023" less the preceding allocation, this is the part of the dis-

tribution that is subject to the penalty on early distributions, and is reflected in Part I of Form 5329. (Because only nonqualified distributions are generally reported in Part III of Form 8606, the taxable amount in Part III is always subject to penalty, unless you qualify for an exception on Form 5329.)

Excess contributions for 5329 line 23. *(auto-calc)* Computed from amounts on screen 10 as the amount by which "Actual 2023 Roth contributions" plus "Recharacterizations" exceeds "Excess withdrawn in time" plus "Maximum 2023 contributions allowed." This amount is used at line 23 of Form 5329 for computing the penalty on excess Roth IRA contributions.

Contributions credit for 5329 line 19. *(auto-calc)* This is the converse of the preceding line, computed as the amount by which "Excess withdrawn in time" plus "Maximum 2023 contributions allowed" exceeds "Actual 2023 Roth contributions" plus "Recharacterizations." This amount is used at line 19 of Form 5329 for computing the penalty on excess Roth IRA contributions.

TOTAL TAXABLE for 1040, line 4b. *(auto-calc)* Computed as the sum of lines 15c, 18, and 25c, this is the amount posted to line 4b of Form 1040 as the taxable part of IRA distributions for this spouse.

TOTAL BASIS in Traditional IRAs. *(auto-calc)* Taken from line 14 of this form.

Basis in Roth IRA contributions. *(auto-calc)* Based on the IRS's *Roth IRA Basis Worksheet*, this is the basis in contributions for next year's Form 8606.

Basis in Roth IRA conversions. *(auto-calc)* Based on the IRS's *Roth IRA Basis Worksheet*, this is the basis in conversions for next year's Form 8606.

TOTAL BASIS in Roth IRAs. *(auto-calc)* Computed as the sum of the preceding two amounts.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8611* / Recapture of Low-Income Housing Credit

* **Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. *See the separate Partnership Edition manual for details on the version of Form 8611 that is built into the Partnership Edition software..*

Purpose. This form is used to figure a recapture tax for previously claimed low-income housing credit. The credit is subject to recapture when, *within 15 years* of the date placed in service, your ownership in the building changes, the basis of the building decreases, or the building fails to meet the minimum set-aside requirements. However, you can often avoid the current payment of the recapture tax by posting a bond through Form 8693. You must complete a separate Form 8611 for each building to which recapture applies, so five separate copies of Form 8611 are built into the software. All copies of Form 8611 are accessible through the Road Map at the LIHCR component of line 8c of Schedule 2.

Information on Form 8609 required. Much of the information that you must supply on Form 8611 is found on the approved Form 8609 (*Low-Income Housing Credit Allocation Certificate*) for the property and the annual Form 8609-A (*Annual Statement for Low-Income Housing Credit*).

IDENTITY OF BUILDING. You must complete a separate Form 8611 for each separate building subject to the recapture tax.

A & B are taken from Form 1040. (*auto-calc*) These are the name(s) and primary SSN entered on Form 1040, and are not shown on the screen.

C Address of building (as shown on Form 8609). Enter the U.S. or foreign address of the building in the following lines:

If U.S. address, enter:

Street address. Enter the building's street address in 35 characters or less.

City. Enter the city or town in 22 characters or less.

State. Enter the 2-character state code.

ZIP code. Enter the ZIP code in the standard xxxxx-xxxx format.

If foreign address, enter:

Street address. Enter the building's street address in 35 characters or less.

City. Enter the city or town in 25 characters or less.

Province or state. Enter the province or state in 15 characters or less.

Country. Enter the 2-character country code shown in Table 2-6 on page 2-27.

Postal code. Enter the postal code in 15 characters or less.

D Building identification number (BIN). Enter the 9-character BIN for the building.

E Date placed in service (as shown on Form 8609). Enter the date shown on Form 8609 in the standard xx/xx/xxxx format.

F If building is financed in whole or in part with tax-exempt bonds, furnish:

- (1) **Issuer's name.** Enter the name of the entity that issued the bond in 35 characters or less.
- (2) **Date of issue.** The date of issue is generally the date of physical exchange of the bond for the purchase price. Enter the date in the standard xx/xx/xxxx format.
- (3) **Name of issue.** Enter the name of the issue in 35 characters or less. If not named, enter any other identification of the bond issue.
- (4) **CUSIP number.** Enter the 9-character CUSIP number for the bond. If more than one bond was issued for the property, use the CUSIP number of the bond with the latest maturity date.

TENTATIVE RECAPTURE. The recapture is computed here before taking into account prior disallowed amounts and interest on the recapture. *If the recapture for the building to which this copy of Form 8611 applies was passed through to you from a flow-through entity (such as a partnership), skip lines 1 through 7* and enter the recapture passed through to you on line 8.

- 1 Enter total credits reported on Form 8586 in prior years for this building.** You must include the credits shown in Part I of all Forms 8586 that you previously filed for the property. These are the tentative credits before reduction by any tax liability limit.
- 2 Credits included on line 1 attributable to additions to qualified basis.** *(Supported by the Line 2 Worksheet for 8611, Figure 2-65.)* You must complete a separate supporting worksheet for each prior year for which line 7 of Form 8609-A (or its predecessor, Schedule A of Form 8606) was completed. The result on line i of all worksheets combined is posted here.
- 3 Credits subject to recapture.** *(auto-calc)* Computed as line 1 less line 2.
Year recapture event occurs. Enter the year number when the recapture occurs, where 1 represents the first year in service, 2 the second year, etc. For example, if the bond was issued on July 1, 2012 and the recapture occurred on August 15, 2023, then the recapture occurred during the 12th year in service, so you would enter 12 here.
% (0-100) that applies. *(auto-calc)* The IRS-defined percentage is based on the recapture year in accordance with the table in the IRS instructions, expressed here as a percentage. It is 33.3% through the 11th year, then falls by 6.67% per year until it reaches 0 at the 16th year. (The percentage is rounded to 3 places in the IRS table. There is no recapture in the 1st year because there is no credit if the property is not compliant in the 1st year, and there is no recapture after the 15th year because the compliance period for low-income housing is 15 years.)
- 4 Credit recapture percentage.** *(auto-calc)* Computed as the preceding percentage expressed as a ratio in decimal form to 4 decimal place. (The

IRS erroneously calls this a percentage, but it is really a ratio with 1.0 as the maximum.)

- 5 Accelerated portion of credit.** *(auto-calc)* Computed as line 3 times line 4. % (0-100) decrease in qualified basis. Enter the percentage decrease in qualified basis during the tax year. See IRS instructions for details on how to figure the entry for this line.
- 6 Percentage decrease in qualified basis.** *(auto-calc)* Computed as the preceding percentage expressed as a ratio in decimal form to 4 decimal places. (The IRS erroneously calls this a percentage, but it is really a ratio with 1.0 as the maximum.)
Line 5 times line 6. *(auto-calc)* Computed as indicated, this is the accelerated portion recaptured.
- Part for prior recapture.** If there was a prior recapture of accelerated credit on the building, you do not recapture that amount again as a result of the current reduction in basis. However, the computation of the amount to enter here can be involved. See the IRS instructions for details.
- 7 Amount of accelerated portion recaptured.** *(auto-calc)* Computed as line 5 times line 6 less the preceding entry.
- 8 Enter recapture amount from flow-through entity.** Enter here recapture reported to you from a flow-through entity (partnership, S corporation, estate, or trust). *(This line is not applicable to you if you completed lines 1 through 7 because you are thereby indicating that you alone own the building, not a partnership.)*

Line 2 Worksheet for 8611. *(Figure 2-65; supports line 2 of Form 8611)* You

must complete a separate worksheet for each prior year for which line 7 of Form 8609 Schedule A was completed. This worksheet is patterned after the IRS's Line 2 Worksheet in the IRS Instructions for Form 8611. ALL line numbers on this worksheet refer to Form 8609-A (or Schedule A of Form 8609 prior to 2005).

LINE 2 WORKSHEET for 8611	
Use 1 worksheet for each prior yr. for which line 7 of 8609-A (or 8609, Sch. A) was completed. ALL line numbers refer to Form 8609-A (or Sch. A of Form 8609 prior to 2005)	
a	Amount from line 10..... 0
b	Multiply a by 2..... 0
c	Amount from line 11..... 0
d	Subtract c from b..... 0
From line 14 instructions:	
e	% (0-100) figured in Step 1. 0
f	Multiply d by e..... 0
g	Subtract f from d..... 0
	Amount from line 15..... 0
	Amount from line 16..... 0
h	Divide line 16 by lb 15 (%) 0
i	Multiply g by h..... 0

Figure 2-65. Line 2 Worksheet for 8611

- a. Amount from line 10.** Enter line 10 of the applicable form.
- b. Multiply a by 2.** *(auto-calc)* Computed as indicated.
- c. Amount from line 11.** Enter line 11 of the applicable form.

- d. **Subtract c from b.** *(auto-calc)* Computed as indicated.
- e. **Enter percentage (0 to 100%) figured in Step 1 of the instructions for line 14 of the applicable form.** Be sure to enter the number as a percentage (which ranges from 0 to 100%) rather than a decimal (which ranges from 0 to 1.0). Enter zero if not applicable.
- f. **Multiply d by e.** *(auto-calc)* Computed as indicated.
- g. **Subtract f from d.** *(auto-calc)* Computed as indicated.
Amount from line 15. Enter line 15 of the applicable form.
Amount from line 16. Enter line 16 of the applicable form.
- h. **Divide line 16 by line 15.** *(auto-calc)* Computed as the ratio of the preceding two amounts. Although shown on the screen to only 2 decimal places, the result is carried to full accuracy when used to compute line i, below.
- i. **Multiply g by h.** *(auto-calc)* Computed as indicated.

The result on line i is posted to line 2 of Form 8611 along with all other worksheets for line 2.

NET RECAPTURE. The recapture tax to be paid this year, or the carryforward of credit to next year, is computed here. (Lines a through d, below, correspond to Steps 1 through 4 in the IRS instructions for line 9.)

- a Enter credits for the building that you could not use in prior years.**
This is generally the amount of credit on line 1 of the current Form 8586 less the credits allowed in all prior years combined.
- b Part of line a attributable to additions to qualified basis.** Credits attributable to additions after the first year must be entered here.
- c Line a less line b times the decimal on line 4.** *(auto-calc)* Computed as indicated.
- d Line c times the decimal on line 6.** *(auto-calc)* As indicated.
- 9 Unused portion of the accelerated amount from line 7.** *(auto-calc)* Computed as the amount on line d.
- 10 Net recapture.** *(auto-calc)* Computed as line 7 or 8, whichever applies, less line 9, but no less than zero.
- Is line 8 from a section 42(j)(5) partnership?** Answer Yes only if the pass-through entity from which the amount on line 8 came is a Section 42(j)(5) partnership. *If you answer Yes, line 11 will be zero because the interest is already figured in the amount reported to you.*
- 11 Enter interest on the line 10 recapture amount.** You must enter here interest computed in accordance with IRS tables of interest factors and annual interest rates in effect for each year credit that is now recaptured was claimed. See IRS instructions for details. *(This line will be zero if you answered Yes to the preceding question, and the phrase "Section 42(j)(5)" will appear on the dotted line for line 11.)*
- 12 Total amount subject to recapture.** *(auto-calc)* Computed as the sum of lines 10 and 11.
- 13 Unused credits attributable to this building reduced by the accelerated portion included on line 9.** *(auto-calc)* Computed as line 9 less the amount you entered on line a above line 9.

Form by Form Details (2024 Edition)

Form 8611

14 Recapture tax. *(auto-calc)* Computed as line 12 less line 13, but no less than zero, this result is posted to the LIHCR component of Schedule 2, line 8c.

15 Carryforward of the low-income housing credit attributable to this building. *(auto-calc)* Computed as line 13 less line 12, but no less than zero. If an amount appears here you can report it as a credit carryforward on Form 3800 for the 2024 tax year.

Only Section 42(j)(5) partnerships complete lines 16 and 17. These lines are always zero for Form 1040 returns because they apply only to certain partnerships.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8615 / Tax for Certain Children Who Have Unearned Income

Who is it for? This form is used with a child's tax return to compute tax for children under 18 years of age (24 if a student) who have unearned income (such as taxable interest and dividends) of more than \$2,500 for 2023. The purpose is to tax the child's unearned income in excess of \$2,500 at a higher tax rate in order to counter a favorite tax shelter for parents. It is used at line 16 of Form 1040 in place of any tax calculated from the tax tables or tax rate schedules. (The parent can sometimes avoid filing a return for the child by reporting the child's unearned income on the parent's own return through a Form 8814 for each child. However, a higher overall tax may result when Form 8814 is used.) *Form 8615 is accessible through the Road Map above line 16 of Form 1040 at the line labeled "Form 8615, line 18."*

Incomplete Information fo Filing. If you do not have the required information from the tax returns of the parent and all other children of the parent by the regular due date of your return, you must file for an extension with Form 4868. The IRS no longer allows you to "estimate" the filing status and taxable income of the parent or the other children. (This rule changed with tax year 2021 returns. Prior to that year, you could use reasonable estimates and so indicate on Form 8615. Then, if your estimates turned out to be wrong, you had to file an amended return using the correct information. The new rule that requires you to delay filing your return eliminates the need for an amended return but makes you delay filing your return.)

PARENT INFORMATION. Certain information about one parent must be supplied here. If the parents file jointly, you must enter the name and SSN for the first parent listed on the joint Form 1040 and enter income information from the parents joint return. If the parents are married but file separately, you must enter name, SSN, and other data for the parent with the highest income. Otherwise, you must generally enter all information for the parent who had custody of the child for most of the year, but there are exceptions. See IRS Instructions for Form 8615 and IRS Pub. 929 for details.

Both parents deceased by year-end. Answer Yes only if *NEITHER* parent was alive at the end of the tax year. *You are not liable for this tax if neither parent was alive.*

A Parent's first name and initial. Enter in 15 characters or less.

Parent's last name. Enter last name in 25 characters or less.

Name in e-file format. (*auto-calc*) The name is displayed here in e-file format, with a < symbol to flag the last name and any suffix like Jr. Suffixes like 3rd are changed to Roman numerals and first name is shortened to an initial when necessary to keep the name no longer than 35 characters, all in accordance with IRS e-file specifications.

Name control (for e-file). The name control is displayed in accordance with IRS e-file specifications. This is usually the first four characters of the last name.

B Parent's Social Security Number. Enter social security number appearing on the parent's Form 1040.

C Parent's filing status:

(1=Single, 2=MFJ, 3=MFS, 4=HofH, 5=QSS). Enter filing status the parent used for 2023.

Is parent dependent of another? Answer Yes ONLY if the relevant parent was a dependent on someone else's return.

Parent's taxable income (enter Foreign Tax Worksheet line 3 if applies).

Normally, you would enter here line 15 of parent's 2023 Form 1040, but no less than zero. However, if the parent files Form 2555, you must enter line 3 of the parent's Foreign Earned Income Tax Worksheet, which is Form 1040, line 15 raised by any foreign earned income exclusion, housing exclusion, and housing deduction taken.

CHILD INFORMATION. Final liability for Form 8615 is determined once it is completed through line 3, where unearned income is compared with the \$2,500 threshold for 2023. However, there are a number of exemptions from Form 8615 irrespective of income. Exemption from Form 8615 is determined here based on certain information about the child: TIP: The income described here as "unearned income" is the same as the income that the IRS previously called "investment income." The IRS changed the nomenclature several years ago for clarity, since some components of unearned income are not considered investment income in popular parlance.

Child's age at end of year. (auto-calc) Taken from your entry on Form 1040 for the taxpayer's age.

Child's filing status. (auto-calc) Taken from your entry on Form 1040. A child who files jointly (filing status 2) is not required to use Form 8615 to figure his or her tax.

Earned more than half of own support? A child who earns more than half of his or her own support is not required to use Form 8615 to figure his or her tax if at least age 18 by the end of 2023. See the IRS 2023 Instructions for Form 8615 for the definition of "support" in this context.

Student 5 months or more during 2023? (auto-calc) Taken from your entry on Form 1040, a student may be required to use Form 8615 if at least age 19 and under age 24.

EXEMPT FROM FILING FORM 8615? (auto-calc) Answered Yes if any of the following are true:

- Both parents were deceased by year-end, as determined from your answer at the top of screen 1.
- Child's age is 24 or more by the end of 2023.
- Child's filing status is married filing jointly.
- Child's age is 19 or more (and under 24) at year-end and child is either not a student or earned more than half of his or her own support.

- Child's age is 18 at year-end and earned more than half of his or her own support.

Otherwise, the answer is No. *If Yes, the child's tax will not be computed on this form and the form will not be included in any calculations for the return nor the official printout of the complete return.*

PART I, CHILD'S NET UNEARNED INCOME. Liability for the tax and the amount of income to be taxed are computed here:

Income on Form 1040, line 9. *(auto-calc)* This is total income before adjustments on Form 1040.

- + **Net operating loss deduction.** *(auto-calc)* Taken from Schedule 1, line 8a (used here as a positive number).
 - + **Exclusions and deductions from Form 2555.** *(auto-calc)* Computed as the foreign earned income exclusion from Form 2555 reported on line 8d of Schedule 1, but taken as a positive here, plus the foreign housing deduction from Form 2555 reported at line 24j of Schedule 1.
 - **Earned income on Form 1040 and Schedule 1.** *(auto-calc)* Computed from amounts throughout the return, this is the child's earned income. For most taxpayers, it is the sum of line 1z of Form 1040 (wages), lines 3 and 6 of Schedule 1 (from Schedules C and F), and the part of line 5 of Schedule 1 (from Schedule E) that stems from self-employment income.
 - **Deduction on Schedule 1, line 18.** *(auto-calc)* Taken from Schedule 1, as indicated, this is the penalty for early withdrawal of savings.
 - **Taxable disability trust distribution.** For the purposes of Form 8615, earned income includes any taxable distribution from a qualified disability trust.
 - **Other reduction to line 1.** You will rarely need to make an entry here because the software includes IRS-defined subtleties in the computation of unearned income for line 1, including those in IRS Pub. 929. *TIP: Any entry you make here reduces unearned income, so an adjustment to increase unearned income must be entered as a negative number here.*
- 1 Child's unearned income.** *(auto-calc)* Computed as the total income on line 9 of Form 1040 plus the NOL deduction and foreign exclusions and deductions, less the preceding four amounts, which are all considered earned income for the purposes of Form 8615.

Amount on Schedule A, line 17. *(auto-calc)* Taken from line 12 of Form 1040 *if itemized deductions are used* for that line; otherwise zero.

Part related to investment income. You must enter the part of the preceding itemized deduction that is directly connected with the production of the investment income shown on the return.

Part related to capital gains, etc. You must identify the part of the above Schedule A deduction that is directly connected with the production of the net capital on the return.

Part related to qualified dividends. You must identify the part of the above Schedule A deduction that is directly connected with the production of dividend income reported on Form 1040, line 3a.

2 If DID NOT itemize, \$2,500. Otherwise, see instructions. *(auto-calc)*

For 2023, computed as the greater of \$2,500, or, if you itemize deductions, \$1,250 plus the preceding investment part of itemized deductions.

3 Subtract line 2 from line 1. *(auto-calc)* Computed as indicated. If zero, you are not liable for the tax on children. *However, even if zero, you must include Form 8615 with the return if you are not exempt from Form 8615 on the basis of the information on screen 1 and line 1 exceeds \$2,500 for 2023.*

Child exempt from screen 1? *(auto-calc)* Taken from the result for "EXEMPT FROM FILING FORM 8615?" in the Child Information section of screen 1 of Form 8615.

Liable for Form 8615 tax? *(auto-calc)* Answered Yes when the preceding answer is No and the result on line 3 is greater than zero.

4 Child's taxable income. *(auto-calc)* Normally taken from line 15 of Form 1040. However, if the child files Form 2555, the amount on line 3 of the child's *Foreign Earned Income Tax Worksheet* (shown at the top of screen 9 of Form 1040) is used instead.

5 Smaller of line 3 or line 4. *(auto-calc)* Computed as indicated, this is the part of unearned income that is subject to taxation at using the brackets and rates for estates and trusts.

If the result on line 5 is zero, the tax computed on this form will be the same as the regular tax computed without using this form. Nevertheless, even if zero, the IRS instructs you to attach the form to the return anyway, completed through line 5, to demonstrate that you are not liable for additional tax.

Information for Capital Gains Tax. Because the law for capital gains tax is complex, several numbers from the Schedule D of the parent and all children of the parent are required to compute the tax on this form:

Schedule D, line 7 for child. *(auto-calc)* Taken from line 7 of the Schedule D for the return you are preparing.

Schedule D, line 7 for parent. Enter amount from parent's Schedule D, if any.

Schedule D, line 7 for others. Enter the sum of amounts from line 7 of the Schedules D for all other children of the parent.

Total short-term net income or loss. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the short-term net income or loss for line 7 of Schedule D for the parent and all children combined.

Schedule D, line 15 for child. *(auto-calc)* This is the long-term net income or loss shown on line 15 of the Schedule D for the return you are preparing.

Schedule D, line 15 for parent. Enter amount from parent's Schedule D, if any.

Schedule D, line 15 for others. Enter the sum of amounts from line 15 of the Schedules D for all other children of the parent.

Total long-term net income or loss. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the long-term net income or loss for line 15 of Schedule D for the parent and all children combined.

Capital gains for child. *(auto-calc)* Computed as the lesser of line 15 of the child's Schedule D and the sum of lines 7 and 15 of the child's Schedule D, but no less than zero.

Capital gains for parent. *(auto-calc)* Computed as the lesser of line 15 of the parent's Schedule D and the sum of lines 7 and 15 of the parent's Schedule D, but no less than zero.

Capital gains for others. *(auto-calc)* Computed as the lesser of line 15 of all other children's Schedule D and the sum of lines 7 and 15 of all other children's Schedule D, but no less than zero.

Total capital gains. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the net gain taxable at capital gains rates.

Schedule D, line 18 for child. *(auto-calc)* Taken from the line "28% rate net for line 18" on screen 10 of the Schedule D for the return you are preparing.

Schedule D, line 18 for parent. If line 18 of the parent's Schedule D is zero, you must determine the amount that is analogous to the preceding amount for child and enter that amount instead. This approach is required to ensure the proper combining of amounts from all returns involved here because line 18 will be zero when the 28% rate net is negative or when lines 15 and 16 are not both gains.

Schedule D, line 18 for others. If line 18 of any other child's Schedule D is zero, you must determine the amount that is analogous to the preceding amount for child and include that amount in your entry here instead. This approach is required to ensure the proper combining of amounts from all returns involved here because line 18 will be zero when the 28% rate net is negative or when lines 15 and 16 are not both gains.

Total 28% rate gain. *(auto-calc)* Computed as the sum of the preceding three amounts, this is actually the combined 28% rate net because it can be negative as well as positive. It represents the combined net income or loss for sales of collectibles, which are subject to the 28% rate rules.

Schedule D, line 19 for child. *(auto-calc)* Taken from the line “Unrecaptured section 1250 gain for line 19” on screen 10 of the Schedule D for the return you are preparing.

Schedule D, line 19 for parent. If line 19 of the parent’s Schedule D is zero, you must determine the amount that is analogous to the preceding amount for child and enter that amount instead. This approach is required to ensure the proper combining of amounts from all returns involved here because line 19 will be zero when lines 15 and 16 are not both gains.

Schedule D, line 19 for others. If line 19 of any other child’s Schedule D is zero, you must determine the amount that is analogous to the preceding amount for child and include that amount in your entry here instead. This approach is required to ensure the proper combining of amounts from all returns involved here because line 19 will be zero when lines 15 and 16 are not both gains.

Total unrecaptured section 1250. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the part of the capital gain on depreciable real property that stems from depreciation, and is subject to up to 25% tax under the law.

Form 4952 Information for Capital Gains Tax. Lines 4e* and 4g of Form 4952 are for those with lump-sum distributions who make elections to treat some capital gains as regular income so that they can use it in determining deductible investment interest. (* When an election is made at line 4e of Form 4952, use the lower elected amount printed on the dotted line for Form 4952, line 4e.):

Form 4952, line 4g for child. *(auto-calc)* Taken from the line “Form 4952, line 4g” on screen 10 of the Schedule D for the return you are preparing, which comes from the corresponding line on Form 4952.

Form 4952, line 4g for parent. Enter line 4g of the parent’s Form 4952, if any.

Form 4952, line 4g for others. Enter line 4g of Form 4952, if any, for all other children combined..

Total Form 4952, line 4g. *(auto-calc)* Computed as the sum of the preceding three amounts.

Form 4952, line 4e(*) for child. *(auto-calc)* Taken from the line “Form 4952, line 4e (or Elec.)” on screen 10 of the Schedule D for the return you are preparing, which is the “Modified line 4e for the Schedule D Tax Worksheet” that we show on-screen below line 4g of Form 4952 (*built into the Standard and Premium Level software*). (* A modification to line 4e makes sense only when you have a Form 1116 in the return. The purpose of the modification is to reduce line 4e by the amount amount of line 4g that you attribute to line 4b in order to increase the overall credit on the return.)

Form 4952, line 4e(*) for parent. Enter line 4e (or the elected lower amount) of the parent’s Form 4952, if any.

Form 4952, line 4e(*) for others. Enter line 4e (or the elected lower amounts) of Forms 4952, if any, for all other children combined..

Total Form 4952, line 4 e(*). *(auto-calc)* Computed as the sum of the preceding three amounts.

Qualified Dividends. Qualified dividends are dividends eligible to be taxed at the lower capital gains tax, and are shown in box 1b of the Form 1099-DIV you receive from payers:

Form 1040, line 3a for child. *(auto-calc)* Taken from line 3a of Form 1040, which is the sum of dividends reported on Schedule B that are identified as qualified dividends.

Form 1040, line 3a for parent. Enter line 3a of the parent's Form 1040.

Form 1040, line 3a for others. Enter line 3a of the Forms 1040 for all other children combined..

Total qualified dividends. *(auto-calc)* Computed as the sum of the preceding three amounts, this is the qualified dividends reported on all returns combined.

The application of these amounts in the ensuing tax calculations is not direct because the \$2,500 exclusion for 2023 makes a complex allocation necessary. IRS Pub. 929 contains worksheets for handling this complexity, but the software handles it automatically based on the above entries and those below line 7.

PART II, TENTATIVE TAX BASED ON THE TAX RATE OF THE PARENT. This section uses the previously entered amounts from the parent's return and the returns of all other children of the parent who have to file a Form 8615. As a result, the parent's return must be completed first, then each child's return must be completed through line 43 of their Forms 1040, then each child's Form 8615 must be completed through line 5, then the sum of line 5 amounts from all children's Forms 8615 are entered on each child's Form 8615. Then, and only then, can each child's return be completed.

6 Parent's taxable income. *(auto-calc)* Taken from "Parent's taxable income (Foreign Tax Worksheet line 3 if applicable)" entered previously.

7 Form 8615, line 5, of all other children. Enter line 5 of Form 8615 for all other children of the parent who also must file a Form 8615.

% of others' capital gains in line 7. Enter the percentage (0 to 100) of net capital gains for all other children combined that is considered, by IRS logic, included in line 7, above. This percentage is 100 times the sum of net capital gains in line 5 for all other children divided by the sum of net capital gains for all other children. (Net capital gain is the lesser of the gain on line 15 or gain on line 16 of Schedule D. It is computed from the previously-entered information from Schedule D as the lesser of line 15 or the sum of lines 7 and 15, but no less than zero.) If you prepare the returns for the other children using *Tax Preparer*, you can determine this ratio by dividing the sum of numbers on the line below line 5 for all other children by the sum of

net capital gains. Otherwise you must use the IRS worksheets in Pub. 929 as described here below line 5. *(This and the following percentages are used along with previously entered information from the Schedule D of others in computing the tax at line 9.)*

- % of others' qualified dividends in line 7.** Enter the percentage (0 to 100) of the sum of the referenced amount for all other children combined that is allocable to line 7. If there is only one other child, this percentage is the same as the preceding one. Otherwise you must compute the percentage using the complex procedure described in IRS Pub. 929.
- * **Child's capital gains, etc., in line 5.** *(auto-calc)* Based on a percentage computed from the preceding entries from Schedule D and amounts on lines 1 through 5, this is the part of line 5 considered by the IRS to be attributable to capital gains.
- * **Child's qualified dividends, in line 5.** *(auto-calc)* Based on a percentage computed from the preceding entries from Schedule D and amounts on lines 1 through 5, this is the part of line 5 considered by the IRS to be attributable to qualified dividends.

8 Add lines 5, 6, and 7. *(auto-calc)* As indicated.

Parent's tax on line 8 using Schedule D. *(auto-calc)* If line 8 includes any long-term capital gains, the tax computation on Schedule D is shown here based on the information supplied from Schedules D of the parent and all children plus the above percentages. Note that the computation using Schedule D is performed in a special way as detailed in IRS Pub. 929, not an obvious way for a normal return. *You may have to adjust this result (using the Override Key to access the line) if the parent or any child had to use the Foreign Earned Income Tax Worksheet to compute their tax and there is a capital gain excess. See items 10, 11, and 12 of the IRS instructions for "Using the Schedule D Tax Worksheet for line 9 tax" that starts on page 18 of IRS Pub. 929 for 2021 returns. (The IRS has not released a version of IRS Pub. 929 for 2022 or 2023 returns, but this procedure still applies, even though dollar amounts in other parts of the Pub. 929 for 2021 are outdated.)*

Parent's tax on line 8 using Schedule J. If line 8 includes any farm income and Schedule J is used to compute the tax, enter the resulting tax here. Your entry here will override the tax that is otherwise computed automatically.

9 Tax on line 8 based on parent's filing status. *(auto-calc)* Computed as the lesser of the result from the tax rate schedules, Schedule D, or your entry for tax using Schedule J.

Schedule D or J used to figure the tax in line 9? *(auto-calc)* Answered Yes if the tax from Schedule D or Schedule J was used for line 9.

Tax on parent's Schedule D. *(auto-calc)* If the parent's return includes any long-term capital gains or qualified dividends, the tax on

the parent's Schedule D is shown here based on the information supplied previously.

Tax on parent's Schedule J. If the parent used Schedule J on his or her return, enter the amount of tax from Schedule J here.

10 Parent's tax from Form 1040, etc. *(auto-calc)* The tax on the parent's income is computed using the parent's filing status, using the method that gives the lowest tax. *If the parent filed Form 2555, this result may differ from the tax on the parent's return because the tax computed here is the tax on line 4 of the Foreign Earned Income Tax Worksheet in IRS 1040 Instructions, which is generally higher than the normal tax for Form 1040, line 16.*

Schedule D or J used to figure the tax in line 10? *(auto-calc)* Answered Yes if the tax from Schedule D or J was used for line 10.

11 Subtract line 10 from line 9. *(auto-calc)* As indicated.

12a Add lines 5 and 7. *(auto-calc)* As indicated.

12b Divide line 5 by line 12a. *(auto-calc)* As indicated.

13 Multiply line 11 by line 12b. *(auto-calc)* As indicated.

PART III, FIGURE CHILD'S TAX. The rest of the form is automatic.

14 Subtract line 5 from line 4. *(auto-calc)* As indicated.

Child's tax on line 14 using Schedule D. *(auto-calc)* If line 14 includes any long-term capital gains or qualified dividends, a tax computed using Schedule D is shown here based on the information supplied from the child's return and the above percentages. This computation uses Schedule D in a special way as detailed in IRS Pub. 929. *You may have to adjust this result (using the Override Key to access the line) if the child had to use the Foreign Earned Income Tax Worksheet to compute his or her tax and there is a capital gain excess. See items 10, 11, and 12 of the IRS instructions for "Using the Schedule D Tax Worksheet for line 15 tax" that start on page 21 of IRS Pub. 929 for 2021 returns. (The IRS has not released a version of IRS Pub. 929 for 2022 or 2023 returns, but this procedure still applies, even though dollar amounts in other parts of the Pub. 929 for 2021 are outdated.)*

Child's tax on line 14 using Schedule J. If the child used Schedule J on his or her return, enter the recomputed amount based on line 14.

15 Tax on line 14 based on child's filing status. *(auto-calc)* As indicated, using the method that results in the lowest tax.

Schedule D or J used to figure the tax in line 15? *(auto-calc)* Answered Yes if the tax from Schedule D or J was used for line 15.

16 Add lines 13 and 15. *(auto-calc)* As indicated.

Child's tax on line 4 using Schedule D. *(auto-calc)* If line 4 includes any long-term capital gains or qualified dividends, the tax shown on Schedule D is shown here based on the information supplied from the child's return.

Child's tax on line 4 using Schedule J. If the child used Schedule J on his or her return, enter the amount based on line 4.

17 Tax on line 4 based on child's filing status. *(auto-calc)* As indicated, the method that results in the lowest tax is used.

Schedule D or J used to figure the tax in line 17? *(auto-calc)* Answered Yes if the tax from Schedule D or J was used for line 17.

18 LARGER of line 16 and 17. *(auto-calc)* As indicated.

The tax at line 18 is posted to screen 9 of Form 1040, above line 16, then *modified by the Foreign Earned Income Tax Worksheet, if applicable*, before its use for line 16 of Form 1040 in place of the regular or capital gains tax for those who are exempt from Form 8615.

CAUTION for amended returns: If the parent's or any of the children's returns are amended, all of the children's returns will have to be amended too if their amended Forms 8615 differ from their original Forms 8615.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8801* / Credit for Prior Year Minimum Tax

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure a credit for alternative minimum tax (AMT) paid in past years when there is no AMT for the current year. However, only the part of past AMT attributable to deferral items qualifies for the credit, and the current-year credit is limited to the amount by which the tentative minimum tax is less than the regular tax less other credits. (The AMT is generally the amount by which the tentative minimum tax is greater than the regular tax.) Form 8801 is accessible through the Road Map at line 6b of Schedule 3.

Translation based on prior-year Form 6251, not prior-year Form 8801. Because the credit figured on Form 8801 depends most critically on amounts from the prior-year Form 6251, Form 8801 is translated from the prior-year Form 6251 rather than the prior-year Form 8801. Therefore, you must manually enter any carryover from the prior Forms 8801 on screen 2 of this form even for a translated return because it is not translated from the prior-year return.

Amounts on 2022 Form 2555. For those who file Form 2555, taxable income is increased by excluded foreign earned income through the Foreign Earned Income Tax Worksheet. Therefore you must supply information from the prior-year Form 2555 in order to properly compute the tax in Parts I and III of Form 8801. As long as you translated a prior-year return with the tax year retained at 2022, these entries should already be correct. Otherwise, you must enter them yourself for accurate computations in Part III of Form 8801.

Filed Form 2555 for 2022? If Yes, special calculations apply for Part III even when there is no amount on the next line.

Form 2555, line 45 and 50. This is the amount of foreign earned income or housing exclusion claimed on line 24j of the 2022 Schedule 1 (expressed as a positive number). It is also line 2a of the 2022 *Foreign Earned Income Tax Worksheet—Line 16* on page 35 of the *IRS 1040 Instructions for 2022*. **TIP:** *The official worksheet allows a reduction in this result (via line 2b on the worksheet) for any itemized deductions or exclusions you could not claim solely because they are related to excluded income. If this case applies to you, you can reduce your entry for this line accordingly.*

Amounts on 2022 Form 6251. All but one of the following amounts are automatically translated from the prior-year Form 6251 for use in the current-year Form 8801. As long as you translated a prior-year return with the tax year retained at 2022, these amounts should already be correct. Otherwise, you must enter them yourself for accurate computations in Part III of Form 8801.

2022 filing status. The prior-year filing status is required because the AMT on prior-year exclusion items is computed in this part of the

form. Enter filing status 1 for single, 2 for married filing jointly, 3 for married filing separately, 4 for head of household, and 5 for qualifying surviving spouse.

2022 Form 6251, line 1. This is the prior-year AGI less itemized or standard deduction and qualified business deduction taken, if any.

2022 Form 6251, line 2a. If you itemized deductions in 2022, this is the total of taxes you deducted on Schedule A. Otherwise, this is the standard deduction you claimed for 2022.

2022 Form 6251, line 2b. This is the taxable refunds of state and local taxes received in 2022.

2022 Form 6251, line 2c. This is the prior-year investment interest expense difference between the regular tax and the AMT.

2022 Form 6251, line 2d. This is the prior-year depletion difference between the regular tax and the AMT.

2022 Form 6251, line 2e. This is the amount of net operating loss deducted on the 2022 Schedule 1 expressed here as a positive so that it is added back to income for the purposes of this form.

2022 Form 6251, line 2g. This is the prior-year tax-exempt interest from certain private activity bonds.

2022 Form 6251, line 2h. This is the prior-year preference from the sale of small business stock.

Other exclusion items. Enter here any 2022 exclusion items *not* included above. See IRS instructions for line 2 of Form 8801 in the *IRS 2023 Instructions for Form 8801* for an example. ***CAUTION: This entry is NOT translated from the prior-year return.***

2022 Form 6251, line 10. This is the prior-year regular tax (2022 Form 1040, line 16) less any tax from Form 4972 included (2022 Form 1040, line 16(2)) less foreign tax credit (2022 Schedule 3, line 1) plus excess advance premium credit (2022 Schedule 2, line 2).

2022 Form 6251, line 11. This is AMT on the prior-year return.

Carryforward from 2022. ***CAUTION: This amount is NOT translated from the prior-year return, so you must make the entry yourself:***

2022 Form 8801, line 26. This is the carryover to 2023 from the 2022 Form 8801, and is required to complete Part II.

Information translated from 2022 for calculating capital gains tax in Part III.

The following information is translated from the prior-year Form 6251 if capital gains rates applied to the AMT for the prior year – that is, when Part III of Form 6251 was required to be used to compute the AMT for tax year 2022. (Part III would have been required for the 2022 Form 6251 if either line 3a of the 2022 Form 1040 had an amount, or the lesser of line 15 or 16 of the 2022 Schedule D was greater than zero.) ***All entries are automatically translated from the prior-year Form 6251 as long as the tax year on the prior-year return was retained at 2022.***

Taxable income on 2022 Form 1040, line 15. This is the taxable income on the prior-year return.

Qualified dividends on 2022 Form 1040, line 3a. This is qualified dividends reported on the prior-year return.

2022 Form 4952, line 4g. This entry applies when you claimed an investment interest expense deduction on Schedule A.

2022 Form 4952, line 4e.* This entry applies when you claimed an investment interest expense deduction on Schedule A. (*) However, it may be different from line 4e if you made an election for a lesser amount to be used on Schedule D.

2022 Schedule D, lesser of line 15 or 16. This is the net capital gain on the prior-year return. *Use 2022 Form 1040, line 7, here if there is no Schedule D for the 2022 return.*

2022 28% rate NET for Schedule D, line 18. This is normally the 28% rate gain or loss for the prior year, but is zero if you were not required to use the Schedule D Tax Worksheet for 2022. (If the 28% net was a loss, line 18 of Schedule D will have been zero, so you must compute the amount to enter yourself unless translated from the 2022 return.)

2022 Schedule D, line 19. This is normally the unrecaptured section 1250 gain for the prior year, but is zero if you were not required to use the Schedule D Tax Worksheet for 2022.

2022 Schedule D Tax Worksheet, line 9. *(auto-calc)* Computed from the above entries using the Schedule D Tax Worksheet for 2022, this and the following three amounts are used in the computations in Part III of this form when it is required.

2022 Schedule D Tax Worksheet, line 10. *(auto-calc)* Computed from the above amounts using the Schedule D Tax Worksheet for 2022.

2022 Schedule D Tax Worksheet, line 13. *(auto-calc)* Computed from the above amounts using the Schedule D Tax Worksheet for 2022.

2022 Schedule D Tax Worksheet, line 21. *(auto-calc)* Computed from the above amounts using the Schedule D Tax Worksheet for 2022.

PART I, NET MINIMUM TAX ON EXCLUSION ITEM. All adjustments and preferences that increase taxable income for the purposes of the AMT are either deferral items or exclusion items. The prior-year AMT attributable to exclusion items is computed here. It is subtracted from the full amount of AMT in Part II in order to arrive at the part of the prior-year AMT that is qualified for a credit. Entries are required only for lines 3 and 12; all other entries are completed for you based on the translated amounts from Form 6251 and any other entries you made on the first two screens of Form 8801.

1 Combine lines 1 and 2e of your 2022 Form 6251. *(auto-calc)* Computed from your entries on screen 1 as "2022 Form 6251, line 1" plus "2022 Form 6251, line 2e." This is the prior-year income to which prior-year exclusions are added in order to determine the prior-year AMT attributable to exclusions.

2 Adjustments and preferences treated as exclusion items. *(auto-calc)* Computed from your entries on screen 1 as the sum of 2022 Form

6251 amounts for lines 2a, 2c, 2d, 2g, 2h, and “Other exclusion items,” less the 2022 Form 6251 amount on line 2b.

- 3 Minimum tax credit net operating loss deduction.** See IRS instructions for details on determining the amount to enter here. Enter the amount as a positive number here.
- 4 Combine lines 1, 2, and 3.** *(auto-calc)* Normally computed as line 1 *plus* line 2 *less* line 3, *but no less than zero*. However, if married filing separately for 2022 and this result exceeds \$776,100, an additional amount is added to this result (25% of the excess of this result over \$776,100, but no more than \$59,050).
- 5 \$118,100, \$75,900, or \$59,050.** *(auto-calc)* Based on the previous entry for “2022 filing status,” computed as \$118,100 for filing status 2 or 5, \$75,900 for 1 or 4, or \$59,050 for 3.
- 6 \$1,079,800 or \$539,900.** *(auto-calc)* Based on the previous entry for “2022 filing status,” computed as \$1,079,800 for filing status 2 or 5, or \$539,900 for all others.
- 7 Subtract line 6 from line 4.** *(auto-calc)* Computed as indicated, but no less than zero.
- 8 Multiply line 7 by 25% (.25).** *(auto-calc)* Computed as indicated.
- 9 Subtract line 8 from line 5.** *(auto-calc)* Computed as indicated, but no less than zero.
- 10 Subtract line 9 from line 4.** *(auto-calc)* Computed as indicated, but no less than zero.

Foreign earned income adjustment. *(auto-calc)* Taken from the entry on screen 1, this is the amount on line 2c of the IRS “Foreign Earned Income Tax Worksheet—Line 11” on page 2 of the IRS *2023 Instructions for Form 8801*.

Part III required for line 11 calculation? *(auto-calc)* Answered Yes if either “2022 Form 1040, line 3a” or “2022 Schedule D, minimum of line 15 or 16” is greater than zero. Because qualified dividends and capital gains qualify for favorable tax rates, when the answer is Yes a special calculation in Part III of this form is used in place of the normal calculation of tax for line 11.

Tax on adjusted line 10. *(auto-calc)* Computed as the tax on line 10 as modified by the above “Foreign earned income adjustment,” this is the amount on line 4 of the IRS “Foreign Earned Income Tax Worksheet—Line 11” on page 2 of the IRS *2023 Instructions for Form 8801*, taking into account the capital gains tax through Part III of this form, if applicable. *If Part III is NOT required, this tax is computed as* .26 times the modified line 10 for amounts up to \$199,900 (\$99,950 if married filing separately) *plus* .28 times the amount by which the modified line 10 exceeds that level, if any. *(This one formula gives the same result as the IRS’s two separate formulas.)*

Tax on Foreign Earned Income adjustment. *(auto-calc)* Computed as the tax on the above “Foreign earned income adjustment,” this is the

amount on line 5 of the IRS "Foreign Earned Income Tax Worksheet—Line 11" on page 2 of the IRS *2023 Instructions for Form 8801*.

- 11 Usually, multiply line 10 by .26. *(auto-calc)*** Computed as "Tax on adjusted line 10" less "Tax on Foreign Earned Income adjustment," but no less than zero, this is the result on line 10 of the IRS "Foreign Earned Income Tax Worksheet—Line 11" on page 2 of the IRS *2023 Instructions for Form 8801*. *(When the "Foreign earned income adjustment" is zero, this result is the same result you would get without using the Foreign Earned Income Tax Worksheet.)*
- 12 Minimum tax foreign tax credit on exclusion items.** If you had a foreign tax credit from Form 1116 on the prior-year return, you must refigure the tax for the AMT using only exclusion items. To do so you must create a Form 1116 on a separate copy of this return and alter its entries in accordance with the IRS instructions for this line of Form 8801.
- 13 Tentative minimum tax on exclusion items. *(auto-calc)*** Computed as line 11 less line 12.
- 14 2022 Form 6251, line 10. *(auto-calc)*** Taken from your entry on screen 1 for this amount, it is the prior-year regular tax (2022 Form 1040, line 16) less any tax from Form 4972 included (2022 Form 1040, line 16(2)) less foreign tax credit (2022 Schedule 3, line 1) plus excess advance premium credit (2022 Schedule 2, line 2).
- 15 NET MINIMUM TAX ON EXCLUSION ITEMS. *(auto-calc)*** Computed as line 13 less line 14, but no less than zero.

PART II, MINIMUM TAX CREDIT AND CARRYFORWARD TO 2024. The credit is computed here based on prior-year AMT less the part attributed to exclusion items plus any carryover from the prior-year Form 8801. All lines in this part are completed automatically except for line 20, which requires your manual entry.

16 2022 Form 6251, line 11. *(auto-calc)* Taken from your entry on screen 1 for this amount, this is AMT on the prior-year return.

17 Amount from line 15 above. *(auto-calc)* Taken from line 15, as indicated, this is the part of line 16 attributable to exclusion items.

18 Subtract line 17 from line 16. *(auto-calc)* Computed as indicated, with a negative result allowed.

19 2022 CREDIT CARRYFORWARD. *(auto-calc)* Taken from your entry on screen 2 for “2022 Form 8801, line 26,” this is the carryforward to 2023 computed on the prior-year Form 8801.

20 2022 unallowed qualified electric vehicle credits. The IRS instructs you to enter here the amount not allowed in 2022 “solely because of the limitation under section 30(b)(3)(B).” This is the tentative minimum tax part of the tax liability limitation. If tentative minimum tax (shown on 2022 Form 8834, line 5) is zero, your entry here is zero. Otherwise, you must enter here the amount by which the lesser of line 1 or 4 exceeds line 7, if any, on the 2022 Form 8834. This is the part of the limitation due only to the tentative minimum tax.

21 Combine lines 18 through 20. *(auto-calc)* Computed as indicated, but no less than zero. *If this result is zero, neither a credit nor carryover exists, so you should not complete the rest of this form.*

2023 Form 1040, line 16. *(auto-calc)* Taken from Form 1040, as indicated, this is the regular tax on the 2023 return.

2023 Schedule 2, line 2. *(auto-calc)* Taken from Schedule 2, as indicated, this is the excess advance premium tax credit repayment.

2023 Form 1040, line 19. *(auto-calc)* Taken from Form 1040, as indicated, this is the nonrefundable part of the child tax credit and credit for other dependents claimed on the 2023 return.

2023 Schedule 3, line 8. *(auto-calc)* Taken from Schedule 3, as indicated, this is the sum of all nonrefundable credits other than the credit on Form 1040, line 19 (child tax credit and credit for other dependents).

Form 8801 on Schedule 3, line 6b. *(auto-calc)* Taken from Schedule 3, as indicated, this is the credit from this form on line 6b of Schedule 3.

Form 8912 in Schedule 3, line 6c. *(auto-calc)* Taken from Schedule 3, as indicated, this is the credit to holders of tax credit bonds on line 6k of Schedule 3.

22 2023 regular income tax liability minus allowable credits. *(auto-calc)* Computed from the preceding six amounts on the *current* tax return as sum of the taxes on Form 1040, line 16, and Schedule 2, line 2, less the sum of credits on Form 1040, line 19, and Schedule 3, line 8 (excluding amounts from Forms 8801 and 8912), but no less than zero. This is the regular tax plus excess advance PTC

less all nonrefundable credits *except* the credit from this form and the credit to holders of tax credit bonds.

- 23 2023 Form 6251, line 9.** *(auto-calc)* Taken from Form 6251, as indicated, this is the tentative minimum tax on the current-year return.
- 24 Subtract line 23 from line 22.** *(auto-calc)* Computed as indicated, but no less than zero.
- 25 MINIMUM TAX CREDIT.** *(auto-calc)* Computed as the smaller of line 21 or line 24, this is the current-year nonrefundable credit for prior-year minimum tax, which is posted to line 6b of Schedule 3.
- 26 CREDIT CARRYFORWARD TO 2024.** *(auto-calc)* Computed as line 21 less line 25, this is the credit carryover to next year.

PART III, TAX COMPUTATION USING MAXIMUM CAPITAL GAINS RATES. All lines in this part are *completed automatically* based on your prior entries. This part is *used only if there were qualified dividends or a net capital gain on the prior-year return*, and is used to compute the AMT on the income shown on line 10 of the current-year Form 8801 (or a more complex variation if Form 2555 applied for 2022) using the more favorable tax rates for capital gains. When this part applies, the answer for "Part III required for line 11 calculations" (following line 10 on screen 4 of our Form 8801) will be Yes, and lines 27 through 55 of Form 8801 will be completed for you. *Otherwise, no amounts will appear in this part of Form 8801.* *TIP: If you did not use Tax Preparer to prepare the prior-year return and translate it with the tax year retained at 2022, you must enter all amounts on screen 3 of this form yourself in order for this part to be completed.*

- 27 Amount from Form 8801, line 10.** *(auto-calc)* Taken from Part I of this form (but modified by any foreign earned income adjustment), as indicated.

Capital gain excess. *(auto-calc)* Computed as the amount by which line 10 of the 2022 Schedule D Tax Worksheet exceeds line 10 of the current Form 8801. *If an amount appears here and the answer to "Filed Form 2555 for 2022?" (on screen 1) is Yes, the Schedule D Tax Worksheet used in the calculations for lines 28, 29, and 30 are automatically modified in accordance with the IRS 2023 Instructions for Form 8801.*

- 28 Line 13 of the 2022 Schedule D Tax Worksheet.** *(auto-calc)* Normally taken from the corresponding amount computed on screen 3, subject to modification if Form 2555 was filed in 2022.
- 29 Amount from 2022 Schedule D, line 19.** *(auto-calc)* Normally taken from the corresponding entry on screen 3 of Form 8801, subject to modification if Form 2555 was filed in 2022.
- 30 Smaller of the sum of lines 28 and 29 or line 10 of the Schedule D Tax Worksheet.** *(auto-calc)* Computed as indicated. The amount for line 10 of the Schedule D Tax Worksheet is normally taken from the corresponding entry on screen 3 of Form 8801, subject to modification if Form 2555 was filed in 2022.
- 31 Smaller of line 27 or line 30.** *(auto-calc)* Computed as indicated.
- 32 Subtract line 31 from line 27.** *(auto-calc)* Computed as indicated.

- 33 Usually, multiply line 32 by .26. *(auto-calc)*** Computed as 0.26 times line 32 for amounts up to \$206,100 (\$103,050 if married filing separately for 2022) plus 0.28 times the amount by which line 32 exceeds that level, if any.
- 34 \$83,350, \$41,675, or \$55,800. *(auto-calc)*** Based on your previous entry for "2022 filing status," computed as \$83,350 for filing status 2 or 5, \$41,675 for 1 or 3, or \$55,800 for 4.
- 35 Line 14 of the 2022 Schedule D Tax Worksheet. *(auto-calc)*** Computed from your prior entries as "Taxable income on Form 1040, line 15" plus "Form 2555, line 45 and 40" less "2022 Schedule D Tax Worksheet, line 13."
- 36 Subtract line 35 from line 34. *(auto-calc)*** Computed as indicated, but no less than zero.
- 37 Smaller of line 27 or line 28. *(auto-calc)*** Computed as indicated.
- 38 Smaller of line 36 or line 37. *(auto-calc)*** Computed as indicated.
- 39 Subtract line 38 from line 37. *(auto-calc)*** Computed as indicated, but no less than zero.
- 40 \$459,750 (S), \$258,600 (MFS), \$517,200 (MFJ/QW), or \$488,500. *(auto-calc)*** Based on your previous entry for "2022 filing status," computed as \$459,750 for filing status 1, \$258,600 for filing status 3, \$517,200 for filing status 2 or 5, or \$488,500 for filing status 4.
- 41 Amount from line 36. *(auto-calc)*** Computed from line 36, as indicated.
- 42 Line 21 of 2022 Schedule D Tax Worksheet or Form 1040. *(auto-calc)*** Normally computed as indicated, but computed as "Taxable income on Form 1040, line 15" plus "Form 2555, line 45 and 40" if you completed neither the Schedule D Worksheet nor the Qualified Dividends and Capital Gain Worksheet for 2022.
- 43 Add lines 41 and 42. *(auto-calc)*** Computed as indicated.
- 44 Subtract line 43 from line 40. *(auto-calc)*** Computed as indicated, but no less than zero.
- 45 Smaller of line 39 or line 44. *(auto-calc)*** Computed as indicated.
- 46 Multiply line 45 by 15% (.15). *(auto-calc)*** Computed as indicated.
- 47 Add lines 38 and 45. *(auto-calc)*** Computed as indicated. *If line 47 is equal to line 27, lines 48 through 52 will be zero, in accordance with IRS instructions.*
- 48 Subtract line 47 from line 37. *(auto-calc)*** Computed as indicated.
- 49 Multiply line 45 by 15% (.15). *(auto-calc)*** Computed as indicated. *TIP: If line 29 is zero, lines 50 through 52 will be zero, in accordance with IRS instructions.*
- 50 Add lines 32, 47, and 48. *(auto-calc)*** Computed as indicated.
- 51 Subtract line 50 from line 27. *(auto-calc)*** Computed as indicated.
- 52 Multiply line 51 by 25% (.25). *(auto-calc)*** Computed as indicated.
- 53 Add lines 33, 46, 49, and 52. *(auto-calc)*** Computed as indicated.

54 Usually, multiply line 27 by .26. *(auto-calc)* Computed as .26 times line 27 for amounts up to \$186,300 (\$93,150 if married filing separately) plus .28 times the amount by which line 29 exceeds that level, if any.

55 Smaller of line 53 or line 54. *(auto-calc)* Computed as indicated, this is the *tax for line 11 of Form 8801* when Part III is required for the calculation of that tax.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule 8812 / Credits for Qualifying Children and Other Dependents

Credit for qualifying dependents. This schedule is used to claim credit for qualifying dependents in two mutually exclusive forms: a *Child Tax Credit* for dependents under age 17 at the end of 2023 and a smaller *Credit for Other Dependents* for dependents who don't qualify for the *Child Tax Credit* but are U.S. Citizens, U.S. Nationals, or U.S. Resident aliens. These credits are reported on line 19 of Form 1040 as *nonrefundable* credits. However, if that line includes a *Child Tax Credit* that is less than the nominal \$2,000 credit per child for 2023, the remainder may be eligible in whole or in part for a *refundable* credit in the form of an *Additional Child Tax Credit*, which is also claimed on this schedule, and is reported on line 28 of Form 1040..

For eligible taxpayers: automatically generated. Eligibility for the credits is determined on the *Dependents' Worksheets* that are accessed from Form 1040 screen 4. If, after completing the worksheets, the result on Form 1040, screen 4, for "No. Child Tax Credit qualified" or "No. Other Dependent Credit qualified" is greater than zero, then this schedule is automatically generated and completed based on amounts throughout the return, including amounts from Form 2555 (*Foreign Earned Income*) and Form 8959 (*Additional Medicare Tax*, for high-income taxpayers). Nevertheless, you will have to make manual entries **(a)** to identify yourself as a resident of Puerto Rico, **(b)** to override our simplified computation of social security and medicare tax for use in Part II-B, or **(c)** to enter amounts from Form 4563, certain Medicaid waiver payments, or other special adjustment to our computation of earned income. Schedule 8812 is accessible through the Road Map at lines 19 and 28 of Form 1040.

MANDATORY for Paid Preparers: Returns signed by a paid preparer must include Form 8867 with a return that includes Schedule 8812. Because of a long history of abuse, the IRS now places special responsibilities on paid preparers for collecting the proper information to justify claims for various credits, including those computed on this schedule. To aid in this effort, the IRS requires that paid preparers file Form 8867 (*Paid Preparer's Due Diligence Checklist*) with a return signed by them if the return includes a claim for any of the credits specified on that form, including those computed on Schedule 8812. Form 8867 is automatically created whenever a Schedule 8812 exists for the return. However, it is printed with the complete return *only* if there is a credit claimed on this schedule or any of the other forms cited on Form 8867 *and* you have identified the return as prepared by a paid preparer. Even though it is automatically generated, you must manually answer all questions on Form 8867 in order to satisfy the IRS's requirement for due diligence. And you may need to supply more information on screen 1 of the form if someone other than the signing preparer was responsible for the proper computation of the earned income credit. (*You can access Form 8867 through the Road Map from the last screen of our on-screen Schedule 8812.*)

PUERTO RICO STATUS. If you are a bona fide resident of Puerto Rico, you may benefit from a new qualification for the *Additional Child Tax Credit*.

Were you (or spouse if MFJ) a bona fide resident of Puerto Rico in 2023?

If Yes, the *Additional Child Tax Credit* may be available to you *even when you have only one or two qualifying children*, contrary to the usual requirement to have 3 or more qualifying children.

EARNED INCOME WORKSHEET. The second and third screens of our on-screen Schedule 8812 is not a part of the official schedule, but generally follow the *Earned Income Worksheet* on page 8 of the IRS *2023 Instructions for Schedule 8812*. It is fully automatic for most taxpayers, but you can make an election at line 4 and a special adjustment above line 7.

1a Amount on Form 1040, line 1z. *(auto-calc)* Taken from Form 1040, as indicated, this is total wages or equivalent reported on Form 1040.

Nontaxable combat pay. *(auto-calc)* Taken from your entry for "Nontaxable combat pay (see W-2)" following line 10 of our on-screen Schedule 1 (in the section CERTAIN NONTAXABLE INCOME).

EIC claimed on Form 1040? *(auto-calc)* Answered Yes if there is an amount on line 27 of Form 1040 for the *Earned Income Credit*. (from Schedule EIC).

Combat pay used in EIC? *(auto-calc)* Answered Yes only if line 1i of Form 1040 has an amount for combat pay. An amount appears on line 1i only if you elected on our on-screen Schedule EIC to include combat pay in earned income when computing the *Earned Income Credit*. If Yes, you cannot include combat pay in earned income for Schedule 8812.

1b Nontaxable combat pay. *(auto-calc)* Taken from the preceding amount for "Nontaxable combat pay" only if the answer to the preceding question is No. Otherwise, computed as zero.

2a Statutory employee income on Schedule C, line 1. *(auto-calc)* Computed as line 1 of all copies of Schedules C for which you answered "Yes" to "Statutory Employee on W-2" (on screen 2 of Schedule C).

2b Nonfarm net income on Schedule C, etc. *(auto-calc)* Nonfarm self-employment income for you and spouse combined is shown here. When a Schedule SE exists for a spouse, that spouse's contribution to this line is taken from "Net nonfarm profit/loss" (on screen 3 of Schedule SE) less clergy "Social security wages not taxed on Form W-2" and clergy "Nontaxable income that is social security liable" (both on screen 1 of Schedule SE). *The amount computed from Schedule SE excludes clergy amounts already in line 1a and statutory amounts already in line 2a.* For a spouse without a Schedule SE, that spouse's component to this line is computed from nonfarm self-employment net income on Schedules C and E.

2e Farm net income on Schedule F, etc. *(auto-calc)* *(Lines 2c and 2d are reflected in our computation for line 2e.)* Farm self-employment income for you and spouse combined is shown here. When a Schedule SE exists for a spouse, that spouse's contribution to this line is

normally taken from "Net farm profit/loss" (on screen 2 of Schedule SE); but if the Farm Optional Method is used and "Net farm profit/loss" is a gain, the lesser of "Net farm profit/loss" or the amount on line 15 of Schedule SE, Section B, is used here. For a spouse without a Schedule SE, that spouse's component to this line is computed from farm self-employment net income on Schedules F and E.

3 Add lines 1a, 1b, 2a, 2b, and 2e. *(auto-calc)* Computed as indicated.

Nontaxable Medicaid waiver payments, Schedule 1, line 8s. *(auto-calc)* Taken from Schedule 1, line 8s, this is the amount of nontaxable Medicaid waiver payments included in line 1z of Form 1040 that you elected to report on Schedule 1, line 8s, as a deduction.

Part to include in Earned Income. It may be to your benefit to include the nontaxable Medicaid waiver payments in earned income to maximize your credit on this form. If you enter an amount here, that part of the above nontaxable Medicaid waiver payments is excluded from the amount computed for line 4, below. Unless married filing jointly, you would generally enter the full amount on Schedule 1, line 8s, if you want to include the payments in earned income. But if married filing jointly, you and spouse can independently make the election for your share of the amount on Schedule 1, line 8s.

4 Medicaid waiver payments excluded, *(auto-calc)* Computed as the amount on Schedule 1, line 8s, less the preceding "Part to include in Earned Income," but no less than zero.

5 Amount on Schedule 1, line 15. *(auto-calc)* Taken from Schedule 1 as indicated, this is the deductible part of the self-employment tax on Schedule(s) SE.

6 Add lines 4 and 5. *(auto-calc)* Computed as indicated, this is generally the amount of income to be excluded from earned income for the purposes of Schedule 8812.

Special adjustment. Any other income that should be added to or excluded from earned income for the purposes of this schedule should be entered here. For example, you may have to make an adjustment if you are clergy who received housing benefits, or an employee who received meals and lodging.

7 Subtract line 6 from line 3. *(auto-calc)* Computed as indicated plus the preceding special adjustment, this is the earned income to be used for line 18a of this schedule.

ADDITIONAL MEDICARE AND RRTA TAX. This section consolidates all taxes related to the social security tax and Medicare taxes for use in Part II-B in computing the *Additional Child Tax Credit* for certain filers.

Social security tax withheld on W-2. *(auto-calc)* Taken from the W-2 Worksheets you completed for line 1a of Form 1040, this total includes both tax in box 4 of Form W-2 and RRTA Tier 1 social security tax you identified following line 14 of our W-2 Worksheets.

Medicare tax withheld on W-2. *(auto-calc)* Taken from the W-2 Worksheets you completed for line 1a of Form 1040, this total includes both tax in box 6 of Form W-2 and RRTA Tier 1 Medicare tax you identified following line 14 of our W-2 Worksheets.1

Additional Medicare tax (Schedule 2, line 11). *(auto-calc)* This is the 0.9% tax on Medicare wages and tips that exceed \$250,000 if married filing jointly, \$125,000 if married filing separately, or \$200,000 if single, head of household, or qualifying surviving spouse. It stems from line 18 of Form 8959. It includes additional medicare tax on medicare wages, additional medicare tax on self-employment income, and additional medicare tax on RRTA compensation.

Additional Medicare tax withheld (Form 1040, line 25c). *(auto-calc)* This is the portion of withholding reported in box 6 of Form W-2 that stems from the 0.9% Additional Medicare Tax for high-income taxpayers, which is included in withholding on line 25c of Form 1040, but stems from line 24 of Form 8959.

Total for Worksheet B, line 7, and Schedule 8812, line 21. *(auto-calc)* Computed as the first three above amounts less the last amount, this is the amount to be used in Schedule 8812 calculations.

CAUTION: *If the resulting total includes taxes on self-employment income or RRTA tax, you will generally have to override the total* because it is computed using a simplified calculation that does not account for special calculations that involve self-employment income or RRTA tax. Use the IRS's *Additional Medicare Tax and RRTA Worksheet* at the end of the *IRS 2023 Instructions for Schedule 8812* to determine the revised total.

WORKSHEET A (AND B, IF REQUIRED). The computation of the amount for line 13 requires the use of the IRS's *Credit Limit Worksheet A*, which itself may require you to complete *Credit Limit Worksheet B* as well under certain circumstances. Worksheet A is detailed here, including any applicable result from Worksheet B. See pages 4 through 6 of the *IRS 2023 Instructions for Schedule 8812*.

- 1 Line 18 of Form 1040.** *(auto-calc)* Taken from Form 1040 as indicated, this is the total tax before any credits are deducted on Form 1040.
- 2 Sum of Schedule 3 lines 1, 2, 3, 4, 5b, 6d, 6f, 6l, and 6m.** *(auto-calc)* Computed from Schedule 3, as indicated, these are nonrefundable credits that limit the amount of *Child Tax Credit* and *Credit for Other Dependents* that can be claimed.
- 3 Subtract worksheet line 2 from worksheet line 1, but no less than zero.** *(auto-calc)* Computed as indicated.
- 4 Amount from Credit Worksheet B.** *(auto-calc)* Worksheet B is computed internally by the software if the conditions shown above line 4 of IRS Worksheet A are met, and the result is shown here. Otherwise, computed as zero.

5 Subtract worksheet line 4 from worksheet line 3. *(auto-calc)* Computed as indicated, but no less than zero. This is the amount to be used for line 13 of Schedule 8812.

OTHER INFORMATION. Taxpayers who file Form 2555 (Foreign Earned Income) to claim foreign earning income or housing exclusions, or a housing deduction, cannot claim the *Additional Child Tax Credit*, so information from Form 2555 is considered here.

Do you claim a foreign exclusion or deduction (from Form 2555)? *(auto-calc)* Answered Yes if Schedule 1, line 8d (Foreign earned income exclusion from Form 2555), or Schedule 1, line 24j (Housing deduction from Form 2555), has an amount. Otherwise, No. If Yes, you do not qualify to claim the *Additional Child Tax Credit*, so Parts II-A, II-B, and II-C are not used.

PART I, CHILD TAX CREDIT AND CREDIT FOR OTHER DEPENDENTS. The nonrefundable credits are computed in this part of Schedule 8812.

1 Amount from line 11 of Form 1040. *(auto-calc)* Taken from Form 1040 as indicated, this is the adjusted gross income for the return.

2a Puerto Rico income excluded. *(auto-calc)* Taken from screen 3 of our on-screen Schedule 1, this is the amount of income from Puerto Rico that you identified following line 10 of our Schedule 1 as nontaxable on Form 1040 because you earned it as a bona fide resident of Puerto Rico.

2b Amounts from lines 45 and 50 of Form 2555. *(auto-calc)* Taken from lines 8d and 24j of Schedule 1, this is the total of all exclusions and deductions claimed on Form 2555 (*Foreign Earned Income*).

2c Amount from line 15 of Form 4563. If you file Form 4563 (*Exclusion of Income for Bona Fide Residents of American Samoa*), enter the result on line 15 of that form.

2d Add lines 2a through 2c. *(auto-calc)* Computed as indicated, these are earned income amounts that were excluded from income for the Form 1040 tax return.

3 Add lines 1 and 2d. *(auto-calc)* Computed as indicated, this is the *modified* adjusted gross income used on this schedule.

4 Number of qualifying children under age 17 with required SSN. *(auto-calc)* Taken from "No. Child Tax Credit qualified" shown on Form 1040, screen 4. This number is posted to Form 1040 after you complete the *Dependents' Worksheets* that are accessed from Form 1040, screen 4. These worksheets determine eligibility for the *Child Tax Credit* and the *Credit for Other Dependents* based on your entries on the worksheets.

5 Multiply line 4 by \$2,000. *(auto-calc)* Computed as indicated, this is the maximum potential *Child Tax Credit* available for 2023.

6 Number of other dependents. *(auto-calc)* Taken from "No. Other Dependent Credit qualified" shown on Form 1040, screen 4. This number is posted to Form 1040 after you complete the *Dependents'*

Worksheets that are accessed from Form 1040, screen 4. It includes children who are disqualified from the *Child Tax Credit* solely because of age (17 years old or more) or lack of a social security number that qualifies you to work.

- 7 Multiply line 6 by \$500.** *(auto-calc)* Computed as indicated, this is the maximum potential *Credit for Other Dependents* available for 2023.
- 8 Add lines 5 and 7.** *(auto-calc)* Computed as indicated, this is the maximum potential total credit for the *Child Tax Credit* and *Credit for Other Dependents* combined.
- 9 \$200,000 (or \$400,000 if married filing jointly).** *(auto-calc)* Computed as indicated, this is the threshold for the start of a phaseout of credits as modified adjusted gross income on line 3 exceeds this threshold.
- 10 Subtract line 9 from line 3 and round up in multiples of \$1,000.** *(auto-calc)* Computed in accordance with the rounding instructions that appear in the IRS label for this line.
- 11 Multiply line 10 by 5% (0.050).** *(auto-calc)* Computed as indicated, this is the amount by which the maximum combined credits on line 8 must be reduced because of the phaseout for high income.
- 12 Is line 8 more than line 11?** *(auto-calc)* If No, you have no *Child Tax Credit*, *Credit for Other Dependents*, or *Additional Child Tax Credit*.
If Yes, subtract line 11 from line 8. *(auto-calc)* Computed as indicated, this is your tentative credit before tax liability limitations.
- 13 Amount from Credit Limit Worksheet A.** *(auto-calc)* Taken from line 5 of Worksheet A, shown on screen 2, this is the tax liability limit for the *Child Tax Credit* and *Credit for Other Dependents* combined.
- 14 Smaller of line 12 or 13.** *(auto-calc)* Computed as indicated, this is the sum of the nonrefundable *Child Tax Credit* and *Credit for Other Dependents*.

The result on line 14 is posted to line 19 of Form 1040.

PART II-A, ADDITIONAL CHILD TAX CREDIT FOR ALL FILERS. If line 12 is more than line 14, you may be able to take the *Additional Child Tax Credit* computed in Parts II-A, II-B, and II-C. Otherwise, or if you file Form 2555, you do not qualify to use these parts and the result on line 27 will be zero.

- 15 Want to omit claim for this credit?** Most taxpayers will answer No (our default). However, because this credit is a refundable credit, some taxpayers may want to opt out to avert a delay in receiving their refund. (The IRS delays refunds for taxpayers claiming refundable credits like the one in this part of Schedule 8812 so that they have time to confirm your qualifications.) If you answer Yes, or you claim exclusions or deductions on Form 2555, Parts II-A and II-B are skipped, and line 27 in Part II-C is zero.

- 16a Subtract line 14 from line 12.** *(auto-calc)* Computed as indicated. If the result is zero, you do not qualify for the *Additional Child Tax Credit*, so Parts II-A and II-B are skipped, and line 27 in Part II-C is zero.

16b Number of qualifying children under 17 with required SSN. *(auto-calc)* Taken as the number on line 4.

X \$1,600. *(auto-calc)* Computed as the preceding number times \$1,600 for 2023, this is the maximum amount of additional credit from this schedule even if the entire \$2,000 per child credit was disallowed in Part I.

17 SMALLER of line 16a or 16b. *(auto-calc)* Computed as indicated, this is the maximum *Additional Child Tax Credit* potentially available from this schedule.

18a Earned income (see instructions). *(auto-calc)* If the answer for line 15 is No, taken as the result on line 7 of our *Earned Income Worksheet*.

18b Nontaxable combat pay. *(auto-calc)* Taken as line 1b of our *Earned Income Worksheet* on screen 2.

19 Is line 18a more than \$2,500? *(auto-calc lines)*

No. *(auto-calc)* If No, line 19 and 20 are computed as zero.

Yes. *(auto-calc)* If Yes, line 19 is computed as line 18a minus \$2,500.

20 Multiply line 19 by 15% *(auto-calc)* If the answer for line 19 is Yes, computed as indicated. Otherwise, zero.

Smaller of line 17 or line 20. *(auto-calc)* Computed as indicated, *this is your credit if you cannot use Part II-B.*

Is the amount on line 16b \$4,800 or more? *(auto-calc)* Answered Yes if the count for line 4 ("Number of qualifying children under 17 with an SSN") is 3 or more, as determined from the *Dependent Worksheets* you completed for Form 1040. Otherwise, No.

If the answer to this question is No: (a) If you answered Yes to "Bona fide Puerto Rico resident" on screen 1, Part II-B is used. (b) Otherwise, Part II-B is skipped and the amount for line 27 (Part II-C) is the smaller of line 17 or line 20.

If the answer to this question is Yes: (a) If line 20 is less than line 17, Part II-B is used. (b) Otherwise, Part II-B is skipped and the amount for line 27 (Part II-C) is line 17.

PART II-B, CERTAIN FILERS WHO HAVE THREE OR MORE QUALIFYING CHILDREN AND BONA FIDE RESIDENTS OF PUERTO RICO. This part of the form is used as determined by the conditions detailed above following line 20. To use this part you must, at the least, either (a) have 3 or more qualifying children, or (b) be a bona fide resident of Puerto Rico.

21 Withheld social security, Medicare, and Additional Medicare taxes. *(auto-calc)* Taken from the result on screen 3 for "Total for Worksheet B, line 7, and Form 8812, line 21."

22 Schedule 1, line 15, and Schedule 2, lines 5, 6, and 13. *(auto-calc)* Taken from Schedules 1 and 2, as indicated, this is the sum of the deductible part of self-employment tax, uncollected social security and Medicare tax on wages, unreported tips, and group-term life insurance.

23 Add lines 21 and 22. *(auto-calc)* Computed as indicated.

24 Form 1040, line 27 and Schedule 3, line 11. *(auto-calc)* Computed as indicated, this is the sum of the earned income credit and excess social security/RRTA tax withheld.

25 Subtract line 24 from line 23. *(auto-calc)* Computed as indicated.

26 LARGER of line 20 or line 25. *(auto-calc)* Computed as indicated.

PART II-C, ADDITIONAL CHILD TAX CREDIT. The result from Part II-A or II-B is computed here:

27 This is your Additional Child Tax Credit. *(auto-calc)* If you have less than 3 qualifying children (line 4 less than 3) and you are not a bona fide resident of Puerto Rico, then computed as the lesser of line 17 or line 20. Otherwise, if line 20 is less than line 17 computed as the lesser of line 17 or line 26, but if line 20 is equal to or more than line 17 then taken as line 17. This result is posted to line 28 of Form 1040.

SUMMARY. The credits computed on this form are summarized here.

CTC and ODC for Form 1040, line 19. *(auto-calc)* Taken from line 14 of this Schedule 8812, this is the *Child Tax Credit* and *Credit for Other Dependents* posted to line 19 of Form 1040.

ACTC for Form 1040, line 28. *(auto-calc)* Taken from line 27 of this Schedule 8812, this is the *Additional Child Tax Credit* posted to line 28 of Form 1040.

Itemize to access Form 8867. *(Road Map line, supported by Form 8867.)* If the *Child Tax Credit*, the *Credit for Other Dependents*, or the *Additional Child Tax Credit* is claimed and the return is prepared by a paid preparer, that paid preparer must complete and file Form 8867 (*Paid Preparer's Due Diligence Checklist*) with the return. Failure to comply with all due diligence requirements can subject the preparer to a \$600 penalty for *each* credit claimed for 2023.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8814 / Election to Report Child's Interest and Dividends

Who is it for? This form is designed for taxpayers who have children with interest and dividend income only and who prefer to report that income on their own return rather than filing a return for each child. To qualify to report the child's income this way the child:

- A** must be under age 19 at the end of 2023 (age 24 if a full-time student),
- B** must have had income only from interest and dividends, including capital gain distributions and Alaska Permanent Fund dividends,
- C** must have had less than \$12,500 gross income for 2023,
- D** must be required to file a 2023 return,
- E** must not file a joint return for 2023,
- F** must have had no estimated tax payments for 2023,
- G** must have had no tax overpayment on the 2022 return to be applied to the 2023 estimated tax, and
- H** must have had no federal income tax withheld from any income.

Other restrictions apply, as detailed later. A separate Form 8814 must be completed for each child for whom the parent elects to report income in his or her own return. Fifteen copies of Form 8814 are built into the software to report the income for up to 15 qualifying children. All 15 copies of Form 8814 are accessible through the Road Map at line 16(1) of Form 1040, at the Form 8814 component of line 8z of Schedule 1, at the top of screens 2 and 3 of Schedule B, and above line 13 of Schedule D.

PRELIMINARY ELIGIBILITY. Information about the child and your relationship with him or her is collected here.

- A Child's first name and initial.** Enter in 15 characters or less.
- Child's last name.** Enter last name in 25 characters or less.
- Child's e-file name control.** The name control is displayed in accordance with IRS e-file specifications. This is usually the first four characters of the last name.
- B Child's SSN.** Enter child's social security number.
- C Is more than one 8814 filed?** Answer Yes if reporting income for more than one child.

The following entries determine whether the child qualifies to be reported on this form:

- Child's age on 1/1/2024.** Enter the age on the first day following the end of the tax year. You can use the decimal part to include fractions of a year. If 24 years of age or older, you cannot report that child's income on Form 8814. If 19 years of age or older, you may be able to use Form 8814 for that child if the answer to the next question is Yes. If under 19 years of age, the child meets the age test, so the other qualifications, below, are considered. **CAUTION:** *If you make no age entry here, the child will never be considered eligible. You*

must enter an age of 0.01 or more in order for the child to be considered for this form.

Was the child a student 5 months or more in 2023? If No and 19 years or older, you cannot report that child's income on Form 8814. If Yes and under age 24, the child meets the age test, so the other qualifications are considered.

Is child exempt from filing a 2023 return? If Yes, the child is not qualified.

Is the child filing a joint return for 2023? If Yes, the child is not qualified.

Did child pay estimated tax for 2023? If Yes, the child is not qualified.

Did child apply a 2022 overpayment to 2023 estimated tax? If Yes, the child is not qualified.

Did child have federal income tax withheld? If Yes, the child is not qualified. *This answer is forced to Yes if you reported any federal income tax withheld on the 1099-INT or 1099-DIV Worksheets that follow.*

The answers to the next few questions determine which parent can file Form 8814:

Your filing status on Form 1040. *(auto-calc)* Taken from Form 1040.

Are you the custodial parent?

Is your spouse the child's parent?

Is your taxable income higher than your spouse's?

Tentative eligibility to use this form can now be determined. (Complete eligibility depends on the makeup of the child's income, determined later.)

ELIGIBLE for Form 8814 so far? *(auto-calc)* Yes only if all of the first set of questions is answered No *and*, from the second set of questions:

- *If married filing jointly*, either you are the custodial parent or spouse is the child's parent.
- *If married filing separately*, your taxable income is higher *and* either you are the custodial parent or spouse is the child's parent.
- *For any other filing status*, you are the custodial parent.

Otherwise, the answer is No and this form cannot be used.

CHILD'S INTEREST INCOME. This section of our form is very much like Part I of Schedule B.

Child's GROSS interest. *(Supported by the 1099-INT Worksheet, Figure 2-9.)* The same type of worksheet that supports Part I of Schedule B supports this line as well. You should therefore *refer to our details for Schedule B to see details on the worksheet and its illustration (Figure 2-9).*

Nominee distribution: ND. *(auto-calc)* This is the total nominee distributions from all worksheets combined. If an amount appears here, it is printed with the code "ND" below line 1a of an official printout of Form 8814.

OID adjustment. *(auto-calc)* This is the total OID (Original Issue Discount) adjustments from all worksheets combined. If an amount appears here, it is printed with the phrase "OID adjustment" to the left of the amount for line 1a of an official printout of Form 8814.

ABP adjustment. *(auto-calc)* This is the total ABP (Amortizable Bond Premium) adjustments from all worksheets combined. If an amount appears here, it is printed with the phrase "ABP adjustment" to the left of the amount for line 1a of an official printout of Form 8814.

Accrued interest. *(auto-calc)* This is the total accrued interest from all worksheets combined. If an amount appears here, it is printed with the phrase "Accrued interest" to the left of the amount for line 1a of an official printout of Form 8814.

Total adjustment. *(auto-calc)* Computed as the sum of the preceding 3 amounts.

Penalty on early withdrawal of savings. *(auto-calc)* Taken from line 2 of the 1099-INT Worksheets (box 2 of Form 1099-INT).

Federal withholding on Form 1099-INT. *(auto-calc)* Taken from line 4 of the 1099-INT Worksheets (box 4 of Form 1099-INT).

Foreign tax paid on Form 1099-INT. *(auto-calc)* Taken from line 6 of the 1099-INT Worksheets (box 6 of Form 1099-INT). This amount is used in the foreign tax section of our Schedule B for computing foreign tax credit, either through Form 1116 or, when qualified, directly on line 1 of Schedule 3.

Tax-exempt interest on Form 1099-INT. *(auto-calc)* Taken from line 8 of our 1099-INT Worksheets (box 8 of Form 1099-INT). This amount will be included in line 1b of Form 8814 along with the following amount not on the worksheets.

Other tax-exempt for Form 8814, line 1b. Enter here *only nontaxable interest that you did not report on a 1099-INT Worksheet* but which you must include in line 2a of Form 1040. This may include interest from municipal bonds or exempt-interest dividends from a mutual fund or other regulated investment company if you did not prepare a 1099-INT Worksheet, above, for it. This amount will be included in line 1b of Form 8814 along with any tax-exempt interest entered on the 1099-INT Worksheets.

AMT preference for Form 6251, line 2g. *(auto-calc)* Taken from line 9 of our 1099-INT Worksheet (usually from box 9 of Form 1099-INT), this amount is posted to Form 6251 along with the analogous amount on the 1099-INT Worksheets on Schedule B for inclusion in line 2g of Form 6251.

CHILD'S DIVIDEND INCOME. This section of our form is very much like Part II of Schedule B.

Child's ORDINARY dividends. *(Supported by the 1099-DIV Worksheet, Figure 2-10.)* The same type of worksheet that supports Part II of Schedule B supports this line as well. You should therefore *refer to our details for Schedule B to see details on the worksheet and its illustration (Figure 2-10).*

Nominee distribution. *(auto-calc)* This is the total nominee distributions from all worksheets combined. If an amount appears here, it is printed with the code "ND" to the left of the amount for line 2a of an official printout of Form 8814.

Qualified dividends. *(auto-calc, supported by the 1099-DIV Worksheet)* For all qualified children, a portion of qualified dividends on the worksheets is reflected in lines 3a and 3b of Form 1040 for taxation under a favorable low rate rather than the regular tax rate, as detailed for line 9 of this form.

Capital gains distributions. *(auto-calc, supported by the 1099-DIV Worksheet)* For all qualified children identified on the worksheets, a portion of capital gains distributions on the worksheets is reflected in line 13 of Schedule D for taxation under the capital gains rate rather than the regular tax rate, as detailed for line 10 of this form.

Nominee distributions in CGD. *(auto-calc)* Posted here from all 1099-DIV Worksheets, this is the part of capital gain distributions (CGD) that is a nominee distribution, and therefore not taxable to you.

Net taxable CGD. *(auto-calc)* Computed as capital gain distributions less the above nominee part, this is the taxable amount posted to Schedule D.

Unrecaptured sec. 1250 gain in CGD. *(auto-calc)* Posted here from line 2b of all 1099-DIV Worksheets (box 2b of Form 1099-DIV), and posted to Schedule D.

Sec. 1202 gain in CGD. *(auto-calc)* Posted here from line 2c of all 1099-DIV Worksheets (box 2d of Form 1099-DIV), and posted to Schedule D.

Collectibles (28%) gain. *(auto-calc)* Posted here from line 2d of all 1099-DIV Worksheets (box 2d of Form 1099-DIV), this is the 28% rate gain posted to Schedule D.

Nontaxable distributions. *(auto-calc)* Posted here from line 3 of all 1099-DIV Worksheets (box 3 of Form 1099-DIV).

Federal withholding on Form 1099-DIV. *(auto-calc)* Posted here from line 4 of all 1099-DIV Worksheets (box 4 of Form 1099-DIV).

Section 199A dividends **on Form 1099-DIV.** *(auto-calc)* Posted here from line 5 of all 1099-DIV Worksheets (box 5 of Form 1099-DIV), these are REIT dividends that qualify for use in computing the qualified business income deduction for line 13 of Form 1040 (via Form 8995 or 8995-A). However, the parent can claim only a portion of these dividends for this purpose. The amount to be used on Form 8995 is the amount shown here times the ratio of Form 8814, line 6, divided by Form 8814, line 4. (This result is automatically posted to Form 8995 for our Standard and Premium Level software.)

Foreign tax paid on Form 1099-DIV. *(auto-calc)* Posted here from line 6 of all 1099-DIV Worksheets (box 6 of Form 1099-DIV), this amount is used in computing foreign tax credit, either through Form 1116 or, when qualified, directly on line 1 of Schedule 3.

Alaska permanent fund dividends. Unlike the 1099-DIV Worksheet for Schedule B, Alaska permanent fund dividends are reported on the 1099-DIV Worksheet for Form 8814. However, these dividends do not count as investment income for the purposes of the earned income credit. Therefore, you must enter here the amount reported on the worksheets for these type of dividends so that the part of line 6 of Form 8814 that is attributable to these dividends is removed before being added to investment income for the purposes of the earned income credit.

FINAL DETERMINATION OF ELIGIBILITY. The child's income is compared here with allowed limits.

Does child have OTHER income? You cannot use Form 8814 for the child if he or she has *ANY* income other than the above interest and dividend income.

ELIGIBLE TO USE FORM 8814? *(auto-calc)* Answered *Yes only if ALL of the following conditions are met:*

- The answer to "ELIGIBLE for 8814 so far?" was Yes, *and*
- The answer to "Child has OTHER income?" is No, *and*
- Reportable interest and dividends for 2023 (that is, gross interest and dividends less nominee distributions, tax-exempt interest, nontaxable distributions, and other adjustments) is less than \$12,500.

FOREIGN ACCOUNTS AND TRUSTS. You must answer for the child the same questions you answer for yourself in Part III of Schedule B. Any Yes answer here also appears on your Schedule B flagged by "Form 8814" on the official printout. Any foreign tax paid shown on the preceding worksheets also appears on your Schedule B for use in your own claim for foreign tax credit. See our instructions for Schedule B for more information on these lines.

PART I, CHILD'S INTEREST AND DIVIDEND INCOME TO REPORT ON YOUR RETURN. This step is fully automatic based on the prior entries.

- 1a Child's TAXABLE interest.** *(auto-calc)* Computed from the preceding interest entries, adjusting gross interest by the adjusting entries in the same way as Part I of Schedule B.
- 1b Child's TAX-EXEMPT interest.** *(auto-calc)* Computed as the tax-exempt interest entered on the 1099-INT Worksheet *plus* any additional entered for "Other tax-exempt for 1b."
- 2a Child's ordinary dividends.** *(auto-calc)* Taken from the entries in line 1a of the 1099-DIV worksheets, after eliminating nominee amounts.
- 2b Child's qualified dividends included on line 2a.** *(auto-calc)* Taken from the entries in line 1b of the 1099-DIV worksheets, after eliminating nominee amounts.
- 3 Capital gain distributions.** *(auto-calc)* Taken from the entries in line 2a of the 1099-DIV worksheets, after eliminating nominee amounts.
- 4 Add lines 1a, 2a, and 3.** *(auto-calc)* Computed as indicated.
- 5 Base amount.** *(auto-calc)* Always \$2,500 for tax year 2023.
- 6 Subtract line 5 from line 4.** *(auto-calc)* Computed as indicated, but no less than zero. *This amount generally counts as investment income for the parent's Form 4952 (Investment Interest Expense Deduction),* with the exception of the part attributable to Alaska Permanent Fund dividends.
- 7 Divide line 2b by line 4.** *(auto-calc)* Computed as indicated, carried to full accuracy even though the display and printout show only the first four decimal places. This is the ratio of qualified dividends to total income for the child.
- 8 Divide line 3 by line 4.** *(auto-calc)* Computed as indicated, carried to full accuracy even though the display and printout show only the first four decimal places. This is the ratio of capital gain distributions to total income for the child.
- 9 Multiply line 6 by line 7.** *(auto-calc)* Computed as indicated, this is the portion of the child's qualified dividends that is taxable to the parent. *This result will be reflected in lines 3a and 3b of the parent's Form 1040 with the amount identified at line 7 of the parent's Form 1040 with the flag "8814" on the official printout of Form 1040.* (If a Schedule B exists for this return, this result will also be posted to Schedule B to be combined with any other qualified dividends for the parent at line 5 of Schedule B.)
- 10 Multiply line 6 by line 8.** *(auto-calc)* Computed as indicated, this is the portion of the child's total capital gains distributions that is taxable to the parent. *This result will be reflected in line 13 of the parent's Schedule D with the amount identified at that line with the flag "Form 8814" on the official printout of Schedule D.* (Only amounts in box 2a of Form 1099-DIV are reflected here. Amounts in boxes 2b, 2c, and 2d, which identify specific types of capital

gains distributions, are similarly prorated and shown below line 12 for posting to other parts of Schedule D.)

11 Add lines 9 and 10. *(auto-calc)* Computed as indicated, this is the total of taxable amounts that are separately posted (from lines 9 and 10) because of the favorable tax treatment they can receive.

12 Subtract line 11 from line 6. *(auto-calc)* Computed as indicated, this is the taxable amount subject to the regular tax. It is posted to the component of Schedule 1, line 8z, labeled "FORM 8814 on 8814, line 12," and is identified at line 8z on the official printout of Schedule 1.

Unrecaptured section 1250 gain for Schedule D, line 19. *(auto-calc)* Prorated analogously to lines 9 and 10, this is the part of capital gain distributions subject to a 25% tax rate. It is used on Schedule D in the IRS Unrecaptured Section 1250 Gain Worksheet to determine the amount for Schedule D, line 19.

Section 1202 gain for Schedule D. *(auto-calc)* Prorated analogously to lines 9 and 10, this is the part of capital gain distributions eligible for partial exclusion from taxation. See our details for Schedule D, line 13, and the Gain/Loss Worksheet for Schedule D for the election you can make. This amount is shown on screen 6 of Schedule D below the amount from line 10, above, for Schedule D, line 13, but is used in calculations only when you make the described election on the worksheets.

Collectibles (28% rate gain) for Schedule D. *(auto-calc)* Prorated analogously to lines 9 and 10, this is the part of capital gain distributions subject for a 28% tax rate. This amount is shown on screen 6 of Schedule D below the amount from line 10, above, for Schedule D, line 13. It is used on Schedule D in the IRS 28% Rate Gain Worksheet to determine the amount for Schedule D, line 18.

PART II, TAX ON 1ST \$2,500 OF CHILD'S INTEREST AND DIVIDENDS. This step is also fully automatic based on the prior entries.

13 Amount not taxed. *(auto-calc)* Automatically \$1,250 for all returns for 2023. This is the standard deduction for a dependent child with no earned income.

14 Subtract line 13 from line 4. *(auto-calc)* Computed as indicated, this would have been the taxable income of the child had the child filed his or her own return.

15 TAX. *(auto-calc)* Computed as 10% of line 14, but no more than \$125 for 2023. This is the tax on up to \$1,250 of the child's taxable income.

The results on line 15 from all Forms 8814 prepared are summed together then posted to line 16(1) of Form 1040 for inclusion in total tax liability for the return.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8815* / Exclusion of Interest from Series EE and I U.S. Savings Bonds Issued After 1989

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to exclude from taxation interest on qualified bonds you cashed in to pay for higher education expenses. The only qualified bonds are series EE and I U.S. savings bonds issued in your name when you were at least age 24. Furthermore, the *exclusion is not available if married filing separately*, and is phased out at high income for other filing statuses. (These bonds are paid at face value plus interest upon their 30-year maturity.) The interest to be considered for exclusion here must be included in line 1 of Schedule B, and the exclusion computed here is reported at line 3 of Schedule B. Form 8815 is accessible through the Road Map at line 3 of Schedule B.

PERSONS WHO QUALIFIED. The person for whom you paid higher education expenses must be you, your spouse, or a dependent claimed on Form 1040. Eligible expenses include contribution to the person's Coverdell Education Savings Account (ESA) or Qualified Tuition Program (QTP). Other eligible expenses include tuition and fees at an eligible educational institution in which the person was enrolled or attended.

- 1 Number of qualified persons.** *(Supported by the Student Worksheet, Figure 2-66.)* The qualified person is identified in the supporting worksheets along with the qualified educational institution, ESA, or QTP. The number of students identified appears here.
- 2 Qualified higher-education expenses you paid in 2023.** *(auto-calc)*
Taken from the supporting worksheets for line 1.
- 3 Nontaxable educational benefits received for 2023.** *(auto-calc)* Taken from the supporting worksheets for line 1.
- 4 Subtract line 3 from line 2.** *(auto-calc)* Computed as indicated. If zero, you cannot take the exclusion and the form will compute none.
- 5 Proceeds from all series EE and I U.S. savings bonds issued after 1989 that you cashed in 2023.** Enter total proceeds including both interest and principal.
Face value of post-1989 paper series EE bonds cashed in 2023. Enter the face value at original issue. (Paper EE bonds, first offered in 1980, are issued at a 50% discount from face value, and face value is paid upon their 30-year maturity.)
Face value of post-1989 electronic series EE and all series I bonds cashed in 2023. Enter the face value at original issue. (I bonds, first issued in 1998, are issued at full face value, as are electronic series EE bonds, and face value plus accrued interest is paid upon their 30-year maturity.)
Total counted as principal. *(auto-calc)* Computed in accordance with the IRS's *Line 6 Worksheet* as half of the paper series EE face value plus all of the series I and electronic series EE face value.

6 Interest included on line 5. (auto-calc) Computed in accordance with the IRS Line 6 Worksheet as line 5 less "Total counted as principal." CAUTION: You may have to override this amount if you reported any of the interest before 2023. See IRS Pub. 550 for details.

Line 4 as a % of line 5 (100% maximum). (auto-calc) Computed as line 4 divided by line 5 expressed as a percentage.

7 Divide line 4 by line 5 (1.0 maximum). (auto-calc) Computed as line 4 divided by line 5 (to 4 decimal places) expressed as a decimal, this is the fraction of the proceeds used for eligible expenses.

8 Multiply line 6 by line 7. (auto-calc) Computed as indicated, this is the tentative exclusion before reduction for high income.

Filing status (ineligible if 3). (auto-calc) Taken from Form 1040, you are allowed no exclusion if married filing separately.

Student Worksheet. (Figure 2-66) Supports lines 1 through 4 of Form 8815. You must identify each person, institution or account, and amount spent.

a. Name of person. The person (student) must be you, your spouse, or a dependent claimed on Form 1040. Enter the full name in 25 characters or less.

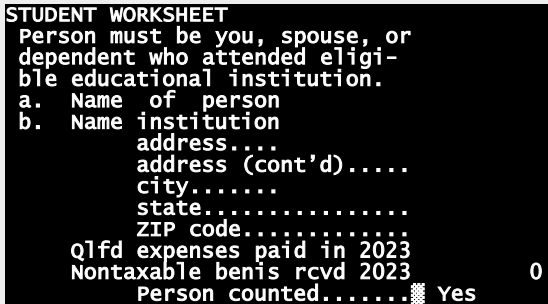


Figure 2-66. Student Worksheet

b. Name of institution. What you enter here depends on where the withdrawn funds were spent: (a) If the proceeds of the bond were paid directly to the educational institution for tuition and fees, enter here the name of the eligible institution (and the institution's address below). (b) If the proceeds were used for contributions to a Coverdell Educational Savings Account (ESA), enter here the name of the financial institution where the account is held, followed by the monicor ESA (and the institution's address below). (c) If the proceeds were used for contributions to a Qualified Tuition Program (QTP), enter here the name of the program, followed by the monicor QTP (and the program's address below).

address. Enter here the street address of the institution or program named in line b. The address entry is split into two lines in order to fit on the printed form: 22 characters on the first line and 10 characters on the second line. The 22 character entry is printed at the end of the first line provided for address on the official form, and the second entry is printed at the beginning of the second line provided on the form.

city. Enter the city in 22 characters or less.

state. Enter the standard 2-letter code for the state.

ZIP code. Enter ZIP code in the standard xxxxx or xxxxx-xxxx format.

Qualified expenses paid in 2023. Enter the tuition and fees paid or contributions to the ESA or QTP.

Nontaxable benefits received in 2023. If any of the amount on the preceding line was covered by a scholarship or other nontaxable benefit, enter the amount here. Do not include on either line amounts **(a)** covered by nontaxable education benefits, **(b)** claimed on Form 8863 (*Education Credits*), or **(c)** used to figure the nontaxable part of a distribution from an ESA or QTP.

Person counted. *(auto-calc)* The worksheet is counted only if you entered an amount for "Qualified expenses paid in 2023."

IMPORTANT: Include Form 8815, line 6, in Schedule B, line 1. This form is used to figure an exclusion of interest included in line 1 of Schedule B. You must therefore report the interest before exclusion (the amount on line 6, above) on line 3 of a Form 1099-INT Worksheet for line 1 of Schedule B. (If you received a Form 1099-INT for the interest, the amount would be shown in box 3, which you would enter on line 3 of our Form 1099-INT Worksheet.)

EXCLUSION AND LIMITATION. The phaseout of the exclusion for high income is computed here based on a special form of modified AGI. Modified AGI for line 9 is computed first:

Amount from Schedule B, line 2. *(auto-calc)* Taken from Schedule B as indicated, this is line 1 of the IRS's *Line 9 Worksheet*.

Income on Form 1040, lines 1z, 3b, 4b, 5b, 6b, and 7, and Schedule 1, lines 1 through 7 and 9. *(auto-calc)* Computed as indicated from Form 1040 and Schedule 1, this is line 2 of the IRS *Line 9 Worksheet*.

Schedule 1, lines 11 through 20, 23, and 25. *(auto-calc)* Computed from Schedule 1 as indicated, this is line 4 of the IRS's *Line 9 Worksheet*.

Additional adjustments per IRS Pub. 550:

Foreign exclusion and deduction. *(auto-calc)* Computed as the Form 2555 exclusion reflected in Schedule 1, line 8d, plus the Form 2555 deduction reflected in Schedule 1, line 24j.

Puerto Rico income excluded. *(auto-calc)* Taken from the entry on the screen that follows line 10 of our on-screen Schedule 1 for "Puerto Rico income not reported" (under the banner of CERTAIN NONTAXABLE INCOME).

Adoption benefits excluded (Form 8839). *(auto-calc)* Taken from the entry on the screen that follows line 10 of our on-screen Schedule 1 for "Excluded benefits from Form 8839" (under the banner of CERTAIN NONTAXABLE INCOME).

Additions per IRS Pub. 550. *(auto-calc)* Computed as the sum of the preceding three amounts. This adjustment is described on page 10 of IRS Pub. 550 for 2023 (*Investment Income and Expenses*).

9 Modified adjusted gross income. *(auto-calc)* In accordance with the IRS's *Line 9 Worksheet* (in the *IRS 2023 Instructions for Form 8815*) as modified by the more complete instructions in *IRS Pub. 550*, computed from the preceding amounts as the sum of all of the "Amount from line 2 of Schedule B" *plus* "Income on Form 1040, lines 1z, 3b, 4b, 5b, 6b, and 7, and Schedule 1, lines 1 through 7 and 9" *less* "Schedule 1, lines 11 through 20, 23, and 25" *plus* "Additions per IRS Pub. 550." See IRS Pub. 550 for details. *For 2023 you are allowed no exclusion if the amount on this line is \$167,800 or more if married filing jointly, or \$106,850 or more if single, head of household, or qualifying surviving spouse. (You are not eligible to use this form if married filing separately.)*

10 \$91,850 if single, head of household, or qualifying surviving spouse, \$137,800 if married filing jointly. *(auto-calc)* Computed as indicated for 2023, this is the income at which the phaseout of the exclusion starts. *(If married filing separately, this and all following lines will be zero because you are not qualified to use this form.)*

11 Subtract line 10 from line 9. *(auto-calc)* Computed as indicated, if zero or less you are allowed the full exclusion on line 8. Otherwise, the phaseout is computed on lines 12 and 13.

Line 11 as a % of \$15,000 or \$30,000 (100% maximum). *(auto-calc)* Computed as line 11 divided by \$30,000 (\$15,000 if single or head of household) expressed as a percentage, this is the percentage by which the tentative exclusion on line 8 will be reduced because of the phaseout.

12 Divide line 11 by \$15,000 if single or head of household; \$30,000 if married filing jointly or qualifying surviving spouse. *(auto-calc)* Computed as indicated to 4 decimal places, but no less than zero and no more than 1.0. This result is the same as 1/100th of the preceding line.

13 Multiple line 8 by line 12. *(auto-calc)* Computed as indicated.

14 EXCLUDABLE SAVINGS BOND INTEREST. *(auto-calc)* Computed as line 8 less line 13, this is the allowed exclusion.

The amount on line 14 is posted to line 3 of Schedule B where it is subtracted from the total interest on line 2. **CAUTION:** *You must report the interest shown on line 6 of this Form 8815 on line 3 of a 1099-INT Worksheet for line 1 of Schedule B. The exclusion applies to that interest alone.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8822 & 8822-B* / Change of Address & Change of Address or Responsible Party – Business

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. See the separate Partnership Edition manual for details on the version of Form 8822 that is built into the Partnership Edition software.

Purpose. These forms are used to report changes of address to the IRS at a time when you are not filing the returns to which they apply. Accordingly, they are not attached to any return, but are sent by themselves to the IRS. (To change your address at the time you file you merely use the new address on your return.) Because of their stand-alone nature, Forms 8822 and 8822-B are accessible only from the Forms Menu (as form 66) or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.

Two forms supported here: Form 8822 (Change of Address) and Form 8822-B (Change of Address—Business). Even though only Form 8822 appears on the Forms Menu, your selection of Form 8822 gives you access to *both* forms. Form 8822 is prepared on screens 1 through 3 (for changing your home address), and Form 8822-B is prepared on screens 4 and 6 (for changing your business's mailing address or location, or responsible party).

FORM 8822 – CHANGE OF ADDRESS (For Individual, Gift, Estate, or Generation-Skipping Transfer Tax Returns). Data entry for *Form 8822* is provided on screens 1 through 3. Although normally used only for individual tax returns because it is included in the Form 1040 software, you could conceivably use for the other types of returns cited since it's a stand-alone form.

PART I, COMPLETE THIS PART TO CHANGE YOUR HOME MAILING ADDRESS. This part is used to change the mailing address from the address used on the last Form 1040 return filed, and is therefore the part normally used in the Form 1040 (*Tax Preparer*) software. Your current name(s) and address are taken from Form 1040. You need enter only prior name(s) and address(es).

Check ALL boxes this change affects:

1 Individual income tax returns? Answer Yes if the address change affects a U.S. Individual Income Tax Return, such as Form 1040 or Form 1040NR.

If last return was a joint return, are you now establishing a residence separate from the spouse with whom you filed that return? Answer Yes if applicable. If Yes, the spouse is not required to sign this change of address form.

2 Gift, estate, or generation-skipping transfer (GST) tax returns? Answer Yes if the address change affects the cited returns, such as Form 706, 706-NA, or 709 returns.

For Form 706 or 706-NA, enter:

Decedent's name. If you answered Yes to line 2 for an estate tax return, enter the decedent's name here in 25 characters or less.

Decedent's SSN. If you answered Yes to line 2 and entered a decedent name above, you must also enter the decedent's social security number here in the standard xxx-xx-xxxx format.

If 1 or 2 is "Yes":

(The official Form 8822 is not printed if neither 1 nor 2 is "Yes.")

3a, 3b, 4a, 4b, Your and spouse's name and SSN. *(auto-calc lines)* If you indicated, by answering Yes to line 1 or line 2, that you are using Form 8822, the name and SSN entries are taken from Form 1040. Otherwise they are blank. (TIP: If you are using this form only for gift, estate, or GST returns, you can create a mock Form 1040 with the name and SSN for that return so that they appear here automatically.)

5a Your prior name. If changing your name due to marriage or divorce, enter the full prior name on the lines supplied. *You must also notify the Social Security Administration of the change.*

5b Spouse's prior name. If changing spouse's name due to marriage or divorce, enter the full prior name on the lines supplied. *You must also notify the Social Security Administration of the change.*

6a Old address. Enter the address the IRS has for the cited return(s). If the address is in a foreign country, you must also use the last three entries for line 6a for country, province, and postal code.

6b Spouse's old address, if different. Enter the spouse's old address if different from the address on line 6a. If in a foreign country, you must also use the last three entries for line 6b for country, province, and postal code.

7 New address. *(auto-calc lines)* If you indicated, by answering Yes to line 1 or line 2, that you are using Form 8822, the address entries are taken from Form 1040. Otherwise they are blank.

PART II, SIGNATURE. The official Form 8822 must be signed by the taxpayer or an authorized representative (such as executor, administrator, donor, etc.) *Your spouse is also required to sign if married filing jointly on the last return filed unless you indicated below line 1 that you are establishing a residence separate from your spouse.*

Contact person's daytime phone number. This is an optional entry to use if you want the IRS to contact anyone by phone if there are questions about the completed Form 8822.

Where to file Form 8822. You must send the completed and signed Form 8822 to the address for your state shown in the instructions on the back of the official IRS *Form 8822 (Rev. February 2021)*. **CAUTION:** *These addresses are not the same as the addresses for mailing your Form 1040 return!*

FORM 8822-B, CHANGE OF ADDRESS – BUSINESS. Data entry for *Form 8822-B* is provided on screens 4 and 5.

USE TO CHANGE YOUR BUSINESS MAILING ADDRESS, LOCATION, OR RESPONSIBLE PARTY. This part is used to change the mailing address, physical location, or responsible party of your business. For Form 1040 filers, it would generally relate to returns that your sole-proprietorship must file, such as returns required by employers, not your Form 1040 return.

Are you a tax-exempt organization? See IRS Pub. 557 (*Tax-Exempt Status for Your Organization*) for qualifications.

Check ALL boxes this change affects:

1 Employment, excise, income, and other business returns? Answer Yes if the address change affects U.S. business returns, such as Form 720, 940, 940-EZ, 941, 990, 1041, 1065, or 1120 returns. *Note that Form 1040 is not listed here because the IRS does not require a notice of change for a sole-proprietor's business for the purposes of Form 1040.*

2 Employee plan returns? Answer Yes if the address change affects a U.S. employee plan return, such as Form 5500 or 5500-EZ returns.

3 Business location? Answer Yes if the address change is a change in a business's location.

If 1, 2, or 3 is "Yes":

(The official Form 8822-B is not printed if 1, 2, and 3 are all "No.")

4a Business name. Enter the business name in 35 characters or less.

4b Employer IDN. Enter the tax identification number of the business in the standard format. For a sole proprietorship, this could be the Employer Identification Number (EIN).

5 Old mailing address. Enter the address the IRS has for the cited return(s).

6 New mailing address. Enter the new mailing address for the cited returns.

7 New business location. Enter the new location of the business if you answered Yes to line 3.

Report a change in responsible party for the business. The IRS now also requires that you notify them if you have changed the party responsible for the control of the business or its funds or assets. However, rather than defining "responsible party" in their instructions for IRS *Form 8822-B (Rev. December 2019)*, they refer you to Form SS-4 (*Application for Employer Identification Number*) for guidance. You must enter the full name and taxpayer identification number for the current responsible party.

8 New responsible party's name. Enter the full name of the new responsible party (in 35 characters or less).

9 New responsible party's SSN, ITIN, or EIN. Enter the tax identification number of the new responsible party (a 9-digit SSN, ITIN, or EIN).

10 SIGNATURE. The official Form 8822-B must be signed by the owner of the business or an authorized representative (such as officer, administrator, general partner, etc.).

Contact person's daytime phone number. This is an optional entry to use if you want the IRS to contact anyone by phone if there are questions about the completed form.

Where to file Form 8822-B. You must send the completed and signed graphic Form 8822-B to the proper address for your state, as shown at the bottom of the printed form. *CAUTION: These addresses are not the same as the addresses to which you send the related tax returns.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8824* / Like-Kind Exchanges

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition.

Purpose. This form is principally used to report an exchange of business or investment property for property of a like kind. (It is also used to report certain conflict-of-interest sales in Part IV of the form.) Although part or all of the exchange may be currently tax-free, the basis in the new property is generally lowered so that the exchange is really a form of tax deferral rather than zero tax. You must use a separate Form 8824 for each separate exchange, and five copies of the form are available in the software. For Form 1040 and Form 1065 software, Form 8824 is accessible through the Road Map at lines 4 and 11 of Schedule D (Form 1040), lines 5 and 12 of Schedule D (Form 1065), and lines 5 and 16 of Form 4797.

CAUTION: Like-kind exchanges subject to many rules. It is important that you structure the exchange in a way that will satisfy the IRS under the current regulations, because the regulations are quite involved and have changed many times over the years. A careful reading of the IRS *2023 Instructions for Form 8824* and the examples in IRS Pub. 544 (Sales and Other Dispositions of Assets) are therefore critical for both structuring the exchange and completing Form 8824.

Personal property no longer qualifies. Thanks to tax reform, the only property that now qualifies for a section 1031 exchange is real property held for investment or use in a trade or business. Personal or intangible property no longer qualifies unless sold before 2018 or the replacement property was received before 2018.

PART I, INFORMATION ON THE LIKE-KIND EXCHANGE. In this part you must describe the properties and non-monetary details of the exchange.

Collectible (28% rate sale)? Your answers to this and the next two questions are used to determine where any taxable income from the transaction is posted and how it is taxed. Answer Yes here for an exchange of collectibles, which are subject to the highest capital gains tax.

Capital asset (for Schedule D)? Answer Yes if the sale of the property given up would have been reported on Schedule D. Otherwise it is assumed to be reportable on Form 4797. The entry for this line is automatically Yes if you answered Yes to the preceding question.

Installment method applies? If Yes, no amounts are posted from this form to any other form or schedule, and you must complete Form 6252 to determine any taxable gain this year.

1 Describe the like-kind property given up. Describe the property given up in the exchange in a supporting statement for this line, using only the text column of the support. If the property is located outside the U.S., indicate the country as well. Restriction for e-file: For e-

file, the 30-character lines in the support are concatenated together into a single line. However, you must limit your entries to little more than 8 lines of text because the IRS allows no more than 250 characters for the description.

2 Describe the like-kind property received. Describe the property received in the exchange in a supporting statement for this line, using only the text column of the support. If the property is located outside the U.S., indicate the country as well. *Restriction for e-file: For e-file, the 30-character lines in the support are concatenated together into a single line. However, you must limit your entries to little more than 8 lines of text because the IRS allows no more than 250 characters for the description.*

3 Date like-kind property given up (line 1) was originally acquired. Enter the date you originally acquired the property in the standard mm/dd/yyyy format.

4 Date you actually transferred your property to the other party. Enter the transfer date in the standard mm/dd/yyyy format.

Transferred in the current tax year. *(auto-calc)* Automatically Yes if the date on line 4 is within the tax year of the return. *If Yes, you must file Form 8824 with the return.* If No, you must file Form 8824 with the return only if a related party exchange and the date is less than 3 years earlier than the tax year of the return.

Treated as LONG term? *(auto-calc)* Automatically Yes if the date on line 4 is more than one year after the date on line 3. If Yes, any gain currently recognized on this form is treated as long term (except for ordinary income under recapture rules).

5 Date like-kind property you received (line 2) was identified by written notice to another party. You must deliver a signed written notice of the property to be received *within 45 days after the date on line 4.* See IRS instructions for detailed requirements for this notice. However, if you actually received the replacement property within the 45 day period, no written notice is required and you should enter here the date the property was received. Enter the date in the standard mm/dd/yyyy format.

6 Date you actually received the like-kind property (line 2) from the other party. To qualify as a like-kind exchange, you must have received the property by *either* the 180th day after the date on line 4 *or* the due date (including extensions) of your tax return for the tax year in which the date on line 4 falls, *whichever is earlier.* Enter the date in the standard mm/dd/yyyy format.

7 Was the exchange of either property made with a related party? You must answer Yes whether a related party was involved directly or indirectly. *A related party is generally your spouse, child, grandchild, parent, grandparent, brother, sister, or a business, trust, or estate in which you have an interest (a related corporation, S corporation, partnership, trust, or estate).* See IRS 2023 Instructions for

Form 8824 for additional rules when related parties are involved. *If Yes, you must complete Part II, below.*

PART II, RELATED PARTY EXCHANGE INFORMATION. Complete this part only if you answered Yes to the question on line 7.

8 Name (choose one):

Business Name. If you performed the exchange with a business, enter the business name here in 25 characters or less. Otherwise, leave this line blank and use the next line instead. *(For the purposes of this form, a trust or estate is considered to be a business, in addition to corporations and partnerships.)*

Person's Name. If you performed the exchange with an individual, enter the person's full name here in 25 characters or less.

Relationship to you. Enter your relationship to the business or person named above in 15 characters or less. If a principal of the business, enter your title.

Tax ID number (choose one):

SSN. If you entered a person's name for line 8, enter that person's social security number in the standard xxx-xx-xxxx format. Otherwise, leave this line blank and use the next line instead.

EIN. If you entered a business name for line 8, enter the business's Employer Identification Number here in the standard xx-xxxxxxx format.

If U.S. address, enter:

Street address. Enter only a U.S. address or a foreign address, even if the person or business has both. If you choose to enter a U.S. address, enter the street address here in 35 characters or less, and complete the following 3 lines.

City. Enter city in 22 characters or less.

State. Enter the standard 2-letter state code.

ZIP code. Enter the ZIP code in the xxxxx or xxxxx-xxxx format.

If foreign address, enter:

Street address. If you did not enter a U.S. address above, enter the foreign street address here in 35 characters or less, and complete the following four lines.

City. Enter the foreign city in 25 characters or less.

Province or state. Enter the foreign province or state in 15 characters or less.

Country. Enter the standard 2-letter code for the country as shown in Table 2-6 on page 2-27 of this manual.

Postal code. Enter the foreign postal code in 15 characters or less.

9 During this tax year (and within 2 years after the last transfer of property that was part of the exchange) did the related party directly or indirectly sell or dispose of any part of the like-kind property received from you in the exchange? If Yes, you must generally report on your tax return for the year of disposition the deferred

gain figured on line 24 of this form unless an exception in line 11 applies.

- 10** During this tax year (and within 2 years after the last transfer of property that was part of the exchange) did you sell or dispose of any part of the like-kind property you received? If Yes, you must generally report on your tax return for the year of disposition the deferred gain figured on line 24 of this form unless an exception in line 11 applies.
- 11** If one of the exceptions below apply, answer:
- a** The disposition was after the death of either of the related parties.
 - b** The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
 - c** You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as its principal purpose. If Yes, you must explain in a supporting statement for the *next* line.
- If **c** is Yes, **itemize here to explain**. Explain a Yes answer to line 11c in a supporting statement for this line, using only the text column of the support. See IRS Pub. 537 (Installment Sales) for exceptions to tax avoidance.

PART III, REALIZED GAIN OR LOSS, RECOGNIZED GAIN, AND BASIS OF LIKE-KIND PROPERTY RECEIVED. In this part you must determine the gain recognized this year as well as the deferred gain. The recognized gain will be posted to Schedule D or Form 4797, unless the installment method applies.

If reporting multi-asset exchanges, skip lines 12 through 18, override line 19, 20, and 25, and itemize here to explain computation. For multi-asset exchanges involving more than one kind of property or cash, you must provide your own computation of the realized and recognized gains in a supporting statement for this line, and override the cited lines to report the results on this form. *(Feel free to use both the text and amount columns of the support because the IRS imposes no restriction to text only for this line.)*

Use lines 12 through 14 ONLY if you gave up any property that is NOT like-kind property:

- 12 FMV of other property given up.** Enter the Fair Market Value of the property given up (included in line 1) that is NOT like-kind property.
- 13 Adjusted basis of other property given up.** Enter the adjusted basis of the property given up (included in line 1) that is NOT like-kind property.
- 14 Gain or loss recognized on other property given up.** *(auto-calc)* Computed as line 12 less line 13. **CAUTION: You must report this gain on Schedule D, Form 4797, or Form 6252, whichever is appropriate, as if the property were sold rather than exchanged; this amount is NOT automatically posted to these forms.**

Cash the other party paid you. Enter cash you received.

FMV of other property received. Enter the fair market value of other property that is *not* like-kind property you received in the exchange.

Net liabilities assumed by other party. Enter the liabilities transferred to the other party.

Exchange expenses you incurred. Expenses you enter here will reduce the net value of other than like-kind property.

15 Cash and other non-like-kind property received, including debt assumed by the other party. *(auto-calc)* Computed as the sum of the cash received, FMV of other property received, and assumed liabilities less the preceding expenses, this is the net value of other than like-kind property received in the exchange.

16 FMV of like-kind property you received. Enter the fair market value of all like-kind property you received in the exchange.

17 Add lines 15 and 16. *(auto-calc)* Computed as indicated, this is the net value of all property you received in the exchange, whether like-kind or not.

Adjusted basis of like-kind property you gave up. Enter as indicated.

Net amounts paid to other party. Enter the total of liabilities *you* assumed, cash you paid, and fair market value of other non-like-kind property you gave up (excluding liabilities assumed by the other party).

Exchange expenses not used in line 15. Enter only expenses not included in line 15.

18 Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15. *(auto-calc)* Computed as the sum of the adjusted basis of like-kind property you gave up and net amounts you paid less the preceding expenses. This is the net value of all property you gave up in the exchange, whether like-kind or not.

If like-kind property was your home for 5 years up to date of exchange:

Section 121 exclusion. You may be able to exclude all or part of your gain if you owned and used the property given up as your home for the 5-year period immediately preceding the exchange. See IRS Pub. 523 to determine the amount of exclusion to which you are entitled. When you enter the exclusion here, the calculations for lines 19, 20, and 25 are modified in accordance with IRS instructions and the words "Sec. 121 exclusion" will be printed on the dotted line next to line 19 of Form 8824 along with the amount of exclusion.

19 REALIZED GAIN OR LOSS. *(auto-calc)* Computed as line 17 less line 18 and any "Sec. 121 exclusion" you entered above.

20 Smaller of line 15 or line 19. *(auto-calc)* Computed as the smaller of line 15 (less any sec. 121 exclusion) or line 19, but no less than zero.

21 Ordinary income under recapture rules. See IRS Form 8824 instructions for details on how to determine the amount to enter here,

which is the recapture of depreciation under specific rules. You will have an amount here only if you would have reported the sale of the property given up in Part III of Form 4797 (for sales of section 1245, 1250, 1252, 1254, and 1255 property). Therefore, if you identified the property as collectible property or a capital asset, the amount for this line will be forced to be zero. *CAUTION: If the installment method applies and the property is section 1252, 1254, or 1255 property, you must report this amount on line 25 or 36 of a Form 6252 for this exchange; this amount is NOT automatically posted to any Form 6252.*

22 Subtract line 21 from line 20. *(auto-calc)* Computed as indicated, but no less than zero, this amount will be posted to Schedule D or Form 4797 unless the installment method applies, as detailed later.

23 RECOGNIZED GAIN. *(auto-calc)* Computed as the sum of lines 21 and 22, this is the total amount to be reported as taxable in the current year (unless the installment method applies).

Itemize here to explain line 23. Itemize here only if you need to override the result on line 23 because of a special exception to the usual calculation for line 23.

24 Deferred gain or loss. *(auto-calc)* Computed as line 19 less line 23, this is the amount to be deferred until the sale of the property received, unless a related party is involved. If a related party is involved and no exception applies, *if either you or the related party disposes of the property before the 2-year waiting period, you must report this amount on Schedule D and Form 4797 for the year of the sale.*

25 BASIS OF LIKE-KIND PROPERTY RECEIVED. *(auto-calc)* Computed as the sum of lines 18 and 23 less line 15, this is the adjusted basis to be used when you eventually sell the like-kind property you received.

Allocation of Form 8824 lines 21 and 22 to Schedule D and Form 4797. The recapture on line 21 and net gain on line 22 to be reported in the current year are distributed here to the appropriate lines of Schedule D and Form 4797 *unless the installment method applies.* (If the installment method applies, all below amounts will be zero and you must use Form 6252 to determine the amounts to report for the current year.)

Ordinary income:

Short-term amount for Schedule D, line 4 (line 5 for Partnership returns)
. *(auto-calc)* If a capital asset sold in the current year and held one year or less, computed as the net gain on line 22; otherwise, zero.

Short-term amount for Form 4797, line 16. *(auto-calc)* If *not* a capital asset, but sold in the current year, computed as the recapture on line 21 plus, if held one year or less, the net gain on line 21; otherwise, zero.

Long-term income:

Long-term amount for Schedule D, line 11 (line 12 for Partnership returns). *(auto-calc)* If a capital asset sold in the current year and held more than one year, computed as the net gain on line 22; otherwise, zero.

28% rate gain in the above. *(auto-calc)* Computed as the preceding Schedule D amount if the sale was for collectible property.

Long-term amount for Form 4797, line 5. *(auto-calc)* If *not* a capital asset, but sold in the current year and held more than one year, computed as the net gain on line 22; otherwise, zero.

Installment method. *If the installment method applies, all above lines are zero and no amounts are posted to other forms.* Instead, you must *complete Form 6252* to figure the amount of gain to report this year.

PART IV, DEFERRAL OF GAIN FROM SECTION 1043 CONFLICT-OF-INTEREST SALES. This part is *used very rarely* because it *applies only to officers or employees of the executive branch of the Federal Government or judicial officers of the Federal Government* (including certain spouses, children, dependents, and trustees) who are required to sell property to comply with conflict-of-interest requirements. You can use this form to defer part or all of the gain on the sale provided you purchase permitted replacement property within 60 days after the sale that has a cost that exceeds the basis of the property sold. No amount is taxable this year unless there is ordinary income under recapture rules or the cost of the replacement property is less than the gain realized on the sale. **CAUTION:** *No amounts are automatically posted elsewhere on the return from this part of the form; you must enter any taxable amounts on Schedule D or Form 4797 as instructed for lines 35 and 36.* Data entry is similar to the data entry for Parts I and III of this form:

26 Number from certificate of divesture. If you sell the property under a certificate of divesture issued by the Office of Government Ethic or the Judicial Conference of the United States, enter the number from the upper right corner of the certificate here.

27 Describe divested property. Describe the property you were required to give up in a supporting statement for this line, using only the text column of the support. If the property is located outside the U.S., indicate the country as well. *Restriction for e-file: For e-file, the 30-character lines in the support are concatenated together into a single line. However, you must limit your entries to little more than 8 lines of text because the IRS allows no more than 250 characters for the description.*

28 Describe replacement property. Describe the property you acquired as a replacement for the property given up in a supporting statement for this line, using only the text column of the support. If the property is located outside the U.S., indicate the country as well. *Restriction for e-file: For e-file, the 30-character lines in the support are concatenated together into a single line. However, you must*

- limit your entries to little more than 8 lines of text because the IRS allows no more than 250 characters for the description.*
- 29 Date divested property was sold.** Enter the date you divested the property in the standard mm/dd/yyyy format.
- 30 Sales price of divested property.** Enter the proceeds of the sale after reduction by any selling expenses.
- 31 Basis of divested property.** Enter the adjusted basis of the property sold.
- 32 REALIZED GAIN.** *(auto-calc)* Computed as line 30 less line 31, but no less than zero.
- 33 Cost of replacement property (within 60 days after date of sale).** Enter the cost or the permitted replacement property that you purchased within 60 days after the sale of the divested property.
- 34 Subtract line 33 from line 30.** *(auto-calc)* Computed as indicated, but no less than zero.
- 35 Ordinary income under recapture rules.** You must enter here any recapture for which you are liable; it is not computed for you. See IRS 2023 Instructions for Form 8824 for details on how to determine the amount to enter here. **CAUTION:** You must also enter this amount on a worksheet for line 10 of Form 4797; it is not posted automatically.
- 36 Subtract line 35 from line 34.** *(auto-calc)* Computed as indicated, but no less than zero, this is the part of your gain on the sale that you must report as taxable income on the current return. **CAUTION:** You must report this gain on Schedule D or Form 4797; it is not posted automatically. Report on Schedule D (on a worksheet for line 8b, 9, or 10) if a capital asset or Form 4797 (on a worksheet for line 2 or 10) if used in a trade or business or the sale is treated as ordinary income.
- 37 DEFERRED GAIN.** *(auto-calc)* Computed as line 32 less the sum of lines 35 and 36, this is amount that is deferred from taxation until the replacement property is sold.
- 38 BASIS OF REPLACEMENT PROPERTY.** *(auto-calc)* Computed as line 33 less line 37, but no less than zero, this is your reduced basis in the replacement property.

CAUTION: If you have any amounts on line 35 or line 36, you must report those amounts on Schedule D or Form 4797 in accordance with IRS instructions; no amounts are posted automatically to other forms from this part of Form 8824.

Form 8828* / Recapture of Federal Mortgage Subsidy

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure the recapture tax you owe if you sell (or otherwise dispose of) a home you financed under a federally subsidized program and that sale is within 9 years of the closing date of the loan. In the context of this form, you have a federal mortgage subsidy if your mortgage loan is characterized by either of the following:

Tax-exempt qualified mortgage bond. Your mortgage loan will generally have an interest rate that is below market value if it was funded from a tax-exempt qualified mortgage bond issue. This benefit is a form of federal subsidy.

Mortgage credit certificate (MCC). You can use Form 8396 to claim an annual tax credit if your mortgage loan came with a mortgage credit certificate (MCC). This benefit is another form of federal subsidy.

Form 8828 is accessible through the Road Map at the FMSR component of Schedule 2, line 8c.

When recapture applies...

If you sold your home, you must figure recapture tax on the basis of the actual sales price you received.

If you gave away your home, you generally figure recapture tax as if you sold it at fair market value. However, *you do not owe recapture tax on a home given to your spouse (or ex-spouse) incident to a divorce.*

If your home was destroyed by casualty, you must figure recapture tax as if you sold it at fair market value. However, *you do not owe recapture tax if you replaced the home on its original site (for use as your home) within 2 years of the end of the tax year when the casualty occurred.*

...and when it does not.

You sold or disposed of the home more than 9 years after the loan started. No recapture applies if the sales date is more than 9 years after the closing date of the original federally subsidized loan.

You refinanced your home. Whether you refinance with another federally subsidized loan or not, you do not owe a recapture tax by virtue of the refinancing. However, you may still owe recapture tax when you later sell the home, although the amount of tax may be reduced.

You transferred your interest in the home to a spouse under a divorce decree. You generally do not owe recapture tax under this circumstance as long as no gain or loss was included in income, but see IRS Pub. 504 for details.

PART I, DESCRIPTION OF HOME SUBJECT TO FEDERALLY SUBSIDIZED DEBT. You must fully identify the home and the loan, and provide the dates of relevant transactions.

1 Address of property:

Number and street. Enter the street address in 35 characters or less.

This is the U.S. address of the home that had the federally subsidized debt, not necessarily your current home.

City or town. Enter the city or town in 22 characters or less.

State. Enter the standard 2-letter state code.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

2 Type of federal subsidy:

a Mortgage loan from the proceeds of a tax-exempt bond. This is a loan that has an unusually low interest rate because it was financed by a tax-exempt qualified mortgage bond (QMB).

b Mortgage credit certificate. This certificate (MCC) comes with your loan and allows you to claim an annual tax credit on your return through Form 8396 (*Mortgage Interest Credit*).

TIP: If neither of the above types apply, Form 8828 does not apply to you and you should not file this form.

3 Name of the bond or certificate issuer:

State. Enter the state that issued the underlying tax-exempt bond or issued the MCC. Use the standard 2-character state code.

Subdivision. Enter the political subdivision (such as city or county) as identified on the notification that came with the original loan (in 35 characters or less).

Agency, if any. Name the agency (in 35 characters or less)

4 Name and address of original lending institution:

Name. Enter the name of the bank (or other lender) that actually provided your original federally subsidized mortgage (in 35 characters or less).

Street address. Enter the U.S. street address of the lender in 35 characters or less.

City or town. Enter the city or town in 22 characters or less.

State. Enter the standard 2-letter state code.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

CAUTION: All dates are critical. You must enter all dates in the following lines in the standard numerical mo/dy/year format in order for the software to determine your liability for the recapture tax and to calculate the holding period rate for line 20 under some circumstances.

5 Closing date of the original loan. Enter the precise date that the loan was provided. This will generally be the settlement date of your purchase of the home if the loan was provided to purchase the home, but can be a later date if your loan was federally subsidized at a lat-

er date. *TIP: If this date is before 1/1/1991, you should not file Form 8828 because it does not apply to you.*

6 Date of sale or other disposition of your interest in the home. If you co-owned the home with someone else, but sold (or otherwise disposed of) your entire interest in the home, the transaction counts as a sale for the purposes of this form. Enter the precise date in the standard format (mo/dy/year). *TIP: If this date does not fall within the tax year of the return, no recapture tax is due for this return. You must file Form 8828 only for the tax year in which the sale occurred. If the sale occurred in a prior year but you did not file Form 8828 as required, file Form 8828 with an amended return (Form 1040X) for the tax year in which the sale occurred.*

7 Number of years and full months between line 5 and line 6:

Years. *(auto-calc)* Computed as the number of full years from the closing of the original loan to the sale or other disposition. *If the result on this line is more than 9 years, you are not liable for the recapture tax.*

Months. *(auto-calc)* Computed as the number of full months *after* the full years from the start of the closing of the original loan to the sale or other disposition.

8 Date of full repayment of the original loan. If you never refinanced your home during your ownership, or all refinancing replaced the original loan with another MCC loan, this date will be the same as the date of sale on line 6. Otherwise the date will precede the date of sale. Enter in the standard date format (mo/dy/year).

Required to file Form 8828? *(auto-calc)* Determined from your entries at lines 2a, 2b, 5, and 6. *The answer will be No if ANY of the following conditions apply:*

Neither line 2a nor line 2b is answered Yes.

Line 5 (closing date) is before January 1, 1991.

Line 6 (sale date) is not in the current tax year.

Line 6 (sale date) is more than 9 years after line 5 (closing date).

But if the answer is Yes, a recapture tax may apply and you must complete this form. (If the answer is No, no recapture tax will apply and you should not file Form 8828 with the return. The form will not be printed when you choose to print a complete official return.)

PART II, COMPUTATION OF RECAPTURE TAX. You must not only provide details of the purchase and sale, but must also enter information from a table that appears in the documentation that the borrower receives when the loan is created. *TIP: If you owned the home with someone else, enter only your share for all entries (including income, expenses, basis, sales price, etc.).*

9 Sales price of your interest in the home sold or disposed of. If you did not sell the home you must enter the fair market value on the date of its disposition.

10 Expenses of sale. Include sales commissions, advertising, legal fees, etc.

11 Amount realized. *(auto-calc)* Computed as line 9 less line 10, but no less than zero.

Original cost of property. Enter the purchase price of the home when you bought it.

Purchase commissions, fees, etc. Enter expenses of the purchase that increased your cost of the property.

Improvements. Enter improvements made to sell the home.

Past depreciation claimed. Enter any depreciation claimed in the past, which is possible if you rented out part of your home.

Other adjustment for line 12. Enter any other amount to be added to the cost in determining the adjusted basis on line 12. See IRS Pub. 551 (*Basis of Assets*) for information on what other adjustments are applicable (positive or negative).

12 Adjusted basis of your interest in the home sold or disposed of. *(auto-calc)* Computed as the "Original cost of property" plus "Purchase commissions, fees, etc." plus "Improvements" less "Past depreciation claimed" plus "Other adjustment for line 12."

Itemize gain paid to QSML. *(Supported by the Share Paid to QSML Lender Worksheet, Figure 2-67.)* If the loan was a Qualified Subordinate Mortgage Loan (QSML) or a related grant, you may be required to pay some of your gain on the sale (computed as line 11 less line 12) to the QSML governmental lender. If you made such a payment, enter it in the worksheet that supports this line. The total payments you enter will be shown on this line when you return from the worksheets. If an amount appears here, line 13 of Form 8828 will be flagged on the official printout with the printing of "QSML" to the left of the amount on line 13, and the amount on line 13 will be reduced by the share you paid to the QSML lender.

13 Gain or (loss) from sale or disposition. *(auto-calc; supported by the Share Paid to QSML Lender Worksheet, Figure 2-67)* Computed as line 11 less line 12 less the amount paid to the QSML lender (shown on the preceding line). If a loss, you do not have recapture tax but you still must file this form with your return. *This is your share of the gain on the sale.*

14 Multiply line 13 by 50% (.50). *(auto-calc)* Normally computed as indicated. However, if you are not required to file Form 8828 (as shown below line 8), the result will be zero instead so that no recapture tax is computed.

Share Paid to QSML Lender Worksheet. (Figure 2-67) Supports line 13 of Form 8828. You must identify the part of your gain on the sale that you paid to the QSML lender.

Explain how you figured amt: Eight 25-character data entry lines are

provided for you to explain how you computed the amount to pay to your QSML (Qualified Subordinate Mortgage Loan) lender. *On an e-file return, these eight entries*

SHARE PAID TO QSML LENDER
Report part of gain on sale pd to your QSML (Qlfd Subordinate Mortgage Loan) gov't lender.
Explain how you figured amt.:

Date you pd. the QSML lender	
Amt. you paid to QSML lender	0

Figure 2-67. Share Paid to QSML Lender Worksheet

are concatenated together to form a single entry up to 200 characters long.

Date you paid the QSML lender. Enter the date in the standard mo/dy/year format. *Complete this worksheet only for payments made within the tax year of the return.*

Amount you paid to your QSML lender. Enter the amount paid on the preceding date. *This is the QSML lender's share of the gain on the sale.*

The amount you paid to your QSML lender will appear on the line you itemized to reach this worksheet.

AGI on Form 1040, line 11. (*auto-calc*) Taken from Form 1040 as indicated.

Tax-exempt interest on Form 1040, line 2a. (*auto-calc*) Taken from Form 1040 as indicated.

Gain included on Form 1040 for this sale. If any of the gain on the sale is taxable income to you on therefore reflected on Form 1040, you must enter that amount here. This is relatively rare because the allowed exclusion of \$250,000 of gain (\$500,000 if married filing separately) on the sale of your home will generally exceed any gain from the sale of the low-priced housing that is typical of federally subsidized home purchases.

Other adjustment for line 15. Enter any other amount to be added to AGI in determining adjusted AGI for line 15, such as tax-exempt interest not shown on Form 1040, line 2a, *including accrued interest.*

15 Modified adjusted gross income. (*auto-calc*) Computed as "AGI on Form 1040, line 11" *plus* "Tax-exempt interest on Form 1040, line

2a" *less* "Gain included on Form 1040 for this sale" *plus* "Other adjustment for line 15."

- 16 Adjusted qualifying income.** You must determine the amount to enter here from a table in documentation that came with the original loan. The table shows your "adjusted qualifying income" based on your family size and the number of years and months shown in line 7 of this form.
- 17 Subtract line 16 from line 15.** *(auto-calc)* Computed as indicated. If zero or a loss, you do not have recapture tax *but you still must file this form with your return.*
- 18 Income percentage.** *(auto-calc)* Computed as line 17 divided by \$5,000 expressed as a percentage, but no more than 100% and rounded to the nearest whole percent.
- 19 Federally subsidized amount.** You should find this amount in the documentation that came with the original loan. It is 6.25% of the highest amount of the loan that was federally subsidized.

Holding period percentage from issuer. You will find the percentage to enter here from the same table (in the documentation that came with the original loan) that you used in determining the amount for line 16. This percentage will be used for line 20 only if you held the loan at least 4 years before fully repaying it. Otherwise a special calculation is used, as described next.

- 20 Holding period percentage.** *(auto-calc)* Computed as the preceding entry if the date on line 8 is more than 4 years after the date on line 5. Otherwise, a calculation based on the IRS worksheet on the last page of the IRS *Instructions for Form 8828 (Rev. March 2010)* is used. The result is fully automatic based on the dates you entered at lines 5, 6, and 8.
- 21 Multiply line 19 by the percentage on line 18.** *(auto-calc)* Computed as indicated.
- 22 Recapture amount.** *(auto-calc)* Computed as the amount on line 21 times the percentage on line 18.
- 23 Tax. Smaller of line 14 or line 22.** *(auto-calc)* Computed as indicated.

The result on line 23 is posted to the FMSR component of Schedule 2, line 8c.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8829 / Expenses for Business Use of Your Home

Who is it for? This form is used to figure the expenses you can deduct on Schedule C for a business in which you use part of your home to conduct the business. Form 8829 ensures the proper application of complex limitations and the proper carryovers to future years. *Form 8829 is accessible through the Road Map at the line above Schedule C, line 30, labeled "Home business expense on Form 8829."* A separate copy of Form 8829 is reserved for each separate copy of Schedule C.

Simplified method available in lieu of Form 8829. Thanks to a new simplified method for computing the deduction, you are no longer required to complete Form 8829 in order to deduct home business expenses. Instead, you can elect to use the *Simplified Method*. If qualified, the Simplified Method generally provides you with a deduction of \$5 per square feet of space, up to 300 square feet. See our instructions for Schedule C, line 30, and the IRS *2023 Instructions for Schedule C* for details.

PART I, PART OF YOUR HOME USED FOR BUSINESS. The business use percentage that is applied to indirect costs in Part II is determined here.

Copy number (1 through 5). *(auto-calc)* The number for the copy you selected from the Forms Menu, or the Schedule C from which you accessed this form, appears here automatically. Each copy of Form 8829 supports ONLY the Schedule C with the same copy number.

Spouse owns (from Schedule C)? *(auto-calc)* Taken from the corresponding copy of Schedule C.

1 Area used exclusively for business. Enter as indicated, including area used for storing inventory and area used for day-care even if not exclusively used for day care.

2 Total area of home. Enter total area in the same units as used in line 1 (such as square feet).

3 Divide line 1 by line 2 (expressed as a percentage). *(auto-calc)* Computed as indicated.

Day-care facilities claimed? If No, lines 4 through 6 are skipped.

Facilities ever used for nonbusiness purposes in 2023? If No, lines 4 through 6 are skipped. *Exception: See the shaded box on the next page for instructions for a special case in which you should answer No here even when you used some of the facilities for nonbusiness purposes.*

For day-care NOT all business. The following lines, through line 6, apply ONLY to those who answer Yes to BOTH of the above two questions.

Total hours in whole year. *(auto-calc)* The number of hours in a full year (8,760 hours for tax year 2023, which is 365 days at 24 hours per day) appears here automatically.

Number of days NOT in business. This entry applies ONLY to a business that was started or terminated during the tax year. Enter the number of days the day-care facility did NOT exist during the year.

Total hours available. *(auto-calc)* Computed as the total hours in a year less 24 times the above entry for number of days *NOT* in business.

Actual hours of business use. Enter the number of hours the day-care facility was *actually* used for business. This entry can be no greater than the preceding result for total hours available. (The IRS suggests you compute the amount for this entry by figuring the number of days the facility is open for daycare use, then multiplying that number by the average hours of use per day.) **CAUTION:** *Do not itemize this line to explain or compute your "Actual hours of business use."* Support for this line is reserved for a different purpose for e-file, as explained in the following shaded paragraph.

How to handle a home with both exclusive use and shared use areas for daycare. If part of your home was used exclusively for daycare and another part was used for both personal use and daycare use, you must determine the business percentage for line 7 using a special prorationing rather than the computations performed in lines 4 through 7. The special prorationing is detailed in the IRS *2023 Instructions for Form 8829* under the heading "Special Computation for Certain Daycare Facilities." If you must use this special prorationing, you must perform the following steps:

1. Answer No to "Facilities ever used for nonbusiness purposes in 2023?" even though the proper answer is Yes. A No answer will cause lines 4, 5, and 6 to be zero, as required by the IRS for this special prorationing.
2. Perform the prorationing computation described in the IRS instructions under the heading "Special Computation for Certain Daycare Facilities."
3. Use the Override Key (F8 or ctrl-O) to access the computed line 7 and change the entry from the computed percentage to the percentage you computed in step 2, above. Be sure to enter a true percentage (from 0 to 100%) rather than a ratio (from 0 to 1.0).
4. In a supporting statement for the line "Actual hours of business use" (above line 4), explain your computation in the text column of the support. (Do not make any entry in the amount column.)

The official printout of Form 8829 will reference the supporting statement on the dotted line for line 7.

4 Multiply days used for daycare during year by hours used per day. *(auto-calc)* Taken as the preceding entry if you answered Yes to both "Day-care facilities claimed?" and "Facilities ever used for non-business purposes in 2023?" Otherwise, zero.

5 Total hours available for use during the year. *(auto-calc)* Taken from the preceding result for "Total hours available" if you answered Yes to both "Day-care facilities claimed?" and "Facilities ever used for nonbusiness purposes in 2023?" Otherwise, zero.

6 Divide line 4 by line 5 (expressed as a decimal). *(auto-calc)* Computed as indicated.

7 Business percentage. *(auto-calc)* Computed as line 3 times line 6 if you answered Yes to both "Day-care facilities claimed?" and "Facilities ever used for nonbusiness purposes in 2023?" Otherwise, line 3 alone is used here. This percentage is used in figuring indirect expenses, defined below, and the depreciation of the business portion of your home. *For circumstances where you must override this computed result, see the preceding shaded box.*

How to handle a change of home during the year. Form 8829 generally assumes that you used the same home for the business all year long. However, if you moved during the year and you either use the "Indirect expense" method described next or you claim depreciation on your home, you must use a separate Form 8829 for each home. Since only one Form 8829 is built into the software for each business, and its result is automatically posted to the Schedule C to which it is attached, you can handle this case only by removing the Form 8829 for this business and entering the result of separately prepared Forms 8829 for both homes combined on line 30 of the appropriate Schedule C. (You can complete the multiple Forms 8829 separately on a mock return in order to minimize your effort and produce fileable printouts, but you cannot have a Form 8829 for this Schedule C in the return you file.) **CAUTION** for e-file: *You should not e-file the return in this case, but file a paper return instead, because the software supports only one Form 8829 per Schedule C.*

PART II, FIGURE YOUR ALLOWABLE DEDUCTION. All expenses in lines 9 through 22 are split into direct and indirect expenses. **Direct expenses**, which are identified as column (a) expenses, are those that benefit **ONLY** the business and not the home. **Indirect expenses**, which are identified as column (b) expenses, are those that benefit **BOTH** the business and the home, and must therefore be prorated between business and personal use. This prorating is performed at lines 13 and 24 by multiplying the indirect expenses by the business use percentage on line 7, so you must enter the ENTIRE expense on the "Indirect" lines. However, any indirect cost that relates to the business in a different percentage than that shown on line 7 should be reported on the Direct line instead, entering only the business part of the expense.

Amount from Schedule C, line 29. *(auto-calc)* This is the tentative profit or loss taken from line 29 of the copy of Schedule C with the same copy number as this form.

Gross income NOT from home use. If the business reported on Schedule C is not operated exclusively out of your home, you must enter the part of gross income (line 7 of Schedule C) that applies to the operation of your business from a place of business other than your home.

Schedule D and Form 4797 gain from business use of home. Enter gains only resulting from the sale of assets of your business (or other transactions reported on Schedule D and Form 4797) associated

with the home use part of your business, such as the sale of equipment used exclusively in your home.

- Schedule D and Form 4797 loss NOT from business use of home.** Enter losses only resulting from the sale of assets of your business (or other transactions reported on Schedule D and Form 4797) *NOT* associated with the home use part of your business.
- 8 Schedule C, line 29 (as adjusted).** *(auto-calc)* Computed as Schedule C, line 29 less "Gross income NOT from home use" plus "Schedule D and Form 4797 gain from business use of home" less "Schedule D and Form 4797 loss NOT from business use of home" in accordance with the IRS *2023 Instructions for Form 8829*.
- 9 Casualty losses.** Enter allowable losses from a specially prepared Form 4684, Sec. A, line 21. See IRS *2023 Instructions for Form 8829* for details on the special way to use Form 4684 to figure the amount to enter here.
- 10 Deductible mortgage interest.** Enter the mortgage interest that is deductible on Schedule A for this home. If you file Schedule A and report only interest for loans that benefit the entire home, and only this home, you would generally enter on line 8a or 8b of Schedule A ONLY the interest NOT deducted on Form 8829. (The amount deducted on Form 8829 is the direct entry on line 10, or the indirect entry on line 10 times line 7.)
- 11 Real estate taxes.** If you claim the standard deduction, skip this line. Otherwise, what you enter depends on the amount of taxes you deducted on Schedule A, as follows. If the amount of taxes on line 5d of Schedule A is no more than \$10,000 (\$5,000 if married filing separately), enter as an *indirect* expense all real estate taxes for the home where you conducted the business. But if the amount on line 5d of Schedule A exceeds the cited threshold, you must complete the IRS *Line 11 Worksheet* on page 4 of the *2023 Instructions for Form 8829* to determine the amount to enter on lines 11 and 17 (as *direct* expenses).
- 12 Add lines 9, 10, & 11.** *(auto-calc)* Computed as indicated separately for columns (a) and (b).
- 13 Multiply 12(b) by line 7.** *(auto-calc)* Computed as indicated.
- 14 Add line 12(a) and line 13.** *(auto-calc)* Computed as indicated.
- 15 Subtract line 14 from line 8.** *(auto-calc)* Computed as indicated but no less than zero.
- 16 Excess mortgage interest.** Enter the amount of mortgage interest that is not deductible, and therefore not reported on line 10 above, because of limits on Schedule A for this home. If you file Schedule A and report only interest for loans that benefit the entire home, and only this home, you would generally enter in the "indirect" part of line 16 *ONLY* the amount exceeding the limit as shown on the line above line 8a or the line above line 8b of Schedule A.

- 17 Excess real estate taxes.** If you claim the standard deduction, enter as an *indirect* expense all real estate taxes for the home where you conducted the business. Otherwise, if you were required to use the *Line 11 Worksheet* to figure the amount to enter on line 11 of Form 8829, then enter line 11 from that worksheet as a direct expense for line 17. But if not required to use that worksheet, skip this line.
- 18 Insurance.** Enter as indicated.
- 19 Rent.** Enter as indicated.
- 20 Repairs and maintenance.** Enter as indicated.
- 21 Utilities.** Enter as indicated.
- 22 Other expenses.** Enter any rents paid for this home and other eligible expenses.
- 23 Add lines 16 through 22.** *(auto-calc)* Computed as indicated separately for columns (a) and (b).
- 24 Multiply 23(b) by line 7.** *(auto-calc)* Computed as indicated.
- 25 Carryover of prior-year operating expenses.** Enter the amount of operating expenses disallowed on the prior-year return (line 42 of the *2022* Form 8829) due to the limitation on expenses for business use of your home.
- 26 Add line 23(a), 24, and 25.** *(auto-calc)* Computed as indicated.
- 27 Allowable operating expense.** *(auto-calc)* Computed as the lesser of line 15 or line 26.
- 28 Limit on excess casualty losses and depreciation.** *(auto-calc)* Computed as line 15 less line 27.
- 29 Excess casualty losses.** Enter the amount of casualty losses NOT allowed, and therefore not entered on line 9, due to the limits on Form 4684, Sec. A.
- 30 Depreciation of home from Part III.** *(auto-calc)* Taken from line 42, below.
- Carryover of excess casualty losses from 2022 Form 8829, line 43.** Enter the amount of excess casualty losses disallowed on the prior-year return due to the limitation on expenses for business use of your home.
- Carryover of excess depreciation from 2022 Form 8829, line 43.** Enter the amount of excess depreciation disallowed on the prior-year return due to the limitation on expenses for business use of your home.
- 31 Carryover of prior-year excess casualty losses and depreciation.** *(auto-calc)* Computed as the sum of the above two entries.
- 32 Add lines 29 through 31.** *(auto-calc)* Computed as indicated.
- 33 Allowable excess casualty losses and depreciation.** *(auto-calc)* Computed as the lesser of line 28 or line 32.
- 34 Add lines 14, 27, and 33.** *(auto-calc)* Computed as indicated.
- 35 Casualty losses included on lines 14 and 33.** *(auto-calc)* The line 14 part is computed as line 9(Direct) plus line 7 times line 9(Indirect).

The line 33 part is computed as the ratio line 33 divided by line 32 multiplied by the sum of line 29 and the casualty part of line 31.

36 Allowable expenses for business use of your home. *(auto-calc)* Computed as line 34 less line 35.

PART III, DEPRECIATION OF YOUR HOME. Depreciation for the business use of the home is computed here instead of Form 4562. *However, if any of the depreciation claimed below is for property first placed in service in 2023, you must complete an unattached copy of Form 4562 reporting that new property in addition to figuring the depreciation here.*

37 Smaller of your home's adjusted basis or fair market value. Enter as indicated. Use the fair market value of the home on the date you first used it for business in this comparison. When determining the home's basis, do not include any depreciation claimed after the date you first used the home for business.

38 Value of land included on line 37. Enter as indicated.

39 Basis of building. *(auto-calc)* Computed as line 37 less line 38, but no less than zero.

40 Business basis of building. *(auto-calc)* Computed as line 39 multiplied by the business use percentage on line 7.

41 Depreciation percentage (as xx.xxx). *(auto-calc ONLY if you itemize the next line)* If you know the proper depreciation rate to use, you can enter it here and skip the next line. But if you want the software to figure it for you, skip this line and itemize the next line instead. When you return from the worksheet that supports the next line, the depreciation percentage will be computed and placed here for you.

Home depreciation (itemize). *(Supported by the MACRS/ACRS for Form 8829 Worksheet, Figure 2-68.)* The worksheet that supports this line is similar to the one that supports lines 15, 16, 17, and 19 of Form 4562, but with several lines not relevant to Form 8829 removed. *Only one worksheet can be created for this line* because only one home can be depreciated on a single Form 8829. (Note that the worksheet is *NOT* printed with the official return because the IRS does not require it. However, if the home was first placed in service in the current tax year, in order to satisfy IRS reporting requirements, you should prepare an unattached Form 4562 that reports the same depreciation as you compute on the supporting worksheet for this line, and file it with the return.)

e-file: itemize to explain. The IRS does not support a formatted worksheet for e-file, so you should explain your computations for "improvements depreciation" in a supporting statement for this line if you plan to e-file the return. *You do not need to support this line for a paper return because details from the worksheets that support the next line are automatically printed with the paper return.*

Improvements depreciation (itemize). *(Supported by the MACRS/ACRS for Form 8829 Worksheet, Figure 2-68.)* The worksheet that supports this line is the type as the one that supports the "Home Deprecia-

tion" line, but with less restrictions. It is provided for additions or improvements placed in service *AFTER* the home was placed into business service. However, in spite of the added flexibility that we provide, the IRS still generally requires you the use nonresidential real estate (NR) as the class. Any worksheet created here is printed with the official return and referenced on Form 8829, since depreciation claimed here will alter the calculation of line 42 of Form 8829.

- 42 Depreciation allowable.** *(auto-calc)* Computed as line 40 times line 41 (which is the same as the result for "Home depreciation" if you used the worksheet for that line) plus the above depreciation for improvements. (Note that line 40 times line 41 should be the same as the result for "Home depreciation" if you used the worksheet for that line.)

The result on line 42 is used for line 30 of this copy of Form 8829.

MACRS/ACRS for Form 8829 Worksheet, Figure 2-68. A separate set of work-

sheets supports the line "Home depreciation" and the line "Improvements depreciation" (both of which precede line 42 of Form 8829).

- a. Classification of property.** If you enter a blank on this line (which we suggest) *the software assumes*

MACRS/ACRS FOR FORM 8829		Tax year on Form 1040	2023
a.	Classificat'n of property		
b.	Date in service (mm/dd/yy)		
c.	Deprec'n basis		0
d.	Recov. Period		0
	Farm or elect 150% DB?	No	
	MUST use mid-qtr convn?	No	
e.	Convention used		
f.	Method (DB,S/L, etc)		
	Month sold (if this yr)		0
	Percentage this year		0
g.	Deprec'n deduction		0

Figure 2-68. MACRS/ACRS for Form 8829 Worksheet

nonresidential real property, which is generally the proper classification for both your home and improvements for your home office, and make **NR** the first two characters of the entry. If you need to use a different classification for special circumstances, refer to the details for the MACRS/ACRS Worksheet in our instructions for Form 4562.

- b. Date placed in service (month, day, and year).** If you reached this worksheet from the "Home depreciation" line, you must enter the date the home office was started (the date placed in business service), not the date the home was purchased. This is the ONLY entry you should generally have to make on the worksheet for home depreciation, unless the date precedes 1981. If you reached this worksheet from the "Improvements depreciation" line, your date entry should be later than your date entry for home depreciation because the improvements line is intended only for improvements you made after you placed the home into business service. (If you need to enter a date earlier than January 1, 1981, when ACRS depreciation was created, you must use the Manual Method, described at line f.)

TIP: Enter the date using the full mm/dd/yy format so that the changes in IRS rules over the years, including those made in the middle of a month, are all properly handled.

c. Basis for depreciation. If you reached this worksheet from the "Home depreciation" line, this entry is automatically taken from line 40 of Form 8829 (Business basis of building) and *cannot be changed*. If you reached this worksheet from the "Improvements depreciation" line, you should generally enter the cost of the improvement multiplied by your business use percentage.

d. Recovery period. As long as you retained the default classification at line a as NR, which is generally required for both the home and improvements, the Recovery Period is *restricted to those that are allowed for nonresidential real estate*. See Table 2-17 (which follows these worksheet details) for the minimum allowed periods for various dates placed in service.

Farm or elect 150% DB method? If the declining balance method is chosen, property used in a farming business MUST be depreciated at a 150% rate. In addition, nonfarm property can be depreciated at 150% by election (in order to avoid the complications of the alternate minimum tax). In either case, answer Yes here to force 150% DB for classes where 200% DB would be used otherwise.

MUST use mid-quarter convention? *(For post-1986 property only.)* If more than 40% of your new property for a class was placed in service in the last quarter of a tax year, you normally must answer Yes for all property of the same class for that tax year. A Yes answer causes the software to use the mid-quarter convention rather than the half-year convention when figuring MACRS depreciation. (Under the normal rule you must answer this question the same way for all property of the same class placed in service in the same year.)

e. Convention used. (auto-calc line when you enter DB, MA, PRE, AC, or SL as the method at line f.) As long as you retained the default classification at line a as NR, which is generally required for both the home and improvements, the convention is *determined by the software based on the date entered, in accordance with the ACRS rules for nonresidential real estate*.

f. Method (DB, SL, etc.). The method is *generally set by the software to straight-line depreciation*. TIP: If you need to enter a date earlier than January 1, 1981, when ACRS depreciation was created, you must use the Manual Method. With the Manual Method you enter your method on this line *with a leading space*, and the software then let's you make any entry you want for the "Percentage this year" above line g.

Month sold (if this year). If sold or retired during the tax year, enter the month sold or retired from 1 to 12. The deduction is determined automatically based on the law. REMINDER: A zero deduction will

result for pre-1987 property other than real property under the ACRS rules that no deduction is allowed in the year of sale.

Percentage this year. *(auto-calc line when you enter DB, MA, PRE, AC, or SL as the method.)* If you don't enter a bona fide method, the Manual Method is assumed and you can enter the percentage here yourself. Otherwise the IRS percentage is displayed here to two decimal places, even though it is retained to three decimal places in the calculations when so required by the IRS. **CAUTION:** *Do not use the Manual Method unless you have an unusual exception, such as transition property, because the software has numerous lesser-known subtleties of the law built in, handling all the changes of the past decade.*

- g. Depreciation deduction.** *(auto-calc)* Computed as the basis on line c times the above percentage. (The special 30% depreciation allowance is *NOT* included in this total. It handled separately and included in line 14 of Form 4562 instead.)

We cannot overly stress the fact that the regulations are complex and constantly changing. We have built into the software much more tax law information than can be detailed here. We therefore suggest you consult the latest version of IRS Pub. 946 if you have questions.

Table 2-17. Recovery Periods for Office in Home

<u>Date home placed in business service</u>	<u>Minimum allowed Recovery Period</u>
After May 12, 1993	39 years
Jan. 1, 1987 to May 12, 1993	31.5 years
May 9, 1985 to Dec. 31, 1986	19 years
March 16, 1984 to May 8, 1985	18 years
Jan. 1, 1981 to March 15, 1984	15 years

If placed in business service before Jan. 1, 1981, use the Manual Method to

PART IV, CARRYOVER OF UNALLOWED EXPENSES TO 2024. Carryovers to the next tax year are shown here.

- 43 Operating expenses.** *(auto-calc)* Computed as line 26 less line 27, but no less than zero.

Carryover of excess casualty losses to 2024. *(auto-calc)* Computed as the casualty part of line 31 less the casualty part of line 32.

Carryover of excess depreciation losses to 2024. *(auto-calc)* Computed as the depreciation part of line 31 less the depreciation part of line 32.

- 44 Excess casualty losses and depreciation.** *(auto-calc)* Computed as the sum of the above two lines.

Line 43 will be used for line 25 of next year's Form 8829. Line 44 will be used for line 31 of next year's Form 8829.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8839* / Qualified Adoption Expenses

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to figure and claim a credit for adopting a child or disabled person, even if the adoption was not yet final by the end of the tax year. The form is also used to justify the exclusion of employer-provided benefits already excluded from the employee's Form W-2, or to figure the amount that must be added back to income or any additional exclusion for a child with special needs. For 2023, the credit and exclusion are both generally limited to qualified expenses up to \$15,950 per adopted child, or, for a child with special needs, the full \$15,950 irrespective of expenses. Form 8839 is accessible through the Road Map at the 8839 component of line 6c of Schedule 3.

Information Required for MFS filers. These questions need be answered only for MFS filers (that is, those who file Form 1040 using filing status 3 -- Married Filing Separately). Qualification for MFS filers to claim the credit or exclusion for a child depends on the answers to these questions, the modified AGIs, and the answers on the worksheet for the child. .

Legally separated by decree? If you are legally separated under a decree of divorce or separate maintenance, you do not have to satisfy the requirements that others filing separately must satisfy. Instead, you are considered unmarried for the purposes of this form even if you use filing status 3. You should answer this question before you complete the worksheets for line 1. *CAUTION: If you answer this question after completing the worksheets for line 1, you must return to the worksheets so that the proper determination of qualification for each child can be made.*

Did you live apart from the spouse during the last 6 months of the tax year? To qualify for Form 8839, the answer must be Yes if married filing separately unless you are legally separated by decree.

Did you provide over half the cost of keeping up your home? To qualify for Form 8839, the answer must be Yes if married filing separately unless you are legally separated by decree.

In addition to the above requirements, the child must have lived with you more than half of the tax year for you to claim a credit or exclusion for that child. This requirement is separately answered on the worksheet for each child.

PART I, INFORMATION ABOUT YOUR ELIGIBLE CHILD OR CHILDREN. All information for Form 8839 is entered in this section. The remainder of the form is then completed automatically for you based on the information you provide.

1 Number of eligible children. *(Supported by the Adoption Expense Worksheet, Figures 2-69a through 2-69e.)* All information about the adoptees is entered on the worksheets you access here, whether you use Part II or Part III of the form. The number of children for

whom you provided complete information (that is, the number of worksheets you properly completed) appears on this line. *Limitation for e-file: The IRS allows no more than 12 children for e-file. Therefore, if you have more than 12 qualifying children to claim, you must file a paper return instead.*

Special printouts when more than 3 children. The IRS paper form is designed for no more than three children. However, the IRS defines a special procedure when more than three children are eligible. You will therefore have additional pages of Form 8839 and supporting statements when you have more than three eligible children.

- ◆ The first page of Form 8839 will show information on the first three children on lines 1 through 6, line 7 will show the sum of lines 6 for all children combined (not just the first three), and the rest of page 1 will be computed. The phrase “See attached” will appear to the far right of the CAUTION above the PART II heading to draw attention to the fact that information on other children exists.
- ◆ The second page of Form 8839 will show no details for any children, but line 17 will show a supporting statement cross-reference, line 21 will show the sum of lines 20 for all children combined, and line 28 will show the sum of lines 27 for all children combined, and the rest of page 2 will be computed.
- ◆ The third and subsequent pages will be additional copies of Form 8839, page 1, but completed only through line 6 (plus lines 10 and 11) for the additional children (3 children per page).
- ◆ Information on other children for Form 8839, page 2, will appear in the supporting statement referenced previously at line 17.

Summary of worksheets. Details for the worksheets that support line 1 appear on the shaded pages that follow. In addition to supporting line 1, they provide child-by-child details that appear throughout the form, not just Part I.- Following are important results from those worksheets that affect the calculation of allowable credit.:

Filed Form 8839 in a prior year? *(auto-calc)* Answered Yes if you made an entry for line 3 on *any* of the worksheets. This answer determines which check box is marked for Part II, line 3, of the printed Form 8839.

Amounts on line 6. *(auto-calc)* Computed as the sum of amounts on line 6 for all worksheets combined, this total is used in calculations for Part II, line 12 of Form 8839.

Received prior employer-provided adoption benefits? *(auto-calc)* Answered Yes if you made an entry for line 18 on *any* of the worksheets.

Amounts on line 20. *(auto-calc)* Computed as the sum of amounts on line 20 for all worksheets combined, this total is used for Part III, line 21, of Form 8839.

Amounts on line 22. *(auto-calc)* Computed as the sum of amounts on line 22 for all worksheets combined, this total is used in calculations for Part III, line 28, of Form 8839.

CAUTION: Credit and exclusion cannot use the same expenses. Form 8839 provides for both a credit (in Part II) and an exclusion (in Part III), but both cannot be claimed for the same expenses for the same adopted child. Therefore, when you enter your adoption expenses on the worksheet we provide, *you must exclude expenses covered by your employer.* You must also exclude expenses paid by anyone else or expenses allowed as a credit or deduction elsewhere.

Adoption Expense Worksheet. *(Figures 2-69a through 2-69e)* This worksheet supports all 3 parts of Form 8839, but is only accessible from line 1 of Part I. You must use a separate worksheet for each separate child, *including any children included in any carryforward you enter on line 13 of Form 8839.* However, if you failed in previous attempts to adopt just one child, you must combine efforts for all children from the previous failed attempts with the effort for the child successfully adopted. Name only the child finally adopted or, if not yet final, the last one attempting to adopt. If you have incomplete information (such as incomplete name or missing SSN), leave the relevant entry blank.

I-Information on Eligible Child. All filers must complete this section, which is screen 1 of the 5-screen worksheet for each child. (See Figure 2-69a.)

- a. First name.** Enter first name in 10 characters or less. If you do not know the full name of the child before you file the return, enter as much as you know.

Last name. Enter last name in 15 characters or less. If you do not know the full name of the child before you file the return, enter as much as you know.

e-file name. *(auto-calc)* The names you enter are coded into a 25-character full name using IRS-specified symbols to highlight the last name and IRS-specified abbreviations for suffixes. This result is used only in the e-file output for a return.

e-file name control. *(auto-calc)* The last name you enter is coded into a 4-character name control, usually the first four characters of the last name. This result is used only in the e-file output for a return.

- b. Year born.** Enter the year in 4-digit format. The child must generally be under age 18 to qualify you for the credit.

Disabled? If 18 or older by year-end, the child must be disabled (physically or mentally unable to take care of himself or herself) to qualify you for the credit or exclusion.

- c. Born before 2005 and was disabled?** *(auto-calc)* Answered Yes only if the preceding answer is Yes *and* your entry for line b precedes 2005, indicating age 18 or older by the end of the tax year if preparing the return for tax year 2023.

d. Special needs? To answer Yes the child must have been a citizen or resident of the U.S. (or its possessions) when the adoption process began, must have been determined by a state as not returnable to his or her parents' home and not adoptable without assistance to the adoptive

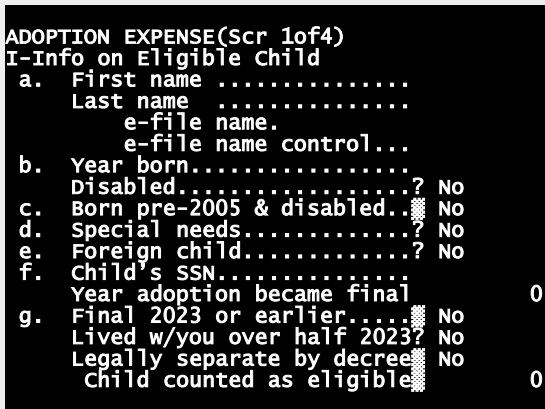


Figure 2-69a. Adoption Expense, Screen 1

parents. A child with special needs qualifies you for a full credit or exclusion even when your expenses do not match the maximum allowed amount.

e. Foreign child? To answer Yes the child must *not* have been a citizen or resident of the U.S. (or its possessions) when the adoption process began. You are not allowed a credit for a foreign child until the tax year in which the adoption becomes final. Similarly, you are not allowed to exclude any employer-provided benefits for a foreign child until the tax year in which the adoption becomes final.

f. Child's SSN. Enter the identifying number of the child in the standard xxx-xx-xxxx format. The number may be an SSN, ATIN, or ITIN, all of which use the same format. If you do not know the number before you file the return, leave the entry blank.

Year adoption became final. Enter the year as a 4-digit number. However, if the adoption is not yet final, leave the entry as zero.

g. Adoption became final in 2023 or earlier? *(auto-calc)* Answered Yes if your preceding entry is less than 2024 but greater than zero. A yes answer will cause an X to appear in the check box for line 1, column (g), of Form 8839.

Lived with you over half of 2023? This answer is relevant only if you are married filing separately but not separate by decree. In this case the child must have lived with you for more than half of the year to qualify you for the credit or exclusion.

Legally separated by decree? *(auto-calc)* Taken from your answer at the top of screen 1 of Form 8839, a Yes answer excludes the requirement for MFS filers that the child must have lived with you more than half of the tax year.

Child counted as eligible? *(auto-calc)* Answered Yes only if all of the following conditions are true:

- (1) The child is either less than 18 years old (line b is 2005 or later if prepared for tax year 2023) or disabled (line c is Yes),
- (2) You made an entry for the child's identifying number on line f, and
- (3) If married filing separately, you answer is Yes to at least one of the preceding two lines.

Info for all children. You must complete this section, which is at the top of screen 2 of the 4-screen worksheet, for every child. (See Figure 2-69b.)

Qualified expense paid in 2002 through 2021. Enter the the sum of amounts paid in 2002 through 2021. Do *not* include any amount covered by an employer-provided benefit or reimbursed by any other person and organization. *(An entry is required here only if the child is a foreign child and the adoption was final in 2023.)*

ADOPTION EXPENSE(Scr 2of4)	
Qlfd. exp. pd.2002thru2021	0
Qlfd. expense pd. in 2022.	0
Qlfd. expense pd. in 2023.	0
Employer has qlfd. program? Yes	
Employer beni rcvd in 2023	0
Info for foreign children:	
Qlfd. exp. pd.1997thru2001	0
Part of \$5k lim to another	0
Add'l qlfd expens for ln 5	0
Employer ben. 1997thru2001	0
Part of \$5k lim to another	0
Add'l emp ben for line 20.	0
Employer beni 2002thru2022	0
Allowed amts. For 5 & 20:	
Qlfd. adoption exp. for 5.	0
Employer benefits for 20.	0

Figure 2-69b. Adoption Expense, Screen 2

Qualified expense paid in 2022. Enter the amount paid in 2022. Do *not* include any amount covered by an employer-provided benefit or reimbursed by any other person and organization.

Qualified expense paid in 2023. Enter the amount paid in 2023. **CAUTION:** Do *not* include any amount covered by an employer-provided benefit or reimbursed by any other person and organization.

Employer has a qualified adoption assistance program? You can answer Yes only if the employer has a separate written plan set up to provide adoption assistance to its employees. See IRS Pub. 968 (*Tax Benefits for Adoption*) for details. If you answer No, any employer-provided benefits you received in the tax year are fully taxable, which will be reflected in line 27 of Form 8839 by the lack of any excluded benefits.

Employer-provided adoption benefits you received in 2023. Enter qualified amount received for this child. The total you received for the year should be shown in box 12 of your 2023 Form W-2 with the

code T, but you must allocate that total among all worksheets if more than one child is adopted and planned to be adopted.

Info for foreign children. You must complete this section if you answered Yes to line e, indicating that the child is a qualified foreign child. For a foreign child you can claim a credit or exclusion only in the tax year in which the adoption became final, but can include expenses as far back as 1997. Information about past years is therefore collected in this section. (See Figure 2-69b.)

Qualified expenses paid in 1997 through 2001. Enter the qualified amount paid in the cited years only. Do *not* include any amount covered by an employer-provided benefit or reimbursed by any other person and organization.

Part of \$5,000 limit allocated to another. The total of expenses for years prior to 2002 and after 1996 are subject to a \$5,000 limit. However, if you and another person (other than a spouse who files jointly with you) adopt the child and both of you claim the credit, you must allocate the \$5,000 maximum among the two of you. Enter here that part of the maximum that is used by the other person on his or her tax return.

Additional qualified expense for line 5. *(auto-calc)* Computed as the qualified expenses entered above for 1997 through 2001 but limited to \$5,000 less the preceding entry.

Employer-provided benefits received in 1997 through 2001. Enter the amount received in the cited years only.

Part of \$5,000 limit allocated to another. The total of benefits for years prior to 2002 and after 1996 are subject to a \$5,000 limit. However, if you and another person (other than a spouse who files jointly with you) adopt the child and both of you claim the exclusion, you must allocate the \$5,000 maximum among the two of you. Enter here that part of the maximum that is used by the other person on his or her tax return.

Additional employer-provided benefit for line 20. *(auto-calc)* Computed as the benefits entered above for 1997 through 2001 but limited to \$5,000 less the preceding entry.

Employer-provided adoption benefits you received in 2002 through 2022. Enter qualified amount received for this child for tax years 2002 through 2022 alone. The total you received each year should be shown in box 12 of your Form W-2 for each year with the code T, but you must allocate that total among all worksheets if more than one child is adopted and planned to be adopted.

Allowed amounts for lines 5 and 20. Information entered in the preceding two sections is used to compute total expenses for line 5 of Form 8839 and total employer-provided benefits for line 20 of Form 8839. (See Figure 2-69b.)

Qualified adoption expenses for line 5. *(auto-calc)* The computation depends on a number of factors:

- (1) If the child is a foreign child and the adoption was final in the tax year, computed as the sum of "Qualified. expense paid in 2002 through 2021" plus "Qualified. expense paid in 2022" plus "Qualified. expense paid in 2023" plus "Additional qualified expense for line 5."
- (2) If the child is a foreign child but the adoption was not final in the tax year, computed as zero.
- (3) If the child is not a foreign child and the adoption was not final by the end of the tax year, computed as "Qualified. expense paid in 2022."
- (4) If the child is not a foreign child and the adoption was final in a prior tax year, computed as "Qualified. expense paid in 2023."
- (5) If the child is not a foreign child and the adoption was final in the tax year, but the child was not a child with special needs, computed as the sum of "Qualified. expense paid in 2022" plus "Qualified. expense paid in 2023."
- (6) If the child is not a foreign child, the adoption was final in the tax year, and the child was a child with special needs (indicated by line d), computed \$15,950 for 2023 regardless of your actual expenses.

Employer-provided benefits for line 20. (auto-calc) If the child is a foreign child and the adoption was final in the tax year, computed as the sum of "Employer-provided benefits received in 2023" plus "Additional employer-provided benefit for line 20" plus "Employer-provided benefits received in 2002 through 2022." Otherwise, computed as "Employer-provided benefits received in 2023" alone.

II-Adoption Credit. (See Figure 2-69c.) You must complete this section, which appears on screen 3 of the 4-screen worksheet for each child, only if you are claiming an adoption credit for the child.

Nominal maximum credit. (auto-calc) If the child was counted as eligible on screen 1, the maximum credit for tax year 2023, \$15,950, appears here automatically.

Amount allocated to another. If you and another person (other than a spouse who files jointly with you) adopt the child, you can both claim the credit but must allocate the \$15,950 maximum for 2023 among the two of you. Enter here that part of the maximum that is used by the other person on his or her tax return.

- 2 **Maximum credit allowed.** (auto-calc) Computed as "Nominal maximum credit" less "Amount allocated to another," but no less than zero.

Prior amounts for this child:

Last post-1997 Form 8839, line 3 plus line 6. If this child was claimed on a prior Form 8839 after 1997, enter the sum of lines 3 and 6 for the child from the most recent Form 8839 on which this child was claimed.

1997 Form 8839, line 4. If the child was claimed on Form 8839 for tax year 1997, enter line 4 for the child for that year.

- 3 Amount from prior Form 8839.** *(auto-calc)* If an amount appears on the above post-1997 line, that amount is normally used here. Otherwise, the amount on the 1997 line is used here. *(If the child is a foreign child, this line is always computed as zero.)* If an amount appears on line 3 for any child, the Yes box for line 3 will be

ADOPTION EXPENSE(Scr 3of4)	
II-Adoption Credit	
Nominal maximum credit...	0
Amt. allocated to another	0
2 Maximum credit allowed...	0.
Prior amts for this child:	
Last post-97 8839, ln 3+6	0
1997 Form 8839, line 4...	0
3 Amt. from prior Form 8839	0
4 Subtract line 3 from ln 2.	0
5 Qualified adoption expense	0
6 Smaller of line 4 or ln 5	0
10 Multiply line 6 by line 9.	0
11 Subtract line 10 from ln 6	0

Figure 2-69c. Adoption Expense, Screen 3

checked on the official printout of Form 8839. Otherwise the No box will be checked.

- 4 Subtract line 3 from line 2.** *(auto-calc)* Computed as indicated, but no less than zero.
- 5 Qualified adoption expense.** *(auto-calc)* Computed as "Qualified adoption expense for line 5" shown at the bottom of screen 2.
- 6 Smaller of line 4 or line 5.** *(auto-calc)* Computed as indicated.
- 10 Multiply line 6 by line 9.** *(auto-calc)* This new line depends on the ratio computed on line 9 Form 8839 (not shown on this worksheet) based on a modified AGI (described following this shaded section). The ratio will be zero if modified AGI for 2023 is less than \$239,230 and one if modified AGI is more than \$279,230, with a phaseout between those thresholds. As a result, because worksheets are calculated separately from schedules and forms, *you will have to return to this worksheet after the final recalculation of the return if AGI changes such that the ratio is changed from the last time you visited the worksheet.* To help you determine whether you need to revisit the worksheet, a line labeled "DISCREPANCY with worksheets" appears on-screen below line 11 on Form 8839 itself. If the amount for this line is not zero, you must revisit all the worksheets that support Form 8839 in order to update the calculation on the worksheets so that the worksheet amounts are consistent with the calculations on the form. *(The credit on Form 8839 will be properly computed even if you don't revisit the worksheets. However, the child-by-child amounts for lines 10 and 11 will be inconsistent with the totals on Form 8839 that control the calculation of the credit.)*

- 11 **Subtract line 10 from line 6.** *(auto-calc)* Computed as indicated. Because this result depends on the result for line 10, you may have to return to this worksheet after the final recalculation of the return in order for the result to be updated from a change in AGI.

III-Employer-Provided Benefits. (See Figure 2-69d.) You must complete this section, which appears on screen 4 of the 4-screen worksheet for each child, only if you had employer-provided adoption benefits for the child.

Nominal maximum exclusion. *(auto-calc)* If the child was counted as eligible on screen 1, the maximum exclusion for tax year 2023, \$15,950, appears here automatically.

Amount allocated to another. If you and another person (other than a spouse who files jointly with you) adopt the child, you can both claim the exclusion but must allocate the \$15,950 maximum for 2023 among the two of you. Enter here that part of the maximum that is used by the other person on his or her tax return.

- 17 **Maximum exclusion allowed.** *(auto-calc)* If “Employer has qualified program?” is Yes and “Employer benefits for line 20” is greater than zero, computed as “Nominal maximum exclusion” less “Amount allocated to another,” but no less than zero. Otherwise, computed as zero and Part III of this worksheet is not used. (For a foreign child the amount for this line will be zero if the adoption is not final in 2023, or may be limited otherwise.)

Enter amount on LAST Form 8839 filed for this child with employer-provided benefits:

Prior Form 8839, line 18 plus line 22.* If the most recent prior Form 8839 filed was after 2012 or before 1999, enter the sum of lines 18 and 22 of that Form 8839. Otherwise, enter the amount indicated for the appropriate year in the below exceptions:.

***Exceptions:**

For 2011 and 2012, use Form 8839, line 14 plus line 18.

For 2010, use Form 8839, line 16 plus line 20.

For 2002 through 2009, use Form 8839, line 20 plus line 24.

For 2000 and 2001, use Form 8839, line 14 plus line 18.

For 1999, use Form 8839, line 20 plus line 24.

For 1998, use Form 8839, line 18 plus line 22.

For 1997, use Form 8839, line 15 alone.

- 18 **Amount from the last year you received benefits.** *(auto-calc)* Normally computed as the first nonzero entry in the preceding 18 lines. **EXCEPTION:** *This line is always computed as zero if the child is a foreign child.*
- 19 **Subtract line 18 from line 17.** *(auto-calc)* Normally computed as indicated, but no less than zero. **EXCEPTION:** *This line is computed as zero if you answered No on worksheet screen 2 to “Employer has qualified program?”*

20 Employer-provided adoption benefits you received in 2023. *(auto-calc)* Computed as “Employer-provided benefits for line 22” shown at the bottom of screen 2.

22 Smaller of line 19 or line 20. *(auto-calc)*

Normally computed as indicated, but *line 19 is used here instead if the child is identified as a child with special needs on line e and the adoption was final during the tax year. This line is computed as zero if you answered No on worksheet screen 2 to “Employer has qualified program?”*

ADOPTION EXPENSE(Scr 4of4)	
III-Employer-Provided Beni	
	Nominal maximum exclusion 0
	Amt. allocated to another 0
17	Maximum exclusion allowed. 0
	Enter amt.on LAST 8839 filed for this child w/ employer-provided adoption benefits: Prior 8839, ln 18 + ln 22* 0
	*EXCEPTIONS: Use instead ln14+ln18 if 2011 or 2012 ln16+ln20 if 2000-1,2010 ln20+ln24 if 1999,2002-9, or ln 15 alone if 1997.
18	Amt from last yr w/benefit 0
19	Subtract ln 18 from ln 17. 0
20	Employer benefits rcvcd2023 0
22	Smaller of line 19 or 20. 0
(19	if special & final in2023)
26	Multiply line 22 by ln 25. 0
27	EXCLUDED BENEFITS..... 0

Figure 2-69d. Adoption Expense, Screen 4

26 Multiply line 22 by line 25. *(auto-calc)* This new line depends on the ratio computed on Form 8839 (not this worksheet) based on a modified AGI (described following this shaded section). For 2023, the ratio will be zero if modified AGI is less than \$239,230 and one if modified AGI is more than \$279,230, with a phaseout between those thresholds. As a result, because worksheets are calculated separately from schedules and forms, you will have to return to this worksheet after the final recalculation of the return if AGI changes such that the ratio is changed from the last time you visited the worksheet. To help you determine whether you need to revisit the worksheet, a line labeled “DISCREPANCY with worksheets” appears on-screen below line 27 on Form 8839 itself. If the amount for this line is not zero, you must revisit all the worksheets that support Form 8839 in order to update the calculation on the worksheets so that the worksheet amounts are consistent with the calculations on the form. *(Excluded benefits and taxable benefits will be properly computed even if you don’t revisit the worksheets. However, the child-by-child amounts for lines 26 and 27 will be inconsistent with the totals on Form 8839 that control the calculation of the credit.).*

27 EXCLUDED BENEFITS. *(auto-calc)* Computed as line 22 less line 26. Because this result depends on the result for line 26, you may have

to return to this worksheet after the final recalculation of the return in order for the result to be updated from a change in AGI.

Modified AGI for claimant. The IRS uses two slightly different definitions of modified AGI for line 7 in Part II and line 23 in Part III of Form 8839, respectively, as shown on screen 2 and detailed here.

AGI on Form 1040, line 11. *(auto-calc)* Taken from Form 1040 as indicated, this is the AGI before any modification.

Excluded Puerto Rico income. *(auto-calc)* Taken from your entry for "Puerto Rico income not reported" in our special section "CERTAIN NONTAXABLE INCOME" following line 10 of our on-screen Schedule 1. This is income you exclude from gross income as a bona fide resident of Puerto Rico.

Foreign exclusion on Form 2555, line 45. *(auto-calc)* Taken from Schedule 1, line 8d, this is the foreign earned income and housing exclusion claimed on Form 2555, line 45..

Foreign deduction on Form 2555, line 50. *(auto-calc)* Taken from Schedule 1, line 24j, this is the foreign housing deduction claimed on Form 2555, line 50..

Form 4563, line 15. Enter the income exclusion you claim on line 15 of Form 4563 (*Exclusion of Income for Bona Fide Residents of American Samoa*).

Modified AGI for line 7. *(auto-calc)* Computed as the sum of the preceding 5 amounts, as described in the IRS instructions for line 7 in the IRS *2023 Instructions for Form 8839*.. This is the modified AGI computed by adding excluded income back to AGI for the purposes of determining the credit on Form 8839 (in Part II of the form).

Adoption benefits in Form 1040, line 1f. *(auto-calc)* Taken from Form 1040, as indicated, this is the taxable benefits (if positive) or exclusion (if negative) from Part III of Form 8839 as they currently appear on Form 1040. This amount will match the amount on line 29 of this Form 8839 upon the final recalculation of the return.

Student loan interest deduction. *(auto-calc)* Taken from Schedule 1, line 21.

Worksheet totals for line 21. *(auto-calc)* Taken as the total shown on the line "Amounts on line 20" on screen 1 (in the "Summary of worksheets"), this is the amount for line 21 of Form 8839.

Modified AGI for line 23. *(auto-calc)* Computed as "Modified AGI for line 7" *less* "Adoption benefits in Form 1040, line 1f" *plus* the sum of the preceding two amounts, this is the AGI with excluded benefits added back to AGI in addition to the deduction on line 21 of Schedule 1, for the purposes of determining excluded and taxable benefits on Form 8839 (in Part III of the form). This calculation is based on the IRS's *Modified Adjusted Gross Income (MAGI) Worksheet—Line 23* at the end of the IRS *2023 Instructions for Form 8839*.

PART II, ADOPTION CREDIT. This section is fully automatic based on your prior entries on the form and the worksheets.

Qualified for credit in Part II. *(auto-calc)* For this answer to be Yes, you must have at least one qualifying child for line 1 with an amount on line 6, have a 2023 "modified AGI for line 7" less than \$279,230, and, if applicable, meet the special requirements for MFS filers.

2 through 6: See worksheets for line 1. Lines 2 through 6 of Form 8839 appear only on the worksheets that support line 1 because they must be reported separately for each child.

Sum of amounts on line 6. *(auto-calc)* Taken from the amounts on line 6 of all worksheets combined (shown on screen 1).

7 Modified adjusted gross income. *(auto-calc)* Taken from "Modified AGI for line 7" shown on screen 2.

8 Is line 7 more than \$239,230? *(auto-calc)* Answered as indicated.

If Yes, subtract from line 7. *(auto-calc)* Computed as line 7 less \$229,230 for 2023, but no less than zero.

9 Divide line 8 by \$40,000. *(auto-calc)* Computed as indicated, but no more than 1.0, and expressed as a decimal to 4 places.

10 Multiply amounts on 6 by line 9. *(auto-calc)* Computed as indicated, this *total* is not shown on the official form because of the IRS format for the form. However, it is shown here so that the credit is properly computed even when the worksheets have not been updated for a changed AGI.

11 Subtract line 10 from line 6. *(auto-calc)* Computed as indicated, this *total* is also not shown on the official form because of the new IRS format for the form. However, it is shown here so that the credit is properly computed even when the worksheets have not been updated for a changed AGI.

DISCREPANCY with worksheets. *(auto-calc)* Computed as the sum of amounts shown on line 11 for all worksheets combined less the above amount for line 11. The above amount is always the correct amount, so an amount here indicates that the calculations on the worksheets are based on a prior AGI, so you must revisit all worksheets for line 1 in order to update their calculations. (The computation of credit at line 12 will be correct even if you fail to update the worksheets when needed, but the child-by-child amounts on the official printout will be inconsistent with the totals used in the computation unless you revisit the worksheets to update them.)

12 Add amounts on line 11. *(auto-calc)* Taken as the preceding total for line 11, this is the tentative adoption credit before adding any carryforward of unused credit from the prior year or reduction by the tax liability limitations.

13 Credit carryforward from prior years. If you have an unused credit from 2022, you must enter the allowed carryforward here. To determine the amount to enter, you must complete the *Adoption Credit Carryforward Worksheet--Line 16* at the end of the IRS 2022 Instructions

for Form 8839 (not 2023). This will usually be the amount, if any, by which line 14 exceeds line 16 on the 2022 Form 8839, but may be less if you had a carryover of unused credit from 2021 to 2022.

- 14 Add lines 12 and 13.** *(auto-calc)* Computed as indicated.

Tax from Form 1040, line 18. *(auto-calc)* Taken from Form 1040 as indicated.

Credits on Schedule 3, lines 1 through 4, 6d, 6f, 6g, 6l, and 6m; and Form 5695, line 32. *(auto-calc)* Computed as indicated, this is the sum of various credits that take precedence over the adoption credit.

Form 1040, line 19, or Form 8812 Worksheet B, line 14. *(auto-calc)* Normally computed as the nonrefundable child tax credit or credit for other dependents as reported on Form 1040 (from Form 8812). However, if you are directed in the Form 8812 instructions to complete its *Credit Limit Worksheet B* because you are claiming credit on Form 8839, this line is computed instead as line 14 of that worksheet.

- 15 Amount from line 5 of the Credit Limit Worksheet.** *(auto-calc)* Computed as the smaller of line 14 or the result of reducing the tax on Form 1040, line 18, by the preceding two credit amounts, this is the maximum adoption credit available this year.

- 16 ADOPTION CREDIT** *(auto-calc)* Computed as the smaller of line 14 or line 15, this result is posted to Schedule 3, line 6c. If line 15 is smaller than line 14, you may have a credit carryforward to next year's Form 8839, which you can determine by completing the *Adoption Credit Carryforward Worksheet--Line 16* on page 7 of the *IRS 2023 Instructions for Form 8839*.

PART III, EMPLOYER-PROVIDED ADOPTION BENEFITS. This section is fully automatic based on your prior entries on the form and the worksheets, except for the last line (on which married taxpayers filing jointly must identify the spouse's part of any taxable benefits or exclusion).

Qualified for exclusion in Part III. *(auto-calc)* For this answer to be Yes, you must have at least one qualifying child for line 1 with an amount on line 22, have a modified AGI for line 23 less than \$279,230 for 2023 (\$239,230 plus the \$40,000 phaseout region), and, if applicable, meet the special requirements for MFS filers.

- 17 through 20 and 22. See worksheets for line 1.** Lines 17 through 20 and line 22 of Form 8839 appear only on the worksheets that support line 1 because they must be reported separately for each child.

- 21 Add amounts on line 20.** *(auto-calc)* Taken from "Amounts on line 20" on screen 1, this is the sum of amounts on line 20 of all worksheets combined.

Sum of amounts on line 22. *(auto-calc)* Taken from "Amounts on line 22" on screen 1, this is the sum of amounts on line 22 of all worksheets combined.

- 23 Modified adjusted gross income (from worksheet).** *(auto-calc)* Taken from "Modified AGI for line 23" shown on screen 2.

- 24 Is line 23 more than \$223,410?** *(auto-calc)* Answered as indicated. If Yes, line 24 is computed as line 23 less \$223,410. Otherwise, zero.
- 25 Divide line 24 by \$40,000.** *(auto-calc)* Computed as indicated, but no more than 1.0, and expressed as a decimal to 4 places.
- 26 Multiply line 22 by line 25.** *(auto-calc)* Computed as indicated, this total is not shown on the official form, but the separate amounts for each child from the worksheets are shown. The total is shown here so that the excluded and taxable benefits are properly computed even when the worksheets have not been updated for a changed AGI.
- 27 EXCLUDED BENEFITS.** *(auto-calc)* Computed as line 22 less line 26, but no less than zero, this total is also not shown on the official form because of the new IRS format for the form. However, it is shown here so that the excluded and taxable benefits are properly computed even when the worksheets have not been updated for a changed AGI.
- DISCREPANCY with worksheets.** *(auto-calc)* Computed as the sum of amounts shown on line 27 for all worksheets combined less the above amount for line 27. The above amount is always the correct amount, so an amount here indicates that the calculations on the worksheets are based on a prior AGI, so you must revisit all worksheets for line 1 in order to update their calculations. (The computation of excluded benefits at line 27 will be correct even if you fail to update the worksheets when needed, but the child-by-child amounts on the official printout will be inconsistent with the totals used in the computation unless you revisit the worksheets to update them.)
- 28 Add amounts on line 27.** *(auto-calc)* Taken as the preceding total for line 27, this result is posted to our special section "CERTAIN NON-TAXABLE INCOME" following line 10 of our on-screen Schedule 1. It is not included as taxable income, but it is used in some special calculations in the return.
- Is line 28 more than line 21?** *(auto-calc)* If Yes, you are allowed a reduction in taxable income because of the rules for children with special needs. This exclusion will be reflected in line 29 by a negative result for line 29, and a corresponding negative amount for line 1f of Form 1040.
- Pre-2023 foreign child exclusion.** *(auto-calc)* If any of the worksheets was prepared for a foreign child whose adoption was final in the tax year, the total employer-provided benefits received before 2023 (subject to limitations computed on the worksheet) appear here. The amount on this line is used as an adjustment to line 29 in order to satisfy the special IRS instructions for a foreign child.
- 29 TAXABLE BENEFITS.** *(auto-calc)* Computed as line 21 less line 28 less the amount on the preceding line, this result is posted to line 1f

of Form 1040 and reflected in total income on Form 1040. A positive amount for this line increases total wage-related income on line 1z of Form 1040, and a negative amount decreases it.

Part of line 29 for spouse. If married, you must identify the portion of line 29 that applies to the spouse alone so that the amount will be properly allocated between you and spouse for the purposes of various unrelated calculations on the return.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8846* / Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level versions of Tax Preparer and Partnership Edition. (See the separate Partnership Edition manual for details on the version of Form 8822 that is built into the Partnership Edition software.)

Purpose. This form is used to claim a credit for social security and Medicare tax paid on tips on behalf of food service employees (to the extent that the tips are not used to meet Federal minimum wage requirements). The result of this form is posted to Form 3800 (the result of which is posted to Schedule 3, line 6a). Carryovers are reported on Form 3800 as well, and passive activity and tax liability limitations are applied on Form 3800. (Form 3800 is automatically created when Form 8846 is present upon the final recalculation of the return.) Form 8846 is accessible through the Road Map from Form 3800.

For the food service industry ONLY. This special credit is only for food or beverage establishments where tipping of employees is customary for delivering or serving food or beverage. Furthermore, only those tips for which you paid or incurred social security and Medicare tax qualify.

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and posted to line 4f of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 4 that it is not a Category A credit and manually enter the credit on line 4f of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

1 Tips received by employees on which you paid or incurred employer social security and Medicare taxes during the tax year. Enter all qualifying tips for the tax year for which you were liable for social security and Medicare taxes.

2 Tips not subject to the credit provisions. If you pay any tipped employees less than \$5.15 per hours (which was the federal minimum wage from September 1, 1997 through July 23, 2007), the portion of those tips used to reach the minimum wage is not eligible for the credit. You must determine the amount of ineligible tips separately for each individual as the amount by which total hours worked times the cited minimum wage rate exceeds the actual wages paid excluding tips (but no more than the amount of tips received by the employee).

3 Creditable tips. *(auto-calc)* Computed as line 1 less line 2.

If you had any tipped employees whose wages (including tips) exceeded \$160,200 (or were exempt from social security taxes), ITEMIZE here. If the sum of wages and tips for any employee exceeds the maximum amount subject to social security tax (\$160,200

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Form 8846

for calendar year 2023), some of the tips on line 3 may be subject to only 1.45% tax rather than the full 7.65% tax normally computed for line 4. If so, you must, in a supporting statement for this line, enter the amount in line 3 that is subject *only* to the 1.45% tax in the amount column, and explain how you figured the amount in the text column. The calculation for line 4 is then modified, and, on the official printout, the line 4 check box is marked and your supporting statement is referenced.

4 Multiply line 3 by 7.65%. (*auto-calc*) Normally computed as indicated. However, if you have an entry on the preceding line, only the amount on line 3 less the preceding amount is multiplied by 7.65%, then the amount on the preceding line times 1.45% is added to the result. **CAUTION:** *Because you are claiming a credit for this amount on Form 8846, the deduction on your return for social security and Medicare taxes paid on behalf of your employees must exclude this amount. For example, if you normally include the taxes on this line in your entry for wages at line 26 of Schedule C, you must now exclude these taxes from that entry.*

5 Form 8846 credits from pass-through entities. Enter any Form 8846 credits from a pass-through entity shown as code N in box 13 of Schedule K-1 (Form 1120S) from an S corporation or code N in box 15 of Schedule K-1 (Form 1065) from a partnership.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 5. Thanks to the IRS's complex new design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must now enter the EIN of the entity in column (b) of line 4f of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

6 Add lines 4 and 5. (*auto-calc*) Computed as indicated, this is the credit before passive activity or tax liability limitations are applied. Although the IRS form indicates that this result should be posted to line 4f of Form 3800, it is instead posted to screen 4 of the on-screen Form 3800, from which it is posted to line 4f of copy 2 of Form 3800, Part III, unless you specify otherwise on screen 4 of Form 3800, as explained below.

CAUTION: Additional entries may be required on Form 3800. If this is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 3 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the result from line 6, above, posted to line 4f of Form 3800, Part III. But if the credit is from a passive activity, you must indicate this fact by an entry on screen 4 of Form 3800 and then enter the result from line 6, above, on the copy of Form 3800, Part III that applies to your credit.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8853* / Archer MSAs & Long-Term Care Insurance Contracts

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to report contributions to Archer MSAs and figure the corresponding deduction, and to report taxable distributions and payments from MSAs and long-term care (LTC) insurance contracts. Form 8853 is accessible through the Road Map at line 8e of Schedule 1, line 23 of Schedule 1, and lines 17e and 17f of Schedule 2.

Beware complexities. So many aspects of the form defy intuition, especially for joint returns where both spouses have MSAs or LTCs, that you may be tempted to use overrides on illogical results. If you experience such a temptation, it is very important that you read these instructions and the 8-page IRS instructions for this form, because our calculations and printouts may be much more sophisticated than you realize. Unexpected results can arise when both spouses have MSAs, or a taxpayer inherits an MSA, or there is only a partial exception to the 50% penalty, or there is more than one LTC policyholder. (The difficulties arise because the form is physically designed to handle only the simple cases, but it is used for much more through convoluted IRS instructions.)

Limitations for e-file. Because of the complexities for married taxpayers filing jointly who both have Archer MSAs, you will not be able to e-file the return under certain circumstances; see *"Exception for e-file"* in our details for the headings for Section A and Section B. Similarly, you will not be able to e-file the return if more than one Section C must be filed; see *"Exception for e-file"* in our details for the line *"More than one Section C attached?"* in Section C.

Introduction. All transactions involving Archer MSAs are reported in Section A, including contributions, deductions, and distributions. Medicare Advantage MSAs (formerly called Medicare+Choice MSAs) are reported in Section B. Before Section A of the official Form 8853 can be completed, considerable information about your Archer MSA (and spouse's if filing jointly) is required on screens 1 and 2. In addition, the IRS defines a rather awkward use of Form 8853 when married filing jointly and both spouse's have an Archer MSA, which explains our use of screens 3 and 4. All this data entry and separate reporting of MSAs culminates on screens 5 and 6 with automatically completed Parts I and II of the primary official Form 8853. Limitation for e-file: *If married filing jointly and both spouses have self-only coverage with contributions in 2023, you will not be able to e-file the return because multiple Forms 8853 are required, which the software does not support. Instead, you must file a paper return. (For more information on this exception, see our details for "Above used for filed Form 8853?" on the next page.)*

Information on YOUR Archer MSA (for Section A). All of the information required for contributions and most of the information required for distributions are entered here. The first screen of entries relates to YOUR MSA, and the second screen relates to SPOUSE'S MSA. *CAUTION: Every answer is important for this complex form, so don't skip what you don't understand.*

Dependent on another return. *(auto-calc)* Taken from your answer on Form 1040. You cannot deduct any contributions to an Archer MSA if you can be claimed as a dependent on someone else's return.

Your age (from Form 1040). *(auto-calc)* Taken from your entry on Form 1040.

Number of months contributions NOT allowed. Eligibility to make contributions to an Archer MSA is determined monthly, on the 1st day of each month. Therefore, you must *enter here the number of full months in which you were ineligible to contribute to an Archer MSA.* (This entry is used to proportionately reduce the limitation for line 3 as your entry rises from 0 to 12, in accordance with the IRS Line 3 Worksheet.)_

Example 1: You are ineligible for months in which you are *enrolled* in Medicare. Therefore, if you first enroll in Medicare on January 2 of the tax year, you should enter 11 here. (Formerly, you could not make contributions for the months in which you were *eligible* for Medicare, but now you are allowed to make contributions unless *enrolled* in Medicare.)_

Example 2: You are ineligible to make contributions to an Archer MSA if you can be claimed as a dependent on someone else's return. Therefore, your entry here will always be forced to 12 if you are a dependent of another._

Example 3: You are ineligible for all months prior to establishing the HDHP. Furthermore, if you established it after the 1st of the month, you are ineligible for that month. Accordingly, if you established the HDHP on February 2, 2023, you must enter 2 here because you are ineligible for January and February, 2023._

Uninsured when the Archer MSA was established? Answer Yes only if the account holder was previously uninsured at the time the MSA was established.

Does HDHP cover Family? An Archer MSA can only be set up for an employee of a small business (or self-employed) who has a High Deductible Health Insurance Plan (HDHP). Answer Yes only if the coverage for this plan is family coverage rather than self-only. *If you have more than one plan and one is a family plan, answer Yes here and answer all succeeding questions for that plan alone.*

Annual deductible for plan. By the rules for Archer MSAs, for 2023 the deductible is \$5,300 to \$7,900 for family coverage and \$2,650 to \$3,950 for self-only coverage. The software ensures that your entry lies in this range based on your answer to the preceding question.

% used in line 3 worksheet. *(auto-calc)* The limitation on contributions is based on a percentage of the deductible for the plan. The percentage is usually 75% for family coverage and 65% for self-only coverage. *However, if married filing separately, the percentage for family coverage is nominally 37.5% (half of 75%), but you can override this line with a different fraction of 75% as long as the percentage for you and spouse combined is 75%.*

Limitation per line 3 worksheet. *(auto-calc)* The IRS instructions include a *Line 3 Limitation Chart and Worksheet* that helps you determine the limitation on contributions at line 3 of Form 8853. The software computes the limitation using that worksheet under the assumption that, for the months you are eligible, your deductible is the same every month throughout the year. *If this assumption is not valid for your case, you may have to override the result that appears here with a manual calculation using the IRS worksheet.* This result is proportionately reduced when “Number of months contributions NOT allowed” is greater than zero, and reduced to zero when the number is 12.

Earned income on Form 1040. *(auto-calc)* Computed from amounts throughout the return, this is earned income attributed to you from wages and self-employment. *This and the next few lines are used to determine your compensation applicable to the Archer MSA.* This compensation has an effect on Form 8853 only if your contributions for the year exceeded your wages (or self-employment income) for the job (or business) under which the plan was established.

Wages included in the above. *(auto-calc)* This is the part of Form 1040, line 1z, attributed to you.

Net self-employment. *(auto-calc)* Computed as your earned income less your wages.

HDHP employer-maintained? If the Archer MSA applies to your work as an employee, you must answer Yes here. The answer is automatically Yes if the preceding two lines show that there are wages but no self-employment income. Conversely, the answer is automatically No if the preceding two lines show that there is self-employment income but no wages.

Tentative compensation. *(auto-calc)* Taken as your wages if the preceding answer is Yes, and taken as your net self-employment income if not.

Adjustment for multiple sources. If your wages are used above but you have more than one job, you must enter a negative number here to subtract out wages from all jobs other than the one under which the Archer MSA was established. Conversely, if your self-employment income is used and you have more than one trade or business, you must enter an adjustment to remove all self-employment income other than the amount related to the trade or business under which the Archer MSA was established.

Compensation for line 4. *(auto-calc)* Computed as the “Tentative compensation” less the preceding adjustment.

Your Archer MSA contributions for 2023. Enter only the contributions you made to your Archer MSA, including those made for 2023 in the period January 1, 2024 through April 15, 2024, but do not include rollovers. Be sure to include any direct deposits made to your Archer MSA for economic stimulus payments. This amount will be used for line 2 of your contribution to Section A, Part I of Form 8853. Do not include contributions made by your employer. **CAUTION:** Contributions for 2009 and later can be made only if you were an active Archer MSA participant before 2009 or you became a participant in 2009 or later under a high deductible health plan of an Archer MSA participating employer.

Employer’s Archer MSA contributions for 2023. Enter the contributions your employer made to your Archer MSA. This amount will be used for line 1 of your contribution to Section A, Part I of Form 8853. If your employer made any contributions during the year, you are not allowed to make any contributions. Any contributions you make are considered excess contributions and must be withdrawn.

Distributions from your Archer MSAs in 2023. Enter the total distributions received. This amount should be reported to you in box 1 of a Form 1099-SA with Archer MSA checked in box 5. This amount will be used in line 6a of Section A, Part II of Form 8853. **CAUTION:** If this amount includes any amount rolled over into another Archer MSA or includes a timely withdrawal of a prior excess contribution, be sure to include that amount in your entry for Form 8853, Sec. A, Part II, line 6b so that you will not be taxed on it.

Amount received after died, or disabled, or over 65. Any amounts distributed after the account holder died, became disabled, or turned 65 are not subject to a 20% additional tax for not being used for qualified medical expenses. If “Your age at end of tax year” on our Form 1040 is 66.01 or more, this entry is automatically the same as the preceding entry. (Remember that the age entry is based on the age on January 1 of the following year.) Otherwise you can enter any amount up to the preceding entry. This amount is taken into account in the computation of the penalty at line 9b.

FMV of benefactor’s Archer MSA at time of death. If you inherited an Archer MSA from someone other than your spouse, the entire MSA must be distributed to you. You must therefore enter the fair market value (FMV) of the account at the time of your benefactor’s death, and the amount will be included in line 6a. In addition, no penalty applies to this distribution, so this amount is taken into account when computing the 20% additional tax at line 9b. *An entry here will cause “DEATH MSA ACCT HOLDER” to be printed above the taxpayer’s name(s) near the top of Form 8853 to flag to the IRS that you are reporting a distribution from a deceased benefactor.*

Information on SPOUSE'S Archer MSA (for Section A). This section is identical to the section for YOUR Archer MSA except that amounts for spouse's MSA are used. Line by line details are therefore omitted here. (Amounts you enter here have no effect on the return unless married filing jointly.)

SECTION A, ARCHER MSAs. The information you supplied on screens 1 and 2 for Form 8853, detailed on the preceding pages, is used to automatically complete most of Section A of the official Form 8853. Part I of Section A is used to determine allowable deductions for contributions made in 202. Part II of Section A is used to determine distributions that must be included in taxable income on the return and an additional 20% tax on some or all of those distributions. (The awkwardness of the reporting when you and spouse both have Archer MSAs is handled by the software in accordance with IRS instructions.)

General Information. The following six questions appeared on the official IRS Form 8853 for tax years prior to 2009. Although they no longer appear on the official form, they are still relevant and they aid in an understanding of the form. This section is automatically completed based on your entries on the preceding screens.

a Did you or your employer made contributions for 2023? *(auto-calc)*

Answered Yes if you made an entry on screen 1 for "Your MSA contributions for 2023" or "Employer MSA contributions for 2023."

b If Yes, were you uninsured when the MSA was established? *(auto-calc)* Taken from your answer on screen 1 for "Uninsured when established?"

c If a is Yes, indicate coverage under high-deductible health plan:

Self-Only. *(auto-calc)* Answered Yes if you answered No to "Does HDHP cover family?" on screen 1.

Family. *(auto-calc)* Answered Yes if you answered Yes to "Does HDHP cover family?" on screen 1.

Married filing jointly? *(auto-calc)* Taken from your filing status on Form 1040. If Yes, the following questions are answered based on your entries on screen 2.

d Did spouse or spouse's employer made contributions for 2023? *(auto-calc)* Answered Yes if you made an entry on screen 2 for "Your MSA contributions for 2023" or "Employer MSA contributions for 2023."

e If Yes, were you uninsured when the MSA was established? *(auto-calc)* Taken from your answer on screen 2 for "Uninsured when established?"

f If a is Yes, indicate coverage under high-deductible health plan:

Self-Only. *(auto-calc)* Answered Yes if you answered No to "Does HDHP cover family?" on screen 2

Family. *(auto-calc)* Answered Yes if you answered Yes to "Does HDHP cover family?" on screen 2.

Note that answers in lines d, e, and f can be Yes only if married filing jointly.

Your Archer MSA for Part I. This section is automatically completed based on your entries on the preceding screens, but there are some important subtleties to note because of the complexity of Form 8853.

- 1 Total employer contributions.** *(auto-calc)* Taken from your entry for "Employer Archer MSA contributions for 2023."
- 2 Contributions you made for 2023.** *(auto-calc)* Taken from your entry for "Your Archer MSA contributions for 2023." Note that this entire amount will constitute an excess contribution subject to penalty if line 1 shows an amount.
- 3 Limitation from worksheet for line 3.** *(auto-calc)* Taken from the previous result for this limitation, but zero if no contributions are shown on line 1 or line 2.
- 4 Compensation from employer maintaining the HDHP.** *(auto-calc)* Taken from the previous result for "Compensation for line 4," your contribution cannot exceed this amount.
- 5 Archer MSA deduction.** *(auto-calc)* Normally computed as the smallest of line 2, 3, or 4. However, the result will be zero whenever there is an amount on line 1, since your contributions are not deductible if your employer contributed to your Archer MSA.

Above used for filed Form 8853. *(auto-calc)* If you use any filing status other than married filing jointly, the answer is Yes if there is an amount on line 1 or 2. By contrast, the IRS instructions are quite involved for joint filers when it comes to what is actually reported. For example, if you have self-only coverage but your spouse has family coverage, the answer here will be No and only the spouse's numbers will be used on the form. If you both have family coverage, only the one with the lower deductible is reported. *But if you both have self-only coverage, and both have contributions, each set of amounts will be detailed on separate pages of Form 8853 page 1, and the main Form 8853 will show entries only for lines 1, 2, and 5. See IRS instructions for details. You will not be able to e-file the return if this special case applies to you.*

Your excess contributions. *(auto-calc)* Computed as line 2 less line 5 when this section is used for filing. Otherwise taken as the entire amount on line 2 because this is not the Archer MSA recognized by the IRS. **CAUTION:** *If an amount appears here, see the shaded box on the next page for instructions on reporting this excess.*

Employer excess contributions. *(auto-calc)* Computed as the amount on line 1 less the lesser of lines 1, 3, or 4 when this section is used for filing. Otherwise taken as the entire amount on line 1 because this is not the Archer MSA recognized by the IRS. **CAUTION:** *If an amount appears here, see the shaded box on the next page for instructions on reporting this excess.*

Spouse Archer MSA for Part I. This section is also automatically completed based on your entries on the preceding screens, and uses the same computations as the preceding section for You except that all lines are zero if not married filing jointly. It is therefore not separately detailed here.

PART I, ARCHER MSA CONTRIBUTIONS AND DEDUCTIONS. The culmination of the preceding screens is the automatic completion of lines 1 through 5 of the official Form 8853, which comprises all of Section A, Part I. This part is used to claim a deduction for contributions you make to your Archer MSA. While other copies of Form 8853 page 1 may print with the official return as required by the IRS, the primary one described below is printed first. How the lines are computed depends on the answers for "Above used for filed Form 8853."

- 1 Total employer contributions.** *(auto-calc)* The amount that appears here is taken from your or spouse's results if only one of the two is used for filing, otherwise it is the *sum* of the two amounts.
- 2 Contributions you made for 2023.** *(auto-calc)* The amount that appears here is taken from your or spouse's results if only one of the two is used for filing, otherwise it is the *sum* of the two amounts.
- 3 Limitation from worksheet for line 3.** *(auto-calc)* The amount that appears here is taken from your or spouse's results if only one of the two is used for filing, otherwise it is *zero*.
- 4 Compensation from employer maintaining the HDHP.** *(auto-calc)* The amount that appears here is taken from your or spouse's results if only one of the two is used for filing, otherwise it is *zero*.
- 5 Archer MSA deduction.** *(auto-calc)* The amount that appears here is taken from your or spouse's results if only one of the two is used for filing, otherwise it is the *sum* of the two amounts. This result is automatically posted to line 23 of Schedule 1, and reduces the AGI for the return.

In addition to the primary Form 8853, *there will be two additional copies of Form 8853 printed with the official return if married filing jointly and both spouses amounts are used for filing* (as indicated by Yes answers for both spouses for "Above used for filed Form 8853"). These extra copies are identified by the word STATEMENT appearing above the social security number for the form and at the end of the heading for Section A, Part I, of Form 8853. Each copy will show results for one spouse alone, as backup for the primary Form 8853. This procedure conforms to the unconventional method in the IRS *2023 Instructions for Form 8853*.

How to handle excess contributions. If an amount appears on any of the "excess contribution" lines in the details for Part I for you or spouse, you are subject to a 6% penalty tax on the amount. However, you are allowed to withdraw the amount with no penalty if you do so by the due date of the return (including extensions) and withdraw any earnings on the amount as well. How you report the excess depends on whether or not you take advantage of this exception:

- ◆ **If you do NOT withdraw the excess on time...** you must report the excess as income on line 8z of Schedule 1 unless it was included in box 1 of a W-2. If you need to report it you should enter it in a supporting statement for the line "Other (unearned)" for you (or spouse if filing jointly) above line 8z of Schedule 1 for the appropriate spouse. This amount will therefore be subject to ordinary income tax. You must also

report the amount on line 39 of the Form 5329 for the appropriate spouse. A 6% penalty will be applied there and reflected on Schedule 2, line 8.

- ◆ **If you DO withdraw the excess on time...** you should exclude it from your entries for contributions on Form 8853, as if the contribution had never occurred. However, if the amount you withdraw for this purpose is reported to you in box 1 of a Form 1099-SA with Archer MSA checked in box 5, you must report the withdrawal as a distribution on both lines 6a and 6b of Form 8853 *for the tax year to which the Form 1099-SA applies*. This amount will be subject to neither a penalty nor any other kind of taxation.

Note that you can also take advantage of the exception *after* you file by filing an amended return to report a withdrawal within 6 months after the due date of the return (including extensions). You would revise both Forms 5329 and 8853 in such an amended return.

PART II, ARCHER MSA DISTRIBUTIONS. This part of Section A is used to report distributions you receive from your Archer MSA, which is subject to taxation and an additional penalty unless an exception applies.

Distributions from Archer MSAs. *(auto-calc)* Taken from your previous entry for "Distribution from your Archer MSAs" for you (and spouse if married filing jointly).

FMV of benefactor's Archer MSA at time of death. *(auto-calc)* Taken from your previous entry for "FMV of benefactor's Archer MSA at time of death" for you (and spouse if married filing jointly). *If an amount appears here, "DEATH MSA ACCT HOLDER" will be printed above the taxpayer's name near the top of Form 8853 to flag to the IRS that you are reporting a distribution from a deceased benefactor.*

6a Distributions you and spouse received in 2023 from all Archer MSAs. *(auto-calc)* Computed as the sum of the preceding two amounts.

6b Distributions included in line 6a that you rolled over into another Archer MSA or a health savings account (HSA). In addition to qualified rollovers, enter any amount included in line 6a for the timely withdrawal of a prior excess contribution (and earnings on it). *Be sure to include any direct deposits made to your Archer MSA for economic stimulus payments that you withdrew on time.*

6c Subtract line 6b from line 6a. *(auto-calc)* Computed as indicated.

Unreimbursed qualified medical expenses. Generally, enter the part of line 6c that you used to pay for qualified medical expenses for you, your spouse, or your dependents. However, see IRS instructions for restrictions. *CAUTION: Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*

Decedent's qualified medical expenses. Enter the amount of qualified medical expenses incurred by the above benefactor before his or her death that you paid within 1 year of death. This entry can be

no more than the FMV of the benefactor's Archer MSA on the date of death. *CAUTION: Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*

- 7 Unreimbursed qualified medical expenses.** *(auto-calc)* Computed as the sum of the preceding two amounts. *CAUTION: Because you are claiming a credit for this amount on this form, you cannot include this amount in Part I of your Schedule A.*

Your and spouse's taxable distributions. *(auto-calc)* Computed as "Distributions from Archer MSAs" (without the decedent's amount) less line 6b and less "Unreimbursed qualified medical expenses" (without the decedent's amount). This amount is generally subject to a 20% penalty tax unless you previously identified an amount distributed due to death, disability, or age.

Decedent's taxable distributions. *(auto-calc)* Computed as "FMV of benefactor's Archer MSA at time of death" less "Decedent's qualified medical expenses." This entire amount is exempt from the 20% penalty tax.

- 8 TAXABLE ARCHER MSA DISTRIBUTIONS.** *(auto-calc)* Computed as line 6c less line 7, but no less than zero. This result is posted line 8e of Schedule 1 along with other income from Form 8853 lines 12 and 26.

Your and spouse's exception to the 20% additional tax. *(auto-calc)* Taken from your prior entry for "Amount received after died, or disabled, or over 65" for you (and spouse if married filing jointly), which is the only part of your taxable distributions excepted from the penalty.

Decedent's exception to the 20% additional tax. *(auto-calc)* Computed as the entire amount for "Decedent's taxable distributions," all of which is excepted from this penalty.

- 9a Any of the distributions in line 8 meet an exception to the additional 20% tax.** *(auto-calc)* Answered Yes if there is an amount on either of the preceding two lines.

- 9b ADDITIONAL 20% TAX.** *(auto-calc)* Computed as 20% of the amount on line 8 less the sum of the preceding two exceptions, this amount is posted to line 17e of Schedule 2.

SECTION B, MEDICARE ADVANTAGE MSA DISTRIBUTIONS. This section of Form 8853 is used to report taxable distributions from and penalty taxes on Medicare Advantage MSAs. Like Section A, the IRS defines a rather awkward use of Form 8853 when married filing jointly and both spouse's have an Archer MSA, so information about each spouse's Medicare Advantage MSA is collected by the software on screens 7 and 8, culminating in an automatically completed primary official Form 8853 on screen 9. If both spouses have distributions from their Medicare Advantage MSAs, two additional copies of Form 8853 page 1 are printed with the official return to show each spouse's amounts, whereas the first Form 8853 printed, which is the primary Form 8853, shows the sum of amounts from both spouse's combined. Limitation for e-file: *If married filing jointly and both spouses have distributions from their Medicare Advantage MSAs, you will not be able to e-file the return because multiple Forms 8853 are required, which the software does not support. Instead, you must file a paper return.*

Information on YOUR Medicare Advantage MSA (for Section B). All of the information required for reporting distributions from your Medicare Advantage MSA (formerly called Medicare + Choice MSA) are entered here. Although this section follows the format of Section B, the determination of what to include on the filed Form 8853 comes later.

Distributions from your Medicare Advantage MSAs in 2023. Enter the total distributions received. This amount should be reported to you in box 1 of a Form 1099-SA for which Archer MSA is checked in box 5. CAUTION: Do NOT include rollovers into another Medicare Advantage MSA nor withdrawals for prior erroneous contributions.

Amount received after died or disabled. Any amounts distributed after the account holder died or became disabled are not subject to a 50% additional tax for not being used for qualified medical expenses. You can enter any amount up to the preceding entry. This amount is taken into account in the computation of the penalty at line 13b. (Unlike Archer MSAs, the age exception does not apply here.)

FMV of benefactor's Medicare Advantage MSA at time of death. If you inherited a Medicare Advantage MSA from someone other than your spouse, the entire MSA must be distributed to you. You must therefore enter the fair market value (FMV) of the account at the time of your benefactor's death, and the amount will be included in line 10. In addition, no penalty applies to this distribution, so this amount is taken into account when computing the 50% additional tax at line 13b. *An entry here will cause "DEATH MSA ACCT HOLDER" to be printed above the taxpayer's name(s) near the top of Form 8853 to flag to the IRS that you are reporting a distribution from a deceased benefactor.*

10 Total distributions you received in 2023 from all Medicare Advantage MSAs. (auto-calc) Computed as the sum of "Distributions from your Medicare Advantage MSAs" and "FMV of benefactor's Medicare Advantage MSA at time of death."

Unreimbursed qualified medical expenses. Generally, enter the part of line 10 that you used to pay for qualified medical expenses for you, your spouse, or your dependents. However, see IRS instructions for restrictions. *CAUTION: Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*

Decedent's qualified medical expenses. Enter the amount of qualified medical expenses incurred by the above benefactor before his or her death that you paid within 1 year of death. This entry can be no more than the FMV of the benefactor's Medicare Advantage MSA on the date of death. *CAUTION: Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*

11 Unreimbursed qualified medical expenses. *(auto-calc)* Computed as the sum of the preceding two amounts.

Your taxable distributions. *(auto-calc)* Computed as "Distributions from Medicare Advantage MSAs" (without the decedent's amount) less "Unreimbursed qualified medical expenses" (without the decedent's amount). This amount is generally subject to a 50% penalty tax unless you previously identified an amount distributed due to death or disability.

Decedent's taxable distributions. *(auto-calc)* Computed as "FMV of benefactor's Medicare Advantage MSA at time of death" less "Decedent's qualified medical expenses." This entire amount is exempt from the 50% penalty tax.

12 TAXABLE MEDICARE ADVANTAGE MSA DISTRIBUTIONS. *(auto-calc)* Computed as line 10 less line 11, but no less than zero.

Your exception to the 50% additional tax. *(auto-calc)* Taken from your prior entry for "Amount received after died or disabled" for you (and spouse if married filing jointly), this is the nominal exception. However, if this amount is less than "Your taxable distributions," the IRS instructs you to use a special worksheet to determine the excepted amount. This IRS worksheet (*Additional 50% Tax Worksheet—Line 13b*) can result in a higher exception than the nominal amount when the MSA has a value at the beginning of the tax year.

Value of the Medicare Advantage MSA on December 31, 2022. This entry is relevant only when the exception on the preceding line is less than the entire distribution. Enter the value at the end of the prior tax year.

Annual deductible on January 1, 2023. Similarly, this entry is relevant only when the exception is less than the entire distribution. Enter the annual deductible at the beginning of the current tax year.

Decedent's exception to the 50% additional tax. *(auto-calc)* Computed as the entire amount for "Decedent's taxable distributions," all of which is excepted from this penalty.

13a Any of the distributions in line 12 meet an exception to the additional 50% tax. *(auto-calc)* Answered Yes if there is an amount on either of the preceding two lines.

13b ADDITIONAL 50% TAX. *(auto-calc)* Normally computed as 50% of the amount on line 12 less the sum of the preceding two exception amounts, but the computation is more complex for partial exceptions, as noted above.

Information on SPOUSE'S Medicare Advantage MSA (for Section B). This section is completely analogous to the section for YOUR Medicare Advantage MSA, and so is not detailed here. Note that amounts you enter here have no effect on the return unless married filing jointly.

SECTION B, MEDICARE ADVANTAGE MSA DISTRIBUTIONS. The information you supplied on screens 7 and 8 for Form 8853, detailed on the preceding pages, is used to automatically complete Section B of Form 8853, which shows information from both spouses combined if married filing jointly. The software determines when additional copies of Form 8853 must be printed to satisfy the IRS when both spouses have a Medicare Advantage MSA.

10 Total distributions you received in 2023 from all Medicare Advantage MSAs. *(auto-calc)* Computed as the amount for the corresponding line for your Medicare Advantage MSAs (plus spouse's amount if married filing jointly).

11 Unreimbursed qualified medical expenses. *(auto-calc)* Computed as the amount for the corresponding line for your Medicare Advantage MSAs (plus spouse's amount if married filing jointly).

12 TAXABLE MEDICARE ADVANTAGE MSA DISTRIBUTIONS. *(auto-calc)* Computed as the amount for the corresponding line for your Medicare Advantage MSAs (plus amount if married filing jointly). *This result is posted to line 8e of Schedule 1 along with other income from Form 8853 lines 8 and 26.*

13a Any of the distributions in line 12 meet an exception to the additional 50% tax. *(auto-calc)* Normally from the answer for the corresponding line for your Medicare Advantage MSAs. But if married filing jointly, answered Yes is either spouse's answer is Yes.

13b ADDITIONAL 50% TAX. *(auto-calc)* Computed as the amount for the corresponding line for your Medicare Advantage MSAs (plus spouse's amount if married filing jointly). *This result is posted to line 17f of Schedule 2.*

SECTION C, LONG-TERM CARE (LTC) INSURANCE CONTRACTS. This part is used to report taxable periodic payments from an LTC insurance contract or accelerated death benefits from a life insurance policy. Only the policyholder reports the payments on this form, even if the payments are assigned to someone else. See IRS instructions for details on what constitutes a qualified contract or policy, and what constitutes a per diem or periodic payment.

Is spouse the policyholder (vs. you)? Identify which spouse is the policyholder so that the proper SSN is printed on page 2 of Form 8853.

If both spouses own policies, answer No here so that the SSN of the primary taxpayer is used.

Itemize HERE for Section C. *(Supported by the Long-Term Care Worksheet, Figure 2-70.)* Lines 14a through 26 are supported by the worksheets you access here. You must use the worksheets to supply information for these lines because the on-screen Form 8853 shows only lines 17 and 26. Use a separate worksheet for each separate insured or policy. The number of worksheets on which you reported qualified LTC payments or accelerated death benefits appears here.

More than one Section C attached. *(auto-calc)* Answered Yes if the preceding line shows that 2 or more worksheets have been completed. If Yes, only the total of line 26 from all worksheets appears on the official printed Form 8853, and all details appear only in supporting statements, which duplicate the look of Section C. *Exception for e-file: If the answer to this question is Yes, you will not be able to e-file the return because multiple Sections C are required, which the software does not support. Instead, you must file a paper return.*

14a through 16. *(labels only)* The entries for these lines are shown only on the supporting worksheets. When only one worksheet is completed they also appear on the official printed Form 8853.

17 Gross LTC payments received. *(auto-calc, supported by the Long-Term Care Worksheet, Figure 2-70.)* The total from all worksheets appears here.

18 through 25. *(labels only)* The entries for these lines are shown only on the supporting worksheets. When only one worksheet is completed they also appear on the official printed Form 8853.

26 TAXABLE PAYMENTS. *(auto-calc, supported by the Long-Term Care Worksheet, Figure 2-70.)* The total from all worksheets appears here. This total is posted to line 8e of Schedule 1 along with other income from Form 8853 lines 8 and 12.

Long-Term Care Worksheet. (Figure 2-70) Use a separate worksheet for each separate insured or policy. See the chart in IRS instructions titled "Filing Requirements for Section C" to determine which lines to complete.

14a Name of insured. Enter the name in 25 characters or less.

Name control
(for e-file). If you plan to e-file the return you MUST enter a 4-character name control here.

This is usually the first 4 characters of the last name of the insured, but there are special rules for some compound names.

LONG-TERM CARE WORKSHEET		
14a	Name of insured	
	Name Control (for e-file)	
14b	SSN of insured:	
15	In 2023, another rcvd pmts.? No	
16	was insured terminally ill.? No	
17	Gross LTC payments received	0
18	Part from QLFD LTC contract	0
19	Accel'd death benefits rcvd	0
20	Add lines 18 and 19.....	0
	No. of days in LTC period	0
21	Multiply 390 by days in per	0
22	Costs for qlfd LTC services	0
23	Larger of line 21 or ln 22.	0
24	Reimb's for qlfd LTC srvc's	0
25	Per diem limitation.....	0
26	TAXABLE PAYMENTS.....	0
	This worksheet counted.....	0

Figure 2-70. Long-Term Care Worksheet

14b SSN of insured. Enter in the standard xxx-xx-xxxx format.

15 In 2023, did anyone other than you receive payments? Answer Yes only if another person received per diem or periodic payments under a qualified LTC contract for the same insured person or received accelerated death benefits for the same person. *If Yes, you must follow special procedures detailed in the IRS instructions.*

16 Was the insured terminally ill? The insured must have been certified by a physician as reasonably expected to die within 24 months of the diagnosis of illness. Note that accelerated death benefits are generally excludable from gross income if the insured is terminally ill.

17 Gross LTC payments received. Enter total payments received on a per diem or other periodic basis. The amount should be shown in box 1 of a Form 1099-LTC that has the "Per diem" box checked in box 3.

18 Part of line 17 from qualified LTC insurance contracts. If zero and no accelerated death benefits were received, you should NOT be completing Form 8853 for the LTC payments. Instead, you should report them all as income in a supporting statement for "Other (unearned)" at line 8z of Schedule 1.

19 Accelerated death benefits received. Enter total payments received on a per diem or other periodic basis. *Do not include payments for the terminally ill* (as indicated by your answer to line 16).

20 Add lines 20 and 21. (auto-calc) Computed as indicated.

Number of days in the LTC period. You can base this entry on either the Contract Period method or the Equal Payment Rate method. See IRS instructions for details.

21 Multiply \$420 by the number of days in the LTC period. *(auto-calc)*
Computed as 420 times the preceding entry for 2023.

22 Costs incurred for qualified LTC services. Enter the amount for services for the insured in the LTC period.

23 Larger of line 21 or line 22. *(auto-calc)* Computed as indicated.

24 Reimbursements for qualified LTC services provided. Enter the amount for services for the insured in the LTC period.

25 Per diem limitation. *(auto-calc)* Computed as line 23 less line 24, but no less than zero.

26 TAXABLE PAYMENTS. *(auto-calc)* Computed as line 25 less line 20, but no less than zero. This is the amount that must be reported as income on the return.

This worksheet counted. *(auto-calc)* Answer Yes if line 16, 17, 18, or 19 has an entry. If No, the worksheet will not be counted and will not be printed with the return.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8862* / Information to Claim Certain Credits After Disallowance

*** Included in Premium Level software ONLY.** This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is required the first year you claim a covered credit after it was previously disallowed and you received a letter from the IRS to this effect. Although the form does not carry a year designation dedicated to a particular tax year, it has been updated for 2023 to remove references to expired provisions. The current version is *Form 8862 (Rev. December 2023)*. Covered credits for 2023 are:

- **Earned Income Credit (EIC)** claimed at Form 1040, line 27
- **Child Tax Credit/Additional Child Tax Credit/Credit for Other Dependents (CTC/ACTC/ODC)** claimed at Form 1040, line 19 and 28
- **American Opportunity Tax Credit (AOTC)** claimed at Schedule 3, line 3, and Form 1040, line 29.

Form 8862 is *required* in conjunction with a claim for any credit from the above list *if and only if all of the following are true* for that credit:

- The credit was previously disallowed for any reason other than a mathematical or clerical error.
- You received a letter from the IRS instructing you to file Form 8862 the next time you claim the credit.
- This is the first year after the last disallowance that you are claiming the credit.

Unless all 3 conditions are met, you should *not* file Form 8862 for that credit. Note that you generally only need to file Form 8862 the first year you are claiming the credit after the latest disallowance. However, you are *not* allowed to claim the credit or file Form 8862 **(a)** for 2 years after the latest disallowance stemming from reckless or intentional disregard for the rules, or **(b)** for 10 years after the latest disallowance stemming from fraud. Form 8862 is an informational form only and is not used in the calculations of any other form. Accordingly, *Form 8862 is accessible only from the Forms Menu (as Form 73) or the last screen of our Control Form (form 1 on the Forms Menu).*

When it is NOT required. This form should *not* be filed if you have already filed a Form 8862 and had your credit allowed since the event, *or* you have no valid claim for the credit on the current return, *or*, in the case of the EIC, your disallowance was because you had no qualifying child and you are now claiming only the childless EIC.

Complete the return FIRST. This form is not relevant if you are not eligible for the previously-disallowed credit on the current return, so the software prevents you from completing the form if you do not claim the credit now. Therefore, you *must* complete the return before you make any entries on this form. Once the return is complete and final calculations have been performed, your entries will be accepted by the software when appropriate.

PART I, ALL FILERS. Your eligibility to use Form 8862 form is checked here. The software uses the actual claims on the return to ensure that you are not completing this form for a credit that you are not claiming for 2023.

1 Enter the tax year for which you are filing this form. *(auto-calc)* Taken from your entry on the Control Form, this is the tax year of the return.

2 Credit(s) you are claiming. Claims on the current tax return for the credits covered by this form are shown here, but you must identify below which, if any, of those claims is *required* to be supported by Form 8862:

Earned Income Credit (EIC):

EIC claimed on Form 1040, line 27. *(auto-calc)* Taken from Form 1040, as indicated.

Form 8862 required for EIC? You should answer Yes only if the conditions for all three bullets on the first page of these details for Form 8862 are met for this credit.

You must complete Part II of Form 8862. *(auto-calc)* Answered Yes only if you answered Yes above and there is an amount for Form 1040, line 27. If answered No, the check box for *Earned Income Credit* on line 2 of the official printout of Form 8862 will not be checked, irrespective of your answer above, and you should not complete Part II of this form.

Child Tax Credit/Additional Child Tax Credit/Other Dependents Credit (CTC/ACTC/ODC):

CTC/ODC claimed on Form 1040, line 19. *(auto-calc)* Taken from Form 1040, as indicated.

ACTC claimed on Form 1040, line 28. *(auto-calc)* Taken from Form 1040, as indicated.

Form 8862 required for CTC/ACTC/ODC? You should answer Yes only if the conditions for all three bullets on the first page of these details for Form 8862 are met for this credit.

You must complete Part III of Form 8862. *(auto-calc)* Answered Yes only if you answered Yes above and there is an amount for Form 1040, line 19 or 28. If answered No, the check box for *Child Tax Credit/Additional Child Tax Credit/Credit for Other Dependents* on line 2 of the official printout will not be checked, irrespective of your answer above, and you should not complete Part III of this form.

American Opportunity Tax Credit (AOTC):

AOTC included on Schedule 3, line 3. *(auto-calc)* If line 3 of Schedule 3 includes a *Lifetime Learning Credit* in addition to the AOTC, this amount may be less than the full amount shown on Schedule 3. The software determines the AOTC part of Schedule 3, line 3, from the amounts shown on-screen above line 19 of Form 8863.

ACTC claimed on Form 1040, line 29. *(auto-calc)* Taken from Form 1040, as indicated.

Form 8862 required for AOTC? You should answer Yes only if the conditions for all three bullets on the first page of these details for Form 8862 are met for this credit.

You must complete Part IV of Form 8862. *(auto-calc)* Answered Yes only if you answered Yes above and there is an amount for Schedule 3, line 3 or Form 1040, line 29. If answered No, the check box for *American Opportunity Tax Credit* on line 2 of the official printout will not be checked, irrespective of your answer above, and you should not complete Part IV of this form.

Form 8862 requirement:

Required to file Form 8862? *(auto-calc)* Answered Yes only if there is a Yes on at least one of the lines labeled "Complete Part ,,, of Form 8862?" If answered No, you should not complete this form.

IRS requirement for order of entries for children. Because the IRS identifies entries as information for Child 1, Child 2, and Child 3, and Form 8862 does not include identifying information like SSN, the IRS requires you to enter the information in a particular order. The information must be in the same order as it appears on the Dependents' Worksheets for Form 1040. For example, for EIC, Child 1 is the child associated with the first worksheet (among the *Dependents' Worksheets* for Form 1040) that shows eligibility for EIC. Child 2 is the second such worksheet, and Child 3 is the third. The same requirement applies to the *Child Tax Credits and Credit for Other Dependents*. For the *American Opportunity Tax Credit*, the order must be the same as the order of the *Education Credit Worksheets* completed for Form 8863.

PART II, EARNED INCOME CREDIT. Information that applies *only* to the *Earned Income Credit* is supplied here, but only if the answer to "You must complete Part II of Form 8862?" on screen 1 is Yes.

3 Was the ONLY reason EIC was reduced or disallowed was because you incorrectly reported income? If you can answer Yes, you do not have to complete the rest of this form in order to claim EIC this year. However, you must still file this form, even if the rest of the form is blank.

Were you a qualifying child of another person during the tax year? *(auto-calc)* Taken from your entry on the first screen of Form 1040. You are not eligible for the EIC or Form 8862 if Yes.

Was spouse a qualifying child of another person during the tax year? *(auto-calc)* Taken from your entry on the second screen of Form 1040. If married filing jointly you are not eligible for the EIC or Form 8862 if the answer for spouse is Yes.

4 Could you (or your spouse if filing jointly) be claimed as a qualifying child of another person for the year shown in line 1? *(auto-calc)* If married filing jointly, answered Yes if either of the answers to the preceding questions is Yes. Otherwise taken as the answer for you alone.

Based on Schedule EIC and your entries above, you must:

Complete Section A. *(auto-calc)* Answered Yes if our on-screen Schedule EIC shows that you qualify for the credit based on a child and screen 1 of Form 8862 shows that you must file Form 8862 to claim the credit.

Complete Section B. *(auto-calc)* Answered Yes if our on-screen Schedule EIC shows that you qualify for the childless credit and screen 1 of Form 8862 shows that you must file Form 8862 to claim the credit.

Section A: Filers with a Qualifying Child or Children. If you are required to complete this section, as indicated by the preceding answers at the bottom of screen 2, you must supply information here about the children that you are claiming on Schedule EIC. *No more than 3 children are relevant for this section because additional children beyond three do not increase the amount of credit. Deviation from IRS order: Line 6 appears here before lines 5a, 5b, and 5c because the latter lines apply only if the answer to line 6 is Yes; the IRS order defies logic! In addition, the entries for each child are shown separately on the screen to simplify data entry.*

6 Does Schedule EIC show that you had a qualifying child for the EIC?

(auto-calc) Answered Yes only if you are required to complete Part II, Section A of this form, as indicated by the preceding answers.

Answers for Child 1: Enter the month, from 1 to 12, only if died during

Eligible to use this part. *(auto-calc)* Answered Yes whenever the answer for "Complete Section A" on screen 2 is Yes.

5a First name of Child 1. Enter the first name in 10 characters or less.

Last name of Child 1. Enter the last name in 15 characters or less.

7 Number of days this child lived with you in the United States during the tax year. Unless the child was born or died during the tax year, your entry must be 183 or more (184 for a leap year) for the child to qualify you for the EIC.

8 If the child was born or died during the tax year:

(1) If born during the tax year:

Month of birth. Enter the month, from 1 to 12, only if born during the tax year.

Day of birth. Enter the day, from 1 to 31, only if born during the tax year.

(2) If died during the tax year:

Month of death. Enter the month, from 1 to 12, only if died during the tax year.

Day of death. Enter the day, from 1 to 31, only if died during the tax year.

*** Is Child 1 qualified for EIC?** *(auto-calc)* Answered Yes only if "Eligible to use this part?" is Yes on screen 3 of Form 8862 and either line 7 is 183 or more (184 for leap year) or you made an entry on one of the date lines above. If No, you shouldn't be claiming this child on Schedule EIC.

Answers for Child 2:

Eligible to use this part. *(auto-calc)* Answered Yes only if the answer for "Complete Section A" on screen 2 is Yes and the number of children claimed on Schedule EIC is 2 or 3.

5a First name of Child 1. Enter the first name in 10 characters or less.

Last name of Child 1. Enter the last name in 15 characters or less.

7 Number of days this child lived with you in the United States during the tax year. Unless the child was born or died during the tax year, your entry must be 183 or more (184 for a leap year) for the child to qualify you for the EIC.

8 If the child was born or died during the tax year:

(1) If born during the tax year:

Month of birth. Enter the month, from 1 to 12, only if born during the tax year.

Day of birth. Enter the day, from 1 to 31, only if born during the tax year.

(2) If died during the tax year:

Month of death. Enter the month, from 1 to 12, only if died during the tax year.

Day of death. Enter the day, from 1 to 31, only if died during the tax year.

*** Is Child 2 qualified for EIC?** Answered Yes only if "Eligible to use this part?" is Yes on screen 4 of Form 8862 and either line 7 is 183 or more (184 for leap year) or you made an entry on one of the date lines above. If No, you shouldn't be claiming this child on Schedule EIC.

Answers for Child 3:

Eligible to use this part? *(auto-calc)* Answered Yes only if the answer for "Complete Section A" on screen 2 is Yes and the number of children claimed on Schedule EIC is 3.

5a First name of Child 1. Enter the first name in 10 characters or less.

Last name of Child 1. Enter the last name in 15 characters or less.

7 Number of days this child lived with you in the United States during the tax year. Unless the child was born or died during the tax year, your entry must be 183 or more (184 for a leap year) for the child to qualify you for the EIC.

8 If the child was born or died during the tax year:

(1) If born during the tax year:

Month of birth. Enter the month, from 1 to 12, only if born during the tax year.

Day of birth. Enter the day, from 1 to 31, only if born during the tax year.

(2) If died during the tax year:

Month of death. Enter the month, from 1 to 12, only if died during the tax year.

Day of death. Enter the day, from 1 to 31, only if died during the tax year.

- * **Is Child 3 qualified for EIC?** Answered Yes only if "Eligible to use this part?" is Yes on screen 5 of Form 8862 and either line 7 is 183 or more (184 for leap year) or you made an entry on one of the date lines above. If No, you shouldn't be claiming this child on Schedule EIC.

Section B: Filers without a Qualifying Child or Children. If you are required to complete this section, as indicated at the bottom of screen 2, you must supply qualifying information here about yourself (and spouse, if filing jointly).

Eligible to use this part? *(auto-calc)* Answered Yes only if the answer for "Complete Section B" on screen 2 is Yes.

9a Number of days during the tax year that your main home was in the United States. If you cannot enter at least 183 (184 for leap year) here, you do not qualify for the EIC. *TIP: You can include your active duty time in your entry here if you were on extended active duty outside the United States and your home is considered to be in the United States.*

9b If married filing jointly, number of days during the tax year that spouse's main home was in the United States. If married filing jointly and you cannot enter at least 183 (184 for leap year) here, you do not qualify for the childless EIC. *TIP: You can include your spouse's active duty time in your entry here if your spouse was on extended active duty outside the United States and your spouse's home is considered to be in the United States.*

10a Your age at the end of the year. *(auto-calc)* If eligible to use this part, taken from your entry on screen 1 of Form 1040. This entry (or the next entry if filing jointly) must be at least 25 but less than 65 to qualify for the childless EIC.

10b Spouse's age at the end of the year. *(auto-calc)* If eligible to use this part and married filing jointly, taken from your entry on screen 2 of Form 1040.

11a Can you be claimed as a dependent on another taxpayer's return? *(auto-calc)* Taken from your answer on screen 1 of Form 1040.

11b Can your spouse (if filing jointly) be claimed as a dependent on another taxpayer's return? *(auto-calc)* Taken from your answer on screen 2 of Form 1040.

Eligible for the childless EIC? *(auto-calc)* The answer will be Yes only if "Eligible to use this part?" above is Yes, your entry for line 9a is 183 (184 for leap years) or more and, if married filing jointly, your answer for line 5 is 183 (184 for leap years) or more.

PART III, CHILD TAX CREDIT/ADDITIONAL CHILD TAX CREDIT/CREDIT FOR OTHER DEPENDENTS. Information that applies only to the *Child Tax Credit (regular or additional) and Credit for Other Dependents* is supplied here, but only if the answer to "Complete Part III of Form 8862?" on screen 1 is Yes. All information for this part of Form 8862 must be supplied on the worksheets accessed here, which together support lines 12 through 17 of Form 8862.

Tax Preparer separates Child Tax Credit from Credit for Other Dependents for a more logical presentation. With the addition of the *Credit for Other Dependents*, the IRS revised Part III of Form 8862 to cover both it and the *Child Tax Credit* by intertwining the questions for the two credit types, in spite of their differences. But the software has separated them in an attempt to counteract the confusion caused by their intertwining. As a result, there are two separate worksheets for this part of Form 8862: one for the *Child Tax Credit* and one for the *Credit for Other Dependents*. Similarly, the official printout of Form 8862 produced by the software clearly separates the two credit types by showing answers to lines 14 through 17 for the *Child Tax Credit* separately from the answers to lines 16 and 17 for the *Credit for Other Dependents* (for which lines 14 and 15 do not apply).

ITEMIZE HERE for CTC/ACTC. *(Supported by the CTC/ACTC Form 8862 Worksheet, Figure 2-71)* Complete one worksheet for each child for whom you claim the *Child Tax Credit* or *Additional Child Tax Credit*, following the same order as they appear on the *Dependents' Worksheets* for Form 1040. *The lines that are relevant for this credit are line 12 and lines 14 through 17.*

CTC/ACTC Form 8862 Worksheet, Figure 2-71. Supports Part III of Form 8862 for as many children as you claim for the *Child Tax Credit (or Additional Child Tax Credit)*. You must complete a separate worksheet for each qualifying child.

Complete this worksheet for Child. *(auto-calc)* The page number of this worksheet is shown here. It is used to keep track of the identification of children as Child 1, Child 2, etc., elsewhere on Form 8862.

```
CTC/ACTC 8862 WORKSHEET
Complete this wrksht for child 1
12 1st name.....
    Last name.....
14 Did child live w/ you over
    1/2 year or meet exception? No
15 Did child meet rqmts to be
    qualif. child for CTC/ACTC? No
16 Is child your dependent...? No
17 Is child a citizen, na-
    tional, or resident of U.S.? No
```

Figure 2-71. CTC/ACTC Form 8862 Worksheet

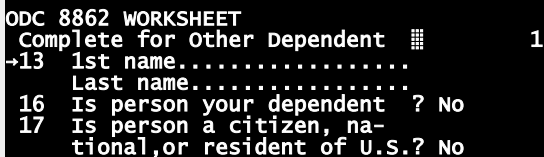
- 12 First name.** Enter the first name of the child in 10 characters or less.
- Last name.** Enter the last name in 15 characters or less.
- 14 Did the child live with you for more than half of the year or meet an exception?** You are generally required to live with the child more

than half the year to claim the credit. However, if an exception applies, the IRS instructs you to answer Yes here even if you did not. For details, see "Exception to time lived with you" on page 20 and 21 of the IRS 2023 Form 1040 Instructions, the IRS instructions for Form 8862, line 14, in the IRS 2023 Instructions for Form 8862 (Rev. December 2023), and the IRS 2023 Instructions for Form 8812 (Child Tax Credit, et al). If you must answer No, this child is not qualified for the *Child Tax Credit* and you should not complete a worksheet for this child.

- 15 Did the child meet the requirements to be a qualifying child for the CTC/ACTC?** If not, you should not complete a CTC/ACTC Worksheet for this child.
- 16 Is this child your dependent?** If not, you should not complete a CTC/ACTC Worksheet for this child.
- 17 Is this child a citizen, national, or resident of the United States?** Under certain circumstances, such as temporary absences, the person may be treated as a resident without meeting the substantial presence test and you may answer Yes here.

ITEMIZE HERE for ODC. *(Supported by the ODC Form 8862 Worksheet, Figure 2-72)* Complete one worksheet for dependent for whom you claim the *Credit for Other Dependents*, following the same order as they appear on the *Dependents' Worksheets* for Form 1040. *The lines that are relevant for this credit are lines 13, 16, and 17.*

ODC Form 8862 Worksheet, Figure 2-72. Supports Part III of Form 8862 for as many dependents as you claim for the *Credit for Other Dependents*. You must complete a separate worksheet for each qualifying dependent.



Complete this **Figure 2-72. ODC Form 8862 Worksheet worksheet for Other Dependent.** *(auto-calc)* The page number of this worksheet is shown here. It is used to keep track of the identification of other dependents as Other dependent 1, Other Dependent 2, etc.

- 13 First name.** Enter the first name of the child in 10 characters or less.
- Last name.** Enter the last name in 15 characters or less.
- 16 Is this person your dependent?** If not, you should not complete a worksheet for this person.
- 17 Is this person a citizen, national, or resident of the United States?** Under certain circumstances, such as temporary absences, the person may be treated as a resident without meeting the substantial presence test and you may answer Yes here.

PART IV, AMERICAN OPPORTUNITY TAX CREDIT. Information that applies only to the *American Opportunity Tax Credit* is supplied here, but *only if the answer to "Complete Part IV of Form 8862?" on screen 1 is Yes*. All information for this part of Form 8862 must be supplied on the worksheet accessed here, which support lines 18a through 19b of Form 8862.

To access the worksheets, ITEMIZE HERE. (*Supported by the AOTC Form 8862 Worksheet, Figure 2-73*) Complete one worksheet for each student for whom you claim the *American Opportunity Tax Credit*, following the same order as they appear on Form 8863 (where you claim the credit).

AOTC Form 8862 Worksheet, Figure 2-73. Supports Part IV of Form 8862 for as many students as you claim for the *American Opportunity Tax Credit*. You must complete a separate worksheet for each qualifying child.

This worksheet is for Student. (*auto-calc*) The page number of this

worksheet is shown here. It is used to keep track of the identification of students as Student 1, Student 2, etc.
18 Name of student--First name. Enter the first name of the student in 10 characters or less.

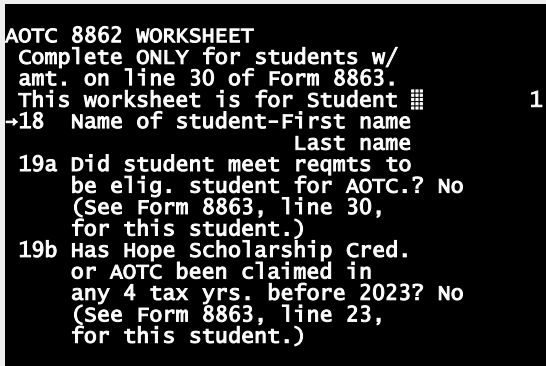


Figure 2-73. AOTC Form 8862 Worksheet

Last name. Enter the last name in 15 characters or less.

19a Did the student meet the requirements to be an eligible student for the AOTC? If not, you should not complete a worksheet for this student. In order to answer Yes, there must be an amount on line 30 of Form 8863 for this student. *CAUTION: Do not complete a worksheet for any student for whom you claim only the Lifetime Learning Credit on Form 8863, line 31, and not the American Opportunity Tax Credit on Form 8863, line 30.*

19b Has the Hope Scholarship Credit or American Opportunity Credit been claimed for the student for any 4 tax years before 2023? Use the answer for line 23 of Form 8863 for this student. If Yes, you cannot claim the AOTC for this student and you should not complete a worksheet for this student.

PART V, QUALIFYING CHILD OF MORE THAN ONE PERSON. You do not have to complete this part of Form 8862 unless at least one of the children identified in Parts II, III, and IV was a qualifying child of someone else as well as you (or spouse if filing jointly). For each such child, you must use the worksheets accessed here to report the address where you and the child lived together and, if the other person live with the child more than half the year, the name and relationship of that other person. Note that the IRS label of Child 1, Child 2, and Child 3 does not necessarily correspond with Child 1, Child 2, and Child 3 of the preceding parts of this form because this part does not apply to all children claimed.

Is any child shown on this form also a qualifying child of another person (other than spouse if filing jointly)? Answer this question only for the credit(s) for which you are completing this Form 8862. If you answer No, skip the rest of this part of Form this 8862. Otherwise, you must complete lines 20, 21, and 22 of the form by completing the worksheet(s) accessed from the next line.

To complete lines 20 through 22, ITEMIZE HERE. *(Supported by the Where You Lived With Child Worksheet, Figures 2-74a and 2-74b)* Complete one worksheet for each child who is a qualifying child of someone else, identifying the child at line 20 of the worksheet, supplying the address where you lived with the child at line 21 of the worksheet, and, if another person lived with the child more than half the year, the name and relationship of that person at line 23 of the worksheet. .

20 Number of children named. *(auto-calc)* Computed as the number of worksheets for which you entered a first or last name.

21 Number of addresses entered. *(auto-calc)* Computed as the number of worksheets for which you entered a street address (U.S. or foreign).

22 Number of children who lived with any other person more than half of the year? *(auto-calc)* Computed as the number of worksheets for which you answered Yes to line 22.

Where You Lived with Child Worksheet, Figures 2-74a and 2-74b. Supports lines 20, 21, and 22, separately for each child. You must complete a separate worksheet for each child relevant for Part V of Form 8862.

Complete this worksheet for Child. *(auto-calc)* The page number of this worksheet is shown here. It is used to keep track of the identification of children as Child 1, Child 2, etc., only for Part V of Form 8862, and may not correspond with the numbering on the worksheets in Parts II, III, and IV.

20 First name. Enter the first name of the child in 10 characters or less.

Last name. Enter the last name in 15 characters or less.

21 Address where lived with child. For Child 1 you must always enter the complete address on the worksheet. But for subsequent children you can skip retyping the address on other worksheets if you can answer Yes to either of the following two questions:

Same as for Child 1? If the address for this child is the same as that for Child 1, you can answer Yes to this question and leave the remainder of this worksheet page blank. Otherwise, you must supply the complete address on the following lines. (This question is not relevant for the first worksheet.)

If a U.S. address:

Street address.

Enter the street address in 30 characters or less. *If you are completing this worksheet for a foreign address, leave this and the following 3 entries blank and enter the foreign address below.* CAUTION: Do not

enter both U.S. and foreign addresses; you must use a separate worksheet for each separate address.

City. Enter the city in 22 characters or less.

State. Enter the standard 2-letter state code.

ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

If a foreign address:

Street address. If you entered a U.S. address above, leave this and the following 4 lines blank. (You must use a separate worksheet for each separate address.) Otherwise, enter the foreign street address here in 30 characters or less

City. Enter foreign city in 25 characters or less.

Province or state. Enter the foreign province or state in 15 characters or less.

Country. Enter 2-letter country code. *See Table 2-6 on page 2-27 for Official Country Codes.*

Postal code. Enter the foreign postal code in 15 characters or less.

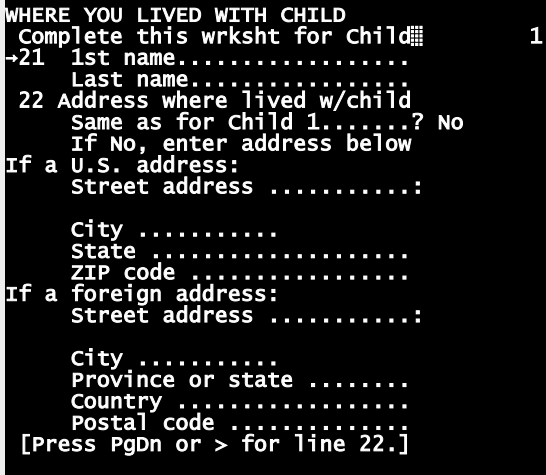
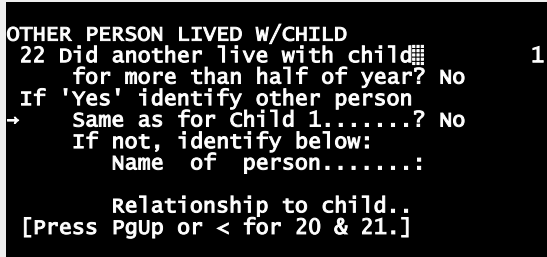


Figure 2-74a. Where You Lived with Child Worksheet. Screen 1

22 Did another person live with the child... The child number shown on screen 1 of this worksheet (Figure 2-74a) is repeated here to identify the child for you.



...for more than half the year?
 If Yes, identify the other person on the following lines.

Otherwise, skip the rest of this worksheet.

Same as for Child 1? If the other person is the same as that for Child 1, you can answer Yes to this question and leave the remainder of this worksheet page blank. Otherwise, you must supply the name and relationship of the other person below. (This question is not relevant for the first worksheet.)

Name of person. Enter the name of the person in 30 characters or less.

Relationship to child. Enter the relationship in 11 characters or less.

See our details for the *Dependents' Worksheet* for Form 1040 for a list of recognized relationships. Leave blank if not related.

Figure 2-74b. Where You Lived with Child Worksheet Screen 2

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8863 / Education Credits (American Opportunity and Lifetime Learning Credits)

Purpose. This form is used to claim credits for higher education expenses for you, your spouse, or your dependents. The *American Opportunity Credit* carries a nonrefundable component that is limited by tax liability and a refundable component that is not. The *Lifetime Learning Credit* carries only a nonrefundable component (limited by tax liability) and cannot be carried over to the next year. Both credits are subject to phaseout for high-income taxpayers. The type of expenses that qualify are generally limited to tuition only. For both credits:

- Your filing status cannot be married filing separately,
- You cannot be claimed on someone else's return,
- You (or spouse) cannot be a nonresident alien anytime in 2023 (unless you elected to be treated as a resident alien),
- You cannot take both the *American Opportunity Credit* and the *Lifetime Learning Credit* for the same student in the same year.

In addition, your modified adjusted gross income (MAGI) must be:

- below \$90,000 (\$180,000 if married filing jointly) for both the *American Opportunity Credit* and the *Lifetime Learning Credit* for 2023

The maximum allowable credit is:

- \$2,500 for each student for the *American Opportunity Credit*.
- \$2,000 *for all students combined* for the *Lifetime Learning Credit*.

Form 8863 is accessible through the Road Map at line 29 of Form 1040 and line 3 of Schedule 3.

QUALIFICATION. Some of the above qualifications are tested here:

Are you married filing separately? *(auto-calc)* Answered based on your entry for filing status on Form 1040.

Are you a dependent on someone else's return? *(auto-calc)* Taken from your answer on screen 1 of Form 1040 to the question "You dependent on other return?"

Were you ever a nonresident alien in 2023? Answer Yes if you were a nonresident for any part of 2023 and you did not elect to be treated as a resident alien.

Was spouse ever a nonresident alien in 2023? Answer Yes if spouse was a nonresident for any part of 2023 and did not elect to be treated as a resident alien.

INELIGIBLE FOR AN EDUCATION CREDIT? *(auto-calc)* Answered Yes if the answer to any of the above four questions is Yes. If Yes, you are not eligible to claim any credit on Form 8863.

EDUCATION CREDIT WORKSHEETS. Other qualifications are tested on the worksheets we provide to support Part III of Form 8863, where details are shown for each student. For the official printouts, there will be as many copies of Form 8863, Part III, as there are students. The software handles this with its 4-screen *Education Credit Worksheet* (Figures 2-75a through 2-75d), detailed later. (*You must complete one worksheet for each student for whom you are claiming either credit.*) The worksheet handles the similarities and differences between requirements for the two education credits. However, the phaseouts and tax liability limitations on the credits are computed separately from the worksheets, in Parts I and II of Form 8863, based on the worksheet entries. Part I shows the computation of the refundable portion of the *American Opportunity Credit*. Part II shows the computation of the *Lifetime Learning Credit* and the nonrefundable portion of the *American Opportunity Credit*. We provide access to the worksheet from the first screen of Form 8863, showing the important totals to be used in page 1 of Form 8863.

AMERICAN OPPORTUNITY CREDIT. Access to the required worksheets and claims on the worksheets for the *American Opportunity Credit* are shown here.

Line 27 of all worksheets. (*Supported by the Education Credit Worksheet, Figures 2-75a through 2-75d.*) Qualified expenses for all worksheets combined appears here, where the expense is limited on each worksheet to \$4,000.

Line 30 of all worksheets. (*auto-calc, supported by the Education Credit Worksheet, Figures 2-75a through 2-75d.*) Only a portion of the qualified expenses is allowed as a credit and shown here, as computed in a complex way on each worksheet. The maximum credit is \$2,500 per student. Unlike the *Lifetime Learning Credit*, there is no overall limit on the *American Opportunity Credit* for all students combined, but there are phaseouts for high income taxpayers, which are applied in Part I, and, for the nonrefundable part of the credit, a tax liability limitation, which is applied in Part II of Form 8863.

ALLOWED for Part I, line 1. (*auto-calc*) Taken from the preceding line as long as the answer to "INELIGIBLE FOR AN EDUCATION CREDIT?" is No. Otherwise, computed as zero. This amount is used for line 1 in Part I of Form 8863.

Itemize to access Form 8867. (*Road Map line, supported by Form 8867.*)

If the *American Opportunity Credit* is claimed and the return is prepared by a paid preparer, the preparer must complete Form 8867 (*Paid Preparer's Due Diligence Checklist*), which must be filed with the return. Failure to comply with all due diligence requirements for the credit can subject the preparer to a \$600 penalty for each credit for 2023.

LIFETIME LEARNING CREDIT. Access to the required worksheets and claims on the worksheets for the *Lifetime Learning Credit* are shown here:

Line 31 of all worksheets. (*Supported by the Education Credit Worksheet, Figures 2-75a through 2-75d.*) Qualified expenses for all worksheets combined appears here without limitation. Unlike the *American Opportunity Credit*, no *per student* limitations apply to the *Lifetime Learning Credit*. However, the total credit from all students combined is limited to \$2,000, which is applied in Part II of Form 8863 along with a phaseout for high-income taxpayers.

ALLOWED for Part II, line 10. (*auto-calc*) Taken from the preceding line as long as the answer to "INELIGIBLE FOR AN EDUCATION CREDIT?" is No. Otherwise, computed as zero. This amount is used for line 10 in Part II of Form 8863.

PART I, REFUNDABLE AMERICAN OPPORTUNITY CREDIT. This part is fully automatic unless you are under 24 years of age at the end of 2023 (in which case you must answer two additional questions in Part I). First, the credit on line 1 (from line 30 of all worksheets) is subjected to phaseout limitations, then 40% of the result is identified as a refundable credit. For 2023 the phaseout results in:

- full credit when AGI is \$80,000 or less (\$160,000 if married filing jointly)
- no credit when AGI is \$90,000 or more (\$180,000 if married filing jointly)
- partial credit when AGI lies between these two extremes, pro rated over the \$10,000 difference between the two extremes (\$20,000 if married filing jointly).

The result of the phaseout is the credit at line 7. 40% of this result is identified as a refundable credit at line 8. The result on line 8 is posted to line 29 of Form 1040. The remaining 60% is carried to Part II, where it is for combining with the *Lifetime Learning Credit*.

PART II, NONREFUNDABLE EDUCATION CREDITS. The rest of the form is fully automatic, based on your entries on the *Education Credit Worksheets*, detailed in the following shaded section. In Part II, the *Lifetime Learning Credit* credit is limited to \$2,000 for all students combined and is subjected to phaseout limitations. For 2023 the phaseout results in:

- full credit when AGI is \$80,000 or less (\$160,000 if married filing jointly)
- no credit when AGI is \$90,000 or more (\$180,000 if married filing jointly)
- partial credit when AGI lies between these two extremes, pro rated over the \$10,000 difference between the two extremes (\$20,000 if married filing jointly).

The resulting limited *Lifetime Learning Credit* and the remaining *American Opportunity Credit* from Part I are then limited to tax liability through the *Credit Limit Worksheet* in the *IRS 2023 Instructions for Form 8863*. The result is the

combined *nonrefundable* credit (the entire *Lifetime Learning Credit* and the nonrefundable portion of the *American Opportunity Credit*), which appears on line 19 of Form 8863. The result on line 19 is posted to line 3 of Schedule 3.

Education Credit Worksheet. (*Figures 2-75a through 2-75d*) This worksheet corresponds to Part III of Form 8863, which is comprised of the entire page 2 of Form 8863. You must complete a separate worksheet for each student you are claiming for an education credit. When you claim more than one student, additional copies of Form 8863, Part III, are printed with the official return – one for each student. Lines 20 through 26 of this worksheet apply to both the *American Opportunity Credit* and the *Lifetime Learning Credit*. Eligibility for each credit will be shown on screen 4, where you can choose which to claim if you are eligible for both.

Special instructions for students who attended more than 2 educational institutions. Each page of Form 8863, side 2 (and therefore each Education Credit Worksheet), provides space for you to supply information about only two educational institutions (at lines 22a and 22b). If the student attended more than two qualifying educational institutions during the tax year, you must complete an additional worksheet for each two additional institutions, skipping the entries in the bottom half of screen 1 and all of screen 4. That is, you must complete only lines 20, 21, and 22 on the additional worksheets. Your entries for lines 20 and 21 should be identical to the same entries on the worksheet that precedes an additional one.

Screen 1:

20 Name of student:

First name. Enter in 10 characters or less.

Last name. Enter in 15 characters or less.

e-file name. (*auto-calc*) The name is displayed here in e-file format, with a < symbol to flag the last name and any suffix like Jr. Further-

more, suffixes like 3rd are changed to Roman numerals in accordance with IRS e-file specifications.

```

EDUCATION CREDIT WORKSHEET
Use ONE worksheet per student.
Entries are used to complete a
separate copy of 8863, Part III
(pg. 2 of 8863) for each student

20 Name of student-First name
                               Last name
    e-file name.....
    e-file name control.....

21 Student's SSN.....
Number of prior years in which
American Opp'y Credit claimed      0
Dependent on another return...? No
Total qld. expenses eligible
for Lifetime Learning Credit:      0
    ADDITIONAL $ allowed for
    American Opportunity Crd        0
Total qld. expenses eligible
for American Opportunity Crd:      0
    
```

Figure 2-75a. Education Credit Worksheet, Screen 1

e-file name control. *(auto-calc)* The name control is displayed in accordance with IRS e-file specifications. This is usually the first four characters of the last name.

21 Student's SSN. Enter SSN in the standard xxx-xx-xxxx format.

Number of prior years in which the American Opportunity Credit has been claimed. You can claim the *American Opportunity Credit* for a student for up to 4 years, so any entry greater than 3 will cause the *American Opportunity Credit* to be zero (lines 27 through 30 on this worksheet). However, you may still be eligible to take the *Lifetime Learning Credit*. **CAUTION:** *When making this entry, you must include any prior claims for the Hope Credit, which the American Opportunity Credit replaced.*

Dependent on another return? You cannot claim either credit for a student claimed as a dependent on someone else's return.

Total qualified expenses eligible for the Lifetime Learning Credit. Enter only expenses for tuition and required enrollment fees (which can include expenses for course-related books, supplies, and equipment that are paid directly to the school). Room and board are not qualified, nor are course materials for which the student pays independently of the school. See IRS *2023 Instructions for Form 8863* for details. This is the amount that will be used for line 31 (at the end of this worksheet) if the *Lifetime Learning Credit* is claimed for this student.

ADDITIONAL \$ allowed for the American Opportunity Credit. Enter here expenses that are not allowed for the *Lifetime Learning Credit* but are allowed for the *American Opportunity Credit*. This includes course materials for which the student pays independently of the school. However, room and board are not qualified expenses for this credit either.

22 Educational institution

a. Name 1st educational instn:

(1) Address (U.S. or foreign):
 U.S. street address.....
 U.S. city.....
 U.S. state.....
 U.S. ZIP code.....
 Foreign address.....
 Foreign city.....
 Foreign province/state....
 Foreign country code.....
 Foreign postal code.....

(2) Rcvd. Form 1098-T for 2023? No
 (3) Rcvd. Form 1098-T for 2022 with box 7 checked.....? No
 (4) If Amer.Opp. or Yes in (2) or (3), institution's EIN.

Figure 2-75b. Education Credit Worksheet. Screen 2

Total qualified expenses eligible for the American Opportunity Credit. *(auto-calc)* Computed as the sum of the preceding two amounts. This is the amount that will be used for line 27 (on the last screen

of this worksheet), up to \$4,000, if the *American Opportunity Credit* is claimed for this student.

Screen 2:

22 Educational institution. Up to two schools can be entered on one worksheet for each student. *If this student attended more than two qualifying schools, see the preceding shaded box titled "Special instructions for students who attended more than 2 educational institutions."*

α. Name 1st educational institution. Identify the school in 30 characters or less.

(1) Address (U.S. or foreign). You must give only one address for the school, either domestic or foreign.

U.S. street address. If you are supplying the domestic address of the school, enter the U.S. street address here (in 30 characters or less) and make entries on the following 3 lines.

U.S. city. Enter the city in 22 characters or less.

U.S. state. Enter the standard 2-letter state code.

U.S. ZIP code. Enter the ZIP code in the standard xxxxx or xxxxx-xxxx format.

Foreign address. If you are supplying the foreign address of the school rather than a domestic address, enter the foreign street address here (in 30 characters or less) and make entries on the following 4 lines.

Foreign city. Enter the foreign city in 30 characters or less.

Foreign province or state. Enter the foreign province or state in 15 characters or less.

Foreign country code. Enter the official 2-letter code for the country, as shown in Table 2-6 on page 2-27.

Foreign postal code. Enter the postal code in 15 characters or less.

(2) Received Form 1098-T for 2023? Answer Yes if the student received a Form 1098-T (*Tuition Statement*) from this school for 2023. The form will show the amounts the school received for this student (box 1), or the amount billed by the school for this student (box 2), for qualified tuition and related expenses. *TIP: You should not rely on this form in determining expenses to enter on screen 1. Only amounts actually paid are entered on screen 1.*

(3) Received Form 1098-T for 2022 with box 7 checked? Answer Yes only if the student received a Form 1098-T (*Tuition Statement*) from this school for 2022 with box 7 checked to indicate that the amount in Box 1 includes amounts for 2023.

(4) If claiming American Opportunity Credit or checked Yes in (2) or (3), enter institution's EIN. Enter the EIN in the standard xx-xxxxxxx format. The EIN should be shown on Form 1098-T.

Screen 3:

22 Educational institution. If the student attended a *second* qualifying school during the same year, complete line b and (1) through (4), below.

b. Name 2nd educational institution. Identify the second school here in 30 characters or less.

(1) through (4). Complete these lines for only if you entered a name for a second institution in line b.

See the details for screen 2 for details on these entries.

```

22 Educational institution
b. Name 2nd educational instn:
(1) Address (U.S. or foreign):
    U.S. street address.....:
        U.S. city.....
        U.S. state.....
        U.S. ZIP code.....
        Foreign address.....:
            Foreign city.....:
                Foreign province/state....
                Foreign country code.....
                Foreign postal code.....
(2) Rcvd. Form 1098-T for 2023? No
(3) Rcvd. Form 1098-T for 2022
    with nox 7 checked.....? No
(4) If Amer.Opp. or Yes in (2)
    or (3), institution's EIN.
  
```

Figure 2-75c Education Credit Worksheet Screen 3

Screen 4:

23 Has the American Opportunity Credit been claimed for this student for any 4 tax years before 2023? (*auto-calc*) Answered Yes only if your entry on screen 1 for "Number of prior years in which American Opportunity Credit claimed" is 4 or more. If Yes, you cannot claim the *American Opportunity Credit* for this student. As a result, your entries for lines 24, 25, and 26 will be ignored and lines 27 through 30 will be zero. However, you may still be eligible for the *Lifetime Learning Credit*.

24 Enrolled the required minimum time in an eligible institution leading toward an allowed post-secondary credential? (*Applies only to the American Opportunity Credit.*) Answer Yes only if the student was enrolled at least half-time for at least one academic period that began in 2023 at an eligible institution leading to a recognized post-secondary educational credential. If No, you cannot claim the *American Opportunity Credit* for this student. As a result, your entries for lines 25 and 26 will be ignored and lines 27 through 30 will be zero. However, you may still be eligible for the *Lifetime Learning Credit*.

25 Did the student complete the first 4 years of post-secondary education before 2023? (*Applies only to the American Opportunity Credit.*)

If Yes, you cannot claim the *American Opportunity Credit* for this student. As a result, your entry for line 26 will be ignored and lines 27 through 30 will be zero. However, you may still be eligible for the *Lifetime Learning Credit*. (There is no limit on the number of years of post-secondary education for the *Lifetime Learning Credit*.)

23	Amer. Oppor. Credit claimed any 4 tax yrs. Before 2023	No
24	Enrolled req'd min. time at elig. inst'n leading toward allowed postsecondary cred?	No
25	Completed 1st 4 yrs post-secondary educ. before 2023?	No
26	Convicted before 2023 and controlled substance felony?	No
	Eligible for Amer. Opp. Credit	No
	Elig. for Lifetime Lng. Credit	No
	Elect Lifetime Learning Credit even when elig. for Amer. Opp.	No
AMER. OPPORTUNITY CREDIT		
27	Qualified exp (\$4,000 max)	0
28	Subtract \$2,000 from 27...	0
29	Multiply line 28 by 25%	0
30	Line 27, or \$2,000 plus 29	0
LIFETIME LEARNING CREDIT		
31	Qualified expense.....	0
END of THIS student's w/s		

Figure 2-75d. Education Credit Worksheet, Screen 4

26 Was the student convicted before end of 2023 of a controlled substance felony? (*Applies only to the American Opportunity Credit.*)

Answer Yes if the student was convicted before the end of 2023 of a felony for possession or distribution of a controlled substance. If Yes, you cannot claim the *American Opportunity Credit* for this student. As a result, lines 27 through 30 will be zero. However, you may still be eligible for the *Lifetime Learning Credit*. (A felony drug conviction does not disqualify a student for the *Lifetime Learning Credit*.)

Eligible for the American Opportunity Credit? (*auto-calc*) Answered Yes only if your answers on screen 1 for "Dependent on another return" is No, the answer for line 23 is No, your answer for line 24 is Yes, and your answers for lines 25 and 26 are both No.

Eligible for the Lifetime Learning Credit? (*auto-calc*) Answered Yes only if your answers on screen 1 for "Dependent on another return" is No.

Elect to claim the Lifetime Learning Credit even when eligible for the American Opportunity Credit? Unless you answer Yes here, if you are eligible for both credits the software will attempt to claim the *American Opportunity Credit* first and will attempt to claim the *Lifetime Learning Credit* only if no credit results for the *American Opportunity Credit*. However, you can force the *Lifetime Learning Credit* to always be used instead by answering Yes here. You may want to do so if you find that the *Lifetime Learning Credit* results in

a higher credit after all limitations are applied in Parts I and II of Form 8863.

AMERICAN OPPORTUNITY CREDIT

27 Qualified expenses (\$4,000 maximum). *(auto-calc)* If the answer to “Eligible for the American Opportunity Credit?” is Yes and the answer to the answer to “Elect to claim the Lifetime Learning Credit even when eligible for the American Opportunity Credit?” is No, then this line is taken as the lesser of \$4,000 or the amount at the bottom of screen 1 of this worksheet for “Total qualified expenses eligible for the American Opportunity Credit.” Otherwise, zero.

28 Subtract \$2,000 from line 27. *(auto-calc)* Computed as indicated.

29 Multiply line 28 by 25%. *(auto-calc)* Computed as indicated.

30 Line 27, or \$2,000 plus line 29. *(auto-calc)* If line 28 is zero, taken as line 27. Otherwise, computed as \$2,000 plus the amount on line 29. This is the tentative *American Opportunity Credit* for this student (before any limitations or phaseouts are applied).

LIFETIME LEARNING CREDIT

31 Qualified expense. *(auto-calc)* If line 30 is zero and the answer to “Eligible for the Lifetime Learning Credit?” is Yes, taken as the amount on screen 1 of this worksheet for “Total qualified expenses eligible for the Lifetime Learning Credit.” Otherwise, zero. This is the tentative *Lifetime Learning Credit* for this student (before any limitations or phaseouts are applied).

Note that lines 30 and 31 will never both be nonzero for the same worksheet because you can claim only the *American Opportunity Credit* or the *Lifetime Learning Credit*, not both, for the same student in the same year, which the software ensures. But if the student is eligible for both credits, then you can control whether a credit appears on line 30 or line 31 by your answer to “Elect to claim the Lifetime Learning Credit even when eligible for the American Opportunity Credit?” Once you complete the worksheet, the credit on line 30 or line 31 is combined with the corresponding credits on other worksheets and used in Parts I and II of Form 8863, where they are limited by phaseouts and tax liability.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8867 / Paid Preparer's Due Diligence Checklist

Purpose. This form is completed by paid preparers to meet the IRS's due diligence requirements for returns with a claim for the *Earned Income Credit (EIC)*, *Child Tax Credit (CTC)*, *Additional Child Tax Credit (ACTC)*, *Credit for Other Dependents (ODC)*, *American Opportunity Tax Credit (AOTC)*, and *Head of Household Filing Status (HOH)*. It is used for the preparer to confirm that he or she has asked the appropriate questions of the taxpayer, has informed the taxpayer of certain requirements for the benefits, and has demonstrated an attempt to determine the truth of the information provided by the taxpayer. *CAUTION: Failure to meet the due diligence requirements can result in a \$600 fine for 2023 for each return to which it applies, so the requirements cannot be taken lightly.*

Automatically created but not automatically completed. Form 8867 is automatically created for the return if any of the applicable credits is claimed. Nevertheless, for the most part it must be completed manually because it largely relates to efforts by the paid preparer to determine the validity of information provided by the client. Furthermore, it will not be printed with the complete return nor included in e-file output if (a) you answered Yes to "Omit paid preparer information?" on screen 5 of the Control Form (form 1), or (b) you answered No to "Is Paid Preparer info supplied in Program Settings?" on screen 1 of Form 8867 (which is Yes by default when Form 8867 is first created), or (c) the final return has no claim for any of the relevant benefits. And, even if these conditions are met, e-file output will not be generated until you answer Yes to the final question on Form 8867 (line 15, *Do you certify that all of the answers on this Form 8867 are, to the best of your knowledge, true, correct, and complete?*). Form 8867 is accessible through the Road Map from the special "Itemize" lines provided on Schedule EIC, Schedule 8812, and Form 8863. It is also accessible from the Forms Menu (as form 75) and the last screen of our Control Form (form 1 on the Forms Menu).

FILING REQUIREMENT. The requirement for Form 8867 to be completed and filed with the return is determined in the section. The existence of a claim for any of the relevant credits is determined first, then the use of a paid preparer is determined and identified.

Earned Income Credit (EIC). A claim for EIC on Form 1040, which is a refundable credit, is checked here.

EIC claimed on Form 1040, line 27? *(auto-calc)* Answered Yes only if there is an amount on line 27 of Form 1040, indicating that an *Earned Income Credit* is being claimed.

Child Tax Credit (CTC)/Additional Child Tax Credit (ACTC)/Other Dependent Credit (ODC). The new *Credit for Other Dependents* is claimed on the same Form 1040 line as the regular *Child Tax Credit*, and both are nonrefundable. However, the refundable *Additional Child Tax Credit* (which can exist when the regular credit is limited by tax liability) is claimed later on Form 1040 along with other refundable credits.

CTC/ODC claimed on Form 1040, line 19? *(auto-calc)* Answered Yes only if there is an amount on line 19 of Form 1040, indicating that the nonrefundable *Child Tax Credit* and/or *Credit for Other Dependents* is being claimed.

ACTC claimed on Form 1040, line 28? *(auto-calc)* Answered Yes only if there is an amount on line 28 of Form 1040, indicating that the refundable *Additional Child Tax Credit* is being claimed.

American Opportunity Tax Credit (AOTC). The nonrefundable and refundable versions of this credit are claimed in separate parts of the return. When the nonrefundable *American Opportunity Tax Credit* is limited by the tax liability, the refundable *American Opportunity Tax Credit* may allow a claim for all or part of the unallowed amount.

AOTC claimed on Schedule 3, line 3? *(auto-calc)* Computed as the lesser of the amount on line 3 of Schedule 3 and the AOTC part of line 19 of Form 8863, this nonrefundable credit is the part of line 3 of Schedule 3 that is attributable to the *American Opportunity Tax Credit*. (The amount on line 3 may include an amount from the *Lifetime Learning Credit* as well, which is not included in the requirement to file Form 8867.)

AOTC claimed on Form 1040, line 29? *(auto-calc)* Answered Yes only if there is an amount on line 29 of Form 1040, indicating that the refundable *American Opportunity Tax Credit* is being claimed.

Head of Household (HOH). Due diligence for claiming the head of household filing status has been a part of this form since 2018.

HOH filing status claimed? *(auto-calc)* Answered Yes only if the filing status entered on screen 4 of Form 1040 is four.

Paid Preparer Information. When a paid preparer signs the return, Form 8867 is required if any of the credits shown above is claimed. However, if a different paid preparer determined the credits, that preparer must be identified here.

Is Paid Preparer information supplied in Program Settings? The answer for this entry is Yes by default when the form is first created, whether or not you actually supplied information in the paid preparer section of the Program Settings for this software. You should change the answer to No only if you will not use the software to prepare returns as a paid preparer.

Is "Omit paid preparer info" answered Yes on the Control Form? (auto-calc) If you are a paid preparer but are preparing this return for yourself or you are not preparing it for the taxpayer as a paid preparer, you must so indicate on the Control Form (form 1 on the Forms Menu) by answering Yes to "Omit paid preparer information?" at the top of screen 5 of the Control Form. Paid Preparer information will then be omitted from the printed Form 1040 for this return, and Form 8867 will not be required for the return.

Did a different paid preparer determine the credit claims? If a paid preparer other than the one who signs the return determined all of the credit claims, you must answer Yes here and identify that person below. However, if the paid preparer who signs determines even just one of the credits, you must answer No here and leave the following entries blank.

If so, identify the preparer below. The information you supply here will be used in place of the Paid Preparer information in your Program Settings when printing Form 8867.

Preparer's name. If the preceding answer is Yes, enter that preparer's full name here in 25 characters or less.

Preparer's PTIN. If the preceding answer is Yes, enter that preparer's PTIN (*Preparer Tax Identification Number*) here in the standard Pxx-xx-xxxx format.

Requirement to File Form 8867. When a paid preparer signs the return, Form 8867 is required if any of the credits shown above is claimed. However, if other paid preparers determined any of the credits, there may be additional copies of Form 8867 prepared by those preparers.

Filing of Form 8867 required? (auto-calc) Answered Yes only if at least one of the credit lines on screen 1 of Form 8867 has a non-zero amount and either "Is Paid Preparer information supplied in Program Settings?" is answered No or "Omit paid preparer information answered Yes on the Control Form?" is answered Yes. *If No, the form is not required and will not be printed with the official return when you choose to print "COMPLETE Tax Returns" or "ALL forms."*

THIS Form 8867 supports: If you are the only paid preparer who determined the credit(s) reported on this tax return, the default answers in this summary will be proper. But if another preparer determined any of the credit(s), you should identify those credits on the primary Form 8867 with a Yes answer to "Exclude from this copy" below.

Claim for EIC? *(auto-calc)* Answered Yes if an amount from line 27 of Form 1040 is shown on screen 1 of this form.

Exclude from this copy*? Answer Yes only if the due diligence for EIC is reported on a different Form 8867 completed by a different paid preparer.

Claim for CTC/ACTC/ODC? *(auto-calc)* Answered Yes if an amount from line 19 or 28 of Form 1040 is shown on screen 1 of this form.

Exclude from this copy*? Answer Yes only if the due diligence for CTC/ACTC/ODC is reported on a different Form 8867 completed by a different paid preparer.

Claim for AOTC? *(auto-calc)* Answered Yes if an amount from line 3 of Schedule 3 or line 29 of Form 1040 is shown on screen 1 of this form.

Exclude from this copy*? Answer Yes only if the due diligence for AOTC is reported on a different Form 8867 completed by a different paid preparer.

Claim for HOH filing status? *(auto-calc)* Answered Yes if a Yes answer appears on screen 1 for "HOH filing status claimed?".

Exclude from this copy*? Answer Yes only if the due diligence for HOH is reported on a different Form 8867 completed by a different paid preparer.

* You should exclude a credit from this copy of Form 8867 *only* if it is supported on another Form 8867 completed by a different preparer.

PART I, DUE DILIGENCE REQUIREMENTS. The set of questions in Part I of this form (lines 1 through 8) apply to all credits and HOH filing status. As a result, a Yes answer is appropriate only if you can answer Yes for all credits and/or filing status for which this copy of Form 8867 applies. The full text from the official IRS form is shown here for each line; the on-screen text is only a condensed version of each question. If you have any confusion about the meaning of any question, see the official IRS Form 8867 for 2023 and its instructions.

1 Did you complete the return based on information for tax year 2023 provided by the taxpayer or reasonably obtained by you for all claims supported by this form? To answer Yes, you must be able to answer Yes for all claims supported by this copy of Form 8867. Otherwise, answer No.

2 Did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in the Form 1040 instructions, and/or AOTC worksheet found in the Form 8863 instructions, or your own worksheet(s) that provides the same information, and all related forms and sched-

ules for each credit claimed? To answer Yes, you must be able to answer Yes for all credits supported by this copy of Form 8867. Otherwise, answer No.

3 To meet the knowledge requirement, did you:

*** Interview the taxpayer, ask adequate questions, and document the taxpayer's responses to determine that the taxpayer is eligible for all claims supported by this form?** To answer Yes, you must be able to answer Yes for all claims supported by this copy of Form 8867. Otherwise, answer No. If No, you did not satisfy the knowledge requirement.

*** Review information to determine that the taxpayer is eligible for all claims and for what amount for all claims supported by this form?** To answer Yes, you must be able to answer Yes for all claims supported by this copy of Form 8867. Otherwise, answer No. If No, you did not satisfy the knowledge requirement.

3 Did you satisfy the knowledge requirement for all credits supported by this form? (*auto-calc*) This question is answered for you based on your answers for the preceding two questions. The answer will be Yes only if your answer to *both* questions above is Yes.

4 Did any information provided by the taxpayer or a third party for use in preparing the return, or information reasonably known to you, appear to be incorrect, incomplete, or inconsistent for any claims supported by this form? If Yes for any claim, you must answer Yes here and answer questions 4a and 4b for that claim as well.

a Did you make reasonable inquiries to determine the correct or complete information for all claims that make a Yes on 4? To answer Yes, you must be able to answer Yes for all claims for which the answer to line 4 is Yes.

b Did you document your inquiries for all credits that make Yes on 4? Documentation should include the questions you asked, whom you asked, when you asked, the information that was provided, and the impact the information had on your preparation of the return. To answer Yes, you must be able to answer Yes for all claims for which the answer to line 4 is Yes.

5 Did you satisfy the record retention requirement? That is, did you keep a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for all claims or to compute the amount for all credit(s)? To answer Yes, you must be able to answer Yes for all claims supported by this copy of Form 8867.

List the documents that you relied on HERE (ITEMIZE). For each supported credit, cite the documents in the 30-character text entry column of the itemized list. Do not use the amount column.

6 Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for all claims and the amount of the credit(s) supported by this form? To answer Yes, you must be able

to answer Yes for all claims supported by this copy of Form 8867. Otherwise, answer No.

7 Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year for any credit supported by this form?

If so, was the answer Yes? If the answer to the above question was Yes, answer Yes here only if the taxpayer answered your question in the affirmative. If Yes for any credit, you must answer Yes here and answer question 7a for that credit as well.

a Did you complete the required recertification form(s) for all credits that make Yes on 7? To answer Yes, you must be able to answer Yes for all credits for which the answer to line 7 is Yes.

8 Is the taxpayer reporting self-employment income? Answer Yes if filing Schedule C, Schedule F, or any other form reporting self-employment income on the tax return.

If Yes, did you ask adequate questions to prepare a complete and correct Form 1040, Schedule C? To answer Yes, you must have answered Yes to the preceding question.

PART II, DUE DILIGENCE QUESTIONS FOR RETURNS CLAIMING EIC. The questions for this part apply only to the *Earned Income Credit*.

9a Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of children claimed or to claim EIC if taxpayer has no qualifying child? Answer Yes only if the EIC is claimed and supported by this form. If claiming the childless EIC, skip lines 9b and 9c.

9b Did you ask the taxpayer if the child lived with the taxpayer for over half the year, even if the taxpayer has supported the child the entire year? You can always answer Yes if the EIC is or will be claimed because the software will not compute the EIC for a child for whom you entered 6 or less for "Number of months lived in your home" on that child's Dependent Worksheet.

9c Is any child a qualifying child of more than one person? You should answer Yes if any child claimed for the EIC is also a qualifying child of someone else.

If Yes, did you explain to the taxpayer the tie-breaker rules about claiming the EIC when a child is the qualifying child of more than one person (tiebreaker rules)? Answer only if the EIC is or will be claimed.

PART III, DUE DILIGENCE QUESTIONS FOR RETURNS CLAIMING CTC/ACTC/ODC. The questions for this part only to the *Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents*.

10 Have you determined that each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a U.S. citizen, national, or resident of the United States? To answer Yes, you must be able to answer Yes for all persons claimed for the CTC, ACTC, or ODC.

11 Did you explain that he/she may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child? To answer Yes, you must be able to answer Yes for all persons claimed for the CTC or ACTC. (This question is not relevant for the ODC.)

OR not applicable? Answer Yes only if ODC is claimed but not CTC/ACTC, since the above question is not relevant for the ODC.

12 Did you explain the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents and any requirement to attach a Form 8332 (Release/Revocation of Claim to Exemption for Child by Custodial Parent) or similar statement? In spite of the IRS inclusion of ODC on the official form, answer only if the CTC or ACTC is claimed. To answer Yes, you must be able to answer Yes for all children claimed.

OR not applicable? Answer Yes only if ODC is claimed but not CTC/ACTC, since the above question is not relevant for the ODC.

PART IV, DUE DILIGENCE QUESTIONS FOR RETURNS CLAIMING AOTC. The question for this part applies only to the *American Opportunity Tax Credit*.

13 Did the taxpayer provide the required substantiation for the credit, including a Form 1098-T and/or receipts for the qualified tuition and related expenses for the claimed AOTC? Answer only if the AOTC is claimed and supported by this form.

PART V, DUE DILIGENCE QUESTIONS FOR CLAIMING HOH. This part applies only to those who use the Head of Household filing status.

14 Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person? Answer only if filing as Head of Household filing.

PART VI, CREDIT ELIGIBILITY CERTIFICATION. You must reconfirm all answers on this Form 8867 by your answer to line 15, below.

15 Do you certify that all of the answers on this Form 8867 are, to the best of your knowledge, true, correct, and complete? You must answer Yes for Form 8867 to be accepted as your claim of compliance with the due diligence requirements for the credits. If you answer No, the paid preparer may be subject to a \$600 penalty for 2023 for failure to comply with all due diligence requirements (and e-file output will not be generated for this return). *TIP: See page 2 of the IRS Instructions for Form 8867 (Rev. November 2023) or page 2 of the graphic Form 8867 printed by this software for a complete list of the due diligence requirements.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8880 / Credit for Qualified Retirement Savings Contributions

Purpose. This form provides a credit against tax for your contributions to a retirement plan. The credit can amount to as much as \$1,000 per taxpayer, but is limited to low-income taxpayers. For 2023, there is NO credit for those who file as single, married filing separately, or qualifying surviving spouse and have more than \$36,500 of AGI (\$54,750 for head of household, \$73,000 for married filing jointly), and the credit increases as AGI decreases. *Form 8880 is accessible through the Road Map at line 4 of Schedule 3.*

Expanded to include ABLE* accounts. Thanks to the tax reform bill, contributions you make to an ABLE account of which you are the designated beneficiary now qualify for the retirement savings contribution credit. It can now be included in your entry for line 1(a) or 1(b) of Form 8880 as a qualified contribution.

* ABLE (Achieving a Better Life Experience) accounts are tax-advantaged savings accounts for qualified individuals with disabilities. They were created by the Achieving a Better Life Experience Act of 2014. Their qualification for Form 8880 was added by the tax reform act for the years 2018 through 2025.

Qualifications. Only the following types of contributions or deferrals qualify for the credit:

- Contributions to traditional IRAs
- Contributions to Roth IRAs
- Contributions to ABLE accounts
- Elective deferrals to 401(k) plans
- Elective deferrals to 403(b) plans
- Elective deferrals to Governmental 457 plans
- Elective deferrals to SEP plans
- Elective deferrals to SIMPLE plans
- Voluntary employee contributions to plans defined in IRS sec. 4974(c)
- Contributions to a 501(c)(18)(D) plan

Furthermore, the taxpayer who made the contribution cannot be a dependent on someone else's return, cannot be under age 18 at year-end, and cannot have been a student for any 5-month period during the tax year.

Automatically generated for qualified taxpayers with traditional IRAs. If *all* your qualified contributions are to a traditional IRA, the credit is fully automatic based on your IRA contributions allowed on line 20 of Schedule 1, plus any allowed voluntary contributions you entered on Form 8606, less IRA distributions received that are included in line 4a of Form 1040. In that case the form is automatically created and completed for you when you exit the return when your AGI is low enough for a credit. However, contributions to qualified plans other than IRAs are not generally reported on the return, so you must supply information on your other contributions directly on Form 8880 yourself.

YOUR RETIREMENT ACCOUNTS. The form is completed automatically based on the information you supply in the following entries, which are needed for the computation of your part of lines 1, 2, and 4 of the form (column (a) of the official form):

Traditional IRA deduction on return. *(auto-calc)* Taken from *your* part of Schedule 1, line 20, this is your *allowed* nontaxable IRA contribution.

Additional contributions on Form 8606, line 1. *(auto-calc)* Taken from line 1 of *your* copy of Form 8606, this is the total of *allowed* voluntary (taxable) contributions you made to your IRA.

Roth IRA contributions for 2023. Enter only your *allowed* contributions.

ABLE contributions + adjustments. Include in this entry contributions to an ABE account for 2023 of which you are the designated beneficiary. Also include any adjustment required for the above amounts, such as a negative entry for rollover contributions included above.

TOTAL contributions for line 1(a). *(auto-calc)* Computed as the sum of the above four lines.

Qualified elective deferrals. Enter deferrals to 401(k), 403(b), governmental 456, SEP, and SIMPLE plans.

Voluntary 4974(c) contributions. Enter contributions to a qualified plan defined in IRC sec. 4974(c).

501(c)(18)(D) contributions. Enter contributions to 501(c)(18)(D) plans.

TOTAL deferrals and contributions for line 2(a). *(auto-calc)* Computed as the sum of the above three lines.

IRA distributions on Form 1040, line 4a. *(auto-calc)* Computed from the amounts on screen 7 of Form 1040, this is the part of Form 1040, line 4a, for *you* alone..

Additional post-2020 distributions. Enter any distributions to you not reflected in the preceding line from any plans of the type listed above lines 1a and 2a for January 1, 2021 through the due date of your return (including extensions). ***CAUTION: Do NOT follow the IRS instruction to enter amounts for both spouses' in both columns. Instead, the software will combine amounts when computing the amounts for line 4 as appropriate, including an allowed exception.***

Adjustment to distributions. Enter any adjustment for the above amounts, such as a negative entry for rollovers or trustee-to-trustee transfers, loans from your plan, or distributions for excess contributions.

TOTAL post-2020 distributions for line 4(a). *(auto-calc)* Computed as the sum of the above three lines.

Part for years you filed married filing jointly with spouse on this return. If you have filed married filing jointly with the same spouse every year after 2020, you would enter here the full amount on the preceding line. Otherwise you must enter only distributions received for years you filed jointly with this spouse. This entry is used later to satisfy the IRS in-

struction to enter both spouses' amounts in both columns when appropriate.

Age under 18 at end of year? *(auto-calc)* Based on the entry for your age on Form 1040, the answer is Yes if you have not reached age 18 by January 1, 2024. (You must have been born *after* January 1, 2005 in order for the answer to be Yes.)

Claimed as a dependent on another return? *(auto-calc)* Taken from your answer on Form 1040 for "Were you a dependent on another return?"

Student during 2023? *(auto-calc)* Taken from your answer on Form 1040 for "Were you a student for 5 months or more?"

If you had contributions in line 1(a) or 2(a) and the answer to any of the preceding 3 questions is Yes, you are not qualified for the credit.

SPOUSE RETIREMENT ACCOUNTS. This section is identical to the one for YOU, except that references to lines 1(a), 2(a), and 4(a) are replaced by references to 1(b), 2(b), and 4(b) (for column (b) of the official form, which applies to your spouse). Therefore, the instructions are not repeated here. You need not make any entries in this section unless married filing jointly.

Remainder of form is automatic. The form is completed for you in accordance with IRS instructions based on the information you supplied for you and spouse.

Preliminary Qualification. Qualification is based on your filing status and the information you supplied on screens 1 and 2:

Filing status (from Form 1040). *(auto-calc)* Taken from Form 1040, as indicated.

Qualified for this credit? *(auto-calc)* If not married filing jointly, answered No only if you had contributions but the answer to at least one of the 3 questions at the bottom of screen 1 is Yes. But if married filing jointly, answered No if either you had contributions and the answer to at least one of the 3 questions at the bottom of screen 1 is Yes or spouse had contributions and the answer to at least one of the 3 questions at the bottom of screen 2 is Yes. Otherwise, Yes. If No, the remainder of the form will be blank and no credit will be given.

(a) Your reportable information. The following lines will appear in column (a) of the official printout based on the information you provided on screen 1 about your retirement accounts as long as the answer to "Qualified for this credit?" is Yes:

- 1 Traditional and Roth IRA contributions for 2023.** *(auto-calc)* Taken from line 1a of the preceding section for your retirement accounts.
- 2 Elective deferrals to a 401(k) or other qualified employer plan, voluntary contributions, and 501(c)(18)(D) plan contributions for 2023.** *(auto-calc)* Taken from line 2a of the preceding section for your retirement accounts.
- 3 Add lines 1 and 2.** *(auto-calc)* Computed as indicated.
- 4 Certain distributions received after 2020 and before the due date of your 2023 tax return.** *(auto-calc)* If not married filing jointly, taken from line 4a of the preceding section for your retirement accounts.

But if married filing jointly, taken as the sum of line 4a (for your retirement accounts) plus spouse's "Part for years you filed married filing jointly with spouse on this return" (below line 4b).

5 Subtract line 4 from line 3. *(auto-calc)* Computed as indicated, but no less than zero.

6 Smaller of line 5 or \$2,000. *(auto-calc)* Computed as indicated.

(b) Spouse reportable information. The following lines will appear in column (b) of the official printout based on the information you provided on screen 2 about your and spouse's retirement accounts as long as the answer to "Qualified for this credit?" is Yes and filing status on the current return is married filing jointly:

1 Traditional and Roth IRA contributions for 2023. *(auto-calc)* Taken from line 1b of the preceding section for your retirement accounts.

2 Elective deferrals to a 401(k) or other qualified employer plan, voluntary contributions, and 501(c)(18)(D) plan contributions for 2023. *(auto-calc)* Taken from line 2b of the preceding section for your retirement accounts.

3 Add lines 1 and 2. *(auto-calc)* Computed as indicated.

4 Certain distributions received after 2020 and before the due date of your 2023 tax return. *(auto-calc)* Taken as the sum of line 4b (for spouse's retirement accounts) plus your "Part for years you filed married filing jointly with spouse on this return" (below line 4a).

5 Subtract line 4 from line 3. *(auto-calc)* Computed as indicated, but no less than zero.

6 Smaller of line 5 or \$2,000. *(auto-calc)* Computed as indicated.

Credit Computation. The credit is figured in the remainder of the form:

7 Add amounts on line 6. *(auto-calc)* Computed as the sum of line 6 for column (a) and line 6 for column (b). If zero, there is no credit available.

AGI before Pub. 590-A modifications. *(auto-calc)* Taken from line 11 of Form 1040, this is the AGI for the return.

Excluded foreign income and housing deduction. *(auto-calc)* Computed as the sum of the foreign earned income from Form 2555 reported on line 8d of Schedule 1 (which was excluded from "total other income" on line 9 of Schedule 1) and the foreign housing deduction from Form 2555 reported on line 24j of Schedule 1 (which was included in "total other adjustments" at line 25 of Schedule 1).

Excluded Puerto Rico income. *(auto-calc)* Taken from the line "Puerto Rico income not reported" in the section of our Schedule 1 labeled "CERTAIN NONTAXABLE INCOME" (following line 10 of Schedule 1).

8 Amount from Form 1040, line 11*. *(auto-calc)* Computed as the sum of the preceding three lines, this is the modified AGI as defined in IRS Pub. 590-A (*Contributions to IRAs*) for this credit, which may differ from the amount on Form 1040, line 11, in spite of the IRS label for this line.

9 Decimal amount that applies. *(auto-calc)* Computed in accordance with the table that appears on the official IRS Form 8880, the result

will be 0, 0.1, 0.2, or 0.5 depending on the modified AGI on line 8 and the filing status on the return. For 2023, the result will be zero if modified AGI exceeds \$73,000 if married filing jointly, \$54,750 if head of household, or \$36,500 for all others.

10 Multiply line 7 by line 9. *(auto-calc)* Computed as indicated.

Amount from Form 1040, line 18. *(auto-calc)* Taken from Form 1040 as indicated, this is the total tax on the return before credits are applied..

Schedule 3, lines 1 through 3. *(auto-calc)* Computed as the sum of credits on lines 1, 2, and 3 of Schedule 3, which are the credits that precede the credit from Form 8880 on Schedule 3..

Schedule 3, line 6d. *(auto-calc)* Taken from Schedule 3 as indicated, this is the credit from Schedule R, line 22.

Schedule 3, line 6l. *(auto-calc)* Taken from Schedule 3 as indicated, this is the credit from Form 8978, line 14.

Schedule 3, lines 1 through 3, 6d, and 6l. *(auto-calc)* Computed as the sum of the preceding three amounts.

11 Liability based on tax liability. *(auto-calc)* Computed in accordance with the *Credit Limit Worksheet* in the IRS instructions as "Amount from Form 1040, line 18" less the preceding Schedule 3 total, but no less than zero.

12 CREDIT FOR QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.

(auto-calc) Computed as the smaller of line 10 or line 11.

Any credit resulting at line 12 of this form is posted to line 4 of Schedule 3.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 8885* / Health Coverage Tax Credit (expired)

This form has been discontinued by the IRS. The credit formerly claimed on this form expired at the end of 2021, so the IRS discontinued this form. The credit was rarely claimed because more recent legislation provides other credits for health care.

Form 8889* / Health Savings Accounts (HSAs)

* Included in Premium Level software ONLY. This form is only built into the Premium Level version of Tax Preparer.

Purpose. This form is used to report contributions to and distributions from your HSAs (whether made by you, your employer, or someone else), and to figure any income, deduction, and tax resulting from your transactions or failure to maintain required health care coverage. In addition, excess contributions to your HSA transactions can result in a penalty tax through Part VII of Form 5329. Form 8889 is accessible through the Road Map at line 8f of Schedule 1, line 13 of Schedule 1, and line 17c of Schedule 2. Two copies of Form 8889 are available, one for each spouse.

Eligibility. To be eligible to contribute to an HSA, you must be covered under a high deductible health plan (HDHP) with particular characteristics:

- ◆ **For self-only coverage:** For 2023, the minimum annual deductible is \$1,500 and maximum annual out-of-pocket expense is \$7,500.
- ◆ **Family coverage:** minimum annual deductible is \$3,000 and maximum annual out-of-pocket expense is \$15,000.

You must generally not be covered under another health plan, but there are exceptions listed in the IRS *2023 Instructions for Form 8889*. Additionally, you cannot be a dependent on anyone else's tax return and must not be enrolled in Medicare for any month you contribute to the plan. If you have both a self-only plan and a family plan, the family plan must be used for Form 8889 and the other plan is ignored. (Eligibility is determined monthly, on the first day of each month.)

Married taxpayers have extra complexities. When married and either spouse has family coverage, the IRS requires you to follow particular rules to determine the plan to report on Form 8889. For example, if either spouse has a family plan, you must use the family plan for both spouses and ignore the other plan. If both spouses have family coverage, you must use the plan with the lower deductible for both spouses and ignore the other plan. (See the IRS *2023 Instructions for Form 8889* for umbrella and embedded deductibles in the same plan.) If married and both spouses had family coverage, you can make a different allocation among spouse's than we compute at line 6. See the IRS *2023 Instructions for Form 8889* and IRS Pub. 969, *Health Savings Accounts and Other Tax-Favored Health Plans*.

Identification. Two copies of Form 8889 are available, one for each spouse. The copy you are currently using is identified here.

Social security number for this copy. *(auto-calc)* This is the social security number entered on Form 1040 for the spouse whose copy you chose when you entered Form 8889.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is based on your choice when you entered this form.

Dependent on another return. *(auto-calc)* Taken from your answer on Form 1040. You cannot deduct any contributions to an HSA if you are claimed as a dependent on someone else's return.

Your age (from Form 1040). *(auto-calc)* Taken from your entry on Form 1040. This should be your age on January 1, 2024 accurate to 2 decimal places in order for age checks to be proper for this form.

Information on YOUR HSA. General information on your HSA as well as contributions and distributions are entered here.

Number of months contributions NOT allowed. Eligibility to make contributions to an HSA is determined monthly, on the 1st day of each month. Therefore, you must *enter here the number of full months in which you were ineligible to contribute to an HSA.* (This entry is used to proportionately reduce the limitation for line 3 of this form as your entry rises from 0 to 12, in accordance with the IRS *Line 3 Limitation Chart and Worksheet.*)

Example 1: You are ineligible for months in which you are *enrolled* in Medicare. Therefore, if you first enroll in Medicare on January 2 of the tax year, you should enter 11 here.

Example 2: You are ineligible to make contributions to an HSA if you are claimed as a dependent on someone else's return. Therefore, your entry here will always be forced to 12 if you are a dependent of another.

Example 3: You are ineligible for all months prior to establishing the HDHP. Furthermore, if you established it after the 1st of the month, you are ineligible for that month. Accordingly, if you established the HDHP on February 2, 2023, you must enter 2 here because you are ineligible for January and February, 2023.

Does HDHP cover Family? Answer Yes only if the coverage for this plan is family coverage rather than self-only. *If you have more than one plan and one is a family plan, answer Yes here and answer all succeeding questions for that plan alone.* If married and the other spouse has family coverage, only that plan is considered for the purposes of this form.

Annual deductible for plan. You are eligible to deduct contributions only if the deductible for the plan falls within allowed ranges: \$1,500 through \$7,500 for self-only coverage and \$3,000 through \$15,000 for family coverage for 2023. If your deductible is outside this range, the limitation for line 3 will be zero and all contributions will be considered excess contributions.

Limitation per line 3 worksheet. *(auto-calc)* The IRS instructions include a *Line 3 Limitation Chart and Worksheet* that helps you determine the limitation on contributions at line 3 of Form 8889. The software computes the limitation using that worksheet under the assumption that, for the months you are eligible, your deductible is the same every month throughout the year. If this assumption is not valid for your case, you may have to override the result that appears here with a manual calculation using the IRS worksheet. This result is proportionately reduced when "Number of months contributions NOT allowed" is greater than zero, and reduced to zero when the number is 12.

Your HSA contributions for 2023. Enter the contributions you made to your HSA (or someone else *other than your employer* made on your behalf), including those made for 2023 in the period January 1, 2024 through April 15, 2024, but do not include rollovers from other HSAs or Archer MSAs. *Be sure to include any direct deposits made to your HSA for economic stimulus payments.* Your entry here is used at line 2 of Form 8889.

Excess timely withdrawn. If you find that your contributions (or those made on your behalf, other than your employer) exceed the allowed amount, you can correct the excess contributions by withdrawing the excess (plus earnings on it) within 6 months of the regular due date of the return. You can then enter the amount withdrawn here and your contributions will be reduced for the purposes of the filed Form 8889 as if the excess had never occurred, all in accordance with IRS instructions. (If you file the return before withdrawing the excess, you should not make an entry here now. Instead, you will make an entry here when you prepare an amended return after withdrawing the excess within the allowed time.)

Employer's 2023 HSA contributions. Enter the contributions *your employer* made to your HSA for 2023. Include contributions made in 2024 for tax year 2023, but exclude contributions made in 2023 for tax year 2022. Your entry here is used at line 9 of Form 8889. *CAUTION: If both you and your employer made contributions during the year, you may exceed the allowed amounts and have to pay tax on the excess. See "How to handle excess contributions" in the shaded box following our details for line 13.*

Excess timely withdrawn. If you find that your employer's contributions exceeded the allowed amount, you can correct the excess contributions by withdrawing the excess (plus earnings on it) within 6 months of the regular due date of the return. You can then enter the amount withdrawn here and the contributions reported on Form 8889 will be reduced for the purposes of the filed Form 8889 as if the excess had never occurred, all in accordance with IRS instructions. (If you file the return before withdrawing the excess, you should not make an entry here now. Instead, you will make an entry here when you prepare an amended return after withdrawing the

excess within the allowed time.) *CAUTION: If the employer contributed too much and recognizes this fact, the employer will generally include the excess as wages in box 1 of a Form W-2, and you will report it as income on Form 1040, line 1a. If so, you must indicate this fact to the software here so that the excess is not reported as income at Schedule 1, line 8f, in addition to Form 1040, line 1a.*

Total HSA distributions for 2023. Enter the total distributions received. This amount should be reported to you in box 1 of a Form 1099-SA for which HSA is indicated in box 5. Your entry here is used at line 14a.

Part for timely withdrawal. Enter the part of the total distributions that was made in order to correct excess contributions (within 6 months of the regular due date of the return). This amount is not taxable and will be reflected in line 14b. *Be sure to include any direct deposits made to your HSA for economic stimulus payments that you withdrew on time. TIP: Note that this entry applies ONLY to HSA amounts reported to you on Form 1099-SA for 2023. Therefore, any timely withdrawals made after the end of 2023 will be reported on the 2024 Form 8889, not the 2023 form. But you could have an amount for this line for a withdrawal that corrected a 2023 excess because you made the withdrawal in 2023.*

Part for allowed rollovers. Enter the part of the total distributions that was a rollover into another HSA. This amount is not taxable and will be reflected in line 14b.

Part received after died, disabled, or over 65. Any amounts distributed after the benefactor died, or you became disabled or turned 65, are not subject to the additional 20% tax for not being used for qualified medical expenses. If "Your age at end of tax year" on our Form 1040 is 66.01 or more, this entry is automatically the same as the preceding entry. (Remember that the age entry is based on the age on January 1 of the following year.) Otherwise you can enter any amount up to the preceding entry. This amount is taken into account in the computation of the penalty at line 17b.

FMV of benefactor's HSA at time of death. If you inherited an HSA from someone other than your spouse, the entire HSA must be distributed to you. You must therefore enter the fair market value (FMV) of the account at the time of your benefactor's death, and the amount will be included in line 14a. In addition, no penalty applies to this distribution, so this amount is taken into account when computing the 20% additional tax at line 17b. *An entry here will cause "DEATH HSA ACCT HOLDER" to be printed above the taxpayer's name(s) near the top of Form 8889 to flag to the IRS that you are reporting a distribution from a deceased benefactor.*

PART I, HSA CONTRIBUTIONS AND DEDUCTIONS. This part is used to claim a deduction for contributions you make to your HSA. It is automatically completed based on the information you supplied above, but you may provide your own computation for line 6 if married and both spouses have family coverage under their own HSAs.

1 Indicate your coverage under a high-deductible health plan (HDHP) during 2023. *(auto-calc)* If you (or someone on your behalf, including your employer) made contributions for your HSA, either *Self-only* or *Family* is answered Yes depending on your prior answer to "Does HDHP cover family." Otherwise, both answers remain No and Part I of Form 8889 is not used.

2 HSA contributions you made for 2023. *(auto-calc)* Taken from your entry for "Your HSA contributions for 2023" on screen 1 less "Excess timely withdrawn" directly below that line.

3 Deductible or limitation from worksheet for line 3. *(auto-calc)* Taken from the previous result for "Limitation per line 3 worksheet."

Your Form 8853, lines 3 and 4. *(auto-calc, supported by Form 8853)* Computed as the sum of lines 3 and 4 of the section of our Form 8853 entitled "Your Archer MSA for II."

Spouse's Form 8853, lines 3 and 4. *(auto-calc, supported by Form 8853)* Computed as the sum of lines 3 and 4 of the section of our Form 8853 entitled "Spouse Archer MSA for II."

Did either spouse have family coverage for the Archer MSA?. *(auto-calc, supported by Form 8853)* Answered Yes if either line 1c or line 2c of Form 8853 shows Yes for "Family."

4 Amount you or employer contributed to your Archer MSA for 2023. *(auto-calc)* If the preceding answer is Yes, computed as the sum of your and spouse's Form 8853 lines 3 and 4. Otherwise, computed as your Form 8853 lines 3 and 4 alone.

5 Subtract line 4 from line 3. *(auto-calc)* Computed as indicated, but no less than zero.

Special amount for line 6, if any, from IRS instructions. If married and the spouses have separate family-coverage HSAs, you can choose a different allocation than the software provides for line 6. See *IRS instructions for line 6*.

6 Amount from line 5, or see instructions.. *(auto-calc)* Normally computed as line 5. However, if you made an entry on the preceding line, that entry is used here instead.

7 If age 55 or older at the end of 2023, married, and you or spouse had family coverage under an HDHP anytime during 2023, additional contribution amount. *(auto-calc)* If filing status is 2 or 3, family coverage was indicated, and your age on 1040 is 55.0 or more, computed as \$1,000 (for 2023) times the number of months of the year in which contributions were allowed divided by 12. Otherwise, zero.

8 Add lines 6 and 7. *(auto-calc)* Computed as indicated.

- 9 Employer contributions made to your HSAs for 2023.** *(auto-calc)* Taken from your prior entry for "Employer's 2023 HSA contributions."
- 10 Qualified HSA funding distributions.** Enter here any direct trustee-to-trustee transfer from your IRA to your HSA that are qualified HAS funding distributions. See *IRS instructions for line 10 for detailed requirements for qualification.*
- 11 Add lines 9 and 10.** *(auto-calc)* Computed as indicated.
- 12 Subtract line 11 from line 8.** *(auto-calc)* Computed as indicated, but no less than zero.
- Adjustment per Form 5329 line 43 instructions.** *(auto-calc)* Computed as the lesser of the amount by which Form 5329, line 42 exceeds Form 8889, line 16 (later) or the amount by which Form 8889, line 12 exceeds Form 8889, line 2. This is the additional deduction you are allowed this year (below) because of excess contributions in the past not offset by current-year distributions. **CAUTION:** *Because this computation depends on the later computation of Form 8889, line 16, this result may not be accurate until Form 8889 is complete.* (This computation automates the IRS 2023 Instructions for Form 5329, line 43.)
- 13 HSA deduction.** *(auto-calc)* Computed as the smaller of line 2 or 12 plus "Adjustment per Form 5329 line 43 instructions." This result is automatically posted to line 13 of Schedule 1 as an adjustment to income.

Excess contributions. If line 2 exceeds line 12 or line 11 exceeds line 8, you have an excess contribution that may be subject to taxes and penalties on Form 5329. See the last screen of our Form 8889 for details.

PART II, HSA DISTRIBUTIONS. This section is used to report distributions you receive from your HSA, which is subject to taxation and an additional penalty unless an exception applies.

- Distributions from all HSAs.** *(auto-calc)* Taken from your prior entry for "Total HSA distributions for 2023" on screen 1.
- FMV of benefactor's HSA at time of death.** *(auto-calc)* Taken from your prior entry for "FMV of benefactor's HSA at time of death." *If an amount appears here, "DEATH HSA ACCT HOLDER" will be printed above the taxpayer's name near the top of Form 8889 to flag to the IRS that you are reporting a distribution from a deceased benefactor.*
- 14a Distributions you received in 2023 from all HSAs.** *(auto-calc)* Computed as the sum of the preceding two amounts.
- Allowed rollovers in 14a.** *(auto-calc)* Taken from your prior entry for "Part for allowed rollovers" on screen 1.
- Timely withdrawal in 14a.** *(auto-calc)* Taken from your prior entry for "Part for timely withdrawal" on screen 1.
- 14b Distributions included in line 14a that you rolled over into another HSA, etc.** *(auto-calc)* Computed as the sum of the preceding two amounts.

- 14c Subtract line 14b from line 14a.** *(auto-calc)* Computed as indicated.
- Unreimbursed qualified medical expenses paid with HSA distributions.** Generally, enter the amount in line 14c that you used to pay for qualified medical expenses for you, your spouse, or your dependents. However, see IRS instructions for restrictions. **CAUTION:** *Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*
- Decedent's qualified medical expenses.** Enter the amount of qualified medical expenses incurred by the above benefactor before his or her death that you paid within 1 year of death. This entry can be no more than the FMV of the benefactor's HSA on the date of death. **CAUTION:** *Any amount you enter here cannot be claimed as an itemized deduction on Schedule A.*
- 15 Unreimbursed qualified medical expenses.** *(auto-calc)* Computed as the sum of the preceding two amounts.
- Your taxable distributions.** *(auto-calc)* Computed as "Distributions from Archer MSAs" (without the decedent's amount) less line 8b and less "Unreimbursed qualified medical expenses" (without the decedent's amount). This amount is generally subject to a 20% penalty tax unless you previously identified an amount distributed due to death, disability, or age.
- Decedent's taxable distributions.** *(auto-calc)* Computed as "FMV of benefactor's Archer MSA at time of death" less "Decedent's qualified medical expenses." This entire amount is exempt from the 20% penalty tax.
- 16 TAXABLE HSA DISTRIBUTIONS.** *(auto-calc)* Computed as line 14c less line 15, but no less than zero. This amount is reflected in the total for line 8f of Schedule 1 as taxable income (along with the amount from line 16 of this form).
- Your exception to the 20% additional tax.** *(auto-calc)* Taken from your prior entry for "Part received after died, or disabled, or over 65," which is the only part of your taxable distributions excepted from the penalty.
- Decedent's exception to the 20% additional tax.** *(auto-calc)* Computed as the entire amount for "Decedent's taxable distributions," all of which is excepted from this penalty.
- 17a Do any of the distributions in line 16 meet an exception to the additional 20% tax.** *(auto-calc)* Answered Yes if there is an amount on either of the preceding two lines.
- 17b ADDITIONAL 20% TAX.** *(auto-calc)* Computed as the amount on line 16, less the two exceptions that follow line 16, times 20%. This amount is posted to Schedule 2, line 17c.

PART III, INCOME AND ADDITIONAL TAX FOR FAILURE TO MAINTAIN HDHP COVERAGE. This section is used to determine your additional taxable income and an additional penalty tax caused by your failure to be eligible for an HSA during the testing period. See page 9 of the *IRS 2023 Instructions for Form 8889* for details. ***CAUTION: Make no entries in this section unless you failed to maintain HDHP coverage as required. Otherwise, you will be assessed an inappropriate penalty based on your entries.***

- 18 Last-month rule.** See the IRS instructions for this line. Enter the excess of the amount contributed over line 13 as revised in accordance with IRS instructions.
- 19 Qualified HS funding distributions.** Enter the total of any qualified HSA funding distributions (see line 10) *if you failed to be eligible during the testing period*. Also enter the total of any qualified HSA distributions *if you failed to be eligible during the testing period*.
- 20 TOTAL INCOME.** *(auto-calc)* Computed as the sum of lines 18 and 19, this amount is *reflected in line 8f of Schedule 1* as taxable income (along with the amount from line 16 of this form).
- 21 ADDITIONAL TAX.** *(auto-calc)* Computed as 10% of line 20, this tax is *posted to Schedule 2, line 17d*.

Special Transfers to Form 5329. If you have any excess contributions to your HSAs (shown below) or you had an amount on line 48 of the 2022 Form 5329, you must complete Part VII of Form 5329 for 2023. The following amounts from this Form 8889 will be used in Part VII of Form 5329.

Contributions allowed in line 12. *(auto-calc)* Taken from line 12.

Contributions you made in line 2. *(auto-calc)* Taken from line 2.

- ➔ **REMAINDER FOR FORM 5329, LINE 43.** *(auto-calc)* Computed as line 12 less line 2, but no less than zero, this is the Contribution Credit for Form 5329, which is automatically posted to the proper copy of Form 5329. *If you had an amount on the 2022 Form 5329, line 48 (and therefore have an entry for the current-year Form 5329, line 42), you must manually enter that amount on the copy of Form 5329 for the appropriate spouse to ensure that the additional tax on prior excess contributions is minimized in Part VII of Form 5329.*
- ➔ **DISTRIBUTIONS FOR FORM 5329, LINE 44.** *(auto-calc)* Computed as the result on Form 8889, line 16, this amount is automatically posted to the proper copy of Form 5329.
- Your excess contributions.** *(auto-calc)* Computed as line 2 less line 12, but no less than zero, this is the amount by which your contributions (or those made on your behalf by someone else other than your employer) exceeded the allowed amount.
- Employer's excess contributions.** *(auto-calc)* Computed as line 9 less line 8, but no less than zero, this is the amount by which your employer's contributions exceeded the allowed amount.
- ➔ **TOTAL EXCESS FOR FORM 5329, LINE 47.** *(auto-calc)* Computed as the sum of the above two amounts, this is the excess contribution

that is subject to a 6% additional tax through Form 5329. This result is automatically posted to the proper copy of Form 5329.

Extra time to correct excess contributions. Note that you can also get credit for withdrawing excess contributions after you file your return. Withdrawals made up to 6 months after the regular due date of the return (excluding extensions) can be used to cancel excess contributions and eliminate taxes and penalties on the amount. You would generally have to revise Schedules 1 and 2, Form 5329, and Form 8889 on your amended return, entering the excess withdrawn on screen 1 of Form 8889.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8910 / Alternative Motor Vehicle Credit (expired)**

This form does not apply for tax years after 2022. The alternative motor vehicle credit formerly claimed on Form 8910 expired at the end of 2021, but the credit was still available 2022 for vehicles acquired in 2021 but not placed into service until 2022. While this form applied to a broad range of vehicles before 2016, in recent years it has applied only to fuel cell vehicles. In its place, a new credit for fuel cell vehicles created by the *Inflation Reduction Act of 2022*, is claimed on Form 8936, which formerly only applied to plug-in electric vehicles.

Form 8917 / Tuition and Fees Deduction (expired)

This form does not apply for tax years 2021 and 2022. The tuition and fees deduction formerly claimed on Form 8917 expired at the end of 2020. However, the revised the form a few years ago so that it no longer carries a year designation. In fact, it applied to tax years 2018, 2019, and 2020, retroactively to 2018 and 2019, because the credit was reinstated retroactively late in 2019. Presumably, the form could be used in future years if the credit is resurrected, but for now the form does not apply.

Form 8936** / Qualified Plug-in Electric Drive Motor Vehicle Credit

CAUTION: Details for Form 8936 are not yet updated for tax year 2023! Because of the extensive redesign of Form 8936 and the introduction of a Schedule A (8936), the details are not yet provided here. In the meantime, we recommend that you use the IRS *2023 Instructions for Form 8936* alone.

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to claim a credit for purchasing and putting into service certain plug-in electric drive motor vehicles and new clean vehicles. The form is not restricted to a single tax year, but is used for tax year 2022 and years thereafter until a new revision is released. The current version of Form 8936 is marked Rev. January 2023 and supports three types of credit:

- *Qualified Four-Wheeled Plug-in Electric Drive Motor Vehicle Credit* is available for vehicles placed in service in 2022 that have at least 4 wheels, are propelled by a battery with at least 4 KW of capacity, use an offboard source of energy to recharge the battery, and have a gross weight of less than 14,000 pounds. (This credit is not available for vehicles placed in service after 2022, but an equivalent credit is available under the title *New Clean Vehicle Credit*, below, with new rules on what is qualified.)
- *Qualified Two-Wheeled Plug-in Electric Vehicle Credit* is available for electric motorcycles placed in service in 2022 that are capable of a speed of at least 45 miles per hour, are propelled by a battery with at least 2.5 KW of capacity, use an offboard source of energy to recharge the battery, and have a gross weight of less than 14,000 pounds. *This credit expired at the end of 2021, but you can still claim a credit for 2022 if you acquired the vehicle in 2021 but did not place it in service until 2022.* (The credit is not available for vehicles placed in service after 2022 and is no equivalent credit exists after 2022.)
- *New Clean Vehicle Credit* is available for certain vehicles placed in service in 2023 or later. The credit was introduced by the *Inflation Reduction Act of 2022*. It includes a *New Fuel Cell Motor Vehicle Credit* that is similar to the credit formerly claimed on Form 8910 in addition to an electric vehicle credit that is similar to the *Qualified Plug-in Electric Drive Motor Vehicle Credit* formerly claimed on this Form 8936.

For both new credits

- the final assembly of the vehicle must be in North America if acquired after August 16, 2022,
- vehicles with a purchase price above specified amounts don't qualify (\$55,000 for most vehicles, but \$80,000 for vans, SUVs, and pickup trucks), and

- the personal use part of the credit is zero if your modified AGI exceeds specified levels (\$150,000 if single or married filing separately, \$225,000 if head of household, or \$300,000 if married filing jointly or qualified surviving spouse).

In addition, for electric vehicles

- the limitation on number of vehicles sold by a particular manufacturer has been lifted, so Tesla and General Motors vehicles, which were completely phased out in 2021, are no longer subject to phaseout, and
- the battery capacity must be at least 7 KW (up from 4 KW for the pre-2023 credit).

For all of these credits, you must be the owner of the vehicle, the original use must begin with you, and you must use it mainly in the United States. The *business use* part of the credit, figured in Part II of this form, is posted to Form 3800 (which in turn posts its results to Schedule 3, line 6a), but the *personal use* part of the credit, figured in Part III of this form, is claimed directly on Schedule 3, line 6f. Form 8936 is accessible through the Road Map from lines 6f and 6m of Schedule 3 and from Form 3800.

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 3 of the main Form 3800, the business use part of the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and posted to line 1y of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, or you have any carryforwards or carrybacks, you must indicate on Form 3800 screen 3 that it is not a Category A credit and manually enter the credit on line 1y of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through entity, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

QUALIFICATION for vehicles placed in service after 2021. A new requirement introduced by the *Inflation Reduction Act of 2022* applies to vehicles placed in service in 2022 as well as later years. It is the only change that affects Form 8936 for vehicles placed in service in 2022. For any vehicle acquired after August 16, 2022, no credit is allowed unless the final assembly of that vehicle occurred within North America (Canada, United States, and Mexico). A question appears on the worksheets that you access on screen 2 of Form 8936 to that effect following your entry for "Date acquired (mm/dd/yy/yy)." Your answer has no effect of the vehicle was acquired before August 17, 2022, but a Yes answer is required to qualify for a credit if the vehicle was acquired after August 16, 2022.

QUALIFICATION for vehicles placed in service after 2022. After 2022 the *New Clean Vehicle Credit* introduced by the *Inflation Reduction Act of 2022* applies, and the prior credits for plug-in electric vehicles claimed on Form 8936 and the credit for fuel cell vehicles claimed on Form 8910 no longer ap-

ply. The requirements under the *New Clean Vehicle Credit* are similar to the prior credits, but one major new requirement (which applies only for vehicles placed in service in 2023 or later) is that *the modified AGI of the taxpayer determines whether or not the taxpayer can claim a personal use credit!* (No such restriction applies to the business use credit.) *A personal use credit is allowed only if the modified AGI is no more than \$150,000 if single or married filing separately, \$300,000 if married filing jointly or qualified surviving spouse, or \$225,000 if head of household.* However, you have the option of using the modified AGI of the current return being prepared or the prior return, whichever is less. This requirement does not apply to Form 1040 returns for 2022 because the entire tax year lies within calendar year 2022. However, it does apply to a partnership return with a fiscal year starting after January 2022, since parts of the fiscal year in that case lie within calendar year 2023. The computation of modified AGI and the test against the specified maximums is made in accordance with the IRS's *Modified Adjusted Gross Income (MAGI) Limitation Worksheet* on the last page of the IRS *Instructions for Form 8936 (Rev. January 2023)*:

Current MAGI excluding Form 4563. *(auto-calc)* Computed as the sum AGI on line 11 of Form 1040 plus excluded income from Puerto Rico (shown on screen 3 of our Schedule 1) and foreign income and housing exclusions/deductions on lines 45 and 50 of Form 2555. This is the IRS-defined MAGI for the return before adding an amount from Form 4563, which is not built into the software..

Current Form 4563, line 15. Enter the indicated amount if you file Form 4563 with the return.

Current Modified AGI. *(auto-calc)* Computed as the sum of the preceding two amounts, this is line 3 of the IRS's *Modified Adjusted Gross Income (MAGI) Limitation Worksheet*.

Want to consider prior MAGI? If the preceding amount exceeds the threshold for your filing status, you will want to answer Yes here and enter the MAGI from your prior-year return on the next line if it is no more than the threshold. Compute line 5 of the IRS's *Modified Adjusted Gross Income (MAGI) Limitation Worksheet* using the amounts from your prior tax return.

If Yes, enter prior MAGI. Compute line 5 of the IRS's *Modified Adjusted Gross Income (MAGI) Limitation Worksheet* using the amounts from your prior tax return and enter the result here.

Vehicles placed in service after 2022 qualify? *(auto-calc)* Answered "Yes" only if your current MAGI (or prior MAGI if you chose to consider it) is no more than the specified threshold (\$150,000 if single or married filing separately, \$300,000 if married filing jointly or qualified surviving spouse, or \$225,000 if head of household). If "No," line 18 of the worksheets you access from screen 2 will be zero for vehicles placed in service after 2022. Otherwise line 15 of the worksheet will be used for line 18. **CAUTION:** *If the answer to this question changes after you have completed the worksheets ac-*

cessed from screen 2, you must return to the worksheets and view all worksheets so that the changed answer is reflected in the computation of line 18 of the worksheets.

PART I, TENTATIVE CREDIT. Qualifying vehicles are identified in this part and the maximum credit before limitation is computed. All information for this part of the form is entered on supporting worksheets, one for each qualifying vehicle. To qualify for the credit, the vehicle must be certified by the IRS as eligible for this credit, and must meet the following conditions:

- The vehicle is owned by the taxpayer.
- The vehicle was placed in service during the tax year of the taxpayer.
- The original use of the vehicle began with the taxpayer.
- The taxpayer acquired the vehicle for his or her own use or lease, and not for resale.

Even though the supporting worksheets are accessed from Part I, they support certain lines in Parts II and III as well. For more information, including a list of vehicles that qualify and the allowed credit for each, go to the IRS website (www.irs.gov) and enter "IRC 30D" in the search bar. Vehicles from more than 3 dozen manufacturers qualify, with more than one model from many.

Vehicles claimed (itemize). *(Supported by the Plug-in Electric Drive Vehicle Worksheet, Figures 2-78a and 2-78b.)* You must complete a separate worksheet for each qualifying vehicle, fully identifying the vehicle and entering the credit amount shown on the vehicle's certification. *The software supports an unlimited number of vehicles for both paper and e-file returns.* (The credit will be reduced in future years when certain sales levels are reached, but none has reached that level yet.) When you return from the worksheets, the number of qualified vehicles on the worksheets is shown on this line. (Because all information for the credit is contained on the worksheets, no credit will be computed on Form 8936 without the worksheets being present and attached.)

I -4: You must itemize the above line to enter data for lines 1 through 4c (the entire Part I of Form 8936), which are entered on a vehicle-by-vehicle basis on the worksheets provided. The worksheets also support lines 5 through 11 (the first part of Part II of Form 8936) and lines 15 through 18 (the first part of Part III of Form 8936). All of these lines (lines 1 through 11 and 15 through 18) appear only on the worksheets for the on-screen Form 8936, but are printed directly on Form 8936 for the official printout.

Plug-in Electric Drive Worksheet. (Figures 2-78a and 2-78b; supports entire Form 8936) Complete a separate worksheet for each qualifying vehicle.

1 Year, make, and model of vehicle. This entry is split into 3 parts in order to conform to the IRS e-file format. *CAUTION: Tesla and General Motors vehicles do not qualify for 2022 because they have been phased out to zero because their number of vehicles sold exceed the legislated maximums.* For 2023, however, they will once again qualify because of the *Inflation Reduction Act of 2022.*

Model year. Enter the manufacturer’s model year as a 4-digit number.

Make. Enter the make in 18 characters or less. You can include part of the model here, but *the make (such as ASW, Bad Boy, Telsa, Titan, etc.) must be the first word of this entry.* For a list of qualified vehicles and the allowed credit for each, go to the IRS website (www.irs.gov) and enter “IRC 30D” in the search bar.

Model. Enter the model in 18 characters or less. If you need more room, include the start of the model at the end of your entry for “Make.”

Number of wheels. Vehicles with 2 wheels have more limitations than those for vehicles with 4 or more wheels, so some lines on the form apply only to 2-wheeled vehicles (specifically, lines 7 through 10, line 16, and line 17).

Maximum credit (cost if 2-wheeled). Enter your actual full cost for the vehicle if 2-wheeled (even though

```

PLUG-IN ELECTRIC DRIVE W/S
1  Model year.....
   Make.....
   Model.....
   Number of wheels.....
   Max.credit (cost if 2-wh.) 0
   Capacity of battery(kw-hr)
   Fuel cell veh.(after 2023)? No
   Are you owner of vehicle..? No
   Did orig. use begin w/ you? No
   Use primarily in U.S.A. ..? No
   Uses ext. recharge source.? No
   Gross weight undr 14,000lb? No
   Capable of speed of 45 mph? No
2  Vehicle ID (VIN)
   Date acquired (mm/dd/yyyy)
   Final ass'y in No. America? No
3  Date placed in service...
4a Cost or credit per mfr. ... 0
4b Phase-out percentage..... 0
4c Tentative credit..... 0
    
```

Figure 2-78a. Plug-in Electric Drive Worksheet, Screen 1

the credit for 2-wheeled vehicles will be limited to \$2,500 later). For a 4-wheeled vehicle placed in service before 2023, you can generally rely on the certification from the manufacturer for the amount of credit to enter here. For a 4-wheeled vehicle placed in service after 2022, enter the maximum new clean vehicle credit shown on the report provided by the seller of the vehicle. In either case, the maximum credit you enter here cannot exceed \$7,500, which the software enforces.

Capacity of battery (KW-hours). *(Does not apply to fuel cell vehicles.)*

The minimum capacity allowed for a credit is 2.5 kilowatt-hours for 2-wheeled vehicles, 4.0 kilowatt-hours for 4 or more wheels if placed in service before 2023, and 7.0 kilowatt-hours for 4 or more wheels if placed in service after 2022..

Fuel cell vehicle (after 2022)? Answer Yes after tax year 2022 if the vehicle is propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with hydrogen fuel. (Before 2023 a credit for fuel cell vehicles is claimed on Form 8910, not here, and applies only to 2021 purchases of vehicles placed in service in 2022.)

Are you the owner of the vehicle? Only the owner can claim the credit, even if leased to someone else.

Did the original use of the vehicle begin with you? Only new vehicles qualify for a credit on this form and must have been acquired for use or to lease to others, and not for resale. Answer Yes only if you meet all these requirements.

Are you using the vehicle primarily in the United States? For an exception, see IRS instructions and answer Yes if qualified.

Does the battery use an external source of energy for recharging? *(Does not apply to fuel cell vehicles.)* If not capable of using an external charging source, the vehicle does not qualify for the credit.

Does the vehicle have a gross vehicle weight of less than 14,000 lbs? *(Does not apply to fuel cell vehicles.)* If not, the vehicle does not qualify for the credit if acquired after 2009.

Is the vehicle capable of a speed of 45 mph? This question *applies only to 2-wheeled vehicles*. If your answer is "No," the vehicle does not qualify for the credit if a 2-wheeled vehicle.

2 Vehicle identification number (VIN). Enter the vehicle's VIN in 17 characters or less. It will generally be a 17-character combination of letters and numbers. You can generally find the vehicle's VIN on the vehicle itself, its registration, its title, or its insurance.

Date acquired. The vehicle is considered "acquired" when title passes to you under state law. Enter the date using the standard mm/dd/yyyy format. *(You must own the vehicle to qualify for the credit. Vehicles you lease from someone else are not eligible. Only the lessor can claim the credit.)* Although the vehicle must have been first placed in service during the tax year, the acquisition can be made before that time. (No credit is available for 2-wheeled vehicles acquired before 2012, during 2014, or after 2021.)

Final assembly is within North America? If acquired after August 16, 2022, no credit is allowed if your answer here is "No." *This rule applies to vehicles placed in service in 2022 as well.* (This is the only new requirement introduced by the *Inflation Reduction Act of 2022* that applies to vehicles placed in service before 2023.)

3 Date placed in service. Enter date the vehicle was first placed in service using the standard MM/DD/YYYY format. The date must be within the tax year shown at the top of the screen.

4a Cost if 2-wheeled or credit per manufacturer or seller if 4 or more wheels. *(auto-calc)* Generally taken as your earlier entry for "Maximum credit (cost if 2-wheeled)" if the date on line 2 is within the tax year of the return, your answer to the applicable questions is Yes, you satisfy the battery capacity requirementx (unless a fuel cell vehicle), "Date acquired" is in the allowed range for the type of vehicle, and you have made an entry for "Make." Otherwise, zero.

4b Phase-out percentage. 2-wheeled vehicles are not subject to phase-out, nor are vehicles placed in service after 2022 under the *New Clean Vehicle Credit*, so you should *enter 100 here for those two cases*. Vehicles with 4 or more wheels placed in service before 2023 are subject to phaseout once the manufacturer sells 200,000 of these vehicles to retailers. After that, the credit is 50% of full credit for the first half-year after that, 25% of full credit for the next half-year, and zero credit thereafter. For vehicles placed in service in 2022, vehicles manufactured by Tesla and General Motors no longer qualify because they were phased out as the number of vehicles sold reached legislated maximums, and vehicles manufactured by Toyota are subject to a 50% phaseout if acquired after September 30, 2022. No other vehicles are yet subject to phaseout, so you should *enter 100% here for all other vehicles*. *TIP: This entry is designed to allow the entry of 0, 25, 50, or 100, but for 2022 only 0, 50, and 100 apply, and after 2022 only 100 applies.*

4c Tentative credit. *(auto-calc)* Computed as line 4a times line 4b divided by 100, this is the credit before any limitations are applied.

BUSINESS/INVESTMENT USE PART OF VEHICLE:

5 Business/investment use percentage. Enter 100 if the vehicle is used solely for business or investment. Otherwise, enter the percentage (from 0 to 100) that applies. If zero, no credit will be computed in Part II of this form (which is comprised of lines 5 through 14).

6 Multiply line 4c by line 5. *(auto-calc)* Computed as line 4c times line 5 divided by 100, this is the portion of the tentative credit on line 4c eligible for the credit for business or investment use.

7 through 10 are skipped if 4-wheeled (and up). Lines 7 through 10 apply only to 2-wheeled vehicles.

7 Section 179 expense deduction. Your entry is always limited to the amount on line 6, and is forced to zero if not a 2-wheeled vehicle.

8 Subtract line 7 from line 6. *(auto-calc)* Computed as indicated if a 2-wheeled vehicle. Otherwise, zero.

9 Multiply line 8 by 10%. *(auto-calc)* Computed as indicated if a 2-wheeled vehicle. Otherwise, zero.

10 Maximum credit per vehicle. *(auto-calc)* Computed as \$2,500 if a 2-wheeled vehicle. Otherwise, zero.

11 **Line 6 if four or more wheels or smaller of line 9 or line 10 if 2-wheeled.** *(auto-calc)* Computed as indicated. *This is the business/investment use part of the credit for this vehicle.*

12, 13, and 14 **appear only on form.** These lines do not relate to any one vehicle, so they appear only on Form 8936 itself, not this worksheet.

BUSINESS/INVESTMT USE PART		
5	Business/investment use %.	0
6	Multiply line 4c by line 5	0
7-10	skipped if 4-wheel (& up)	
7	Sec. 179 deduction claimed	0
8	Subtract line 7 from ln 6	0
9	Multiply line 8 by 10%...	0
10	Maximum credit per vehicle	0
11	Ln 6 or smaller of 9 or 10	0
12, 13, 14	appear only on form	
PERSONAL USE PART		
15	Subtract line 6 from ln 4c	0
16-17	skipped if 4-wheel (& up)	
16	Multiply line 15 by 10%...	0
17	Maximum credit per vehicle	0
18	Ln 15 or smaller of 16or17 If after 2023, see instr.	0
	VEHICLE COUNTED FOR 8936.	No

Figure 2-78b. Plug-in Electric Drive Worksheet, Screen 2

PERSONAL USE PART OF VEHICLE:

- 15 **Subtract line 6 from line 4c.** *(auto-calc)* Computed as indicated, this is the portion of the credit on line 4c eligible for the personal use credit.
- 16 **and 17 skipped if 4-wheeled (and up).** Lines 16 and 17 apply only to 2--wheeled vehicles.
- 16 **Multiply line 15 by 10%.** *(auto-calc)* Computed as indicated if a 2-wheeled vehicle. Otherwise, zero.
- 17 **Maximum credit per vehicle.** *(auto-calc)* Computed as line 10 less line 11 if a 2-wheeled vehicle, this is the portion of the \$2,500 maximum for 2-wheeled vehicles still available after subtracting the business/investment use part. Otherwise, zero.
- 18 **Line 15 if four or more wheels or smaller of line 16 or line 17 of 2-wheeled. If placed in service after 2022, see instructions.** *(auto-calc)* Computed as indicated for vehicles placed in service before 2023. *Vehicles placed in service after 2022 are subject to the new requirement that modified AGI can be no more than certain specified levels*, as shown on the first screen of Form 8936, where the test against the levels is made. If you meet the test, the amount on line 15 is used here. Otherwise, the amount is zero for this line. *This is the personal use part of the credit for this vehicle.*

VEHICLE COUNTED FOR FORM 8936. *(auto-calc)* This answer will be Yes only if you have a business/investment use credit on line 11 or a personal use credit on line 18.

The results on lines 11 and 18 are used on Form 8936 to compute the credit once you return to the form from the worksheets.

PART II, CREDIT FOR BUSINESS/INVESTMENT USE PART OF VEHICLE. The credit is computed here based on your worksheet entries plus any amount from pass-through entities.

5 - 11: These lines do not appear on the screen here because they relate to individual vehicles. Accordingly, they appear only in the worksheets and on the official printouts.

12 Add columns (a) and (b) on line 11. *(auto-calc)* Although the IRS label for this line implies that the credits from only two vehicles apply, this line is computed as the sum of line 11 of all worksheets combined. (The information appears in columns (a) and (b) of the official printout only when there are only one or two vehicles claimed. Otherwise, the information appears in a separate supporting statement. However, *no more than 2 vehicles are allowed for an e-file return.*)

Credit from pass-through entities:

Schedule K-1 (Form 1065), box 15, code P. The amount for this line is the qualified plug-in electric drive motor vehicle credit passed through to the taxpayer from a partnership in which this taxpayer is a partner. However, code P is a generic code for all credits not identified as A through O. Therefore, you must take care to enter only the part of the code P amount that applies specifically to the plug-in electric drive motor vehicle credit for Form 8936.

Schedule K-1 (Form 1120S), box 13, code P. The amount for this line is the qualified plug-in electric drive motor vehicle credit passed through to the taxpayer from an S corporation in which the taxpayer is a shareholder. However, code P is a generic code for all credits not identified as A through O. Therefore, you must take care to enter only the part of the code P amount that applies specifically to the plug-in electric drive motor vehicle credit for Form 8936.

13 Qualified plug-in electric drive motor vehicle credit from partnerships and S corporations. *(auto-calc)* Computed as the sum of the preceding two entries.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 13. Thanks to the IRS's complex design of Form 3800, manual entries are now required on Part III of that form when you have credit from a pass-through entity. You must enter the EIN of the entity in column (b) of line 1y of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

14 BUSINESS/INVESTMENT USE PART OF CREDIT. *(auto-calc)* Computed as the sum of lines 12 and 13, this is the business and investment part of the alternative motor vehicle credit.

The amount on line 14 is posted to screen 3 of Form 3800 (for use in line 1y of the appropriate copy of Form 3800, Part III) where it is combined with other business credits and subjected to tax liability and passive activity limitations before being reflected on Form 1040 as a credit.

CAUTION: Additional entries may be required on Form 3800. If the credit on line 14 is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 3 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the result from line 9, above, posted to line 1y of Form 3800, Part III. But if the credit is from a passive activity, you must indicate this fact by an entry on screen 3 of Form 3800 and then enter the result from line 9 of Form 8936 on the copy of Form 3800, Part III that applies to your credit.

PART III, CREDIT FOR PERSONAL USE PART OF VEHICLE. The personal credit shown on line 18 of the worksheets is subject to tax liability limitations in this section before being reflected on Form 1040 as a credit.

15 - 18: See Part I worksheet. These lines do not appear on the screen here because they relate to the individual vehicles. Accordingly, they appear only in the worksheets and on the official printouts.

19 Add columns (a) and (b) on line 18. *(auto-calc)* Computed as the sum of line 18 of all worksheets combined. (The information appears in columns (a) and (b) of the official printout only when there are only one or two vehicles claimed. Otherwise, the information appears in a separate supporting statement.)

20 Amount from Form 1040, line 18. *(auto-calc)* Taken from Form 1040, as indicated, this is the total tax before credits, including the AMT.

Credits that reduce tax before the Form 8936 credit:

Schedule 3, lines 1 through 4. *(auto-calc)* Taken from Schedule 3, as indicated, these are the first four personal credits on Schedule 3.

Schedule 3, lines 6d, 6e, and 6f; and Form 5695, line 30. *(auto-calc)* Taken from Schedule 3, as indicated, and the part of Schedule 3, line 5, that stems from Part II of Form 5695.

21 Personal credits from Form 1040. *(auto-calc)* Computed as the sum of the preceding two lines, these are the credits that must be claimed before the credit from Form 8936.

22 Subtract line 21 from line 20. *(auto-calc)* Computed as indicated, but no less than zero, this is the tax liability limitation.

23 PERSONAL USE PART OF CREDIT. *(auto-calc)* Computed as the lesser of line 19 or line 22.

The result on line 23 is posted to Schedule 3, line 6f.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8941 / Credit for Small Employer Health Insurance Premiums**

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer and Partnership Edition. *See the separate Partnership Edition manual for details on the version of Form 8941 that is built into the Partnership Edition software.*

Purpose. This form is used to claim a credit for providing health insurance to employees, as created by the *Health Care Reform Act of 2010*. The credit can now be as high as 50% of the amount paid by the employer for the insurance. The full credit is given to employers with no more than 10 employees and average wages no more than \$30,000 for 2023. The credit is phased out as the number of employees increases or the average wages increase, resulting in no credit for a firm with 25 or more employees or average wages of \$62,000 or more for 2023. This form is also used to report credit passed on to you from partnerships, S corporations, cooperatives, estates, and trusts. *Form 8941 is accessible through the Road Map from Form 3800.* (Two copies of Form 8941 are available, one for each spouse.)

For insurance from SHOP Marketplace. Starting with tax year 2014, the credit is generally restricted to insurance secured through a Small Business Health Options Program (SHOP) Marketplace. However, SHOP marketplaces in some counties across the country did not have qualified plans for 2023 for employers to offer to employees. Employers in those counties can still claim the credit under certain circumstances, as explained under the title "Exception for eligible small employers in certain counties" on page 5 of the *IRS 2023 Instructions for Form 8941*. On the other hand, employees in Hawaii cannot claim the credit for plans started after 2016 because they can't participate in the SHOP marketplace after 2016 due to an initial 5-year waiver which has been extended for another 5 years, as explained under the title "Waiver for Hawaii" on page 5 of the *IRS 2023 Instructions for Form 8941*. (Note that the credit can be taken for no more than two consecutive tax years, starting with tax year 2014. See *IRS 2023 Instructions for Form 8941* for details.)

CAUTION: Additional entries may be required on Form 3800. Unless you make additional entries on screen 4 of the main Form 3800, the credit is initially assumed to be a Category A credit (General Business Credit from a Non-passive Activity) and posted to line 4h of Copy 2 of Form 3800, Part III. (Copy 2 of Form 3800, Part III, is reserved for the General Business Credit from a Non-passive Activity.) If the credit stems from a passive activity, you must indicate on Form 3800 screen 4 that it is not a Category A credit and manually enter the credit on line 4h of the appropriate copy of Form 3800, Part III. Also, if the credit originated from a pass-through enti-

ty, you must enter the EIN of the entity on the copy of Form 3800, Part III, that you use.

Treated as a single employer. If you are a taxpayer with more than one business, you must treat yourself as a single employer for all businesses combined when completing this form. As a result, taxpayers filing as single, married filing separately, head of household, or qualifying widower are allowed only one Form 8941 for the return. If married filing jointly, the spouse is also allowed only one Form 8941 for her businesses combined, so a maximum of two Forms 8941 is allowed for the return.

IRS Worksheets. The IRS instructions for this form provide seven worksheets for use with Form 8941. Two of these worksheets (Worksheets 1 and 4) collect data for each employee concerning time worked, wages paid, insurance premiums paid, and related details. In the software, Worksheets 1 and 4 are included together on a single *Health Insurance Worksheet* (described later). All other IRS worksheets are intended as computational aids for a manually-prepared Form 8941, and are therefore not shown by the software, since the software achieves the proper results more efficiently without explicitly using the IRS worksheets.

Screen 1: Data entry. The first screen collects data required for the proper completion and printing of Form 8941, supported by our *Health Insurance Worksheet*, which integrates IRS Worksheets 1 and 4 into a single form.

Social security number for this copy. *(auto-calc)* Taken as the social security number entered on Form 1040 for the spouse whose copy you chose when you entered Form 8941.

Is this spouse's copy (vs. you)? *(auto-calc)* This answer is also automatic based on your choice when you entered the form.

A Did you pay premiums during your tax year for employee health insurance coverage you provided through a Small Business Health Options Program (SHOP) Marketplace? This line enforces the requirement that the insurance you claim here be secured through a SHOP marketplace. However, if your principal place of business lies within Hawaii or certain counties of Wisconsin, you may qualify for an exception to this requirement under transition rules described in the shaded box on the next page.

Marketplace identifier. If you answered Yes to the preceding question, identify here the marketplace in which you secured the insurance. Otherwise, leave this entry blank.

OR do you qualify for an exception to this requirement? If your principal place of business was in a county without a qualifying plan and you therefore claimed the credit for 2022 under an exception, you generally qualify for an exception for 2023 as well. In this case, you can answer Yes here. See the instructions for line A in the IRS *2023 Instructions for Form 8941*.

If your answer to both questions was No, you cannot claim the credit as an employer. However, if you have credit passed on to you (from a partnership,

S corporation, cooperative, estate, or trust), you can claim that credit at line 15 of this form and skip lines 1 through 14.

B Employer identification number (EIN) used to report employments taxes for individuals on line 1. Enter the EIN for the business that employed the employees listed on the worksheets for screen 1. If more than one EIN applies because you are reporting employees of more than one of your businesses, leave this line blank, press F10 or ctrl-Y, and enter the multiple EINs in a supporting statement for this line. *Exception for e-file: The IRS does not provide for more than one EIN in their e-file specifications. As a result, if you want to report more than one EIN, you must file a paper return. Otherwise, we recommend that you enter the EIN for the business applicable to the most employees in line 1.*

C Does a tax return filed for after 2013 and before 2022 include a Form 8941 with line A checked "Yes" and line 12 showing a positive amount? If begun after tax year 2013, the credit on Form 8941 *can be claimed for only 2 consecutive years*. As a result, you can claim the credit again for 2023 if you claimed it previously only in 2022 or never claimed it previously, but not if you claimed it before 2022. *If your answer is Yes, you cannot claim the credit and should not file this form.*

Itemize any line below to access REQUIRED worksheets. *(Supported by the Health Insurance Worksheet, Figure 2-79.)* The following lines show totals from the worksheets that support them, and are used to automatically complete lines 1 through 9 of Form 8941. You can access the worksheets by pressing the Itemize Key at any of the following seven data entry lines; the same set of worksheets appears irrespective of which line you itemize. *TIP: Because the IRS does not require that these worksheets to be filed with the return, they are not printed with the official Form 8941. However, you can print them for your records as described following our details for the worksheets.*

For Considered Employees:

- (a) Number of employees considered.** You must complete a separate worksheet for each employee. When you return from the worksheets, the number of worksheets completed is posted to this line. (Any worksheet for which you make no entry for "Total hours worked in 2023" is taken as not completed.) Seasonal employees are included in this count even though they are excluded from the totals on the next two lines. *(This total is used for line 1 of Form 8941.)*
- (b) Total hours of service.** The sum of Worksheet 1, line b, for all worksheets combined is posted here, excluding seasonal employees. *(This total is used in the computation of line 2 of Form 8941.)*
- (c) Total hours of service.** The sum of Worksheet 1, line c, for all worksheets combined is posted here, excluding seasonal employees. *(This total is used in the computation of line 3 of Form 8941.)*

For Enrolled Employees:

- (a) **Number of employees enrolled.** The number of completed worksheets for which you answered Yes to “a. Above employee enrolled?” on Worksheet 4 is posted here. *(This total is used in the computation of line 13 of Form 8941.)*
- (b) **Total premiums paid.** The sum of Worksheet 4, line b, for all worksheets combined is posted here. This is the sum of premiums paid by the employer (or on behalf of the employer). *(This total is used for line 4 of Form 8941.)*
- (c) **Total state average premiums.** The sum of Worksheet 4, line c, for all worksheets combined is posted here. This is the sum of premiums that would have been paid if insurance for all enrolled employees were priced at the average premium for the small group market in the state the employee worked, as provided in IRS tables in the instructions. *(This total is used in the computation of line 5 of Form 8941.)*
- (d) **Total hours of service.** The sum of Worksheet 4, line d, for all worksheets combined is posted here, including seasonal employees. This is total hours of service for all enrolled employees combined. *(This total is used in the computation of line 14 of Form 8941.)*

Health Insurance Worksheet. *(Figure 2-79)* This worksheet supports the last seven lines on screen 1. You must complete a separate worksheet for each employee, including all employees who perform services for you during the tax year, whether or not you provide health insurance to them, *except* yourself, your partners, and family members. *(See IRS instructions for details on excluded employees.)*

Employee number. *(auto-calc)* Taken as the worksheet page you are completing. Each worksheet corresponds to a row in IRS Worksheets 1 and 4. As long as you make an entry for “Total hours worked in 2023,” below, the employee for whom you are completing the worksheet is considered in the calculations.

For Considered Employees (IRS Worksheet 1):

Except for excluded employees cited above, information for any employee must be considered in the computation of the credit, whether or not the employee participates (enrolls) in the health plan you offer.

- a. **Name of employee.** Enter the employee’s name in 25-characters for less. This entry is used only to help you identify the employee for whom you are completing this worksheet page. **CAUTION: Do NOT complete worksheets for family members,** including yourself and your spouse, because they are “excluded employees” for the purposes of Form 8941. But do include seasonal employees (defined below). For more information on these and other excluded employees, see *Excluded employees* on page 6 of the IRS’s *2023 Instructions for Form 8941.*

Total hours worked in 2023. Enter the total number of hours the employee worked during the tax year. *Be sure to include hours for sea-*

sonal employees (defined below), even though they will be excluded from some calculations in accordance with IRS instructions.

Total wages earned in 2023. Enter the total wages earned in the tax year. *Be sure to include wages for seasonal employees.*

Seasonal (120 days maximum)? A “seasonal employee” is an em-

ployee who works for you only for a period of time in the tax year no greater than 120 days. This definition includes retail workers who are employed only during holiday seasons.

Health insurance premiums paid for these employees are included when computing the credit from Form 8941, even though their hours and wages are not included in the calculation of full-time equivalent hours and average wages. Accordingly, the preceding two entries are not used in lines b and c of Worksheet 1 (below) for a seasonal employee, but the hours are used in line d of Worksheet 4 (later). (These rules are intended to prevent the use of seasonal employees to lower the average wages considered in the credit, which could otherwise partially mitigate the phaseout of the credit when average wages are more than \$30,000 for 2023.)

HEALTH INSURANCE WORKSHEET	
Employee number.....	1
All entries below are totals For the entire 2023 tax year	
For Considered Employees (IRS worksheet 1):	
a. Name of employee.	
Total hours worked in 2023	0
Total wages earned in 2023	0
Seasonal (120 days max.)..?	No
b. Employee hours of service..	0
c. Employee wages paid.....	0
For Enrolled Employees (IRS worksheet 4):	
a. Above employee enrolled...?	No
b. Premiums paid by employer..	0
Family coverage(vs.single)?	No
State (for insurance)....	
Use table in IRS instr'n's:	
c. Adjusted average premiums..	0
d. Employee hours of service..	0

Figure 2-79. Health Insurance Worksheet

- b. **Employee hours of service.** *(auto-calc)* Computed as zero if you answered Yes to “Seasonal (120 days maximum)?” Otherwise, computed as the lesser of 2,080 and your entry for “Total hours worked in 2023.” (2,080 is the number of hours for a full-time employee, which is 52 weeks times 40 hours per week. The IRS does not consider hours beyond 2,080 in any one year for any one employee when computing the credit for this form.) The sum of this amount for all worksheets combined is used to determine the number of “full-time equivalent employees” (FTEs), which is critical to the computation of the credit.
- c. **Employee wages paid.** *(auto-calc)* Computed as zero if you made no entry for “Total hours worked in 2023” or you answered Yes to “Seasonal (120 days maximum)?” Otherwise, taken as your entry for “Total

wages earned in 2023.” The sum of this amount for all worksheets combined is used to determine the “average annual wages paid,” which is also critical to the computation of the credit.

For Enrolled Employees (IRS Worksheet 4):

Any employee who participates in the employer’s health insurance program is reflected in this section, including seasonal employees.

a. Above employee enrolled? Answer Yes for any employee who was enrolled in your qualified health insurance plan during the tax year. If you answer No, Worksheet 4 does not apply to this employee, so lines b, c, and d, below, are zero.

b. Employer premiums paid. Enter all employer-paid premiums for this employee, whether paid by the employer directly or by some other person or organization on behalf of the employer. For example, premiums paid by a state premium subsidy should be included. You must not include any premiums paid by the employee, whether directly or through a salary reduction program. See page 2 of the IRS *2023 Instructions for Form 8941* for details. (You will not be allowed to make an entry here if your answer for line a is No.)

Family coverage (vs. single)? If the plan covers any member of the employee’s family in addition to the employee, answer Yes, even when the entire family is not covered. Answer No only for insurance that covers the employee alone. *This entry is for recording-keeping only; it does not affect line c, which is not automatically computed.*

State (for insurance). Enter the 2-character state code for the state where the employee worked. (Use DC for Washington, D.C., even though it is not a state.) *This entry is for recording-keeping only; it does not affect line c, which is not automatically computed.*

Use table in IRS instructions. The following line is NOT computed automatically. Because the table has expanded from 51 entries (50 states plus D.C.) to more than 2,000 counties, it is impractical for the software to determine the amount. Instead, you must find your county in the 21-page table at the end of the IRS’s *2023 Instructions for Form 8941* and enter the table amount on the following line.

c. Adjusted average premiums. ***CAUTION:*** *This line is **NOT computed automatically**; you must find the amount to enter in the IRS table as described here.* You are allowed to make an entry here only if your answer for line a of IRS Worksheet 4 is Yes. Enter the amount for your county from the 21-page table at the end of the IRS’s *2023 Instructions for Form 8941*. It represents the average premium for the small group market in the county in which the employee worked. The allowed Form 8941 credit is reduced when employer-paid premiums exceed this amount.

d. Employee hours of service. *(auto-calc)* Computed as zero if the answer to line a is No. Otherwise, computed as your entry for “Total hours worked in 2023” below line a of Worksheet 1.

The results on lines b and c of Worksheet 1 and a, b, c, and d of Worksheet 4 are used along with the number of worksheets completed to compute the credit once you return to the form from the worksheets.

TIP: How to print out completed Health Care Worksheets. Since the IRS Form 8941 does not show worksheet entries, and the IRS does not want these details included with the return, an official printout of Form 8941 will not give you a printed record of the worksheet data. However, you can get a compact printout of completed worksheets as follows: from the Main Menu choose 3 (PRINT Official Returns), then 3 (PRINT on Printer or Disk), then 2 (GRAPHIC) or 3 (DRAFT), then 4 (PERSONAL & Other Support), then 82 (8941). All completed worksheets will then be printed.

Screens 2 and 3: Form 8941. The next two screens show the official Form 8941. Most lines of the form are completed automatically based on the data collected on screen 1, but lines 10 and 15 must be completed manually.

1 Number of individuals employed during the tax year who are considered employees for purposes of this credit. *(auto-calc)* Computed as "Number of employees considered" on line (a) under the *Considered Employees* heading on screen 1, which is the number of worksheets completed to support screen 1.

2 Number of full-time equivalent employees you had for the year. *(auto-calc)* Computed as "Total hours of service" on line (b) under the *Considered Employees* heading on screen 1, divided by 2,080, rounded down to the nearest whole number (except rounded up to 1 if the result is greater than zero but less than one). *(This result corresponds to line 3 of IRS Worksheet 2 for a manually-prepared return.)* This result is what the IRS calls the number of full-time equivalent employees (FTEs). If 25 or more, your business is not qualified for the credit, so lines 3 through 14 will be zero. However, you may have a credit from a pass-through entity for line 15.

3 Average annual wages you paid for the tax year. *(auto-calc)* Computed as zero if line 2 is 25 or more. Otherwise, computed as "Total employee wages" on line (c) under the *Considered Employees* heading on screen 1, divided by line 2, rounded down to the next \$1,000 if not a multiple of \$1,000. *(This result corresponds to line 3 of IRS Worksheet 3 for a manually-prepared return.)* If the result is \$62,000 or more for 2023, your business is not qualified for the credit, so lines 4 through 14 will be zero. However, you may have a credit from a pass-through entity for line 15.

4 Premiums you paid during the tax year for employees included on line 1 for health insurance coverage under a qualifying arrangement. *(auto-calc)* Computed as zero if line 2 is 25 or more, or line 3 is \$62,000 or more for 2023. Otherwise, computed as "Total premiums paid" on line (b) under the *Enrolled Employees* heading on screen 1.

5 Premiums you would have entered on line 4 if total premium for each employee equaled the average premium for the small group market in which you offered

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Form 8941

health insurance coverage. *(auto-calc)* Computed as zero if line 2 is 25 or more, or line 3 is \$62,000 or more for 2023. Otherwise, computed as "Total state average premiums" on line (c) under the *Enrolled Employees* heading on screen 1.

6 Smaller of line 4 or line 5. *(auto-calc)* Computed as indicated.

7 Multiply line 6 by the applicable percentage. *(auto-calc)* Computed as 50% of line 6. 50% is the applicable percentage for all small businesses other than tax-exempt organizations for 2023.

8 If line 2 is 10 or less, amount from line 7. Otherwise, amount from Worksheet 5, line 6. *(auto-calc)* Taken from line 7 if line 2 is 10 or less. Otherwise, computed using IRS Worksheet 5 in the *2023 Instructions for Form 8941* as line 7 less a fraction of line 7, where the fraction is the amount by which line 2 exceeds 10, divided by 15, but no more than one. *(This result corresponds to line 6 of IRS Worksheet 5.)*

9 If line 3 is \$30,000 or less, amount from line 8. Otherwise, amount from Worksheet 6, line 7. *(auto-calc)* Taken from line 8 if line 3 is \$30,000 or less for 2023. Otherwise, computed using IRS Worksheet 6 in the *2023 Instructions for Form 8941* as line 8 less a fraction of line 7, where the fraction is the amount by which line 3 exceeds \$30,700 for 2022, divided by \$30,700 for 2022, but no more than one. *(This result corresponds to line 7 of IRS Worksheet 6. TIP: Remember that line 3 is the average wages rounded down to the nearest \$1,000. Therefore, the full result on line 8 results here for unrounded wages as high as \$30,699 for 2023.)*

10 Total amount of state premium subsidies paid and any state tax credits available to you for premiums included on line 4. Enter payments and credits from your state that reduced your actual cost for the premiums reported in line 4 (which are premiums you included in line b of IRS Worksheet 4 for all worksheets combined).

11 Subtract line 10 from line 4. *(auto-calc)* Computed as indicated, but no less than zero.

12 Smaller of line 9 or line 11. *(auto-calc)* Computed as indicated.

13 If line 12 is NOT zero, number of employees in line 1 for whom you paid premiums for health insurance under a qualifying plan. *(auto-calc)* Computed as "Number of employees enrolled" on line (a) under the *Enrolled Employees* heading on screen 1.

14 Number of full-time equivalent employees you would have entered on line 2 if you only included employees included in line 13. *(auto-calc)* Computed as zero if line 12 is zero. Otherwise, computed as "Total hours of service" for enrolled employees on line (d) under the *Enrolled Employees* heading on screen 1, divided by 2,080 and rounded down to the nearest whole number (except rounded up to 1 if the result is greater than zero but less than one). *(This result corresponds to line 3 of IRS Worksheet 7 for a manually-prepared return.)*

15 Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts. Enter any credit reported to you from a pass-through entity. **CAUTION:** Enter only the amount that applies to the spouse for whom this copy of Form 8941 applies. **TIP:** If you are completing this form only to report an amount on this line, so lines 1 through 14 are zero, this form will not be printed with the complete return because the IRS does not want it filed.

CAUTION: Additional entry on Form 3800 always required if you have an amount on line 15. Thanks to the IRS's inconvenient design of Form 3800, manual entries are required on Part III of that form when you have credit from a pass-through entity. You must enter the EIN of the entity in column (b) of line 4h of the copy of Form 3800, Part III, that applies to this credit. (There are 10 copies available to handle the 8 unique IRS categories plus a consolidated copy and an unattached copy.)

16 Add lines 12 and 15. (*auto-calc*) Computed as indicated. For partnerships, this is the amount to be reported to partners for their own Forms 8941.

Credit for Form 3800, Part III, line 4h. (*auto-calc*) Normally taken from line 16. However, if this is spouse's copy of Form 8941 and the filing status for the return is not married filing jointly, this line will be zero, since only the primary taxpayer's forms apply for any filing status other than married filing jointly. This is the available credit from Form 8941 before tax liability and passive loss limitations are applied. Although the IRS form indicates that this result should be posted to line 4h of Form 3800, Part III, it is instead posted to screen 4 of the on-screen Form 3800, as explained below, from which it is posted to the appropriate copy of Form 3800, Part III, line 4h..

CAUTION: Additional entries may be required on Form 3800. If this is a general business credit from a non-passive activity, you're done (unless you have to enter an EIN as noted above). The credit will be automatically posted to screen 4 of Form 3800, and copy 2 of Form 3800, Part III (for category A) will be automatically created with the above result posted to line 4h of Form 3800, Part III. But if the credit is from a passive activity, you must indicate this fact by an entry on screen 4 of Form 3800 and then enter the result from line 16, above, on the copy of Form 3800, Part III that applies to your credit.

17 through 20. (*auto-calc lines*) Computed as zero because these lines apply only to cooperatives, estates, trusts, and tax-exempt employers. They are not relevant to the Form 1040 returns for which this software is designed.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Screen 4: Allocation of credit among businesses. The final screen of Form 8941 provides the means to allocate your credit among multiple businesses so that your deductions for employee benefit expenses are reduced by the proper portion of the credit claimed.

Credit on this copy of Form 8941. *(auto-calc)* Taken from the line "Credit for Form 3800, line 4h," this is the credit you must allocate among your businesses.

Allocation to Schedule C. Enter the part of the above credit that applies to your nonfarm business (sole proprietorship). Unless you specify otherwise by your entries below, this amount will be assumed to apply to copy 1 of Schedule C. The amounts shown on the next 5 lines will be used to reduce the deduction for employee benefit programs at line 14 of each Schedule C.

Part for Schedule C, copy 2. Enter the part of "Allocation to Schedule C" that applies to copy 2 of the schedule.

Part for Schedule C, copy 3. Enter the part of "Allocation to Schedule C" that applies to copy 3 of the schedule.

Part for Schedule C, copy 4. Enter the part of "Allocation to Schedule C" that applies to copy 4 of the schedule.

Part for Schedule C, copy 5. Enter the part of "Allocation to Schedule C" that applies to copy 5 of the schedule.

Remainder for Schedule C, copy 1. *(auto-calc)* Computed as "Allocation to Schedule C" less the sum of the preceding four entries.

Allocation to Schedule F. Enter the part of the above credit that applies to your farm business (sole proprietorship). Unless you specify otherwise by your entries below, this amount will be assumed to apply to copy 1 of Schedule F. The amounts shown on the next 5 lines will be used to reduce the deduction for employee benefit programs at line 15 of each Schedule F.

Part for Schedule F, copy 2. Enter the part of "Allocation to Schedule F" that applies to copy 2 of the schedule.

Part for Schedule F, copy 3. Enter the part of "Allocation to Schedule F" that applies to copy 3 of the schedule.

Part for Schedule F, copy 4. Enter the part of "Allocation to Schedule F" that applies to copy 4 of the schedule.

Part for Schedule F, copy 5. Enter the part of "Allocation to Schedule F" that applies to copy 5 of the schedule.

Remainder for Schedule F, copy 1. *(auto-calc)* Computed as "Allocation to Schedule F" less the sum of the preceding four entries.

Allocation to Form 4835. Enter the part of the above credit that applies to your farm rental business. This amount will be used to reduce the deduction for employee benefit programs at line 13 of Form 4835.

Allocation to Other. *(auto-calc)* Computed as "Credit on this copy of Form 8941" less the sum of "Allocation to Schedule C," "Allocation to Schedule F," and "Allocation to Form 4835." This is the remainder not allocated to any form. **CAUTION:** *If an amount appears here, you must manually reduce your deduction for employee benefit programs when reporting income and expenses for the applicable business.*

Form 8948** / Preparer Explanation for Not Filing Electronically

**** Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used for a preparer to explain why he or she is not e-filing the return to which it is attached. It is used only by preparers who are generally required to e-file returns because they expect to prepare and file 11 or more eligible returns during 2024. The form lists a number of common exceptions to the general rule and also provides for your own explanation for exceptions not on the list. However, there is one common case for which you should not file Form 8948, even though you are filing a paper return: a return that includes a form not supported by the IRS e-file program. Presumably, the exception will be automatically known to the IRS without a Form 8948. *Form 8948 is accessible only from the Forms Menu (as Form 81) or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.*

Specified Tax Preparers. Preparers who may be required to file Form 8948 with a client's return are defined by the IRS as "specified tax preparers." These are preparers of returns in the Form 1040 series (and certain others, such as Form 1041) who expect to file 11 or more such returns during 2024. Preparers who do not meet this definition are not required to e-file returns and should not prepare Form 8948 for any returns in 2024 (for tax year 2023). **CAUTION:** *The IRS applies these rules to your entire firm in addition to individual preparers. As a result, even though you prepare less than 11 returns, you are still required to e-file if your firm as a whole prepares 11 or more returns.* Note that when counting returns you do not have to count returns that the client mails or otherwise delivers to the IRS rather than you. Those returns are exempt.

File completed form with the Form 1040 tax return. This form must be included with the paper return that is filed with the IRS. The software will automatically print this form with the return in the proper order when you choose to print "COMPLETE Tax Returns" when you generate an official printout of the return.

Top of printed form automatic. The information at the top of the official form is automatically completed, but only the tax year is shown on the screen:

Tax year on return. (*auto-calc*) Taken from your entry on the Control Form, this number is printed on the official form as the tax year of the return for which you are claiming a waiver.

The other information at the top of the form, which identifies the taxpayer(s) and paid preparer, is taken from Form 1040 and your Program Settings, respectively.

Choose only one reason. Even if more than one reason for not e-filing applies to you, *the IRS requires you to give only one reason* on Form 8948. As a result *the software will not allow you to answer Yes for any line that follows another Yes answer.*

1 Taxpayer chose to file this return on paper? Answer Yes only if the client has chosen to file a paper return and the client will mail the return to the IRS. If Yes, you should obtain a signed statement from the taxpayer for your files to confirm this choice.

2 Preparer received a waiver from the requirement to electronically file the tax return. *(auto-calc)* Automatically Yes if you make an entry on either of the following two lines and you answered No to line 1. Otherwise, No. This question is relevant to you only if you applied for a waiver from your requirement to e-file your returns by filing Form 8944 (*Preparer e-file Hardship Request*) and received approval from the IRS.

Waiver Reference Number. Enter the waiver number shown on the approval letter you received from the IRS in response to your Form 8944 application.

Approval Letter Date. Enter the date on the approval letter in the standard mo/dy/year format.

3 Preparer is a member of a recognized religious group that is conscientiously opposed to filing electronically? You can generally answer Yes only for a religious group that has existed continuously since December 31, 1950. (The answer will be forced to No if line 1 or line 2 is answered Yes.)

4 Return was rejected by IRS e-file and reject condition could not be resolved. *(auto-calc)* Automatically Yes if you enter at least one reject code below and lines 1, 2, and 3 are answered No. Otherwise, No.

Reject code. Enter the 4-digit code(s) listed in the IRS rejection message. You can list up to five error reject codes, separated by commas.

Number of attempts to resolve reject. Enter the number of transmissions attempted.

5 Preparer's e-file software package ...

does not support Form. Enter the forms supported by IRS e-file that prevent you from e-filing this return because they are not fully supported for e-file by this software. Do not make an entry here if any of the forms is not supported by the IRS for e-filing, and do not file this form with the return; you are neither required to e-file nor required to explain in this case.

does not support Schedule. Enter the schedules supported by IRS e-file that prevent you from e-filing this return because they are not fully supported for e-file by this software.

... attached to this return. *(auto-calc)* Automatically Yes if you made an entry on either of the preceding two lines and lines 1, 2, 3, and 4 are answered No. Otherwise, No.

6 Indicate one that applies:

- a Preparer is ineligible to file electronically because IRS e-file does not accept foreign preparers without social security numbers who live and work abroad?** In order to answer Yes here you must not only be a foreign person without an SSN but must also have applied for a PTIN and filed Form 8946 (*PTIN Supplemental Application for Foreign Persons Without a Social Security Number*). (The answer will be forced to No if line 1, 2, 3, 4, or 5 is answered Yes.)
- b Preparer is ineligible to participate in IRS e-file due to an IRS sanction.** In order to answer Yes here you must have received a letter from the IRS indicating that you have been dropped from the e-file program and that the sanction is in effect at least part of 2024. (The answer will be forced to No if line 1, 2, 3, 4, 5, or 6a is answered Yes.)
- c Other. Describe below the circumstances that prevented you from filing this return electronically.** Answer Yes only if all preceding answers are No, then itemize the following line to explain. (The answer will be forced to No if line 1, 2, 3, 4, 5, 6a, or 6b is answered Yes.)

ITEMIZE HERE to explain. If you choose 6c as your reason for not e-filing, explain in a supporting statement for this line. *TIP: If there is a limitation imposed by the software on a particular form or schedule that prevents you from e-filing a return, this is the place to identify the limitation. For example, if you are required to provide a supporting statement that is not supported by the software for e-file (such as line 2 of Form 8283), or you exceed the limits of the software (such as the number of vehicles for an alternative vehicle credit exceeds two), you would identify the form and line that are not supported for your case.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

Form 8949 / Sales and Other Dispositions of Capital Assets

Purpose. This form is used to show the details of transactions for Schedule D (*Capital Gains and Losses*) that are not reported elsewhere. These are short-term and long-term transactions resulting in capital gains and losses that are reported on lines 1b, 2, 3, 8b, 9, and 10 of Schedule D. The IRS requires that transactions for the three separate categories (determined by status with regard to Form 1099-B) in two holding period categories (short-term vs. long-term) be reported on separate Forms 8949 pages, so there can be as many as six pages of Form 8949. The data for lines 1b, 2, and 3 of Schedule D (short-term transactions) relate to separate copies of page 1 of Form 8949, and the data for lines 8b, 9, and 10 of Schedule D (long-term transactions) relate to separate copies of page 2 of Form 8949. (Pages with no data are not printed.) The sole purpose of Form 8949 is for official printouts, and it is fully automatic based on worksheets you complete on our Schedule D. Because it is automatically generated and completed, and has no user entries, it is not accessible through the Road Map. Although it is accessible from the Forms Menu, the only numbers you will see on the screen are those for the totals for each category in each holding period. The property-by-property details are shown only on the official printout of Form 8949 (and on the Schedule D on-screen worksheets where you enter the information for each property).

Form 8949 is fully automatic. Form 8949 is automatically created and completed based on entries you make on the *Gain/Loss Worksheets* for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D, which are only accessible from Schedule D. There is no need to view Form 8949 on the screen. It exists in the software solely for official printouts for the IRS.

PART I, SHORT-TERM. All entries for this part come from data you entered on worksheets for lines 1b, 2, and 3 in Part I of Schedule D.

A Short-term transactions reported on Form 1099-B with basis reported to the IRS. This category is reported on line 1b of Schedule D. If any amounts are reported on that line, Form 8949, page 1, will be printed with box A checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 1b of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 1, with box A checked. Up to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

- (d) **Sales price.** *(auto-calc)* Taken from line 1b(d) of Schedule D, this is the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category A.
- (e) **Cost or other basis.** *(auto-calc)* Taken from line 1b(e) of Schedule D, this is the sum of all amounts in column (e) of line 1 of the official printout of Form 8949 for 1099-B category A.
- (g) **Adjustments.** *(auto-calc)* Taken from line 1b(g) of Schedule D, this is the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category A.
- (h) **GAIN or LOSS.** *(auto-calc)* Taken from line 1b(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category A.

B Short-term transactions reported on Form 1099-B with basis not reported to the IRS. This category is reported on line 2 of Schedule D. If any amounts are reported on that line, Form 8949, page 1, will be printed with box B checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 2 of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 1, with box B checked. Up to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

- (d) **Sales price.** *(auto-calc)* Taken from line 2(d) of Schedule D, this is the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category B.
- (e) **Cost or other basis.** *(auto-calc)* Taken from line 2(e) of Schedule D, this is also the sum of all amounts in column (e) of line 1 of the official printout of Form 8949 for 1099-B category B.
- (g) **Adjustments.** *(auto-calc)* Taken from line 2(g) of Schedule D, this is also the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category B.
- (h) **GAIN or LOSS.** *(auto-calc)* Taken from line 2(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category B.

C Short-term transactions not reported on Form 1099-B. This category is reported on line 3 of Schedule D. If any amounts are reported on that line, Form 8949, page 1, will be printed with box C checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 3 of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 1, with box C checked. Up

to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

(d) Sales price. *(auto-calc)* Taken from line 3(d) of Schedule D, this is also the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category C.

(e) Cost or other basis. *(auto-calc)* Taken from line 2(e) of Schedule D, this is also the sum of all amounts in column (e) of the official printout of line 1 of Form 8949 for 1099-B category C.

(g) Adjustments. *(auto-calc)* Taken from line 2(g) of Schedule D, this is the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category C.

(h) GAIN or LOSS. *(auto-calc)* Taken from line 2(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category C.

PART II, LONG-TERM GAINS AND LOSSES—ASSETS HELD MORE THAN ONE YEAR. All entries for this part come from data you entered on worksheets for lines 8b, 9, and 10 in Part II of Schedule D.

D Long-term transactions reported on Form 1099-B with basis reported to the IRS. This category is reported on line 8b of Schedule D. If any amounts are reported on that line, Form 8949, page 2, will be printed with box D checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 8b of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 2, with box D checked. Up to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

(d) Sales price. *(auto-calc)* Taken from line 8b(d) of Schedule D, this is also the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category A.

(e) Cost or other basis. *(auto-calc)* Taken from line 8b(e) of Schedule D, this is also the sum of all amounts in column (e) of line 1 of the official printout of Form 8949 for 1099-B category A.

(g) Adjustments. *(auto-calc)* Taken from line 8b(g) of Schedule D, this is also the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category A.

(h) GAIN or LOSS. *(auto-calc)* Taken from line 8b(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category A.

E Long-term transactions reported on Form 1099-B with basis not reported to the IRS. This category is reported on line 9 of Schedule D. If any amounts are reported on that line, Form 8949, page 2, will be printed with box E checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 9 of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 2, with box E checked. Up to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

(d) Sales price. *(auto-calc)* Taken from line 9(d) of Schedule D, this is also the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category B.

(e) Cost or other basis. *(auto-calc)* Taken from line 9(e) of Schedule D, this is also the sum of all amounts in column (e) of line 1 of the official printout of Form 8949 for 1099-B category B.

(g) Adjustments. *(auto-calc)* Taken from line 9(g) of Schedule D, this is also the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category B.

(h) GAIN or LOSS. *(auto-calc)* Taken from line 9(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category B.

F Long-term transactions not reported on Form 1099-B. This category is reported on line 10 of Schedule D. If any amounts are reported on that line, Form 8949, page 2, will be printed with box F checked and the below information detailed with data from the Schedule D worksheets.

1 Transactions. The official printed Form 8949 will show on line 1 the list of transactions reported on the worksheets for line 10 of Schedule D. They are not shown on the screen, but are automatically printed on the official Form 8949, page 2, with box F checked. Up to 28 transactions are shown on this page. If you have more than 28 transactions for this category, all transactions will be shown in a supporting statement for this line.

2 TOTALS. The totals for 4 columns of Form 8949, line 1, are shown here.

(d) Sales price. *(auto-calc)* Taken from line 10(d) of Schedule D, this is also the sum of all amounts in column (d) of line 1 of the official printout of Form 8949 for 1099-B category C.

(e) Cost or other basis. *(auto-calc)* Taken from line 10(e) of Schedule D, this is also the sum of all amounts in column (e) of line 1 of the official printout of Form 8949 for 1099-B category C.

(g) Adjustments. *(auto-calc)* Taken from line 10(g) of Schedule D, this is also the sum of all amounts in column (g) of line 1 of the official printout of Form 8949 for 1099-B category C.

(h) GAIN or LOSS. *(auto-calc)* Taken from line 10(h) of Schedule D, this is the sum of all amounts in column (h) of line 1 of the official printout of Form 8949 for 1099-B category C.

Form 8959 / Additional Medicare Tax**

**** Included in Standard and Premium Level software ONLY.** This form is built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure the amount of *Additional Medicare Tax* that high-income taxpayers owe because of a 0.9% surtax and to report any withholding taken by an employer for that tax. The surtax applies to the amount of wages plus self-employment income that exceeds a threshold that depends on filing status: \$250,000 if married filing jointly, \$125,000 if married filing separately, and \$200,000 for all others. However, an employer will withdraw 0.9% on wages above \$200,000 for all taxpayers. The tax from this form is reported on Schedule 2, line 11, and the withholding is included in Form 1040, line 25c. *Form 8959 is accessible through the Road Map at Schedule 2, line 11, and the FORM 8959 component of Form 1040, line 25c.*

IMPORTANT INSTRUCTIONS. The IRS has designed this form under the unrealistic assumption that all Forms W-2 that a taxpayer receives are completed precisely as the IRS intended in their *2023 General Instructions for Forms W-2 and W-3*. However, those instructions omit critical details in some of their line-by-line instructions, so the form is often improperly prepared. You may therefore have to make adjustments for use in this form. In addition, the calculations for this form have access only to the totals on screen 5 of Form 1040 from our *W-2 Worksheets* rather than all the details on the worksheets themselves. These totals are sufficient for a fully automated Form 8959 for most taxpayers, but the are ***exceptions that will require you to enter adjustments on this form:***

- **Unreported tips** (not shown on Form W-2) subject to Medicare tax.
- **Elective deferrals** excluded from box 1 of Form W-2 but subject to Medicare tax.
- **RRTA** compensation and withholding reported in box 14 rather than boxes 3 through 8 of Form W-2.
- **Any other factor that makes Medicare wages and tips differ from wages and tips subject to income tax.**

As a result, you will see entries related to these exceptions on the accessible data entry lines on this form. Since some of the adjustments require information on the *W-2 Worksheets* you prepared for Form 1040, line 1a, edited copies of those worksheets are accessible here for easy access while preparing Form 8959:

W-2 Worksheets for you. (*Attached to your W-2 Worksheets for line 1a of our on-screen Form 1040.*) When you itemize this line, you will see copies of the *W-2 Worksheets* you prepared for the primary taxpayer with most lines that are irrelevant to Form 8959 removed. **TIP:** *The worksheets are accessible here only for your viewing. You cannot change any of their entries here, but rather on the worksheets accessible from line 1a of Form 1040.*

W-2 Worksheets for spouse. (*Attached to spouse's W-2 Worksheets for line 1 of our on-screen Form 1040.*) When you itemize this line, you will see copies of the *W-2 Worksheets* you prepared for the secondary taxpayer with most lines that are irrelevant to Form 8959 removed. **TIP:** *The worksheets are accessible here only for your viewing. You cannot change any of their entries here, but rather on the worksheets accessible from line 1a of Form 1040.*

Entries of particular interest for completing this form are those for elective deferrals (amounts in box 12 of Form W-2 that are identified with code D, E, F, G, or S), the Medicare lines for RRTA compensation in box 14, and the sum of allocated tips in box 8 plus your entries (below line 8 of the worksheets) for any adjustment to box 8 for Form 1040.

PART I, ADDITIONAL MEDICARE TAX ON MEDICARE WAGES. If the wages in box 1 of all Forms W-2 are the same as Medicare Wages and Tips in box 5 of Forms W-2, and you have no unreported tips, you will generally not need to make any entries in this part of the form. **CAUTION:** *Otherwise, this part requires manual entries to properly complete lines 1, 2, and 3, and may require you to correct incomplete W-2 Worksheets for Form 1040.*

Wages and tips in Form 1040, line 1a. (*auto-calc, supported by Form 1040*) This total is shown at the top of screen 6 of Form 1040 as "1a Total from Form(s) W-2, box 1." It is the sum of amounts on all W-2 Worksheets for box 1, and is the sum of taxable wages and tips reported to the employer. (Unreported tips are handled at line 2, from Form 4137, for most taxpayers. However, if actual i . e adjustment was properly entered on all worksheets, this is the sum of taxable wages, reported tips, and unreported tips, which are subject to income tax. The following entries are adjustments to this total required for some taxpayers to arrive at the total subject to Medicare tax, presumably reported in box 5 of Forms W-2.

Deferred compensation not in above. Qualified deferred compensation is not subject to income tax, and is therefore not included in the previous line, but is subject to Medicare tax. It therefore must be added to the preceding amount through this entry. The proper amount will usually be shown in box 12 of Forms W-2 with the code D, E, F, G, or S.

RRTA compensation in above. For Forms W-2 completed for RRTA compensation, the wages are included in the above total for line 1a of Form 1040, but they are *not* a part of Medicare wages for line 1 of this form because they are handled separately in Part III of this form. The amount you enter here will be excluded from line 1, below, and included in line 14 (in Part III) instead. The amount for this line should be reported to you in box 14 of the Form W-2 you receive. **TIP:** *If box 14 includes any RRTA qualified deferred compensation, be sure to include that amount in your previous entry for "Deferred compensation not in above."*

Other adjustment for line 1. If the Medicare wages and tips in box 5 of Forms W-2 differs from the sum of the above four amounts, you must generally enter an adjustment here as a negative or positive number to compensate. You can also use this line to make corrections for an improperly prepared Form W-2 as well.

1 Medicare wages and tips from Form W-2, box 5. *(auto-calc)* Computed as “Wages and tips in Form 1040, line 1a” plus “Deferred compensation not in above” less “Independent contract wages in above” minus “Unreported tips in above” minus “RRTA compensation and tips in above” plus “Other adjustment for line 1.” This is the amount of Medicare wages and tips that were (or should have been) reported in box 5 of Form(s) W-2.

2 Unreported tips from Form 4137, line 6. *(If Premium Level, Road Map line supported by Form 8332.)* If you received more than \$20 of tips in any one month *that you did not report to your employer, you must file Form 4137*, where social security and Medicare taxes are imposed on those tips. The unreported tips reported on that form are reported here. *TIP: Line 6 of Form 4137, entered here, can be less than the amount you report on Form 1040, line 1c, which is box 8 of your Form(s) W-2 plus any adjustment you enter below that line on our W-2 Worksheets. That’s because tips under \$20 in any month are not subject to social security or Medicare tax, yet they are taxable income for the purposes of regular income tax.*

Wage income erroneously reported on Form 1099-MISC or Form 1099-NEC.

If your employer reports some of all of the income paid to you on Form 1099-MISC or Form 1099-NEC but you believe you are an employee, not an independent contractor, and therefore do not file Schedule C (*Profit or Loss from Business*) to report that income, then you must file Form 8919 (*Uncollected Social Security and Medicare Tax on Wages*) to report those wages. The wages subject to income tax, shown on line 6 of Form 8919, are then reported on line 1g of Form 1040 as wage income (and reflected in income tax figured on line 16 of Form 1040), and social security and Medicare tax due on that income, shown on line 13 of Form 8919, is reported on line 6 of Schedule 2. In addition, *the wage income on line 6 of Form 8919 must be reported on line 3 of this Form 8959*, below, in order for you to be credited for the Medicare tax part of your entry for line 6 of Schedule 2. See the IRS *2023 Instructions for Form 8919* for more information, including the conditions under which you must file IRS Form SS-8 (*Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*).

Your Form 8919, line 6. Enter here the amount on line 6 of the Form 8919 filed for you, which is your total wages from employers not reported to you as wages, as described in the preceding shaded box.

Spouse’s Form 8919, line 6. Enter here the amount on line 6 of the Form 8919 filed for the spouse, which is spouse’s total wages from

employers not reported to you as wages, as described in the preceding shaded box.

- 3 Wages from Form 8919, line 6.** *(auto-calc)* Computed as "Your Form 8919, line 6" plus, if married filing jointly, "Spouse's Form 8919, line 6."
- 4 Add lines 1 through 3.** *(auto-calc)* Computed as indicated, this is the total wages subject to Medicare tax for you (and spouse, if married filing jointly), excluding RRTA compensation. It includes Medicare taxes withheld by employers and the taxes you are paying with this tax return via Forms 4137 and 8919.
- 5 Amount for your filing status.** *(auto-calc)* The threshold that applies for your filing status appears here: \$250,000 if married filing jointly, \$125,000 if married filing separately, and \$200,000 otherwise. You are liable for the *Additional Medicare Tax* on wages above this threshold.
- 6 Subtract line 5 from line 4.** *(auto-calc)* Computed as indicated, this is excess of total Medicare wages over the above threshold.
- 7 Multiply line 6 by 0.9%.** *(auto-calc)* Computed as indicated, this is the *Additional Medicare Tax* on wages, which will be reflected in Schedule 2, line 8a.

PART II, ADDITIONAL MEDICARE TAX ON SELF-EMPLOYMENT. If self-employment income plus Medicare wages on line 4 exceeds the threshold on line 5, you are liable for yet more *Additional Medicare Tax*. *This part is fully automatic.*

- 8 Self-employment income from Schedule SE, Section A, line 4, or Section B, line 6.** *(auto-calc, supported by Schedules SE)* Computed as the sum of the cited amount on your Schedule SE (but no less than zero) plus, if married filing jointly, the cited amount on spouse's Schedule SE (but no less than zero). Note that you cannot use one spouse's losses to offset the other spouse's profits. Only the net profit for each spouse is considered on this form. Also, any Schedule SE that is *not* printed when you choose "*COMPLETE Tax Returns*" or "*ALL forms*" when printing official returns, is not included in this amount because those returns are not subject to the self-employment tax and are not a part of the filed return.
- 9 Amount for your filing status.** *(auto-calc)* The threshold that applies for your filing status appears here: \$250,000 if married filing jointly, \$125,000 if married filing separately, and \$200,000 otherwise. You are liable for the *Additional Medicare Tax* when wages and self-employment income combined exceeds threshold.
- 10 Amount from line 4.** *(auto-calc)* Taken from line 4, as indicated.
- 11 Subtract line 10 from line 9.** *(auto-calc)* Computed as indicated, but no less than zero.
- 12 Subtract line 11 from line 8.** *(auto-calc)* Computed as indicated, but no less than zero.

13 Multiply line 12 by 0.9%. *(auto-calc)* Computed as indicated, this is the *Additional Medicare Tax* on self-employment income, which will be reflected in Schedule 2, line 8a.

PART III, ADDITIONAL MEDICARE TAX ON RAILROAD RETIREMENT TAX ACT (RRTA) COMPENSATION. The high-income thresholds are applied separately for RRTA compensation. Therefore, there will be no *Additional Medicare Tax* on this compensation if it does not exceed the threshold on line 5. *This part is fully automatic.*

14 Railroad retirement (RRTA) compensation and tips from Form(s) W-2, box 14. *(auto-calc)* Taken from your entry above line 1 for "RRTA compensation in above," this is the amount to be compared with the applicable threshold.

15 Amount for your filing status. *(auto-calc)* The threshold that applies for your filing status appears here: \$250,000 if married filing jointly, \$125,000 if married filing separately, and \$200,000 otherwise. You are liable for the *Additional Medicare Tax* when RRTA compensation exceeds threshold.

16 Subtract line 15 from line 14. *(auto-calc)* Computed as indicated, but no less than zero.

17 Multiply line 16 by 0.9%. *(auto-calc)* Computed as indicated, this is the *Additional Medicare Tax* on RRTA compensation, which will be reflected in Schedule 2, line 8a.

PART IV, TOTAL ADDITIONAL MEDICARE TAX. Taxes computed in Parts I, II, and III are combined here. *This part is fully automatic.*

18 Add lines 7, 13, and 17. *(auto-calc)* Computed as indicated, this is the total *Additional Medicare Tax* that you owe (over and above any amount withheld on your behalf). This amount is posted to Schedule 2, line 8a.

PART V, WITHHOLDING RECONCILIATION. *Additional Medicare Tax* withheld by your employers is computed here. **CAUTION:** *This part requires manual entries if any RRTA compensation applies. A problem in this part indicates that you have not accounted for all factors in completing Part I of this form.*

Medicare and Tier 1 withholding. *(auto-calc)* Taken from your amount for "Medicare & Tier 1 tax withheld" on screen 5 of Form 1040 plus, if married filing jointly, the corresponding amount for spouse.

RRTA Tier 1 part of above. The preceding amount includes Medicare tax withholding for RRTA compensation reported in box 14 of Form W-2 rather than box 6. However, line 19 of this form applies only to the amount in box 6, so you must deduct the RRTA portion here.

19 Medicare wages tax withheld from Form W-2, box 6. *(auto-calc)* Computed as "Medicare and Tier 1 withholding" less "RRTA part of above," but no less than zero.

20 Amount from line 1. *(auto-calc)* Taken from line 1 of this form, as indicated, this is the total for all wages and tips other than those reported for RRTA compensation.

- 21 Multiply line 20 by 1.45%. (*auto-calc*)** Computed as indicated, this is the regular Medicare tax that applies to all wages and tips other than RRTA compensation. ***CAUTION:*** *If this amount is more than the amount on line 19, you have not properly accounted for all factors above line 1 or on your W-2 Worksheets. Because of the IRS design for this form, your W-2 Worksheets must be completed more strictly in accordance with our instructions, even though the rest of the return may not require it.*
- 22 Subtract line 21 from line 19. (*auto-calc*)** Computed as indicated, but no less than zero and no more than 0.9% of the excess of line 20 over \$200,000. ***CAUTION:*** *If the result on this line is less than line 19 minus line 21, you have not properly accounted for all factors above line 1 or on your W-2 Worksheets because 19 less line 21 will never be more than 0.9% of the excess of line 20 over \$200,000 when line 1 is proper. Therefore, if this limit needs to be applied, you need to determine the reason why and correct it!* (The limit that we apply is a safety factor that guards against claiming credit for Medicare tax that was not actually withheld.)
- 23 Additional Medicare Tax withholding on railroad retirement (RRTA) compensation from Form W-2, box 14.** This amount does not appear separately on our *W-2 Worksheets*, but the IRS expects the employer to state it separately from regular Medicare tax in box 14 of Form W-2. Nevertheless, employers can easily overlook the need for the separate statement of the two kinds of Medicare tax, so you may have to compute it from the total Medicare tax withholding. To do so, compute 1.45% of the amount identified as RRTA compensation in box 14 of Form W-2. If the amount identified in box 14 as the total Medicare tax withholding exceeds this result, the excess is your *Additional Medicare Tax* withholding and should be entered here. ***CAUTION:*** *You should have no amount here if no Form W-2 shows RRTA wages and tips that exceed \$200,000, since employers are required to withhold Additional Medicare Tax only on wages that exceed \$200,000.* Because of the potential for error, the software limits your entry here to be no more than 0.9% of the excess of line 14 over \$200,000 and no more than the RRTA withholding identified above line 19 less 1.45% of line 14.
- 24 Total Additional Medicare Tax withholding. (*auto-calc*)** Computed as the sum of lines 22 and 23, this amount is posted to Form 1040 as a component of line 25c of Form 1040 as Medicare tax already paid through withholding.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8960** / Net Investment Income

**** Included in Standard and Premium Level software ONLY.** This form is built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure the amount of Net Investment Income Tax that high-income taxpayers owe because of a new 3.8% surtax. The surtax applies to the lesser of (a) net investment income (after certain expenses) or (b) modified adjusted gross income (MAGI) that exceeds a threshold. The MAGI threshold is \$250,000 if married filing jointly or qualifying surviving spouse, \$125,000 if married filing separately, and \$200,000 if single or head of household. Form 8960 is automatically created and completed when your MAGI exceeds the threshold and net investment income (determined from Form 1040, Schedule 1, Schedule A, and Form 4952) is greater than zero. However, you may have to make adjustments for special situations, as detailed here. The tax from this form is reported on Schedule 2, line 12. Therefore, Form 8960 is accessible through the Road Map at Schedule 2, line 12.

PART I, INVESTMENT INCOME. Investment income generally includes only interest, dividends, capital gains, net income from the sale of property, royalties, rents, income allocated from partnerships, S corporations, and trusts. However, there are exceptions including both additions and exclusions. A reading of the IRS *2023 Instructions for Form 8960* is therefore highly recommended.

Elections. The elections affect how you determine what to enter on Form 8960, but they apply only to relatively uncommon circumstances:

Either spouse nonresident alien? You should answer Yes here if

- (a) either spouse was a nonresident alien (NRA) at the end of the tax year (and married to a U.S. citizen or resident), or
- (b) either spouse (or both) was a nonresident alien at the beginning of the tax year, but was a U.S. citizen or resident at the end of the year (and married to a U.S. citizen or resident).

In either case, you can elect to be treated as filing jointly or separately for the purposes of this form (under section 6013(g) for case (a), and section 6013(h) for case (b).) If you elect to be treated jointly, Form 8960 is completed in the normal way like any other joint filers. *But if you do not choose this election, you must make adjustments on a number of lines in order to remove the entries attributable to the nonresident alien.*

Section 6013(g) election? Answer Yes only if (a), above, applies to you.

If you answer Yes, any entries you make on lines labeled "Adjustment for non-resident alien" will be ignored in the calculations. However, if you answer Yes to the preceding question and No to this question, your entries for "Adjustment for non-resident alien" will be used in the calculations.

Section 6013(h) election? Answer Yes only if **(b)**, above, applies to you.

If you answer Yes, any entries you make on lines labeled "Adjustment for non-resident alien" will be ignored in the calculations. However, if you answer Yes to the preceding question and No to this question, your entries for "Adjustment for non-resident alien" will be used in the calculations.

Section 1.1411-10(g) election? This election applies only if you own stock of a controlled foreign corporation (CFC) or a qualified electing fund (QEF). Under the election, regular income from the entity is counted as net investment income but distributions from the entity are not. See the IRS *2023 Instructions for Form 8960* for detailed information on this election. If you make this election, you will make all adjustments relevant to this election on line 6 of Form 8960.

1 Taxable interest. No entry is required for this line unless either spouse is or was a nonresident and you did not choose the election.

Interest from Form 1040, line 2b. *(auto-calc, supported by Form 1040)* Taken from Form 1040, as indicated, this line includes all taxable interest.

Adjustment for non-resident alien. An entry is appropriate here only if you answered Yes to the non-resident alien question but No to the election to file jointly. Otherwise, your entry is ignored in the determination of the amount for line 1. Your entry should remove any part of the preceding line that applies to the non-resident alien.

1 Taxable interest. *(auto-calc)* Normally taken as "Interest from Form 1040, line 2b," but modified by the preceding entry if you answered Yes to the non-resident alien question but No to the election to file jointly.

2 Ordinary dividends. No entry is required for this line unless either spouse is or was a nonresident and you did not choose the election.

Dividend from Form 1040, line 3b. *(auto-calc, supported by Form 1040)* Taken from Form 1040, as indicated, this line includes *all* taxable dividends, not just qualified dividends.

Adjustment for non-resident alien. An entry is appropriate here only if you answered Yes to the non-resident alien question but No to the election to file jointly. Otherwise, your entry is ignored in the determination of the amount for line 2. Your entry should remove any part of the preceding line that applies to the non-resident alien.

2 Taxable dividends. *(auto-calc)* Normally taken as "Dividend from Form 1040, line 3b," but modified by the preceding entry if you answered Yes to the non-resident alien question but No to the election to file jointly.

3 Annuities from nonqualified plans. Net investment income from annuities that applies to this line is generally shown on the Form 1099-R you receive, identified as code D in box 7. However, there are exceptions, so you should

read the IRS instructions for this line in the IRS *2023 Instructions for Form 8960* before making an entry here.

4 Rental real estate, royalties, partnerships, S corporations, trusts, etc. No entry is required for this line unless either spouse is or was a nonresident and you did not choose the election.

Rentals, partnerships, etc. from Schedule 1, line 5. *(auto-calc, supported by Schedule 1)* Taken from Schedule 1, as indicated, this line represents all income reported on Schedule E.

Adjustment for non-resident alien. An entry is appropriate here only if you answered Yes to the non-resident alien question but No to the election to file jointly. Otherwise, your entry is ignored in the determination of the amount for line 4a. Your entry should remove any part of the preceding line that applies to the non-resident alien.

4a Rental real estate, partnerships, S corps, etc. *(auto-calc)* Normally taken as the amount from Schedule 1, line 5, but modified by the preceding entry if you answered Yes to the non-resident alien question but No to the election to file jointly.

4b Adjustment for net income or loss derived in the ordinary course of a non-section 1411 trade or business. This entry is intended to remove from line 4a any amount attributable to a *bona fide* trade or business, as opposed to an investment. The definition of “trade or business” in this context is more restrictive than that used under the passive activity rules, so you may need to read the IRS instructions and section 162 of the tax code if you are not sure of the classification for all activities included in line 4a.

4c Combine lines 4a and 4b. *(auto-calc)* Computed as the sum of the preceding two entries.

5 Net gain or loss from the disposition of property. You may have to make an entry on line 4b or 4c, above, because the gains and losses in line 7 of Form 1040 and line 4 of Schedule 1 can contain a number of items that can be excluded from investment income for this form.

Capital gains and losses from Form 1040, line 7. *(auto-calc, supported by Schedule 1)* Taken from Form 1040, as indicated, this line represents the net gain or loss resulting on Schedule D.

Other gains and losses from Schedule 1, line 4. *(auto-calc, supported by Schedule 1)* Taken from Schedule 1, as indicated, this line represents the net gain or loss resulting on Form 4797.

Adjustment for non-resident alien. An entry is appropriate here only if you answered Yes to the non-resident alien question but No to the election to file jointly. Otherwise, your entry is ignored in the determination of the amount for line 5a. Your entry should remove any part of the preceding line that applies to the non-resident alien.

5a Net gain or loss from the disposition of property. *(auto-calc)* Normally computed as the sum of Form 1040, line 7, and Schedule 1, line 4, but modified by the preceding entry if you answered Yes to the non-resident alien question but No to the election to file jointly.

Excludable part of above. You should enter here the part of the amount on line 5a that is not subject to net investment income tax. A number of specialized gains and losses are excludable, as detailed in the IRS instructions for line 5b. We require you to enter the excludable amount here, rather than directly on line 5b, because the IRS label for line 5b is misleading. As the IRS instructions make clear, the amount for line 5b is the *negative* of what the label implies. For example, if a gain of \$500 is excludable, you are instructed to enter minus \$500 on line 5b, not the excludable amount of \$500. We therefore negate your entry for you.

5b Adjustment for disposition not subject to net investment income tax. (*auto-calc*) Computed as the negative of the preceding entry (making this line negative if the preceding entry is positive, but positive if the preceding entry is negative). For the on-screen form, we have changed the IRS words “Net gain or loss from” to “Adjustment for” in order to clarify the meaning of this line.

5c Adjustment from disposition of partnership interest or S corporation stock. (*Supported by the Interest Disposition Worksheet, Figure 2-80.*) You must generally include in your net investment income the gain or loss you realize from disposing of all or part of your interest in a partnership or S corporation. The worksheet that supports this line shows the information that you must provide to describe the change in your interest, as described by the IRS as “Required statements” on page 5 of the IRS *2023 Instructions for Form 8960*. The last line of the worksheet (line e) is posted to this line as an adjustment for line 5d. **CAUTION for e-file:** *Completion of the worksheet is mandatory for e-file returns when there is an amount for line 5c.*

5d Combine lines 5a through 5c. (*auto-calc*) Computed as the sum of lines 5a, 5b, and 5c.

6 Changes to investment income for certain CFCs and PFICs. This line applies only to those who own stock of a controlled foreign corporation (CFC) or a passive foreign investment company (PFIC). Your entry for this line should reflect the s that apply only to CFCs and PFICs. And what you enter here depends on whether or not you made the section 1.1411-10(g) election on screen 1. See the IRS *2023 Instructions for Form 8960* for details.

7 Other modifications to investment income. This line is a “catch all” line for all adjustments not reflected in any of the preceding lines. In the *2023 Instructions for Form 8960*, the IRS details several examples of the kind of adjustment that applies here. You should therefore read pages 11 through 14 of the IRS instructions before you make an entry here.

8 Total investment income. (*auto-calc*) Computed as the sum of lines 1, 2, 3, 4c, 5d, 6, and 7, this is the total income subject to the new tax *before* reduction by eligible expenses.

Interest Disposition Worksheet, Figure 2-80. This worksheet supports line 5c of Form 8960, where an adjustment for the net gain or loss from a disposition of interest in a partnership or S corporation is entered. You must complete a separate worksheet for each separate entity for which your interest in the entity was changed. **TIP:** This worksheet is patterned after the list in the *Required statements* paragraph on page 5 of the IRS 2023 *Instructions for Form 8960*, so you should refer to the IRS instructions if you need further guidance.

a. Description. Describe the disposed interest on the six 25-character fields provided.

Include any relevant information provided by the partnership or S corporation relating to the disposition.

b. Name of partnership or S corp. Enter the

name of the entity for the disposed interest in the provided 30-character field.

c. EIN of partnership or S corp. Enter the employer identification number (EIN) of the entity in the standard xx-xxxxxxx format.

d. Net gain on disposition. Enter the amount of gain on the disposition of your interest in the entity that is included in line 5a of Form 8960.

e. Adjustment for line 5c. Enter the amount of your adjustment for line 5c. For the simplest cases, this will be the negative of your entry on line d, above.

INTEREST DISPOSITION WKSHT	
a. Description (Use these six lines to supply relevant info from partnership or S corp.)	
b. Name of partnership or S corp:	
c. EIN of partnership or S corp	
d. Net gain included in ln 5a.	0
e. Adjustment to net for ln 5c	0

Figure 2-80. Interest Disposition Worksheet

PART II, INVESTMENT EXPENSES ALLOCABLE TO INVESTMENT INCOME AND MODIFICATIONS. Most amounts are taken automatically from Schedule A and Form 4952, but you may have an adjustment for line 9a, 9b, or 9c.

9 Investment expenses. This line is fully automatic for most returns, but you may have to make adjustments if a non-resident alien is involved or one of the other special cases cited in the IRS instructions applies.

Investment interest expense on Schedule A, line 9. (*Road Map line supported by Schedule A.*) Taken from Schedule A, as indicated, this line represents the part of investment interest expense on line 8 of Form 4952 (*Investment Interest Expense Deduction*) that is reported on Schedule A.

Adjustment for non-resident alien. An entry is appropriate here only if you answered Yes to the non-resident alien question but No to the election to file jointly. Otherwise, your entry is ignored in the deter-

mination of the amount for line 9a. Your entry should remove any part of the preceding line that applies to the non-resident alien.

9a Investment interest expenses. *(auto-calc)* Normally taken as the amount from line 9 of Schedule A, but modified by the preceding entry if you answered Yes to the non-resident alien question but No to the election to file jointly.

State income tax for Schedule A, line 5a. *(Road Map line supported by Schedule A.)* Taken from Schedule A, as indicated, this line represents the deduction on line 5a of Schedule A only if you chose the income tax option rather than the sales tax option for line 5a of Schedule A. (Sales tax is not an option for Form 8960.)

Adjustment for line 9b. You may have to enter a negative adjustment here if your deduction on Schedule A was reduced either by AGI limitations or high-income limitations. See IRS instructions for line 9b for details.

9b State income tax. *(auto-calc)* Computed as the sum of the preceding two entries.

Miscellaneous investment expense from Form 4952, line 5. *(Road Map line supported by Form 4952.)* Taken from Form 4952, as indicated. See the IRS *2023 Instructions for Form 4952* for details.

Adjustment for line 9c. AGI limitations are already reflected in line 5 of Form 4952. However, you may have to enter a negative adjustment here if your deductions are reduced by high-income limitations. See IRS instructions for line 9c for details.

9c Miscellaneous investment expenses. *(auto-calc)* Computed as the sum of the preceding two entries.

9d Combine lines 9a, 9b, and 9c. *(auto-calc)* Computed as the sum of the indicated lines.

10 Additional modifications. This line is a “catch all” line for all adjustments not reflected in line 9d for investment expenses. In the *2023 Instructions for Form 8960*, the IRS details several examples of the kind of adjustment that applies here. You should therefore read pages 15 through 10 of the IRS instructions before you make an entry here.

11 Total deductions and modifications. *(auto-calc)* Computed as the sum of lines 9d and 10, this is the total of all deductions allowed to offset the investment income computed in Part I.

PART III, TAX COMPUTATION. This part is fully automatic for most taxpayers. However, you may have to make an adjustment to AGI if a special case cited below applies.

12 Net investment income. *(auto-calc)* Computed as line 8 less line 11, but no less than zero. This is the income subject to taxation for high-income taxpayers.

INDIVIDUALS: Only lines 13 through 17 of apply to Form 1040 returns.

13 Modified adjusted gross income. For this form, modified AGI is the same as AGI without modification for most taxpayers. However, modifications apply for two special cases, shown below.

Adjusted gross income (from Form 1040, line 11). *(auto-calc, supported by Form 1040.)* Taken from Form 1040, as indicated, this is AGI before any modifications.

Adjustment under section 911. If the above AGI reflects a reduction under section 911, you must add back that reduction here. See IRS 2023 Instructions for Form 8960 for details.

Adjustment for CFCs and PFICs. If you own stock of a controlled foreign corporation (CFC) or a passive foreign investment company (PFIC), you may have to increase AGI for certain special cases. See IRS 2023 Instructions for Form 8960 for details.

13 Modified adjusted gross income. *(auto-calc)* Computed as the sum of the preceding three lines.

14 Threshold for filing status. *(auto-calc)* Normally computed based on the filing status on Form 1040 as \$250,000 if married filing jointly or qualifying surviving spouse, \$200,000 if single or head of household, and \$125,000 if married filing separately. However, if you indicated a non-resident spouse on screen 1 but you did not indicate a joint filing election, this line is computed as \$125,000 rather than \$250,000 for joint filers.

15 Subtract line 14 from line 13. *(auto-calc)* Computed as indicated, but no less than zero.

16 Smaller of line 12 or line 15. *(auto-calc)* Computed as indicated, this is the amount subject to the new 3.8% surtax.

17 Net investment income tax for individuals. *(auto-calc)* Computed as 3.8% of line 16, this is the tax for line 12 of Schedule 2.

ESTATES AND TRUSTS: The remainder of the form (lines 18a through 21) applies only to estates and trusts for a Form 1041 return, and are not relevant to this Form 1040 return, so all amounts are automatically zero.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8962** / Premium Tax Credit (PTC)

**** Included in Standard and Premium Level software ONLY.** This form is built into the Standard and Premium Level versions of Tax Preparer.

Purpose. This form is used to figure the amount of allowed *Premium Tax Credit (PTC)* or the tax owed because of excess *Advance Premium Tax Credit* (received in the form of reduced insurance premiums). It applies ONLY to those who enrolled (or whose family members enrolled) in a health plan offered through the government-run Marketplace. The credit you are allowed for tax year 2023 depends on the total 2023 income for you, spouse, and dependents you claim. However, if your premiums were reduced by claiming a monthly advance on your credit, you must reconcile the amount your insurance premiums were reduced, which was based on estimated 2023 income, with the actual credit to which you are entitled. As a result, you could owe a tax if the reduction exceeded your allowed credit, or you could claim a credit if the reduction was less than your allowed credit. Form 8962 is accessible through the Road Map at line 2 of Schedule 2 and line 9 of Schedule 3.

QSEHRA complicates Form 8962. Thanks to an unpublicized tax bill signed into law at the end of 2016 (*21st Century Cures Act of 2016*), eligible small employers can provide a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) to their eligible employees. If you were provided a QSEHRA for 2023, your employer will report the permitted benefit to you in box 12 of your 2023 Form W-2 and you will have to follow special rules in completing Part II of Form 8962. Employees for whom the QSEHRA is affordable are not allowed any Premium Tax Credit (PTC), and employees for whom it is unaffordable must reduce their monthly PTC by the permitted monthly premium benefit. The result is 3 additional entries that you must make for either the annual amounts in line 11 or for each month of the monthly amounts in lines 12 through 23 in order to determine the amount for line e (column (e) on the printed form) of each of these numbered lines.

TIP: Study IRS instructions ... and IRS Pub. 974 if unsure. The rules for this form are extremely complex for some taxpayers, especially for shared insurance policies and mid-year changes in marital state. And some of parts of the form are contrary to intuition and traditional IRS designs, especially where rounding, percentages, and overflow statements are concerned, and the unconventional rounding changed from last year. In addition, it is critically important that you understand who counts in your family for the purposes of this form and whose income you must report on this form. Unfortunately, the IRS instructions are not all-inclusive and they often refer you to IRS Pub. 974 (*Premium Tax Credit*) for explanations and worksheets. This publication is indispensable for completing lines 12 through 23 of this form when you choose the *Alternative Calculation for Year of Marriage* at line 9.

Relief from Married Filing Jointly requirement. Married taxpayers are generally required to file jointly to use this form. However, there are two exceptions: (1) you file as Head of Household (filing status 4) under the qualifications for married person who live apart, or (2) you file as Married Filing Separately (filing status 3) as a victim of domestic abuse or spousal abandonment. Exception (1) applies automatically if you are filing as head of household (filing status 4). For exception (2), you must affirm your qualification by answering Yes to the "Qualify?" question below.

Filing status (3=MFS). (*auto-calc. supported by Form 1040*) Taken from Form 1040, the next question applies only if filing status is 3 (Married Filing Separately).

If MFS, you cannot take the PTC unless you qualify for an exception. The only exception when you file as married filing separately (MFS) is that you are a victim of domestic abuse or spousal abandonment, as defined by the IRS in Exception 2 on page 5 of the IRS 2023 Instructions for Form 8962.

Qualify? By answering Yes, you are indicating that you are a victim of domestic abuse or spousal abandonment. If you answer Yes, a checkbox is marked below your social security number near the top of the official form to indicate that you qualify for the *Premium Tax Credit* even though you are filing separately.

PART I, ANNUAL AND MONTHLY CONTRIBUTIONS. This section is used to determine various requirements and limitations, which set the stage for determining the credit allowable or the amount of advance payments that may need to be repaid if you received more payments than the amount of credit to which you are entitled.

1 Tax family size. (*auto-calc*) Computed from your entries on Form 1040 as the number of dependents shown on screen 4 of Form 1040 plus one for you (if you are *not* a dependent on another return, as shown on screen 1 of Form 1040) plus, if married filing jointly, one for spouse (if spouse is *not* a dependent on another return, as shown on screen 2 of Form 1040). *TIP: This number may include members of your family who are not covered by your insurance purchased through the Marketplace. This is intentional because the only purpose of this line is to determine the poverty level for a family of your size in order to allow a higher credit for low-income families.*

2a For your income on Form 1040:

AGI (Form 1040, line 11). (*auto-calc*) Taken from Form 1040, as indicated. This amount corresponds to line 1 of IRS Worksheet 1-1 on page 6 of the IRS 2023 Instructions for Form 8962.

Adjustments from Form 8814. If you filed Form 8814 to include your children's income on your return, you may have to add some of the child's untaxed income here, in accordance with the footnote to Worksheet 1-1 and the instructions for line 2b of Form 8962. *Although the IRS instructs you to include this amount in line 2b, it is more appropriately included here because children for which you file*

Form 8814 file no return of their own, so their taxable income is included in the parent's AGI and the untaxed income increases the parent's modified AGI. Whether included here or in line 2b, the rest of Form 8962 is the same.

Adjustments from Forms 1040 and 2555. *(auto-calc)* Computed as the amount by which form 1040, line 5a, exceeds Form 1040, line 5b, plus the amount on Form 1040, line 2a, plus the sum of amounts on lines 45 and 50 of Form 2555, as reflected in Schedule 1, lines 8d and line 24j. This result corresponds to the sum of amounts on lines 2 through 4 of IRS Worksheet 1-1 on page 6 of the IRS 2023 Instructions for Form 8962.

2a Your modified AGI. *(auto-calc)* Computed as the sum of the preceding 3 amounts, this is your AGI increased by the untaxed income described for the preceding two lines.

2b For income of dependents required to file. Analogous to line 2a, you must determine here the modified AGI for all dependents combined here, *excluding those who are not required to file a tax return of their own.*

AGI of all dependents (Form 1040, line 11). Enter the combined income of all required dependents, allowing both positive and negative amounts.

Tax-exempt interest (Form 1040, line 2a). Enter the sum of Form 1040, line 2a, from the returns of all required dependents.

Foreign income exclusions and deductions (Form 2555). Enter the combined exclusions and deductions from Forms 2555 of all required dependents (lines 45 and 50 of Form 2555).

Untaxed social security benefits (Form 1040, line 6a minus line 6b). Enter the sum of the social security benefits received on Form 1040, line 6a, less the taxable part on Form 1040, line 6b, for all required dependents combined.

2b Dependents' modified AGI. *(auto-calc)* Computed as the sum of the preceding 4 amounts, this is the modified AGI of all dependents combined, excluding those who do not file their own return (as explained for the Form 8814 adjustment in line 2a).

3 Household income: Add the amounts on lines 2a and 2b. *(auto-calc)* Computed as indicated, but no less than zero, this is the modified AGI for you and all dependents combined.

State of residence (for 4): Classify your state of residence from the following 3 choices. If you moved during the year, make the choice that gives you the highest dollar amount for line 4.

State of Alaska. Alaska provides the highest dollar amount for line 4, starting at \$16,990 for family size of 1 and increasing \$5,900 for each additional family member for 2023.

State of Hawaii. Hawaii provides the next highest dollar amount for line 4, starting at \$15,630 for family size of 1 and increasing \$5,430 for each additional family member for 2023.

Other 48 states and D.C. *(auto-calc)* Automatically Yes if neither of the preceding two states are indicated. Otherwise, No. This choice gives the lowest dollar amount for line 4, starting at \$13,590 for family size of 1 and increasing \$4,720 for each additional family member for 2023..

4 Federal Poverty Line. *(auto-calc)* Computed from Tables 1-1, 1-2, and 1-3 in the IRS *2023 Instructions for Form 8962* based on your answers for state on the preceding lines and tax family size on line 1 of this Form 8962.

5 Household income as a Percentage of Federal Poverty Line. *(auto-calc)* Computed as 100% times line 3 divided by line 4 subject to special IRS-defined rounding rules. If between 100% and 400%, the result is truncated to a whole number. However, for numbers under 100% you must truncate to the first two decimal places, and for numbers over 400% you must use the amount 401%! This unconventional rounding is explained in Worksheet 2 on page 8 of the IRS *2023 Instructions for Form 8962*.

6 Reserved for future use. This line was formerly used to enforce ineligibility for the PTC when the result on line 5 was 401%, resulting in zero for lines 7, 8a, and 8b in this case. However, the credit was expanded by Covid-related legislation to temporarily allow some credit for middle-income and high-income taxpayers for tax years 2021 and 2022. This benefit for taxpayers with income that exceeds 4 times the applicable poverty level was therefore slated to expire at the end of 2022, but later legislation prevented this from happening until the end of 2025.

7 Applicable Figure. *(auto-calc)* Computed based on the percentage on line 5 from Table 2 in the IRS *2023 Instructions for Form 8962*, which ranges from 0 when line 5 is 150 or less to 0.0850 when line 5 is 400 or more.

8a Annual contribution amount. *(auto-calc)* Computed as line 3 multiplied by line 7, this is the amount that will be used for column (c) of line 11, when applicable.

8b Monthly contribution amount. *(auto-calc)* Computed as line 8a divided by 12, this is the amount that will generally be used for column (c) of lines 12 through 23, when applicable.

PART II, PREMIUM TAX CREDIT (PTC) CLAIM AND RECONCILIATION OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT (APTC). This section is used to report amounts reported to you on Form(s) 1095-A (*Health Insurance Marketplace Statement*). You will need a copy of that form for all family members in order to complete this part of the form.

9 Are you allocating policy amounts with another taxpayer or using the alternative calculation for year of marriage? The IRS combines two special cases into one question, but we must ask them separately in order to properly automate the calculations and printing for the form:

Did you allocate policy amounts with another taxpayer? *If Yes, you must complete Part IV of this form first then proceed to lines 12 through 23 of Part II. (You must skip lines 10 and 11.)*

Do you want to use the alternative calculation for year of marriage? It may be to your benefit to use the alternative calculation, but the complex computations are required to determine your modified entries. The IRS refers you to IRS *Pub. 974* for this case. *If you answer Yes, you must complete Part V of this form first then proceed to lines 12 through 23 of Part II. (You must skip lines 10 and 11.)*

If you answer Yes to either question or both, the Yes box for line 9 is checked on the official printout of Form 8962.

10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21 to 32, columns A and B, of the form? You can answer Yes here only if you answered No to both questions for line 9. If Yes, you must complete line 11 and leave lines 12 through 23 blank.

CAUTION: Use line 11 or use lines 12 through 23 ... not BOTH. A common mistake that preparers make when completing Form 8962 is to use line 11 when only lines 12 through 23 should be completed, or using lines 12 through 23 when only line 11 should be completed. Your answer to line 10 controls which lines you must use. If line 10 is Yes, you must ALWAYS use lines 11a through 11f alone and skip lines 12a through 23f. If line 10 is No, you must always skip lines 11a through 11f and complete lines 12a through 23f alone. The software enforces these rules by zeroing out any entry you try to make in line a or line b in the wrong set of lines. *For example,* if you are required to use lines 12a through 23f because the answer to line 10 is No, any entry you make for line 11a (Form 1095-A, line 33A) or line 11b (Form 1095-A, line 33B) will be changed to zero, *irrespective of the fact that Form 1095-A may have amounts for these lines.* And if you are ineligible for any *Premium Tax Credit*, lines a through e will be zero for all lines (11 through 23) and you will be allowed to make entries in line f alone for line 11 or lines 12 through 23. In fact, you will be **required** to enter amounts either from Form 1095-A, line 33C, for line 11f, or from Form 1095-A, lines 21C through 32C, for lines 12f through 23f, so that the software can compute the amount of advance payments you must pay back to the IRS.

11 Annual Calculation. *CAUTION: Complete these lines (and skip lines 12a through 23f) ONLY if line 10 is Yes. Otherwise, you must skip line 11 and complete lines 12 through 23 instead.*

- a. Form(s) 1095-A, line 33A.** Enter the annual premium amount as indicated for all Forms 1095-A combined. *Exception: If you are not eligible for the PTC or line 10 is No, this line should be zero.*
- b. Form(s) 1095-A, line 33B.** Enter the annual premium amount of SLCSP as indicated for all Forms 1095-A combined. This amount reflects the number of family members covered through the Marketplace. *Exception: If you are not eligible for the PTC or line 10 is No, this line should be zero.*
- c. Form 8962, line 8a. (auto-calc)** Taken from line 8a if the answer for line 10 is Yes. Otherwise, zero.
- d. Subtract line 11c from line 11b. (auto-calc)** Computed as indicated, this is the annual maximum premium assistance.

Did employer provide a QSEHRA? Answer Yes only if your employer provided a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) at least one month of the year, which should be indicated in box 12 of your Form W-2 for 2023. See the shaded box on the first page of these details for Form 8962 or the IRS *2023 Instructions for Form 8962* for more information.

If Yes, was it considered affordable? Answer Yes if considered "affordable" by the IRS definition in *Pub. 974* for 2023 for all months. (The plan is generally considered affordable if the cost of self-only coverage under the second lowest cost silver plan, SLCSP, is no more than 9.56% of your household income on line 3, even if your insurance covers more than just you. See Worksheet N of IRS *Pub. 974* for 2023.)

If unaffordable, enter PTC reduction required. If your answer to the preceding question is No, but you answered Yes to "Did employer provide a QSEHRA?", you must enter an annualized permitted benefit amount with the help of Worksheet Q in IRS *Pub. 974* for 2023. The amount you enter here should be the amount by which the smaller of line 11a or line 11d exceeds the amount figured on line 8 or 27 of Worksheet Q, whichever applies. *TIP: If provided a QSEHRA for all months of the year and it was considered unaffordable for all months of the year, you can skip Worksheet Q and enter here the annual benefit amount in box 12 of your Form W-2 for 2023.*

- e. Smaller of line 11a or line 11d. (auto-calc)** Computed as indicated if you answered No to "Did employer provide a QSEHRA?" Otherwise, computed as zero if you answered Yes to "If Yes, was it considered affordable?" and computed as indicated then reduced by the preceding entry (but no less than zero) if you answered No. *If the latter applies, "QSEHRA" will be printed below your name on the official*

printout of Form 8962 to flag to the IRS that this special calculation applies.

- f. **Form(s) 1095-A, line 33C.** Enter the annual advance payment of PTC as indicated for all Forms 1095-A combined. *Exception:* If you are not eligible for the PTC or line 10 is No, this line should be zero.

TIP: If you completed line 11, the rest of the form is automatic and you should make no entries on lines 12 through 23 nor Part IV nor Part V.

12-23 Monthly Calculation. These 12 lines, one for each month of 2023, follow the same format, so we cite the *range* of lines from Form(s) 1095-A that apply. *CAUTION: Complete these lines (and skip line 11) ONLY if line 10 if No.* Otherwise, you must skip lines 12 through 23 and complete lines 11.

- a. **Form(s) 1095-A, lines 21A through 32A.** Enter the monthly premium amount as indicated for all Forms 1095-A combined. *Exception:* If you are not eligible for the PTC or line 10 is Yes, this line should be zero.
- b. **Form(s) 1095-A, lines 21B through 32B.** Enter the monthly premium amount of SLCPSP as indicated for all Forms 1095-A combined. This amount reflects the number of family members covered through the Marketplace. *Exception:* If you are not eligible for the PTC or line 10 is Yes, this line should be zero.
- c. **Form 8962, line 8b or alternative marriage monthly contribution.** (*auto-calc unless you answered Yes to the 2nd half of line 9*) Normally taken from line 8b of this form, you are allowed to make your own entry here if you elected the alternative method at line 9. See IRS Pub. 974 for details on the alternative method. This is the monthly contribution amount. *Exception:* If you are not eligible for the PTC or line 10 is Yes, this line should be zero.
- d. **Subtract line NNc from line NNb.** (*auto-calc*) Computed as indicated, where NN represents the line number on this form from 12 to 23, this is the monthly maximum premium assistance.

Did employer provide a QSEHRA? Answer Yes only if your employer provided a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) for the month, which should be indicated in box 12 of your Form W-2 for 2023. See the shaded box on the first page of these details for Form 8962 or the IRS *2023 Instructions for Form 8962* for more information.

If Yes, was it considered affordable? Answer Yes if considered "affordable" by the IRS definition in *Pub. 974* for 2023. (The plan is generally considered affordable if the cost of self-only coverage under the second lowest cost silver plan, SLCPSP, is no more than 9.56% of your household income on line 3, even if your insurance covers more than just you. See Worksheet N of IRS *Pub. 974* for 2023.)

If unaffordable, enter PTC reduction required. If your answer to the preceding question is No, but you answered Yes to "Did employer provide a QSEHRA?", enter the "annual permitted benefit" reported to you in box 12 of Form W-2 divided by the number of months

you were provided the QSEHRA. This is the "monthly permitted benefit amount" as defined in IRS *Pub. 974* for 2023.

- e. Smaller of line NN α or line NN d .** *(auto-calc)* Computed as indicated (where NN represents the line number on this form from 12 to 23) if you answered No to "Did employer provide a QSEHRA?" Otherwise, computed as zero if you answered Yes to "If Yes, was it considered affordable?" and computed as indicated then reduced by the preceding entry (but no less than zero) if you answered No. *If the latter applies, "QSEHRA" will be printed below your name on the official printout of Form 8962 to flag to the IRS that this special calculation applies.*
- f. Form(s) 1095-A, line 21C through 32C.** Enter the monthly advance payment of PTC as indicated for all Forms 1095-A combined. *Exception: If you are not eligible for the PTC or line 10 is Yes, this line should be zero.*

24-26 Computation of Credit. The credit allowed over and above the advance payments you received (in the form of reduced premiums) is computed here.

- 24 Total premium tax credit.** *(auto-calc)* If you answered Yes to line 10, taken as the amount on line 11e. Otherwise, computed as the sum of amounts in line e for lines 12 through 23.
- 25 Advance payment of PTC.** *(auto-calc)* If you answered Yes to line 10, taken as the amount on line 11f. Otherwise, computed as the sum of amounts in line f for lines 12 through 23.
- 26 Net premium tax credit.** *(auto-calc)* Computed as line 24 less line 25 put no less than zero.

The result on line 26 is *posted to line 9 of Schedule 3* as a refundable credit.

PART III, REPAYMENT OF EXCESS ADVANCE PAYMENT OF THE PREMIUM TAX CREDIT. This section is used to compute the part of any excess premium reductions that you must repay back to the government.

- 27 Excess advance payment of PTC.** *(auto-calc)* Computed as line 25 less line 24 but no less than zero. This is the premium reductions you received less the credit to which you are eligible.
- 28 Repayment limitation.** *(auto-calc)* Determined from Table 5 of IRS *2023 Instructions for Form 8962* based on your filing status and the percentage on line 5 of this Form 8962. This number can range from \$350 to \$3,000 for 2023 and is the maximum amount of premium reductions that you are required to repay. The rest of the excess is forgiven!
- 29 Excess advance premium tax credit repayment.** *(auto-calc)* Computed as the smaller of line 27 or line 28.

The result on line 29 is *posted to line 2 of Schedule 2* as an additional tax.

PART IV, ALLOCATION OF POLICY AMOUNTS. If you answered Yes to the shared policy part of the question at line 9, you *MUST* complete the worksheets provided for this part. Otherwise, you should skip this section.

ITEMIZE shared policy worksheets. (Supported by the Shared Policy Allocation Worksheet, Figure 2-81.) You must complete a separate worksheet for each separate person with whom you shared and each separate policy you shared. TIP: If you complete these worksheets but the answer to shared policy at line 9 is No, the worksheets will be "detached" from Form 8962 and will not print on the official form. The worksheets will be reattached when you change your answer at line 9 to Yes.

30-33 Shared Policy Allocation. (hidden auto-calc lines) Although not shown on the screen, lines 30 through 33 of Form 8962 are filled in based on the first four worksheets completed here. If you have more than four worksheets, they are all printed in a separate supporting statement instead and cross-referenced on the official form at line 30.

34 Have you completed shared policy allocation information for all allocated Forms 1095-A? (hidden auto-calc lines) Although not shown on the screen, this line is answered Yes when there are one to four worksheets completed and the answer to the shared policy question at line 9 is Yes. Otherwise, it is answered No if the answer to the shared policy question at line 9 is Yes, but both the Yes and No boxes are left unchecked if the answer at line 9 is No. TIP: The presence of this line implies that the designer of this form is not familiar with the IRS convention of cross-referenced supporting statements, for which no such indicators are required.

Once you complete all required worksheets, you must return to lines 12 through 23 and enter the appropriate portion of each Form 1095-A amount from all shared policies combined.

Shared Policy Allocation, Figure 2-81. This worksheet supports all of Part IV of Form 8962. You must complete a separate worksheet for each separate policy number (line a) and each separate SSN (line b).

a. Policy Number.

Enter the policy number shown on Form 1095-A, line 2. If the number is longer than 15 characters, enter only the last 15 characters here (as specified by the IRS).

SHARED POLICY ALLOCATION		
Prepare one worksheet for each person sharing allocation &/or each policy shared.		
a	Policy Number(1095-A, ln 2)	
b	SSN of taxpayer sharing...	
c	Allocation start month.....	0
d	Allocation stop month.....	0
e	Premium % as decimal(0-1.0)	0
f	SLCSP % as a decimal(0-1.0)	0
g	Adv.Pmt of PTC % as decimal	0

Figure 2-81. Shared Policy Allocation Worksheet

b. SSN of taxpayer sharing allocation. Enter SSN in the standard xx-xxxxxx format.

c. Allocation start month. Enter as a number from 1 to 12.

d. Allocation stop month. Enter as a number from 1 to 12.

- e. **Premium Percentage.** Enter as a decimal from 0 to 1 rounded to the nearest .01.
- f. **SLCSP Percentage.** Enter as a decimal from 0 to 1 rounded to the nearest .01.
- g. **Advance Payment of the PTC Percentage.** Enter as a decimal from 0 to 1 rounded to the nearest .01.

PART V, ALTERNATIVE CALCULATION FOR YEAR OF MARRIAGE. If you answered Yes to the alternative married calculation part of the question at line 9, you *MUST* complete the worksheets provided for this part. Otherwise, all entries must be zero, as ensured by the software. Be sure to read IRS *Pub. 974* in addition to the IRS *2023 Instructions for Form 8962* for help in completing these lines.

35 Alternative entries for your SSN.

- a **Alternative family size.** Enter family size based on IRS instructions for this line.
- b **Alternative monthly contribution.** Enter the alternative dollar amount.
- c **Alternative start month.** Enter a month from 1 to 12.
- d **Alternative stop month.** Enter a month from 1 to 12.

36 Alternative entries for spouse's SSN.

- a **Alternative family size.** Enter family size based on IRS instructions for this line.
- b **Alternative monthly contribution.** Enter the alternative dollar amount.
- c **Alternative start month.** Enter a month from 1 to 12.
- d **Alternative stop month.** Enter a month from 1 to 12.

Once you complete Part V, you must return to lines 12 through 23 and enter the appropriate alternative amounts as detailed in IRS *Pub. 974*.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 8995** / Qualified Business Income Deduction

**** Included in Standard and Premium Level software ONLY.** This form is built into the Standard and Premium Level versions of Tax Preparer.

Background. The qualified business income (QBI) deduction was originally conceived as a deduction from taxable income for small businesses. However, by the time it was enacted it became applicable to not only qualified trades and businesses but also real estate investment trust (REIT) dividends, publicly traded partnership (PTP) income, and benefits passed through from agricultural and horticultural cooperatives. Furthermore, the deduction is phased out to little or no deduction for high-income taxpayers. The deduction is claimed on one of two IRS forms: Form 8995 (*Qualified Business Income Deduction Simplified Computation*) and Form 8995-A (*Qualified Business Income Deduction*), with the latter form supported by four schedules. Form 8995 is built into the software, but Form 8995-A is not. Form 8995 can be used by most taxpayer, but Form 8995-A must be used instead if **(a)** your taxable income (before using the deduction from this form) is more than \$364,200 if married filing jointly (\$182,100 for all others) for 2023, or **(b)** you are a patron in a specified agricultural or horticultural cooperative. If you must use Form 8995-A, you must prepare the form manually, since it isn't built into the software, and enter its result on the last screen of our on-screen Form 8995 so that it is posted to Form 1040 through the Road Map. *Form 8995 is accessible through the Road Map from line 13 of Form 1040.*

Qualification for Form 8995 is built into the software. Your entries on screen 1 and 2 of this form determine whether you qualify for Form 8995 or Form 8995-A or neither. If you qualify for Form 8995, you only have to provide minimal details of the qualifying income and the form is then completed for you. But if you qualify for Form 8995-A instead, there are a few restrictions of which you should be aware. (Note that the IRS *requires* you to use Form 8995 if you qualify for it. You are not allowed to use Form 8995-A in this case.)

Form 8995-A may lead to no deduction because of restrictions on high-income taxpayers. Form 8995-A includes a phase-out for certain calculations based on taxable income (before QBI deduction). The phaseout range (from no phaseout to full phaseout) is \$364,200 to \$464,200 if married filing jointly and \$182,100 to \$232,100 for all others for 2023. But having income at full phaseout does not necessarily mean no deduction. Unless your trade or business is a Specified Service Trade or Business (SSTB), you may still have a deduction depending on a number of factors, including W-2 wages paid, REIT dividends, and PTP income.) But if an SSTB, you have no QBI deduction when full phaseout applies.

Qualified income. Two types of income qualify for the deduction: income from your qualifying business and certain income from a qualifying REIT or PTP. However, they are handled separately on Form 8995.

QUALIFIED BUSINESS INCOME OR LOSS. Business income from Schedule C, Schedule F, and Form 4835 is shown here, but some of that income may not qualify and you may also have qualifying income reported to you on a Schedule K-1.

Net business income on Schedule C. *(auto-calc)* Taken from Form 1040, as indicated, this is the adjusted gross income on your tax return.

Net farm income on Schedule F. *(auto-calc)* Taken from Form 1040, as indicated, this is the adjusted gross income on your tax return.

Net farm rental income on Form 4835. *(auto-calc)* Taken from Form 1040, as indicated, this is the adjusted gross income on your tax return.

Other qualified business income. Enter here any other qualified business income, including qualified income reported to you on a Schedule K-1.

Deductions from Schedule 1:

Line 15 Self-employment tax deduction. *(auto-calc)* Taken from Schedule 1 as indicated, this is half of the self-employment tax on Schedule SE.

Line 16 Self-employment plan contributions. *(auto-calc)* Taken from Schedule 1 as indicated, this is the deduction for contributions to SEP, SIMPLE, and qualified plans.

Line 17 Self-employment health insurance deduction. *(auto-calc)* Taken from Schedule 1 as indicated, this is the health insurance paid by a sole proprietor for himself or herself.

Other deductions and exclusions, Enter here any amounts included above that do not qualify for the Qualified Business Income (QBI) Deduction. See IRS *2023 Instructions for Form 8995* for examples of income that does not qualify, including income *not* from the conduct of the trade or business within the United States, guaranteed payments, wage income, etc. *TIP: A positive entry here reduces income, and a negative entry increases income.*

NET QUALIFIED BUSINESS INCOME OR LOSS. *(auto-calc)* Computed as the sum of the four income amounts above less the deductions and exclusions that follow them. This is the amount you are claiming as qualified trade or business income and is used for line 2 of Form 8995.

Is all QBI from one Schedule C? *(auto-calc)* Answered Yes if the above income or loss stems from Schedule C alone *and* you have *only one* copy of Schedule C for the return. Otherwise, No. If Yes, you will *not* have to complete any worksheets for line 1 of Form 8995 because the software will print the appropriate information in columns (a) and (b) of line 1 of the official printout of Form 8995 based on information available from the single Schedule C, and will print the above net income amount in column (c).

QUALIFIED REIT DIVIDENDS AND PTP INCOME OR LOSS. Qualified income from a Real Estate Investment Trust or Publicly Traded Partnership also qualifies for the QBI deduction.

Qualified REIT dividends on Schedule B. *(auto-calc)* Taken from your entries for line 5 of our Form 1099-DIV Worksheets for line 5 of Schedule B. This is the amount reported to you in box 5 of Form 1099-DIV, labeled "Section 199A dividend," which is the amount of dividend qualified for the QBI deduction.

Qualified REIT dividends on Forms 8814. *(auto-calc)* Taken from your entries for line 5 of our Form 1099-DIV Worksheets for Form 8814 (dividends received by your children that are reported on your return). This is the amount reported to your child in box 5 of Form 1099-DIV, labeled "Section 199A dividend," which is the amount of dividend qualified for the QBI deduction.

Adjustments (e.g. unqualified). Enter as a positive number any qualified REIT dividends you received that are *not* shown above. Enter as a negative number any amount included above that is *not* qualified for the QBI deduction.

Total qualified REIT dividends, *(auto-calc)* Taken from Form 1040, as indicated, this is the adjusted gross income on your tax return.

Income or loss from qualified PTP. Enter here your share of qualifying income or loss from a Publicly Traded Partnership (PTO). See IRS *2023 Instructions for Form 8995* for clarification of income that qualifies for the QBI deduction.

TOTAL REIT/PTP INCOME OR LOSS. *(auto-calc)* Computed as the sum of the preceding five amounts, this total is used for line 6 of Form 8995.

QUALIFICATION FOR FORM 8995. This section, comprising all of screen 2, determines whether you qualify for Form 8995, Form 8995-A, or neither.

Qualified business income (if positive). *(auto-calc)* Taken as the total on screen 1 for "NET QUALIFIED BUSINESS INCOME OR LOSS" but no less than zero.

Qualified REIT/PTP income (if positive). *(auto-calc)* Taken as the total on screen 1 for "TOTAL REIT/PTP INCOME OR LOSS" but no less than zero.

AGI from Form 1040, line 11. *(auto-calc)* Taken from Form 1040, as indicated.

Deduction from Form 1040, line 12. *(auto-calc)* Taken from Form 1040, as indicated, this is the standard deduction or itemized deductions used on the return.

Taxable income before QBI deduction. *(auto-calc)* Computed as "AGI from Form 1040, line 11" less "Deduction from Form 1040, line 12," this is the taxable income to which phaseout thresholds are compared.

Maximum taxable income for Form 8995. *(auto-calc)* Computed for 2023 as \$364,200 if married filing jointly, or \$182,100 for all others, this is the threshold that defines the start of the phaseout enforced on Form 8995-A.

Taxable income above allowed maximum? *(auto-calc)* Answered Yes if "Taxable income before QBI deduction" exceeds the preceding threshold. If Yes, you cannot use Form 8995 to claim the QBI deduction but may still be able to use Form 8995-A.

Qualified dividends on Form 1040, line 3a. *(auto-calc)* Taken from Form 1040, as indicated, this is the qualified dividends taxed as capital gains.

Capital gains on Schedule D or Form 1040, line 7. *(auto-calc)* If there is a Schedule D for the return, computed as the lesser of Schedule D, line 15, and Schedule D, line 16, but no less than zero. Otherwise, taken as Form 1040, line 7.

Net capital gains in taxable income. *(auto-calc)* Computed as the sum of the preceding two amounts.

Taxable income limitation. *(auto-calc)* Computed as "Taxable income before QBI deduction" less "Net capital gain in taxable income." The QBI deduction can be no more than 20% of this result.

Are you a patron in a specified agricultural or horticultural cooperative? If Yes, you should receive a Form 1099-PATR from the cooperative that provides you the necessary information to determine your QBI deduction. If Yes, you cannot use Form 8995 to claim the QBI deduction but may still be able to use Form 8995-A.

Qualified for Form 8995? *(auto-calc)* Answered Yes only if *all three* of the following conditions are met: (a) the answer to "Taxable income above allowed maximum?" is No, (b) there is an amount for "Qualified business income (if positive)" and/or "Qualified REIT/PTP income (if positive).", and (c) the amount for "Taxable income limitation" is greater than zero. Otherwise, No. If Yes, Form 8995 will be used and the amount for line 13 of Form 1040 will be computed based on the preceding entries and your additional entries on the next screen. .

Qualified for Form 8995-A? *(auto-calc)* Answered Yes only if *all three* of the following conditions are met: (a) the answer to "Qualified for Form 8995?" is No, (b) there is an amount for "Qualified business income (if positive)" and/or "Qualified REIT/PTP income (if positive).", and (c) the amount for "Taxable income limitation" is greater than zero. Otherwise, No. If Yes, you must complete Form 8995-A manually, since it is *not* built into the software, and enter the result at line 39 of Form 8995-A on screen 4 so that the deduction will be reflected on line 13 of Form 1040.

If the answers for *both* of the preceding questions are No, you are *not* qualified for the Qualified Business Income Deduction and the amount for line 13 of Form 1040 will be zero.

FORM 8995. The following lines are completed only if the answer to "Qualified for Form 8995?" is Yes.

Itemizing QBI at line 1 required? (*auto-calc*) Answered Yes if the answer to "Is all QBI from one Schedule C?" on screen 1 is No. Otherwise, the official printout of Form 8995 will *automatically* show on line 1 the business name or proprietor's name in column (a), the business EIN or proprietor's SSN in column (b), and the amount for "NET QUALIFIED BUSINESS INCOME OR LOSS" in column (c).

1 ITEMIZE here only if required. (*Supported by the QBI Income/Loss Worksheet, Figure 2-82.*) If the answer to the preceding question is Yes, you must complete at least one worksheet for this line, using a separate worksheet for each separate trade or business. The amount shown on this line when you return from the worksheets is the sum of line c of all worksheets combined.

DISCREPANCY vs. QBI on screen 1 (*auto-calc*) If the answer to "Itemizing QBI at line 1 required?" is Yes, computed as the total on the preceding line less the total on screen 1 for "NET QUALIFIED BUSINESS INCOME OR LOSS." Otherwise, zero. If an amount appears on this line, you have an error on screen 1 and/or the worksheets for the preceding line, which must be consistent with each other.

QBI Income/Loss Worksheet, Figure 2-82. Complete one worksheet for each separate trade or business.

a. Name of trade, business, aggregation. If the business is identified by an entity name, enter that name here to identify the business (in 30 characters or less). If Schedule C is filed for the business, the name is shown on line C, if any. Otherwise, identify the proprietor in the next line.

```

QBI INCOME/LOSS WORKSHEET
a Name trade,business,aggr'n:
   or name person
b Taxpayer ID no.:   EIN
   or, if no EIN,   SSN
  Business net income/loss..  0
  Exclusions from QBI....    0
c Qlfd. Business income/loss  0

```

Figure 2-82. QBI Income/Loss Worksheet

or name person. If there is no separate name for the business, enter the name of the sole proprietor of the business (in 25 characters or less). If Schedule C or Schedule F is filed for the business, the name is shown above line A a "Name or proprietor." **CAUTION:** Do not make an entry here if you made an entry on the preceding line.

b. Taxpayer ID number: EIN. If there is an Employer Identification Number (EIN) for the business, enter it here in the standard xx-xxxxxxx format.

or, if no EIN, SSN. If there is no EIN for the business, enter the SSN of the proprietor in the standard xxx-xx-xxxx format. *CAUTION: Do not make an entry here if you made an entry on the preceding line.*

Business net income or loss. Enter the income or loss from the trade or business.

Exclusions from QBI. Enter any amounts in the preceding entry that are *not* qualified for the QBI deduction. See IRS 2023 *Instructions for Form 8995* for details on what qualifies and what does not.

c. Qualified business income or loss. *(auto-calc)* Computed as "Business net income or loss" less "Exclusions from QBI."

When you return from the worksheets, the results for line c are totaled and shown at line 1.

2 Total qualified business income or loss. *(auto-calc)* Taken from the total on screen 1 for "NET QUALIFIED BUSINESS INCOME OR LOSS." If required to itemize line 1, this amount should match the total on line 1 from the worksheets as well..

3 Qualified business net loss carryforward from the prior year. Enter the carryforward of business loss from line 16 of the 2022 Form 8995. *(Although the carryover is shown here as a positive number, it is surrounded by parentheses on the official printout of Form 8995 to indicate a negative amount.)*

4 Total qualified business income. *(auto-calc)* Computed as line 2 less line 3, but no less than zero.

5 Qualified business income component. *(auto-calc)* Computed as 20% of line 4.

6 Qualified REIT dividends and PTP income or loss. *(auto-calc)* Taken from the total on screen 1 for "TOTAL REIT/PTP INCOME OR LOSS."

7 Qualified REIT dividends and qualified PTP loss carryforward. Enter the carryforward from line 17 of the 2022 Form 8995. *(Although the carryover is shown here as a positive number, it is surrounded by parentheses on the official printout of Form 8995 to indicate a negative amount.)*

8 Total qualified REIT dividends and PTP income. *(auto-calc)* Computed as line 6 less line 7, but no less than zero.

9 REIT and PTP component. *(auto-calc)* Computed as 20% of line 8.

10 QBI deduction before income limitation. *(auto-calc)* Computed as the sum of line 5 and line 9.

11 Taxable income before QBI deduction. *(auto-calc)* Taken from the result on screen 2 for "Taxable income before QBI deduction."

12 Net capital gain. *(auto-calc)* Taken from the result on screen 2 for "Net capital gain in taxable income."

13 Net capital gain. *(auto-calc)* Computed as line 11 less line 12, but no less than zero.

14 Income limitation. *(auto-calc)* Computed as 20% of line 13.

15 Qualified business income deduction. *(auto-calc)* Computed as the lesser of line 10 or line 14.

16 Total qualified business loss carryforward. *(auto-calc)* Computed as line 3 less line 2, but no less than zero. *(Although the carryover is shown here as a positive number, it is surrounded by parentheses on the official printout of Form 8995 to indicate a negative amount.)*

17 Total qualified REIT dividends and PTP loss carryforward. *(auto-calc)* Computed as line 7 less line 6, but no less than zero. *(Although the carryover is shown here as a positive number, it is surrounded by parentheses on the official printout of Form 8995 to indicate a negative amount.)*

QBI DEDUCTION FOR FORM 1040. The deduction on line 15 of Form 8995 will be zero if not qualified for the form, but you may still have a deduction from Form 8995-A.

QBI deduction from Form 8995, line 15. *(auto-calc)* Taken from line 15 of this form, which will be zero if not qualified for Form 8995.

If zero, but qualified for Form 8995-A, enter line 39 of Form 8995-A here. If not qualified for Form 8995 but qualified for Form 8995-A (as shown at the bottom of screen 2), you must manually prepare Form 8995-A, which is not built into the software, and enter here the result from line 39 of that form. The QBI deduction will then be reflected on line 13 of Form 1040 even though not qualified for the Form 8995 that is built into the software. **CAUTION:** *If you have to use Form 8995-A, you cannot e-file the return, since Form 8995-A is not built into the software.*

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Schedule D Tax Worksheet

Purpose. Although this worksheet appears on the Forms Menu like IRS forms and schedules, it is not an IRS form but rather an aid to the computation of tax when qualified dividends, capital gain distributions, or capital gains are present on the return. This worksheet is automatically generated and completed when applicable, but is not printed with a complete return for filing with the IRS. This worksheet duplicates the IRS Schedule D Tax Worksheet that appears on the last two pages of the IRS *2023 Instructions for Schedule D*. When used for the tax at line 16 of Form 1040, the result of the worksheet is reflected on-screen on our line above Form 1040, line 16, labeled "Qlfd.Div./Cap.Gain/Sch. D" (modified by the *Foreign Earned Income Tax Worksheet* when applicable). While the Schedule D Tax Worksheet does not print with the return when you choose to print *Complete Returns* or *All Forms Prepared* (since the IRS doesn't want it filed with the return), you can get a complete printout of the Schedule D Tax Worksheet by choosing to print it alone from our Print Menu. Although there are simpler worksheets for some situations, this worksheet always provides an accurate computation of tax when qualified dividends, capital gain distributions, or capital gains exist on the return. *The Schedule D Tax Worksheet is accessible through the Road Map above line 20 of Schedule D.* However, the only reason to view it is to see how capital gains are computed. See the last two pages of the *IRS 2023 Instructions for Schedule D* for details.

Schedule D Tax Worksheet is fully automatic. The Schedule D Tax Worksheet is automatically created and completed when the return includes qualified dividends or capital gains, which are taxed at a lower rate than the regular tax. *You must enter all data used on this worksheet elsewhere on the return. There are no user entries on the Schedule D Tax Worksheet.* There is no need to view the Schedule D Tax Worksheet unless you want to try to understand how tax is computed on returns with qualified dividends, capital gains, or capital gain distributions. It is intended only for calculations.

Form 1040-ES / Estimated Tax for Individuals

Purpose. This form is not a part of the return, but is really just a worksheet for determining the quarterly estimated tax payments for 2024 that will avoid a penalty when you file the return in 2024. Only quarterly vouchers based on the results of this form are filed with the IRS. Form 1040-ES is accessible only from the Forms Menu (as form 88) or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.

Adjustment lines are key to accuracy. The Form 1040-ES Worksheet is automated to the extent that the current year's return is used as a starting point. As a result, it is best to defer entering data here until the current return is complete. You can then view Form 1040-ES with a NORMAL Data Entry Method (Road Map or Normal) to see what income and deductions are assumed, and to make adjusting entries that turn them into next year's prediction.

Recommendations for an accurate Form 1040-ES. The IRS Estimated Tax Worksheet, on which our screens are based, sometimes require a great deal of manual computation because the IRS Form 1040-ES Worksheet is only a summary of the entire return you expect to file for the next tax year. Therefore, if you cannot easily determine the amounts to enter on our screens, we recommend that you use the tax planning capabilities of Tax Preparer to help. To do this, you will essentially prepare a complete return for 2024, as follows:

- ◆ Use Tax Preparer's file manager (choice 1 on the Main Menu) to make a COPY of the current return.
- ◆ Using the copy you just made, go to the Control Form (form 1 on the Forms Menu) and change the entry for tax year to 2024.
- ◆ Make changes throughout the return that reflect what you expect for 2024.
- ◆ Exit the return normally, then print a DRAFT copy of the complete return. All forms will be marked "2024 PLAN" in their upper right corner so that there is no confusion about what return you are using.
- ◆ Return to the original return for the current year, and make entries on Form 1040-ES based on the DRAFT printout for 2024.

This approach will give you a much more accurate estimate of 2024 taxes than using the IRS's Form 1040-ES worksheet alone.

INFORMATION NEEDED TO COMPUTE TAXABLE INCOME (Screens 1 through 5). The first few screens collect information on income, adjustments and deductions, in addition to basis information about filing status and dependents.

FILING STATUS AND DEPENDENTS. Changes in filing status, taxpayer(s) dependency, number of dependents, number qualified for the child tax credit, number qualified for the credit for other dependents, age claims, and blind claims are entered in the first part of this form, but you needn't make an entry if you don't expect any of these figures to change for 2024.

YOUR AND SPOUSE EARNED INCOME. If there is a change in wages, you must enter it two places: once for social security wages and once for total (regular) wages. The two will generally be the same for low-income wage-earners who are not statutory employees. Any change in other earned income must be separated into the regular part and the part for a statutory employee. *TIP: Earned income other than wages is self-employment income subject to self-employment tax, as shown on line 9 of the 2024 Estimated Tax Worksheet.*

CAPITAL GAINS AND LOSSES. Capital gains and losses affect how taxes are computed in a rather complex way because of their favorable treatment under the tax law. As a result, you must estimate not only your change in capital gains, but also how it breaks down into short-term, long-term, 28% rate gains and losses, and unrecaptured sec. 1250 gain, plus an amount from Form 4952. In all, there are eight numbers on Schedule D or its worksheets that must be estimated!

TOTAL UNEARNED INCOME. Unearned income includes capital gains and other investment income, including dividends. Qualified dividends (Form 1040, line 3a) are treated like capital gains, and must therefore be identified separately from other unearned income.

INCOME SUMMARY. Estimated totals for earned and unearned income are shown here based on your entries in the preceding sections.

ADJUSTMENTS TO INCOME. These adjustments are the amounts you expect to report as adjustments for 2024 (analogous to lines 11 through 26 of the 2023 Schedule 1). Although some amounts are called out on our 1040-ES screen for this category, you should look at your 2023 Schedule 1 lines 11 through 26 to see what else you may be able to deduct here. Note that deductions typically not repeated in subsequent years, such as adjustment to income for a withdrawal penalty, start with no amounts on Form 1040-ES and are left open for your data entry. *TIP: Note that the deduction for IRA contributions increased from \$6,500 for 2023 to \$7,000 for 2024 for each taxpayer (plus \$1,000 if 50 years of age or older).*

ITEMIZED DEDUCTIONS. These are amounts you expect to report on the 2024 Schedule A. Certain amounts are called out on our 1040-ES screen for this category because different categories are subject to different limitations.

IRS ESTIMATED TAX WORKSHEET (Screens 7 through 10). Our worksheet follows the one in the IRS *2024 Form 1040-ES*. Much of it is completed based on your entries on the previous screens, but there are additional amounts you may have to enter. We highlight many of those entries here.

1 AGI you expect in 2024. *(auto-calc)* Computed from the prior screens as "TOTAL INCOME BEFORE ADJUSTMENT" less "TOTAL ADJUSTMENTS for year 2024."

PRIOR answer to MFS:Itemizes. *(auto-calc)* Taken from the line labeled "MFS:Itemizes or dual-status alien" on screen 4 of Form 1040, a Yes indicates that you were required to itemize deductions for 2023.

CHANGE answer for 2024? If you answer Yes, the opposite of the preceding answer is used for 2024. *TIP: If you choose to use itemized deductions for 2024 even when they are less than the standard deduction, you can answer Yes here to effect that change when the preceding answer is No, even when "MFS:Itemizes..." does not technically apply to you.*

Itemized deductions. *(auto-calc)* The result for "TOTAL ITEMIZED DEDUCTIONS" on screen 6 appears here.

Standard deduction. *(auto-calc)* Computed using the answers on screen 1 for filing status and exemptions. (Zero will appear here if the answer to "MFS:Itemizes..." for 2024 is expected to be Yes, as you defined above.)

2a Itemized or standard deduction. *(auto-calc)* Computed as the greater of "Itemized deduction" or "Standard deduction."

2b Qualified business income deduction. The deduction under section 199A, more popularly called the qualified business income deduction, is available for qualified self-employment income and can reduce your taxable income by as much as 20% of the self-employment net income. See our details for line 13 of the 2023 Form 1040 for details.

2c Add lines 2a and 2b. *(auto-calc)* Computed as indicated.

3 Subtract line 2c from line 1. *(auto-calc)* Computed as indicated, this is your taxable income before any adjustment for foreign income.

4 through 6. These lines follow the same rules as prior years for computing tax. The regular or Schedule D tax is computed automatically from your entries on prior screens, but you must enter amounts from certain other forms that compute tax (Schedule J and Forms 8615, 6251, 8814, and 4972) and any change in foreign earned income (line 2c of the IRS's *Foreign Earned Income Tax Worksheet--line 12a*).

7 Credits. You must enter all but one of the non-refundable credits you expect to claim for 2024, most of which are unrelated to the prior year, including credits from Forms 1116, 2441, 8863, 8880, 5695, 8839, and 3800. However, the child tax credit and the credit for other dependents (which the IRS ties together) are computed for you based on the entries on screen 1. Unless income is high, the credit will be \$2,000 per qualifying child and \$500 per dependent not qualified for the child credit. The phaseouts, which start at \$400,000 AGI for joint filers and \$200,000 for everyone else, are also reflected in the automatic computations.

8 Subtract line 7 from line 6. *(auto-calc)* Computed as indicated, but no less than zero.

Self-employment tax on line 9 may be lower than you expect. Two factors usually make the computation of line 9 counterintuitive: **(a)** an automatic reduction of self-employment income to be taxed and **(b)** a higher social security base for 2024.

Estimated 2024 net self-employment income. *(auto-calc)* Based on earned income for 2024, other than wages, that you defined on screen 2, the amount shown here is 92.35% of your total self-employment income. This is the part of self-employment income on which social security and medicare taxes are figured on Schedule SE.

9 Self-employment tax. *(auto-calc)* Computed as 2.9% of the preceding income plus 12.4% of the first \$168,600 (the social security wage base for tax year 2024, up \$8,400 from 2023) of income (reduced by wages on which social security tax has already been paid). *TIP: If you expect to use one of the Optional Methods on Schedule SE for 2024, you will have to override this line to reflect your special calculation.*

10 Other taxes. You must enter here all federal income taxes not reported elsewhere that you expect to owe for 2024, including those from Schedule H and Forms 4137, 5329, and 5405. They will generally be unrelated to the taxes you reported for 2023.

11a Add lines 8 through 10. *(auto-calc)* Computed as indicated, this is your total estimated tax liability for 2024 before refundable credits are used to reduce it.

11b EIC, additional child tax credit, and others. You must enter here the refundable credits you expect for 2024, most of which do not repeat from prior years. However, the earned income credit (EIC) is taken as the credit claimed for 2023 unless you enter an estimated change near the top of the list of contributors to this line. The total for this line is the sum of all estimated refundable credits.

11c Subtract line 11b from line 11a. *(auto-calc)* Computed as indicated, but not less than zero, this is your estimated tax liability before penalties.

Modifications after line 11c. If you will pay equal amounts in all four quarters, don't expect your withholding to change, and qualify for no special exceptions, you need make no further entries on this form. The automatic results are ready for your use on official Form 1040-ES vouchers. But if there are special reasons why you are liable for less payment, or why your payments should be unequal, further adjustment lines are provided.

Eligible for farmer/fisherman rules? Most taxpayers are liable for estimated tax payments equal to at least 90% of the estimated tax due. But qualifying farmers and fishermen can use a 66-2/3% percent rule instead. If this return is for a farmer or fisherman who is qualified to use Form 2210-F in place of Form 2210, answer Yes here and 66-2/3% will be used in line 12a. See our instructions for Form 2210 for details on qualifying for Form 2210-F.

12a Multiple line 11c by 90% (or 66-2/3% for farmers and fishermen). *(auto-calc)* Computed as 90% of line 11c if you answered No to the preceding question. Otherwise, computed as 66-2/3% of line 11c.

Tax for 2023 (see Control Form). *(auto-calc)* Taken from the result at the bottom of screen 3 of our Control Form, this is the prior-year (relative to tax year 2024) tax liability excluding certain amounts not required to be used for Form 1040-ES.

12b Required annual payment based on prior-year tax. *(auto-calc)* Normally taken from the preceding line. However, if 2023 AGI exceeds \$150,000 (\$75,000 if married filing separately for 2024), computed as 1.10 times the preceding line, except for those who can answer Yes, above, to "Eligible for farmer/fisherman rule?"

12c Smaller of line 12a or 12b. *(auto-calc)* Computed as indicated, this is the required annual payment to avoid a penalty.

Adjustment to line 12c. You should use this line only for very special circumstances. It allows you to raise or lower the annual payment you actually plan to pay.

TOTAL TAX TO BE PRE-PAID. *(auto-calc)* Computed as the amount on line 12c plus the preceding adjustment, but no less than zero.

PRIOR tax withheld. *(auto-calc)* Taken from line 25d of the 2023 Form 1040. In addition to withholding on wages from Form W-2, this line includes prior withholding from various Forms 1099 and Schedules K-1 you received for 2023, which are usually backup withholding.

CHANGE in withholding. Enter any change you expect for 2024 on 2024 Forms W-2, 1099-R, 1099-INT, 1099-DIV, etc.

13 Estimated tax to be withheld for 2024. *(auto-calc)* Computed as "TOTAL TAX TO BE PRE-PAID" less the sum of the preceding two lines.

14a Subtract line 13 from line 12c. Computed as indicated.

Is the result zero or less? *(auto-calc)* The answer will be No if the tax that must be pre-paid (line 12c plus your adjustment) is more than

the expected withholding (line 13). *If Yes, you are not required to make estimated tax payments.*

14b Subtract line 13 from line 11c. *(auto-calc)* Computed as indicated.

Is the result less than \$1,000? *(auto-calc)* The answer will be No if the expected tax after credits (line 11c) exceeds the expected withholding (line 13) by at least \$1,000. *If Yes, you are not required to make estimated tax payments.*

Estimated tax due for the year. *(auto-calc)* Computed as zero if the answer to the question following line 14a or the question following line 14b is Yes. Otherwise, taken as the amount on line 14a.

15 1/4 of line 14a. *(auto-calc)* Computed as one-quarter of the preceding line, this is the nominal quarterly payments of estimated tax that you must make.

Quarterly Payments. If there is no payment applied from a 2023 overpayment of tax (2023 Form 1040, line 36), the four quarterly payments shown next will all be the same as line 15 initially. Otherwise, the payment for the initial quarter will be reduced. If the overpayment applied exceeds line 15, the payment for the second quarter will be reduced by the remainder next, and so on until all of the overpayment has been applied. *TIP: If you want to make estimated tax payments even though they are not required, you can use the adjustment line above line 13 labeled "Adjustment to line 12c" to increase the amount of estimated taxes until line 15 (the required quarterly payment) is the amount you want to prepay.*

Adjustment to 1st, 2nd, 3rd quarters. If your income is expected to be extremely uneven during the year, so you can justify the use of the annualized installment method in computing penalties on Form 2210, you can adjust the quarterly payments on these lines accordingly. You can also make adjustments for late payments on these lines as the year progresses. (The adjustment to the 4th quarter is automatic based on the balance remaining to be paid after the other three adjustments are applied.)

Use IRS vouchers for estimated tax payments. All the information needed for the IRS Form 1040-ES Vouchers is provided on the last screen of Form 1040-ES based on your previous entries on Form 1040-ES and identifying information on Form 1040 screens 1, 2, and 3. Although the quarterly vouchers can be printed by the software, *the IRS prefers that you use the preaddressed vouchers they send the taxpayer.* Otherwise, you can send the graphic vouchers that the software produces at the Standard and Premium Levels. (The DRAFT printout of these vouchers is not accepted by the IRS because the IRS requires special optically-read forms to be used. You can use the preaddressed IRS vouchers, or Laser-graphic or Windows-graphic vouchers printed with our Standard and Premium Level software.)

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Form 1040X / Amended Income Tax Return

Purpose. This form is not a part of the original return, but is used to accompany a return that is amended after it has been filed. When you file an amended return, you must also file with it copies of all forms that have changed, including Form 1040 and its schedules. Therefore, Form 1040X is really just a form that summarizes the differences between the original return and the new return. You can file it only after you have filed your original return. You generally have 3 years from the due date of your original return to amend that return. Form 1040X is not accessible through the Road Map because it supports no other form or schedule. *Form 1040X is accessible only through the Forms Menu (as form 89) or the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.*

Form 1040X can now be e-filed. Contrary to recent history, the IRS now allows you to file an amended return electronically. The only difference from the way you e-file a Form 1040 return is the presence of Form 1040X in the e-file output with the appropriate flag in the e-file output. The software takes care of this automatically as long as the tax year is set to 2023 in our Control Form for this 2024 Edition of Tax Preparer, and you answer Yes on the first screen of Form 1040X to the question "Filing 1040X for tax year 2023?"

For e-file only, Direct Deposit of refund on Form 1040-X. For e-filed returns, the IRS has added the ability to specify the direct deposit of a refund on line 22 of Form 1040-X to the bank account you specify in Part III (which is on-screen only, not on the printed form). See our details for Part III for more information. **CAUTION:** *The use direct deposit for a refund on Form 1040-X is NOT available for a paper return. For a paper return, you can only receive a refund by check from the U.S. Treasury. Any entry you make in the new Part III for e-file only will be ignored on a paper return and will not print on the paper form.*

Fully automatic for most taxpayers. When used properly, this form is fully automatic and rarely requires an entry on your part. But you must follow these rules:

- **Use this Form 1040X ONLY to amend a tax year 2023 return.** This copy of Form 1040X should NOT be used for other years because it is tied through our automation to the 2023 Form 1040 return that it amends.
- **Access Form 1040X for the first time ONLY when the Form 1040 return is identical to the one that was filed** with the IRS (or as previously adjusted) for 2023.
- **Revise the prior Form 1040 return ONLY after you have created a Form 1040X** for the return.

- **Review Form 1040X and supply required explanations ONLY after your revisions to Form 1040 are complete.**

If you follow these rules, you will rarely have to access Form 1040X again once it has been created, except to supply the required explanations for the changes. If you do NOT follow these rules you may have to manually reenter amounts on Form 1040X for “Tax paid with original return” (above line 16) and “Overpayment on original return” (line), which are amounts from the original return as filed.

How the software works. The IRS Form 1040X is similar to an abbreviated Form 1040. When you access Form 1040X for the first time for a return, the amounts from the return in its current state is used to populate all amounts on Form 1040X (including lines 16 and 18). Thereafter, when you change Form 1040 only the amounts relating to the revised return are changed (not the amounts on lines 16 and 18 from the original return).

What you must enter on Form 1040X when the revised return is complete. If you follow our instructions and create Form 1040X only when the return matches that of the return as filed with the IRS, and thereafter modify the complete return on Form 1040 and supporting forms and schedules, then, when you return to Form 1040X, it *will already be nearly complete*, showing the original amounts, net changes, and corrected amounts. There are only a few entries you may still have to make, as highlighted here.

TAXPAYER INFORMATION. Most entries on the first screen and second screen come from your changed Form 1040 for the amended return. Therefore, the address and filing status will reflect the information you want to use on your amended return. All other information on screen 2 requires your entries.

INCOME AND DEDUCTIONS. The first part of this section requires your entries concerning carrybacks, as follows:

If any carryback claim... The IRS provides additional instructions for *Special Situations* in their *Instructions for Form 1040X*, including specific instructions for returns to which the following questions apply. If you answer Yes to any of the following questions, you should read these IRS instructions to find out what other forms, schedules, or documentation you must attach to the Form 1040X return. ***CAUTION: Because these questions relate only to carrybacks, and this Form 1040X is designed for tax year 2023 returns, you should not answer Yes to any of these questions if you are preparing this form during 2024. You will only have Yes answers after you have filed a return for tax year 2024 during 2025, and have carrybacks to 2023 from that return (or a later return).***

Any NOL carryback in line 1? Answer Yes only if the corrected return includes any net operating loss (NOL) carryback from 2024 or later in line 8a of Schedule 1. If you answer Yes, the phrase “CARRY-

BACK CLAIM" will be printed near the top right of the official Form 1040X, and the box at line 1 of Form 1040X will be checked.

Any general business credit carryback in line 7? Answer Yes only if the corrected return includes a carryback from 2024 or later of any general business credit in the total for Schedule 3, line 8. (This carryback would generally be included on Form 3800 for the corrected return.) If you answer Yes, the phrase "CARRYBACK CLAIM" will be printed near the top right of the official Form 1040X, and the box at line 7 of Form 1040X will be checked.

Any other credit or loss carryback claimed? Answer Yes only if the corrected return includes a carryback from 2024 or later of any other credit in the total for Schedule 3, line 7. (This carryback would generally be included in the corrected return on the carryback line of the form that relates to the underlying credit.) If you answer Yes, the phrase "CARRYBACK CLAIM" will be printed near the top right of the official Form 1040X.

The remainder of this part of the form, comprised of lines 1 through 5, is fully automatic as long as you created Form 1040X when the return matched the original return as filed (or adjusted by the IRS). All entries for column A will automatically be the amounts on the original return, all amounts for column C will be the amounts on the current, corrected return, and all amounts for column B will be computed as the difference between the other two columns.

TAX LIABILITY. This part of the form, comprised of lines 6 through 11, is also fully automatic as long as you created Form 1040X when the return matched the original return as filed (or adjusted by the IRS). All entries for column A will automatically be the amounts on the original return, all amounts for column C will be the amounts on the current, corrected return, and all amounts for column B will be computed as the difference between the other two columns. *TIP for line 6: The "Method(s) used" for the tax computation on line 6 indicates to the IRS how you computed the tax, and is based on the amounts above line 16 of the on-screen Form 1040 for the corrected return, plus any additional tax on line 1 or 2 of Schedule 2. If the Qualified Dividends and Capital Gain Tax Worksheet is used, it is indicated by the software as computed by the Schedule D Tax Worksheet by the flag "Sch D" because the latter worksheet applies to more scenarios than the worksheet. If tax from Form 8615 applies, the software indicates "F8615" as the method even when other methods are involved on Form 8615 itself because that tax replaces the tax computed by other methods. However, for taxes that are added to the regular tax, such as tax from Form 8814, the software identifies all such taxes separately at line 6.*

PAYMENTS. This part of the form, comprised of lines 12 through 17, is fully automatic except for line 16 as long as you created Form 1040X when the return matched the original return as filed (or adjusted by the IRS). For line 16, you will have to enter payments made after the original return was filed:

Amount paid with filing extensions. *(auto-calc)* Taken from Schedule 3, line 10, of the corrected return, this is the amount you paid with Form 2350 or Form 4868.

Tax paid with original return. This amount is determined when you first create Form 1040X as the amount you owe on line 37 of Form 1040 less the penalty on line 38 of Form 1040. *You should not change this entry if you properly created Form 1040X when the return matched the return as originally filed (or adjusted by the IRS).*

Tax paid after original return was filed. You must enter here any amounts paid to the IRS after the original return was filed. *This is normally the only entry you will need to make in the PAYMENTS section of Form 1040X.*

16 Total amount paid with request for extension of time to file, tax paid with original return, and additional tax paid after return was filed. *(auto-calc)* Computed as the sum of the preceding three amounts.

REFUND OR AMOUNT YOU OWE. This part of the form, comprised of lines 18 through 23, determines the underpayment or overpayment for the amended return. You can also choose here, through your entries above line 22, the amount of any refund you want to apply to next year's Form 1040 return.

PART I. DEPENDENTS. This part of the form, comprised of lines 24 through 30, is fully automatic as long as you created Form 1040X when the return matched the original return as filed (or adjusted by the IRS). For lines 24 through 29, all entries for column A will automatically be the amounts on the original return, all amounts for column C will be the amounts on the current, corrected return, and all amounts for column B will be computed as the difference between the other two columns. For line 30, the dependents shown on the corrected Form 1040 are automatically shown on the official printout of Form 1040X.

PART II. EXPLANATION OF CHANGES. This part provides space for you to explain why you are filing an amended return. You must itemize the only line in this part to provide a supporting statement. ***Your use of this part of the form is mandatory.*** You must always explain why you are filing Form 1040X. For example, if you have changed your IRA deduction for line 20 of Schedule 1, you would enter "IRA deduction" in the description column of the support, and the amount of increase or decrease in the amount column of the support (using a positive entry for an increase and a negative entry for a decrease). You should do this for all changes you made relative to the original return, using at least one line of the supporting page for each separate item. If you use no more than the first 7 lines of the first supporting page, your explanation will appear in the blank space provided on Form 1040X. If you exceed the first 7 lines, your explanation will appear in a separate supporting statement, cross-referenced on the form in the same blank space.

PART III. DIRECT DEPOSIT (FOR E-FILED 1040-X ONLY). This part appears only on the screen because it is exclusive to an e-filed return. It is not printed on a paper Form 1040-X. Available since the 2023 filing season, you can

choose for an e-file return to have your refund deposited directly to your bank account. You must enter the bank information here, and leave lines 35b through 35d of Form 1040 blank.

Refund available (from line 22). *(auto-calc)* Taken from line 22 of Form 1040-X, as indicated, the following lines apply only if there is an amount on this line. Otherwise, you must leave the following 3 entries blank.

- 31 Routing number.** This 9-digit number identifies the bank to which any refund will be sent. If a personal checking account, the number is usually the first set of numbers printed at the bottom of your checks.
- 32 Type: 1=Checking, 2=Savings.** Enter 1 or 2 to identify the type of bank account. This entry is forced to zero if a 9-digit routing number is not entered above or there is no refund available.
- 33 Account number.** Enter full account number, including the bank's branch number. E-file limits your entry to 17 characters, allowing only numeric and alphabetic characters and dashes. If a personal checking account, the number is usually the second set of numbers printed at the bottom of your checks. (Be sure not to include the last set of numbers, which is your check number.)

For a paper return, this part is ignored and does not appear on the printed Form 1040-X. You can only receive your refund resulting on the amended return by check.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

Sign and date Form 1040X. When you file an amended return, Form 1040X is technically the return rather than Form 1040, and you must sign Form 1040X just like you signed Form 1040 for the original return. You must then send, with any payment, Form 1040X followed by the revised Form 1040 and any other forms or schedules that changed. *CAUTION: The address to which you should send your Form 1040X return is not generally the same as the address to which you sent your Form 1040 return. See the table at the end of the IRS Instructions for Form 1040X (Rev. February 2024) for the proper address* to which you should send the form.

e-file form / Form 8453, 8879, etc.**

**** Included in Standard and Premium Level software ONLY.** This form (and e-file) is only built into the Standard and Premium Level versions of Tax Preparer.

ONLY for tax professionals. The e-file form is designed for tax professionals who file returns for others. The professional must apply to and be approved by the IRS for acceptance into the e-file program. This e-file form is included in HowardSoft's Standard Level and Premium Level programs, and not only adds the form to your *Tax Preparer* software but also produces files for your returns in a special format for electronic filing. After preparing as many returns as you like in one session, you can transmit the returns to the IRS *using the e-file transmission software you purchase from us.*

Exceptions to mandatory e-file and the role of Form 8948. *Most paid preparers are now required to e-file their returns* if they expect to file 11 or more returns that are eligible for e-file. However, there are exceptions that apply. When you have a return that you cannot e-file, you must generally include a completed Form 8948 with the paper return you file to explain why you cannot e-file the return. Valid reasons that require a Form 8948 include limitations of the software or a client's preferences. Reasons that do not require a Form 8948 include returns that use a form not supported by the IRS for e-file (such as Form 8839). *To help you decide whether a Form 8948 is necessary with a paper return, throughout this manual we have highlighted the software's limitations for e-file wherever a limitation applies that is not imposed by the IRS.*

Main form for Electronic Filing. This form is *required* to generate e-file output to be transmitted to the IRS. It has a number of functions:

- ◆ **Determines eligibility for e-file.** This form includes eligibility checks to prevent e-file output from being generated when it would undeniably be rejected by the IRS for e-file. The checks include checks for specific entries that are not allowed for e-file, but may be allowed for a paper return, checks that the number of copies of certain forms and worksheets do not exceed the number that the IRS's e-file system can handle, checks for special handling not allowed for e-file, and a check that the return is set for dollar rounding throughout, as required for e-file.
- ◆ **Collects information for required W-2, 1099-R, and W-2G forms.** Information you supply on the corresponding worksheets for line 1a of Form 1040, lines 4a and 5a of Form 1040, and line 8b of Schedule 1 is collected and made a part of the e-file return through electronic Forms W-2, 1099-R, and W-2G.
- ◆ **Supports the return with electronic and paper attachments.** For information required by the IRS but not collected on any IRS form for the return, the IRS provides a means for providing the information. For some

e-file form

specific information, the IRS requires you to provide statements in paper form, using a printed Form 8453 as a cover letter.

- ◆ **Supports payment of amount due by direct debit (ACH) from your bank account.** You can identify the bank account, specify the amount to be paid (which can be less than the amount due), and specify the date the amount is to be withdrawn from your account.
- ◆ **Authenticates the return with PIN signatures.** Both the electronic return originator (ERO) and the taxpayer(s) must sign the return electronically using 5-digit PIN codes. *Paper signatures are not allowed for e-file returns.* Until the PIN signatures are entered, no e-file output will be generated by the software.
- ◆ **Provides hard copy printouts for e-file information.** Six different printed forms are available in the software. Only one of these forms is ever sent to the IRS; the rest are hard-copy records of forms that are being transmitted to the IRS as a part of the e-file return. They include Form 8453 (a cover letter for submitted paper attachments), Form 8879 (a record of PIN signatures, and taxpayer and ERO declarations), Form Payment Record (a record of ACH direct debit information transmitted to the IRS), and Forms W-2, W-2G, and 1099-R (information transmitted to the IRS based on copies of these forms received by the taxpayer).

The e-file form is accessible from the Forms Menu (as form 90) and the last screen of our Control Form (form 1 on the Forms Menu), not through the Road Map.

Preparing this e-file form. The monetary part of the form is fully automatic, requiring no entries by you. However, *you must supply the EFIN issued to you by the IRS, your name as the ERO (electronic return originator), direct debit information (if applicable), and PIN signatures.*

IDENTIFICATION. In this section you identify the Electronic Return Originator (ERO), the tax return, and the taxpayer(s). Taxpayer identification comes from your entries on Form 1040, but you must identify the ERO by supplying his or her Electronic Filing Identification Number (EFIN). (You cannot identify the return until it is transmitted to and acknowledged by the IRS.) *TIP: The return is identified by the Submission Identification Number (SID), below, which is issued to you by the IRS. However, the SID is not issued until the return is transmitted to the IRS and its receipt is acknowledged by the IRS.*

EFIN number. (Mandatory.) This 6-digit number is the *Electronic Filing Identification Number (EFIN)* that the IRS assigned you when they accepted you into their e-file program based on your application. This entry is mandatory because the EFIN is a required part of the electronic file that is transmitted to the IRS.

Submission Identification Number (SID). A 20-digit ID number is assigned when the return is transmitted to and received by the IRS. You will therefore not know its value before you submit the return, so you must initially leave this entry blank. You will see the number in the acknowledgement from the IRS that you receive for the re-

turn. At that time you can return to this form to enter the number here. However, this is not mandatory. It is sufficient to keep a record of this number, even electronically, as long as its location is recorded. If you enter a number here, it will appear only on the official Form 8879 (*IRS e-file Signature Authorization*), which is not sent to the IRS but kept with the ERO's records.

Name(s) for paper Form 8453. This section shows how names are formatted for e-file so that you can confirm that the names have been properly interpreted, and can abbreviate long first names when required. The formatting starts with the names that were entered for the return on Form 1040:

Your first name & initial. This and the next several entries come from Form 1040. You may need to modify the entries for proper e-file formatting, but you must do so on Form 1040 screen 1 (screen 2 for spouse), not here. Even though each entry allows up to 25 characters to be entered, IRS e-file formatting allows only 35 characters total for the name(s) on the return. This restriction is not particularly severe for a single filer, but can cause severe truncation of names for joint filers. You should therefore look carefully at the formatting that follows these entries to see if you need to shorten an entry for first name in order for the 35-character format to be meaningful. If the last names are especially long, you may even find it necessary to use a single initial in place of the full first name and initial.

Spouse's first name. See above.

Your last name. See above.

Spouse's last name (if different). See above.

Name(s) for e-file output. The preceding four entries are formatting for e-file in the following lines. You should verify that the first < symbol precedes the last name of the taxpayer and that another < symbol appears at the end of that last name only if it is followed by a suffix (such as III, Jr., etc.) or the name of the spouse (for joint returns). *If any of these results are not what you expect, check your entries on Form 1040 screens 1 and 2, then change answer on screen 1 and change it back thereafter, then view this e-file form again.* (This awkward procedure may be required if you changed the name entries on Form 1040 after the return is complete.)

Your name in e-file format. *(auto-calc)* This e-file format is used on all forms for a single filer, and forms that apply only to the primary taxpayer on joint returns.

Your name control for e-file. *(auto-calc)* This is a 4-character entry showing the first four significant characters of the last name, with spaces skipped. The name control and SSN are generally all that the IRS uses to identify a taxpayer.

Spouse's name in e-file format. *(auto-calc)* This e-file format is used only on joint returns, for forms that apply only to the spouse.

Spouse's name control for e-file. *(auto-calc)* This is a 4-character entry showing the first four significant characters of the last name, with spaces skipped, for the spouse.

Combined names for return ID. *(auto-calc)* This is the name that identifies the entire return. For a joint return the last name of the primary taxpayer will appear in the middle of this entry bounded on both sides by the < symbol.

OTHER TAXPAYER INFORMATION. The social security numbers, address, and phone number for the taxpayer(s) are shown next, all from your entries on Form 1040. If you need to change any of these entries you will need to do so on Form 1040.

Your social security number (SSN). *(auto-calc)* Taken from your entry on Form 1040, screen 1, formatted with dashes.

Spouse's social security number. *(auto-calc)* Taken from your entry on Form 1040, screen 2, formatted with dashes. (An SSN may appear here for either joint or separate married filers.)

Present home address (number and street). *(auto-calc)* Constructed from your entries on Form 1040, screen 3, for "Street address" and "Apt., Suite, Bldg., etc." but truncated to 35 characters. When there is an entry for the latter, the two entries are separated by a comma and space. (The 35-character truncation is only for on-screen display. The original two entries that make up this combined entry are used for the official printout of Form 8453.)

City or p.o. *(auto-calc)* Taken from your entry on Form 1040, screen 3, for "City or p.o."

State (2-letter code). *(auto-calc)* Taken from your entry on Form 1040, screen 3, for "State."

ZIP code. *(auto-calc)* Taken from your entry on Form 1040, screen 3, for "ZIP code."

Foreign address. If you entered a foreign address on Form 1040 instead of a U.S. address, your entries appear here and are used on an official printout of Form 8453:

Foreign street address. *(auto-calc)* Taken from your entry for "Street address" in the foreign address section of Form 1040, screen 3.

Foreign city. *(auto-calc)* Taken from your entry for "City" in the foreign address section of Form 1040, screen 3.

Foreign province/state. *(auto-calc)* Taken from your entry for "Province/State" in the foreign address section of Form 1040, screen 3.

Foreign country code. *(auto-calc)* Taken from your entry for "Country" in the foreign address section of Form 1040, screen 3.

Foreign postal code. *(auto-calc)* Taken from your entry for "Postal code" in the foreign address section of Form 1040, screen 3.

Worksheets for W-2, W-2G, 1099-R must be completed. Any Forms W-2, W-2G, and 1099-R received by the taxpayer(s) must be reported in the e-file return, so ALL information from those forms must be entered into the worksheets, which are accessible from Form 1040, lines 1a, 4a, 5a, and Schedule 1, line 8b. The information you enter in these worksheets is automatically

made a part of the e-file return. While they are not visible on the screen from this e-file form, you can get a complete printout of these forms with all their entries when you generate an official printout of this e-file form with the proper answers in the PAPER PRINTOUT OPTIONS section of this form (described later). *The IRS does not allow returns to be filed electronically if they have more than 50 Forms W-2, 30 Forms W-2G, or 20 Forms 1099-R*, so the software limits the number of worksheets to these numbers.

CHECKS FOR ELIGIBILITY. A number of preliminary checks are built in and summarized on screens 4 and 5. *If any of the checks fail, an electronic filing file will not be generated.* The requirements upon which these checks are based are detailed in IRS Pubs. 1345, *Handbook for Electronic Filers*, and 1346, *Electronic Return File Specifications and Record Layouts*.

CHECK FOR UNALLOWED ENTRIES. (*auto-calc lines*) To be eligible for electronic filing a return can have *NO* entries for any of the lines identified on the screen in this section. A Yes at any of these lines will lead to rejection of the return with one exception: a missing spouse SSN is ignored if the filing status for the return is neither married filing jointly nor married filing separately.

CHECK FOR NUMBER OF COPIES. (*auto-calc lines*) The number of copies allowed for a number of forms and schedules is restricted. Forms shown on the screen for this section are only forms for which multiple copies are allowed on paper returns. Restrictions on these and all other forms supported by *Tax Preparer* are shown in Table 2-18 at the end of this chapter.

CHECK FOR EXCESSIVE COUNTS. (*auto-calc lines*) Some forms are limited in the number of items that can be reported on the form, such as the number of columns on the form.

CHECK FOR SPECIAL HANDLING. (*auto-calc lines*) A need for special handling by the IRS can also cause rejection. Just two checks are shown on the screen, but other factors can cause rejection, such as requesting the IRS to calculate your Earned Income Credit for you.

TENTATIVE ELIGIBILITY. This is the final determination for this form.

Monetary amounts rounded. (*auto-calc*) Taken from the entry on the Control Form. *Only rounded returns can be filed electronically.*

May be eligible for e-file. (*auto-calc*) Answered Yes only if the return is rounded and all of the preceding checks have been passed.

If not eligible for e-file, you may have to include Form 8948 with the paper return. *Most paid preparers are now required to e-file their returns if they expect to file 11 or more returns that are eligible for e-file. However, when you have a return that you cannot e-file for some reason, such as limitations of the software or rejection by the IRS, you must generally include a completed Form 8948 with the paper return to explain why. However, you are not required to include Form 8948 for returns that use a form not supported by the IRS for e-file.*

Additional reasons for rejection of a return. Even if a Yes appears at the last eligibility question, above, the return may be rejected when other checks are performed later in the filing process. For example, severe restrictions are placed on supporting statements, as detailed in Table 2-19 (at the end of this chapter), which are checked *before Tax Preparer's* generation of the electronic filing output. Still more restrictions are placed on how certain information is entered, which are checked *during Tax Preparer's* generation of the electronic filing output (called "pre-transmission error checking"). The final round of checking is performed by the IRS, and the IRS acknowledgement of the return will include a list of errors found.

PIN signatures required. The IRS does not allow you to submit a signed paper form in lieu of electronic (PIN) signatures. As a result, even if a Yes appears at "May be eligible for e-file" and all other aspects of the return are acceptable, the *e-file output will not be generated by the software if you do not supply the proper information and PIN signatures on the last two screens of this e-file form.*

PAPER PRINTOUT OPTIONS. Our on-screen e-file form is not only used to collect data required for the e-file output but also provides a number of useful printouts. In order to print any of the forms listed below, you must choose to print a single graphic form, selecting "90 e-file" from the Forms Menu for official printouts. Which forms print is controlled by your answers to the following questions:

Omit Form 8453? Unless you answer Yes, Form 8453 will be printed when you choose to print the e-file form. Form 8453 is now required ONLY if you are required to send paper documentation to the IRS as a part of the e-file return, as identified in the "Paper attachments" section of this e-file form, detailed later. It is no longer a signature form that summarizes the return, but is now just a cover letter for mailing paper documentation for the return.

Omit Form 8879? Unless you answer Yes, information you enter later relating to PIN signatures will be printed on an IRS Form 8879 (*IRS e-file Signature Authorization*). PIN signatures are now mandatory, so you MUST print a paper copy of this form for the taxpayer(s) to sign. You must keep the signed copy of the printed Form 8879 in your records. It is not filed with the IRS but provides the verification that the taxpayer has approved the transmitted return and, when appropriate, given the ERO permission to enter PIN(s) for the taxpayer.

Omit ACH debit information? Unless you answer Yes, any payment information you enter later relating to paying the tax due by debiting the taxpayer's bank account will be printed. You can use this printout to verify the information and keep a paper record of it.

Omit Form(s) W-2? Unless you answer Yes, all *W-2 Worksheets* you completed will be printed in the format of an IRS Form W-2. You

can use these printouts to verify your entries on the *W-2 Worksheets* that support line 1a of Form 1040.

Omit Form(s) W-2G? If you answer Yes, all W-2G Worksheets you completed will be printed in the format of an IRS Form W-2G. You can use these printouts to verify your entries on the W-2G Worksheets that support line 8b of Schedule 1.

Omit Form(s) 1099-R? Unless you answer Yes, all 1099-R Worksheets you completed will be printed in the format of an IRS Form 1099-R. You can use these printouts to verify your entries on the 1099-R Worksheets that support lines 4a and 5a of Form 1040.

Extra line for personal memos. The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

PAPER ATTACHMENTS. If any situations on the return require a paper attachment to the return, such as a copy of a certificate or a signed affidavit, you must indicate the requirement from the list of questions in this section, and send the paper documentation with a printed Form 8453 as a cover letter. The printed graphic Form 8453 provides more information about each of these items. Therefore, we recommend that you print a blank copy of the graphic Form 8453 before answering any questions in this section. Any Yes answer you give in this section will result in an X in the corresponding box on Form 8453, and will be made a part of the e-file output so that the IRS will expect the paper Form 8453 and attached documentation.

BANK INFORMATION. The next two sections relate to the electronic transfer of funds between the taxpayer and the IRS.

Direct Deposit Information. This section is relevant only when there is a refund shown on line 35a of the final Form 1040 for the return. If relevant and you want the refund automatically deposited, you must enter all bank information directly on 2023 Form 1040 lines 35b through 35d to identify the bank account into which you want the refund deposited. (The bank account will normally be the taxpayer's bank account, but it could be the account of a trustee or an intermediary, such as a bank that funds a refund authorization loan or QIK checks.)

Amount to be refund. *(auto-calc)* Taken from Form 1040, line 35a, this is the amount of any overpayment that you want refunded.

DIRECT DEPOSIT USED? *(auto-calc)* The answer will be Yes only if there is an amount on Form 1040, line 35a, and you have completed the bank information at Form 1040 lines 35b, 35c, and 35d.

Direct Debit (ACH) Information. This section is relevant only when there is an amount due shown on line 37 of the final Form 1040 for the return.

Use Direct Debit if an amount is due? Answer Yes only if the taxpayer authorizes a Direct Debit from his or her bank account.

Amount to be paid (see Form 1040). *(auto-calc)* Taken from your entry for "Amount you are paying" at the bottom of screen 6 of our Con-

trol Form (which is line 37 of Form 1040 if you are paying the full amount due)..

Requested payment date. You must enter the date in the standard mm-dd-yyyy format, generally no later than the due date of the return, including extensions.

Routing transit number. Enter the 9 digit routing number for the bank from which the taxpayer's funds will be withdrawn. (If a personal checking account, the number is the first set of computer numbers printed at the bottom of checks for the account.)

Bank account number. Enter full account number, including the bank's branch number. (If a personal checking account, the number is the second set of numbers printed at the bottom of checks, excluding the last set of numbers that match the check number.)

Account type: 1=Checking, 2=Savings. Enter 1 or 2 to identify the type of bank account, or 0 if no direct debit is requested.

Daytime phone number (required). While otherwise voluntary, the taxpayer's phone number is a required entry for Direct Debit.

DIRECT DEBIT USED? *(auto-calc)* The answer will be Yes only if there is an amount to be paid, the requested payment date lies within the filing year, you supplied all bank information above, and you entered a daytime phone number.

Information for Form 8879. The remainder of this e-file form relates to Form 8879 (*IRS e-file Signature Authorization*) and the Authentication Record of the e-file output. All parts must be completed in order for the return to be e-filed. (An official printout of Form 8879 is available for the ERO's files.)

PART I, TAX RETURN INFORMATION. *(auto-calc lines)* A 5-line summary of the Form 1040 tax return appears here, with no manual entries required.

1 **Adjusted gross income.** *(auto-calc)* Taken from Form 1040, line 11.

2 **Total tax.** *(auto-calc)* Taken from Form 1040, line 24.

3 **Federal income tax withheld.** *(auto-calc)* Taken from Form 1040, 25d.

4 **Refund.** *(auto-calc)* Taken from Form 1040, line 35a.

5 **Amount you owe.** *(auto-calc)* Taken from Form 1040, line 37.

PART II, DECLARATION OF TAXPAYER. The answers for this section are taken from the preceding banking information. The taxpayer must verify these answers by providing PINs on the last screen and signing Form 8879.

I consent to direct deposit. *(auto-calc)* Answered Yes only if a Yes appears at "DIRECT DEPOSIT USED?" under *Direct Deposit Info*.

I authorize an ACH debit. *(auto-calc)* Answered Yes only if a Yes appears at "DIRECT DEBIT USED?" under *Direct Debit Info*.

TIP: PIN signatures are entered on the last screen of this e-file form, following data entry for Part III, but they appear in Part II of the printed Form 8879.

PART III, DECLARATION OF ELECTRONIC RETURN ORIGINATOR (ERO). As the person filing the return electronically, you are the Electronic Return Originator (ERO). This is the person who transmits the return to the IRS by way of

our e-file transmission software, and electronically signs this e-file form as the person preparing the return for electronic filing, but not necessarily the preparer of the return itself.

ERO's Name. Enter the name of the professional who is filing this return electronically. This is the person under whose EFIN this return is filed electronically, which may or may not be the same as the paid preparer who prepares the return. ***This entry is NOT automatic. You must enter your name here for every e-file form you prepare.***

ERO's PIN signature. Paper signatures are no longer allowed for e-file returns. Only electronic signatures, by way of a PIN, are acceptable:

Using Practitioner PIN Method? Under this method, the ERO verifies the identity of the taxpayers and witnesses their PIN signatures so that the taxpayers do not have to supply their birthdate and prior-year AGI or prior-year or IRS-supplied PIN as verification.

ERO's 5-digit PIN signature. Enter any 5 digits except 00000. ***This entry is mandatory, so no e-file output will be generated without an entry here.***

ERO's IP address (automatic if blank). The IRS requires the numerical internet address of the Internet Provider used to transmit the return to the IRS or a third party. If you leave this entry blank, as we recommend, the software will attempt to determine the IP address from your computer when you generate e-file output with *Tax Preparer*, and will put it in the appropriate place in the e-file output for the IRS. However, if you are preparing this return on a different computer from the one you will use when transmitting it to the IRS or a third party, or you are not connected to the internet while preparing this return, you will have to enter the IP address yourself. For further guidance, see the *Supplemental Instructions* on the *e-file Alerts* page of our *Check for Updates* website.

ERO's EFIN/PIN (EFIN+5 digits). *(auto-calc)* This 11-digit number is comprised of the 6-digit EFIN of the ERO and the 5-digit PIN he or she supplied. This is the complete signature required by the IRS.

TIP: *The ERO identified above may be different from the paid preparer identified on screen 1 of your Program Settings, where all other identifying information is entered, including the paid preparer's PTIN, the firm's name and address, and the firm's EIN.*

Taxpayers' PIN signatures. Paper signatures are not allowed for e-file returns. Only electronic signatures, by way of PINs (Personal Identification Numbers), are acceptable. In providing a PIN signature, the taxpayer is agreeing to certain consents. Although we provide a shorter Taxpayer Declarations form later in this section, *we recommend that you print a blank copy of Form 8879 before the taxpayer supplies a PIN, so that he or she can read the lengthy jurats on the form. The taxpayer must then hand sign a completed Form 8879, which you must keep with your records.*

Birthdate(s) & AGI(s) required? *(auto-calc)* If the ERO has *not* selected the Practitioner PIN Method, each taxpayer must identify himself or

herself by supplying a birthdate and prior-year AGI (or prior-year PIN or IRS-issued PIN) on this screen. Therefore, this question is answered Yes if the ERO has answered No to "Using Practitioner PIN Method?"

Taxpayer 5-digit PIN signature. Enter any 5 digits except 00000. This entry could be made by you (the ERO), the primary taxpayer, or, if the primary taxpayer is a minor child, a person who is authorized to sign for the child. You will identify the signer after the next entry.

Date signed. Enter date signed in the standard mm/dd/yyyy format.

Did taxpayer enter above PIN? Answer Yes only if entered by the primary taxpayer. If entered by the ERO or by someone authorized to sign for a minor taxpayer, you must answer No. Unless you identify the authorized signer through the following entries for minors, it will be assumed that the ERO is the signer and the corresponding box will be checked on the printed Form 8879. But if you identify an authorized signer below, the box for the taxpayer will be checked, with the authorized person identified under the line for "Your signature" on the printed Form 8879.

or FOR MINOR CHILD by: If the taxpayer is a minor and his or her return is signed for him or her by a another person, you must identify that person by relationship with the taxpayer and the person's name. If you answer No to all 5 relationships, the software concludes that either the primary taxpayer is not a minor, or either the taxpayer or the ERO is signing. *TIP: You will not be able to answer Yes for any of the 5 choices if you answered Yes to "Did taxpayer enter above PIN?"*

PARENT. If Yes, the parent must enter the 5-digit PIN and sign the printed Form 8879 as the taxpayer. (You cannot answer Yes if you already answered Yes for "Did taxpayer enter above PIN?")

GUARDIAN. If Yes, a guardian must enter the 5-digit PIN and sign the printed Form 8879 as the taxpayer. (You cannot answer Yes if you already answered Yes for "Did taxpayer enter above PIN?" or "PARENT.")

LEGALLY RESPONSIBLE PERSON. If Yes, a legally responsible person must enter the 5-digit PIN and sign the printed Form 8879 as the taxpayer. (You cannot answer Yes if you already answered Yes for "Did taxpayer enter above PIN?" or "PARENT" or "GUARDIAN.")

POWER OF ATTORNEY. If Yes, a person with power of attorney for the child must enter the 5-digit PIN and sign the printed Form 8879 as the taxpayer. (You cannot answer Yes if you already answered Yes for "Did taxpayer enter above PIN?" or "PARENT" or "GUARDIAN.")

ERO. If Yes, you (the ERO) must enter the 5-digit PIN and sign the printed Form 8879 as the taxpayer. (You cannot answer Yes if you already answered Yes for "Did taxpayer enter above PIN?" or "PARENT" or "GUARDIAN" or "LEGALLY RESPONSIBLE PERSON.")

Person's name. If any of the preceding 5 entries is answered Yes, you must enter the corresponding person's full name here in 25 characters or less. (If all 5 answers are No, any entry you make here will be erased.)

Taxpayer date of birth. Enter the date of birth in the standard mm/dd/yyyy format. *This entry, along with one of the following 3 entries, is mandatory if the ERO is not using the Practitioner PIN Method, in order to verify the identity of the taxpayer.* Under the Practitioner PIN Method, the practitioner (ERO) verifies the taxpayer's identity.)

Taxpayer prior-year AGI. Enter the AGI from the taxpayer's tax year 2022 return as filed (not as amended later). *If you do not know the entry, you must make an entry on one of the following 2 lines if the ERO is not using the Practitioner PIN Method.*

Prior-year PIN (if no AGI). A taxpayer who e-filed his or her return last year can use the PIN used last year as a means of identification rather than prior-year AGI. You do not have to enter the prior-year 5-digit PIN here if you made an entry on the preceding line.

Spouse's 5-digit PIN signature. Enter any 5 digits except 00000. See the *Taxpayer Declaration* following these instructions. ***CAUTION: Do not make entries on any of the spouse lines unless married filing jointly.***

Did spouse enter above PIN? If you must answer No because the ERO entered the PIN into the computer, the ERO will use a copy of a signed Form 8879 on file to verify authorization to do so.

Spouse's date of birth. Enter the date of birth in the standard mm/dd/yyyy format. *This entry, along with one of the following 3 entries, is mandatory if the ERO is not using the Practitioner PIN Method, in order to verify the identity of the spouse.* (Under the Practitioner PIN Method, the practitioner verifies the taxpayer's identity.)

Spouse's prior-year AGI. If the spouse filed a separate return for tax year 2022 or was not married to this taxpayer, enter the AGI from the spouse's tax year 2022 return as filed (not as amended later). *If you do not know the entry, you must make an entry on one of the following 2 lines if the ERO is not using the Practitioner PIN Method.*

Prior-year PIN (if no AGI). A spouse who e-filed his or her return last year can now use the PIN used last year as a means of identification rather than prior-year AGI. You do not have to enter the prior-year 5-digit PIN here if you made an entry on the preceding line.

Return ready to be e-filed? (auto-calc) A Yes answer will appear here only if the answer to "May be eligible for e-file" is Yes (in the TENTATIVE ELIGIBILITY section on screen 5) and all required PIN information is complete.

Taxpayer Declarations

Perjury Statement

Under penalties of perjury, I declare that I have examined this return, including any accompanying statements and schedules and, to the best of my knowledge and belief, it is true, correct, and complete.

Consent to Disclosure

I consent to allow my Intermediate Service Provider, transmitter, or Electronic Return Originator (ERO) to send my return/form to IRS and to receive the following information from IRS: 1) acknowledgment of receipt or reason for rejection of transmission; 2) refund offset; 3) reason for any delay in processing or refund; and, 4) date of any refund.

Electronic Funds Withdrawal Consent

I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH debit (electronic withdrawal) entry to the financial institution account indicated for payment of my Federal taxes owed on this return and/or a payment of estimated tax. I further understand that this authorization may apply to subsequent Federal tax payments that I direct to be debited through the Electronic Federal Tax Payment System (EFTPS). In order for me to initiate subsequent payments, I request that the IRS send me a personal identification number (PIN) to access EFTPS. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment.

I am signing this Tax Return and Electronic Funds Withdrawal Consent, if applicable, by entering my Self Select PIN below.

Taxpayer's PIN: _____ Date (*all numeric*): _____
Taxpayer's Date of Birth: _____ (*2 digit month, 2 digit day, 4 digit yr*)
Taxpayer's Prior Year Adjusted Gross Income (*Dollars Only*): _____
Spouse's PIN: _____
Spouse's Date of Birth: _____ (*2 digit month, 2 digit day, 4 digit yr*)
Spouse's Prior Year Adjusted Gross Income (*Dollars Only*): _____

Form by Form Details (2024 Edition)

e-file form

If paper attachments are required, mail paper 8453 with the attachments **AFTER** filing electronically. Once the return is transmitted and accepted, you must print the Form 8453 and mail it with the attachments you indicated on screen 6. You must do so within 3 business days of receiving acknowledgment from the IRS that the e-file return has been accepted. You must mail the Form 8453 and attachments only to the following address, irrespective of the IRS center to which you e-file the return.

Mail Form 8453 with attachments to:
Internal Revenue Service
Attn: Shipping and Receiving, 0254
Receipt and Control Operations
Austin, TX 73344-0254

DO NOT send Form 8453 to the IRS if you have no paper attachments listed on screen 6 to attach. The form is *ONLY* used as a cover page for the listed paper attachments.

Pay by check or money order using Form 1040-V. If instead of paying your tax by direct debit you choose to pay by check or money order, you should send the payment with Form 1040-V to the address shown in the IRS 2023 Instructions for Form 1040-V (on the back of the official IRS form). Note that these addresses are different from those in the IRS 2023 Instructions for Form 1040 for many states.

ERO Declaration

I declare that the information contained in this electronic tax return is the information furnished to me by the taxpayer. If the taxpayer furnished me a completed paper tax return signed by a paid preparer, I declare that the information contained in this electronic tax return is identical to that contained in the paper return, and I have entered the paid preparer's identifying information in the appropriate portion of this electronic return. If I am the paid preparer, under the penalties of perjury I declare that I have examined this electronic return, and to the best of my knowledge and belief, it is true, correct, and complete. This declaration is based on all information of which I have any knowledge.

ERO Signature

I am signing this Tax Return by entering my PIN below.

ERO's PIN

____ - ____

(enter EFIN plus 5 self selected numerics)

Table 2-18. Forms Allowed for Electronic Filing

<u>Form</u>	<u>Max. allowed</u>	<u>Comments</u>
Form 1040	REQUIRED form	
Schedule 1	1	
Schedule 2	1	
Schedule 3	1	
Schedule A	1	Not used if standard deduction used
Schedule B	1	
Schedule C	5	
Schedule D	1	Up to 5,000 short- and long-term sales
Schedule E	1	Unlimited number of worksheets
Schedule EIC	1	
Schedule F	5	
Schedule H	1 or 2	2 for MFJ (one for each taxpayer)
Schedule R	1	
Schedule SE	1 or 2	2 for MFJ (one for each taxpayer)
Form 1116	10	
Form 1310	1 or 2	2 for MFJ (one for each taxpayer)
Form 2106	4	
Form 2120	4	
Form 2210	1	Schedule A & B of 2210 also allowed
Form 2210-F	1	
Form 2441	1	
Form 2555	1 or 2	2 for MFJ (one for each taxpayer)
Form 3468	1	
Form 3800	1	
Form 3903	2	
Form 4136	1	
Form 4137	1 or 2	2 for MFJ (one for each taxpayer)
Form 4255	1	
Form 4562	18	
Form 4684	1	
Form 4797	1	
Form 4835	1	
Form 4952	1	
Form 4972	1 or 2	2 for MFJ (one for each taxpayer)
Form 5329	1 or 2	2 for MFJ (one for each taxpayer)
Form 5405	1	
Form 5695	1	
Form 5884	1	
Form 6198	10	
Form 6251	1	
Form 6252	5	
Form 6478	1	
Form 6765	1	
Form 6781	1	
Form 8283	1	
Form 8379	1	
Form 8396	1	
Form 8582	1	
Form 8586	1	
Form 8594	1	
Form 8606	1 or 2	2 for MFJ (one for each taxpayer)
Form 8611	5	
Form 8615	1	

(continued on next page)

Form by Form Details (2024 Edition)

e-file form

(continued from previous page)

<u>Form</u>	<u>Max. allowed</u>	<u>Comments</u>
Form 8801	1	
Sch. 8812	1	
Form 8814	10	
Form 8815	1	
Form 8824	5	
Form 8828	1	
Form 8829	1 to 5	One for each Schedule C
Form 8839	1	
Form 8846	1	
Form 8853	1	
Form 8862	1	
Form 8863	1	
Form 8867	1	
Form 8880	1	
Form 8889	1 or 2	2 for MFJ (one for each taxpayer)
Form 8910	1	
Form 8936	1	
Form 8941	2	1 for each spouse
Form 8949	1	
Form 8959	1	
Form 8960	1	
Form 8962	1	
Form 8995	1	
e-file	1	Includes Forms 8453, 8879, and Payment Record
W-2	50	
W-2G	50	
1099-R	20	

Table 2-19. Overflow supporting statements allowed

Form	Line	Entries required - length in ()
Form 1040	Dependent Worksheet	SON, DAUGHTER, STEPCHILD, FOSTER CHILD, GRANDCHILD, SISTER, BROTHER, STEPSISTER, STEPBROTHER, HALF SISTER, HALF BROTHER, PARENT, GRANDPARENT, NIECE, NEPHEW, AUNT, UNCLE, NONE, or OTHER
Schedule 1	8z, Other income	Type (25) and amount
	19a, Alimony paid	SSN and amount
Schedule 2	24z, Other adjustments	Type (11) and amount
Schedule 3	17z, Any other taxes	Type (30) and amount
Schedule A	13z, Other pmt	Type (30) and amount
	6, Other taxes	Type (28) and amount
	8a, Home int on 1098	1098 explanation
	8b, Mortgage Int. worksheet	Name (20), address, SSN
	8b, Other received 1098	Names/address 1098 recipient
Schedule B	16, Other itemized deductions	Type (30) and amount
	1, Seller-financed mort	Name(20), address(29),IDN, \$
	1, 1099-INT worksheets	Unlimited (payer and amount)
	5, 1099-DIV worksheets	Unlimited (payer and amount)
Schedule C	F, If other, specify	Accounting method (25)
	16a, Mortgage to banks	Explanation
	16b, Other interest	Name/address 1098 recipient
	33, Other method	Describe other method
	34, Inventory method change	Explanation
Schedule D	48, Other expenses	Type (25) and amount
	1, ST Gain/Loss Worksheet	Unlimited
	8, LT Gain/Loss Worksheet	Unlimited
Schedule E	Pt I, Rents/Royalties	Unlimited
	12, Mortgage interest	Explain 1098 discrepancy
	13, 1098 rcvd by another	Name/address 1098 recipient
	Pt II, Partnership/S-Corp	Unlimited
	Pt III, Estates/Trusts	Unlimited
	Pt IV, REMICS Worksheets	Unlimited
Schedule F	7a, CCC under election	Explanation
	8c, Election to defer	Explanation
	23a, Mortgage interest	Explain 1098 discrepancy
	23b, Other interest	Name/address 1098 recipient
	34, Other expenses	Type (20) and amount
	41a, CCC under election	Explanation
Form 1116	1a, Foreign Expense Worksheet	Up to 3 countries per Form 1116
Form 2106	12, Vehicle Expense Worksheet	Up to 4 vehicles allowed
Form 2120	Eligible supporters	Unlimited
Form 2210/2210-F	Waiver request	Explanation
Form 2441	1, Care Provider Worksheets	Unlimited
	2, Qualifying Person Worksht	Unlimited
Form 2555	9b, Prior-Year Qual'g Person	Not supported for e-file
	Qualify for waiver of tests	Explanation
	6d, 8b, 9, 12b, 14, 14d, 15c, 15e, 18, 18f, 20b, 21abcdf, 23, 42	Unlimited
Form 3468	1, 4	Explanation
Form 3800	15, 6	Explanation
Form 4562	6, 15, 19a-19j, 26, 27, 30-36, 42	Unlimited
Form 4684	4, 25, 32, 37 worksheets	Unlimited
Form 4797	2, 10 worksheets	Unlimited
	Part III worksheets	No overflows (4 properties)
Form 4835	Same as Schedule F	See Schedule F
Form 5329	17, Itemized claim for waiver	Explanation
Form 5884	Exception statement	Explanation
Form 6198	2c Other form or schedule	Type (20)
Form 6252	Part III, 29e, Tax avoidance	Explanation
Form 6765	16, 39	Schedule of reduced deduc'ns
Form 6781	10, 12 worksheets	Unlimited
	Straddles, 4797, unrec gn	Schedules
Form 8283	1 & 5, Donated Prop'y wrkshs	Unlimited
Form 8582	Worksheets 1 through 7	Unlimited
Form 8586	1, 3b, 4, 5	Unlimited
Form 8594	Supplemental statements	Explanations
Form 8814	1099-INT & 1099-DIV workshts	Unlimited
Form 8815	1 worksheet	Unlimited
Form 8824	1, 2, 11c, 19, 27, 28	Unlimited
Form 8934	Plug-in Electric Vehicle w/s	No overflows (2 vehicles max.)
Form 8829	35, 40	Schedule
Form 8846	4 Part subj only to Medicare	Show computation
Form 8910	Alt. Vehicle Info worksheet	No overflows (2 vehicles max.)
Form 8936	Plug-in Electric Drive W/s	No overflows (2 vehicles max.)

In addition, no more than 30 statements total are allowed.

Chapter 3

Laser and Windows Graphic Printing

What Is Required
How to Install
Operating Hints
If You Have Trouble

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What Is Required

Graphic printing built into Standard and Premium Levels of Tax Preparer. Graphic printing of all IRS forms is built into *Tax Preparer* (1040), California Supplement (540), and Partnership Edition (1065) for all but the Economy Level of our software. (The Economy Level supports graphic printing only for the main signature form.) It is designed to provide the graphic look of the official IRS forms without the inconvenience of using preprinted forms or transparent overlays. However, as noted below, there are specific hardware requirements depending on the version of *Tax Preparer* you use. Two levels of capability are available for each:

Economy Level: graphics for main form ONLY. This *low-cost* version of our software generates graphics for the main signature form only. Accordingly, *Tax Preparer* (1040) generates a 2-page graphic Form 1040, California Supplement (540) generates a 5-page graphic Form 540, and Partnership Edition (1065) generates a 5-page graphic Form 1065.

Standard and Premium Levels: graphics for ALL forms. These versions of our software generate graphic versions of ALL IRS forms and schedules that are built into the software that it supports.

Laser-graphic printing vs. Windows-graphic printing. Two options for graphic printing are available, each with their own hardware requirements:

Windows-graphic printing. (*Recommended default option, for 32-bit or 64-bit systems*) This option provides graphic printing on virtually any Windows-compatible printer. The printer can be connected to the computer through any standard port, usually a USB port, or through a wireless network. Printing is performed through Windows, including its familiar print window. No special hardware or software is required.

Laser-graphic printing. (*Legacy option for older systems, for 32-bit systems only*) This option requires a laser printer that emulates the legacy HP laser printer family, as detailed later, and a compatible tax font. It also requires that the printer be connected to the computer through a parallel port (LPT1, LPT2, etc.). Printing is performed through DOS, with no print window. Special hardware and software are required, as explained next.

Since files for both Windows-graphic and Laser-graphic printing are included in both 32-bit and 64-bit versions of our Windows software, you can choose the one that is optimum for your equipment.

What else you will need for Laser-graphic printing. You need special printer hardware and software to use the laser option:

An HP-compatible (PCL4) laser printer. The printer must be capable of understanding Hewlett-Packard's legacy industry-standard Printer Control Language 4 (PCL4). Generally, only very old printers support this legacy standard. You can use Table 3-1 as a general guide for compatibility. None of these printers are currently in production!

BRAND/MODEL	NELCO T-FONT CART.	NELCO MEGA-FONT	"T" SOFT-FONT	OTHER COMPATIBLE OPTIONS OR SPECIAL REQUIREMENTS
ACER LP-75	No	No	No	Acer's Tax Cartridge L-FC2T.
ALPS LPX600	No	No	Yes	
Brother HL-6,8,10,730,760,1060,260,1660	Yes	No	Yes	or HP's Tax Cartridge 92286T.
Brother HL-4V, 630	No	No	Yes	
CIE 3000	No	No	Yes	
" CI-4	Yes	No	Yes	
Dataproducts 1230	No	No	No	2-card set & 1.28 & up firmware.
" LZR-650	No	No	Yes	or Dataproducts' Tax Font Card.
Destiny Laser Act I	No	No	No	Destiny's Tax Cart. L-FC2T.
Epson GQ-3500	No	No	No	Requires Epson cards 5414 & 5691.
" EPL-6000,Action	Yes	No	Yes	
" EPL-7000,7500	No	No	Yes	
Fortis 600s	No	No	Yes	
FujitsuRX7100,RX7300	No	No	No	Fujitsu cartridge D05B-9009-C070.
Genicom 5010,7170	No	No	Yes	or Genicom's cartridge 5A0010B35.
LanierHarris/3M 2006	Yes	No	Yes	
HP Series II,III,4,4+,4M,4M+,4P,4Si,4SiMX	Yes	Yes	Yes	or HP's Tax Cartridge 92286T.
HP 4L,4ML,4MP,4V,4MV,5,5L,5M,5N,5P,5MP,5Si,5SiMX,6P,6MP	No	Yes	Yes	
IBM/Lexmark4019,4029	No	No	Yes	or IBM Tax Font Card 1255848.
Kyocera F,FS-series	No	No	Yes	Requires ROM revision 6.32 & up.
" Q/P-series	No	No	Yes	
Mannesmann Tally 905	Yes	No	Yes	or HP's Tax Cartridge 92286T.
" Tally 910	No	No	No	Cartridge 403070-15 Tax US.
NEC LC860	No	No	Yes	or NEC's Tax Font set 90-609.
" LC890	No	No	No	NEC's set & rev 47.2 or later.
" Silenwriter 2	No	No	No	NEC's Tax Font set 90-609.
" Silwri95,Supsc860	Yes	No	Yes	
OAS LaserPro,Express	Yes	No	Yes	or HP's Tax Cartridge 92286T.
Okidata Laserline 6	No	No	No	Okidata tax font cartridge.
" 400,800,820,840	No	No	Yes	or Okidata Font Card 70014401.
" oL400e,oL810,oL830	No	No	Yes	
" DOC-IT 4000	No	No	Yes	
Packard-Bell PB9815	Yes	No	Yes	
Panasonic KX-P44xx,	No	No	Yes	or Panasonic Font Card KX-P471.
" -P5400,-P5410	No	No	No	PCP's Tax Cartridge. Model 2000 requires HP emulation option.
PCP LaserImage	No	No	No	
Qume LaserTen & Ten+	No	No	Yes	
Ricoh 6000	No	No	Yes	
Rosetta RT4115,4224	No	No	Yes	Requires software rev 2.61 & up.
SharpJx9300,9500,9700	No	No	Yes	
Star LaserPntr 4,LS5	No	No	Yes	
Tandy LP 1000	No	No	Yes	
Texas Instr. 2016	No	No	No	Requires TI cartridge2539153.0010 and HP-emulation 3.01 & up.
" MicroLaser(&Pro)	No	No	Yes	or TI font card 2559859.0005.
Toshiba PageLaser 12	No	No	No	Toshiba Tax Font Set LS12-FC10.
" PageLaser 6	No	No	Yes	
Xerox 4030, 4030II	No	No	Yes	Requires HP emulation cartridge.
" 4045, 4220	No	No	Yes	

Table 3-1. Laser Printer Compatibility

A compatible tax font. The HowardSoft approach to Laser-graphic printing relies on special tax fonts for the fastest printing, the smallest disk files, and the highest print quality. However, this approach has the disadvantage that you must have a cartridge (hard-font) or disk (soft-font) that gives your printer the needed fonts. This font set is

purchased only once and used year after year. The required font set is popularly known as the Tax Font set or HP's "T" Font set, but you should refer to Table 3-1 for the specific font set required for your printer.

Cartridge vs. soft-font. The soft-font has the advantage that it works with most HP-emulating printers and is quite inexpensive. However, you must send the fonts to your printer whenever you turn the printer power on anew. (See Table 3-1 for compatibility of the "T" Soft-Font available from HowardSoft.) A cartridge has the advantage that, once plugged into your printer, it gives your printer the fonts permanently, without requiring a separate step of loading fonts into the printer each time the printer is turned on. However, cartridges are limited to printers with a compatible slot. (See Table 3-1 for compatibility of legacy Nelco cartridges, which are no longer available. The Nelco T-font Cartridge works with most Hewlett-Packard laser printers and a few other printers, as shown in Table 3-1, but the Nelco Mega-font cartridge, which contains more than a hundred additional fonts from HP's cartridges A through Z, works only with Hewlett-Packard Series II and later laser printers.)

How to Install

Graphic Option installation. For the standard Windows computer system with a Windows-compatible printer requires no installation. The graphics capabilities available when you start *Tax Preparer* as delivered are:

Premium Level: Graphics included for *all* forms supplied for the Premium Level.

Standard Level: Graphics included for *all* forms supplied for the Standard Level.

Economy Level: Graphics included for the main signature form only (such as Form 1040).

For Windows-graphic printing there is nothing you need to do; fonts for Windows-graphic printing are loaded every time you start *Tax Preparer*. For Laser-graphic printing, however, you must install the proper tax fonts and activate them before you start *Tax Preparer*, as described next.

Tax font installation (for Laser-graphic printing only). The font installation depends on whether you are using a font cartridge or a soft font:

Cartridge installation. You must install the proper font before you start. If you have a tax cartridge for your printer, merely plug it firmly into the slot provided on your printer before you turn the printer on. For printers that have two slots, you may have to try the cartridge in both slots, or you may have to remove any cartridge in the other slot. All forms included for the edition purchased.

Soft-font disk installation (for Laser-graphic printing only). If you do not have a tax font cartridge for your printer, you must copy the required fonts to your printer's built-in memory each time you turn the printer on. If your software is installed on a hard disk you can

automate the procedure whenever you start the printer or *Tax Preparer*. However you must first install the soft-font on your hard disk. For the *Anderson's "T" Soft-Font* that HowardSoft formerly offered, it is best to install the soft-font in the same directory as you install *Tax Preparer*. For example, if you install *Tax Preparer* in C:\TAX, which is the standard location, you can insert the Anderson disk in drive A and type (from DOS):

```
copy a:*. * c:\tax
```

You must then copy the fonts into your printer each time you turn the printer on anew, as instructed next

Activating soft fonts (for Laser-graphic printing only). If you use soft fonts you must reactivate the fonts each time you restart *Tax Preparer*. For the Anderson "T" soft-font, this is done by running the program DL, which you should install in the folder where *Tax Preparer* is installed, which is: either c:\Program Files (x86)\Howardsoft Tax Preparer for 64-bit systems, or c:\Program Files\Howardsoft Tax Preparer for 32-bit systems. You can either run this program from the Command Prompt each time you start the printer, or create an icon on your desktop to click each time you start the printer.

How program settings control printing. Your program settings (Chapter 12 of the separate User's Guide) let the software know of any special requirements for your printer. For a Windows-compatible printer, the default settings are the proper settings for printing. But for a legacy laser printer connected through a parallel port, you will generally have to change the settings. See pages 12-6 through 12-12 of the separate User's Guide (Rev. January 2015) for information on changes to Program Settings that are required for legacy laser printers.

If You Have Trouble

Printing not aligned within form. If the graphics look fine but the data do not align within the spaces on the laser form for the main form, it may mean that your program settings for the main form's tabs do not match the ones designed for computer-generated graphics. For example, if Form 1040 is misaligned but all other forms are fine, make sure your tab settings are set for graphic forms. *Tab settings for Form 1040 must use the preset 2 for both Laser-graphic and Windows-graphic printing, illustrated in Figure 1-2 on page 1-11 of this Tax Forms Guide.* For the proper settings for Partnership (Form 1065) and California (Form 540) returns, see the beginning of the corresponding forms guide for those supplements. However, if the data do not align for other forms as well, it may mean that your typeface for the data is not a PICA typeface, either because you have inappropriate entries for initial setup characters or emphasized type (for Official Fill-in Specs) or because your printer requires special entries for setup characters.

Form and data on separate pages. Some printers, print buffers, print spoolers, and networks are set to automatically eject a page if no characters are

sent to the printer after a certain period of time, or each time a printer file is opened or closed. Since the graphics for the form are printed first, followed by the data for that page, it is conceivable with an improper setup for these devices that the printer will eject the page after the graphics are printed but before the data are printed. This "automatic eject" feature MUST be turned off, or the time delay increased, to prevent page ejection before data has been printed on the form. If the printer itself is the culprit, you can generally turn the feature off either mechanically or by entering the proper characters for "Initial setup characters." But if a print buffer, print spooler, or network is the culprit, their setup must be modified before *Tax Preparer* is used.

Special needs for some Windows printers when attempting Laser-graphic printing. With some newer printers you may find that not all of the graphics or typefaces are printed properly when printing a laser graphic (Special=1) under Windows. If the printer is claimed to have PCL4 compatibility, the problem is probably that the driver used when you installed the printer is a "host-based driver" rather than a "PCL driver." The problem is most common with the popular Hewlett-Packard LaserJet 5L. The solution is to install the PCL driver that either came with the printer or is available from its manufacturer. The PCL driver is generally more complete than the host driver, so its use should not affect your other programs. (You can tell which driver is being used by checking the settings for the printer through the Windows Control Panel. If you need help in installing the proper driver, please call our Customer Service for further information.)

Extra blank pages ejected. This problem can be caused by either the printer or the software. Make sure that the printer is set for printing with a vertical line spacing of 6 lines per inch (66 lines per 11-inch page). Also make sure that the setting for "No. of lines fed by auto-skip" is proper for your printer; 0 and 6 are the most common settings. Extra pages can also be caused by improperly set print buffers, print spoolers, or networks.

Garbled printing of graphics. If the graphics are totally misaligned, such as wrong type sizes, words overwriting each other, lines misplaced, etc., the tax font is the most likely culprit. Check that any tax cartridge is firmly imbedded in its slot. If more than one cartridge is installed, remove all but the T-font cartridge, and try it in all available slots. If the tax font is on disk (soft font), make sure that the font is loaded into the printer before you start *Tax Preparer*, that no other optional fonts are still in the printers memory, and that neither the printer nor the computer is turned off in the interim. To reconfirm whether a tax font is loaded, most printers have front panel controls that let you generate a printout of the fonts currently recognized. ***CAUTION: If you use a soft font and you ever have to turn the printer off during a session, you must recopy the font into the printer before you can print graphically again.*** If operating under DOS, this means that you must leave the *Tax Preparer* and return to DOS to perform the needed command, then restart *Tax Preparer* anew.

"Insufficient disk space" during installation. You may encounter this message if the disk onto which you have installed *Tax Preparer* is nearly full. The Laser-graphic files require nearly 400K of free disk space for the Premium version (laser graphics for all forms), or 44K for the Standard version (1040-only). The Windows-graphic files require 6.0MB for the Premium version and 1.0MB for the Standard version. If you do not have enough room because data files are consuming appreciable space, you may have to move the data files to another disk.

Chapter 4

Electronic Filing (*e-file*)

The Basics
How to Install
Operating Hints
If You Have Trouble

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The Basics

Professional e-file. (These instructions apply only to Standard Level and Premium Level versions of *Tax Preparer*. E-file is not available for the Economy Level.) HowardSoft's e-file gives to tax professionals the ability to send returns prepared with *Tax Preparer* to the IRS under the IRS e-file program. To participate in this program, for each tax year you must purchase *Tax Preparer* software at the Standard or Premium Level and special transmission software at one of four levels (from Basic to Platinum). In addition, you generally pay a per-return transmission fee for each return transmitted and for each retransmission of the same return. However, there is no transmission fee at the Platinum Level.

See the end of Chapter 2 for details on the "e-file form" that must be completed once the return is ready to be filed. Our "e-file form" (the last form on the Forms Menu) is a required form for e-file. This is where eligibility is checked and you enter electronic signatures for the Electronic Return Originator (you) and the taxpayers. It also where information is collected for IRS Form 8453 (*U.S. Individual Income Tax Transmittal for an IRS e-file Return*), for sending paper attachments for the return, and IRS Form 8879 (*IRS e-file Signature Authorization*), to authorize you to enter the taxpayer's PIN signature. In addition to detailing the e-file form, the manual also provides guidance in what returns may have to be filed by paper with a completed Form 8948 (*Preparer Explanation for Not Filing Electronically*) attached to the return.

How it works. For the preparer, the process of filing returns electronically consists of preparing the returns, generating electronic filing output for each return, and sending the resulting files over a secure internet connection to a 3rd party. The 3rd party then packages the files with other returns and sends them to the IRS over a secure private connection, the IRS processes the returns and sends acknowledgements for each return back to the 3rd party, who then makes them available for retrieval with your transmission software. The acknowledgements indicate whether or not the return has been accepted by the IRS and, if rejected, the reasons for rejection. To accomplish these tasks, you need two separate software packages:

HowardSoft *Tax Preparer* software (Standard or Premium Level). Returns prepared by *Tax Preparer* at the Standard or Premium Level are e-file ready once you complete the built-in e-file form for the return (the last form in *Tax Preparer's* Forms Menu). You then create e-file output for this return by going to *Tax Preparer's* Print Menu and choosing *ELECTRONIC Filing Output* instead of *PRINT on Printer or Disk*. If the output passes pre-transmission error checking, it is stored in the E-FILE sub-folder of the *Tax Preparer* program folder, and is ready for the next phase.

3rd-party transmission software (Basic through Platinum Level). This software reads the files stored in the E-FILE sub-folder, prepares

them for transmission, and then sends them to the 3rd-party facility over a secure internet connection. The 3rd party then handles all communication with the IRS, sending returns to the IRS over a secure private connection and receiving acknowledgements from the IRS. The acknowledgements are then made available to you through the same transmission software. *For the 2024 filing season, the 3rd party is PDP Tax Services, who has participated in the IRS e-file program since its inception and is well-equipped to handle e-file returns generated by Tax Preparer.*

Hardware requirements. The hardware requirements for the combination of HowardSoft Tax Preparer and PDP transmission software are similar to those for *Tax Preparer* software alone. Both are compatible with versions of Windows from Windows XP through Windows 10; both require little free memory (32 megabytes minimum); and both are delivered on a CD (although other media are available on special order). However, the transmission software has additional requirements that are only optional for *Tax Preparer*:

Internet access: You must have an Internet connection for e-file. A broadband (high-speed) connection is highly recommended, although the software is compatible with slower connections.

Hard Disk: You must have at least 5 megabytes of additional hard disk space available for the extra files created for e-file.

Printer: You must have a Windows-compatible printer as the default printer on your computer. (PDP software uses your default printer rather than the one you choose for *Tax Preparer*, which can be different.)

Registration requirements. Before you can use the e-file software ***you must be accepted into the e-file program by the IRS and register each year with HowardSoft.*** You apply for acceptance into the program by filing Form 8633 with the IRS. Upon acceptance, the IRS issues you an Electronic Filing Identification Number (EFIN), which you use to identify yourself every time you transmit a return to the IRS. Registration with us is required to activate the transmission software each year. You can contact us if you have any questions about the IRS e-file program, need a copy of Form 8633 to file, or want to register for e-file. You can also get Form 8633 and the HowardSoft e-file Registration Form from our web site at www.howardsoft.com/e-filepro.htm.

Installation and Setup

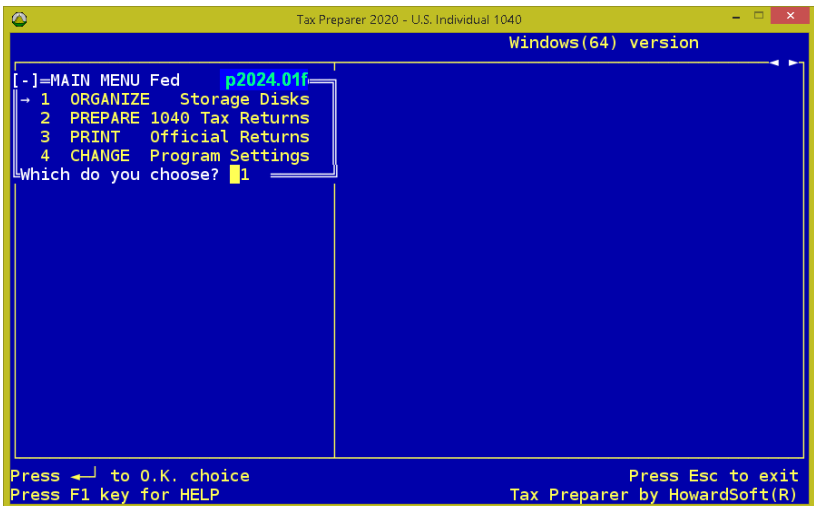
Installation of HowardSoft *Tax Preparer* software. *Tax Preparer* is initially sent to you on a CD-ROM each year. For most people, the installation starts automatically when you insert the CD-ROM and follow the on-screen instructions. But if it doesn't, see Chapter 1 of the separate *User's Guide (Rev. January 2015)* for instructions on manual installation. Once installation is complete, you should start *Tax Preparer* and perform a couple of tasks before installing the transmission software. To start *Tax Preparer*, click the desktop icon created by the installation (titled *Tax Preparer 2024 - 1040* for tax year 2023 returns). Two windows should now appear:

Tax Preparer Control Panel. Because important changes to the software are commonly made after the CD-ROMs are duplicated, it is important to update your software shortly after you install it. If you



have internet access, you can get the latest updates on-line through the Check for Updates choice on the narrow window for the *Tax Preparer Control Panel*.

Main Window. The Main Window of *Tax Preparer* identifies the software release on the Main Menu and the Windows version in the upper right corner. If identified as *Windows(64) version*, you are running your computer under 64-bit Windows (which requires 64-bit hardware). But if it reads *Windows(32) version*, you are running under 32-bit Windows (irrespective of your actual hardware).



Why Main Window information is important. The PDP installation program will ask you if you are running on a 64-bit system, but the answer is not always clear because it is not your computer hardware that determines the proper answer but what version of Windows you are running. You must therefore use *Tax Preparer's* Main Window as your guide. The right side of the top line of that window will display "**Windows(64) version**" for a 64-bit system and "**Windows(32) version**" for a 32-bit system.

Installation of PDP transmission software. The e-file transmission software is delivered to you separately on a CD-ROM from PDP Tax Services. It contains two separate programs, *both* of which must be installed on your computer:

PDPTRANS.23. This program reads the e-file output files generated by the 2024 Edition of *Tax Preparer* from the E-FILE folder of the *Tax Preparer* program. (The suffix of the PDPTRANS filename refers to the tax year it supports, not the filing year.) PDPTRANS then analyzes those files, lets you decide which files in the folder are ready to send, and packages them into a transmission file ready to be used by the second program, PDPFTP. (This program also prints acknowledgements retrieved by PDPFTP and various status reports.) *Installation does not start automatically when you insert the CD-ROM. To install, you must Run the program SETUP.EXE in the top folder of the CD-ROM, as described on page 2 of the 10-page PDP-TRANS USER'S GUIDE that came with your CD-ROM from PDP Tax Service.*

PDPFTP. This program reads the transmission files created by PDPTRANS and sends them over a secure internet connection to PDP Tax Services, where they are packaged with other returns and sent the IRS at the end of the day. It also retrieves acknowledgement files that PDP has received back from the IRS. (The acknowledgements can be printed with the PDPTRANS software.) *To install, you must Run the program SETUP.EXE in the \PDPFTP sub-folder of the CD-ROM, as described on page 2 of the 4-page PDPFTP document. CAUTION: This software is password protected.* You must use the USERID and PASSWORD assigned to you by PDP each time you want to transmit returns or acquire acknowledgments.

Adding PDP icon to your desktop. Unlike *Tax Preparer*, the installation of PDP programs does not give you desktop icons for easy startup. However, you can easily add a desktop icon for PDP software as follows:

- Step 1.** Click the Windows icon (or Start), click *All Programs*, and find PDPTRANS.23.
- Step 2.** Highlight PDPTRANS.23 and right-click the name.
- Step 3.** From the pull-down menu, click *Send to*.
- Step 4.** From the next pull-down menu, click *Desktop (create shortcut)*.

An icon named PDPTRANS.23 should now appear on your desktop. (Although you could also add an icon for PDPFTP, you can reach the PDPFTP

program from PDPTRANS by clicking an icon under *Link to PDPFTP* in the main window of PDPTRANS.)

Startup and configuration of PDPTRANS software. To start PDPTRANS, double-click the desktop icon you created for it. When you start PDPTRANS for the first time, you are asked whether you are installing the software on a 64-bit system. You must answer Yes only if you see *Windows(64) version on the Main Window of Tax Preparer*. After you answer the question, PDPTRANS starts and you are taken to *Program Options*, shown below. You must always enter the settings as shown except for DEFAULT EFIN (where you should enter *your own* IRS-issued 6-digit EFIN), DATA DRIVE (usually C), and DATA PATH (detailed below). In this context, *the word DATA does not refer to your tax return data but rather to the e-file output generated by Tax Preparer* for use with PDPTRANS software, and is always located in the E-FILE sub-folder of the *Tax Preparer* program folder. if you accepted the default location when you installed *Tax Preparer*, the proper settings are:

DATA DRIVE: C

DATA PATH:

If *Tax Preparer's* Main Window shows *Windows(64) version*:

\PROGRAM FILES (X86)\HOWARDSOFT TAX PREPARER\E-FILE

If *Tax Preparer's* Main Window shows *Windows(32) version*:

\PROGRAM FILES\HOWARDSOFT TAX PREPARER\E-FILE

Be careful; you must be precise in your entry, including the back-slashes and the single space between words. However, you may have a different drive and path if you installed *Tax Preparer* elsewhere. The important thing to re-

DATA DRIVE	C	
DATA PATH	\\PROGRAM FILES (X86)\HOWARDSOFT TAX	
IRS FILE EXTENSION	IRS	
AUTO FILE LOOKUP	Y	Normally - Y
IRS FILE TYPE	F	Normally - F
CARRIAGE RETURN	Y	Normally - Y
NEED DCN ADDED	Y	Almost always - Y
DEFAULT EFIN		
STARTING DCN	00001	
OFFER BANK PRODUCTS	N	
PRINT NAME CTRL ON ACK	Y	

member is that your entries must specify the location of the E-FILE sub-folder of the *Tax Preparer* program. Once your settings are complete, click OK to save them. You are next taken to *Electronic Filing Options*, shown next. Most

settings for this screen are self-explanatory because they identify you, the Electronic Filing Originator (ERO), and your location. But two entries are assigned by PDP. Entries that require some explanation include:

EIN: If you have one for your tax business, enter your 9-digit *Federal Employer Identification Number*. Otherwise, enter your 9-digit SSN.

ETIN: Enter the 5-digit *Electronic Transmitter Identification Number* assigned to you by PDP, as shown on the NOTICE attached to the PDPTRANS USER'S GUIDE.

EFIN: Enter the 6-digit *Electronic Filer Identification Number* assigned to you by the IRS when you applied for participation in the IRS e-file program.

PROCESSING SITE: Choose the site assigned to you by PDP, as shown on the NOTICE attached to the PDPTRANS USER'S GUIDE. (The IRS no longer assigns specific sites, but PDP uses this designation for internal processing.)

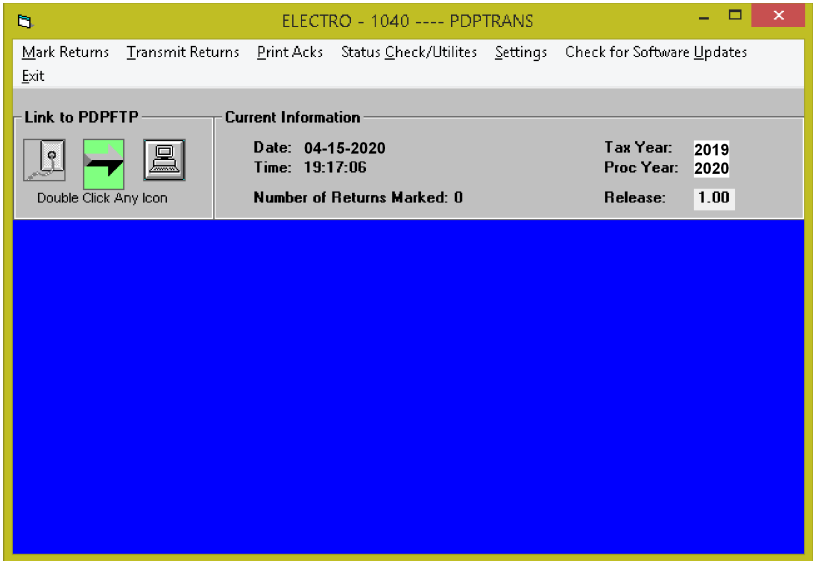
TIME ZONE: Choose the time zone that corresponds to your physical address.

Once your settings are complete, click OK to save them.

The screenshot shows a window titled "Electronic Filing Options" with a green title bar and a blue background. The window contains the following fields and controls:

- COMPANY NAME: Text input field
- CONTACT: Text input field
- ADDRESS: Text input field
- CITY: Text input field
- STATE: Text input field
- ZIP: Text input field
- TELEPHONE AREA CODE: Text input field
- TELEPHONE NUMBER: Text input field
- EIN: Text input field
- ETIN: Text input field
- EFIN: Text input field
- PROCESSING SITE: Dropdown menu with "H" selected
- TIME ZONE: Dropdown menu with "P" selected
- OK: Button
- CANCEL: Button

Startup and configuration of PDPFTP software. You can start PDPFTP from the main window of PDPTRANS (shown next). Just double-click any icon under the title *Link to PDPFTP* and you are taken to PDPFTP.

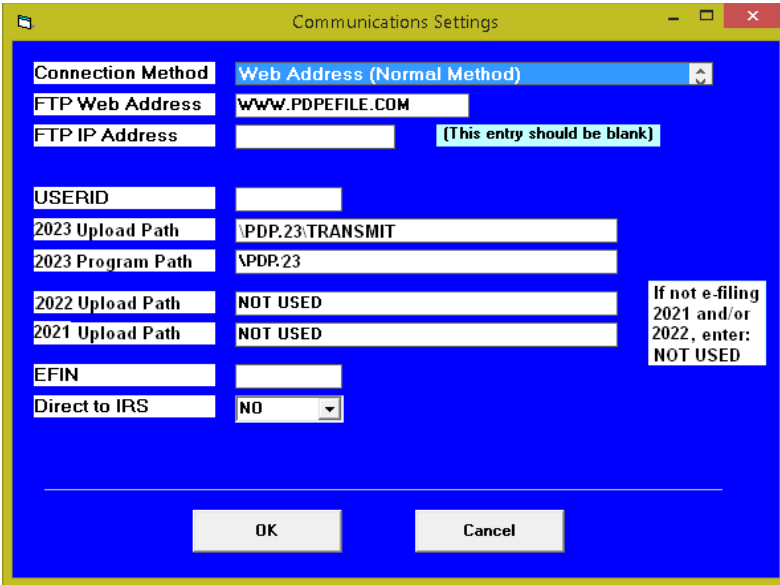


The first time you start PDPFTP, you are taken to its **Communications Settings setup screen** which includes several pre-set entries (*shown on the next page*). All settings shown are appropriate for use with *Tax Preparer*, but you must additionally complete two of the entries:

USERID: Transmissions through the PDPFTP software is password protected, so you are assigned a user id (usually your last name) and a password (usually 6 alphanumeric characters) by PDP. Enter the User ID assigned to you by PDP, as shown on a separate sheet that came with your PDP CD-ROM. You will use this User ID along with the password whenever you use PDPFTP to communicate with PDP.

EFIN: Enter the 6-digit *Electronic Filer Identification Number* assigned to you by the IRS when you applied for participation in the IRS e-file program.

All other entries shown on the next screen are appropriate for use with *Tax Preparer*, including no entry for **FTP IP Address**.



Operating Hints

Electronic Filing is fully integrated into **Tax Preparer**. Preparing a return for e-file filing is similar to that for paper filing until you start using the separate PDP transmission software. However, there are two menu choices that you will use only for e-file returns:

e-file form on the Forms Menu: All forms menus (such as the menus titled "Select Form to Prepare" or "Select Form to Print," both of which list the forms built into the software) will have an "e-file form" shown as the last form in the menu. *This e-file form is a required form for electronic filing*, and is accessible for data entry *only* through the Forms Menu (as form 90) or from the last screen of our *Control Form (form 1 on the Forms Menu)*, *not* through the *Road Map*. (If you are not familiar with accessing forms through the Forms Menu, see Chapter 3 of the separate *User's Guide* for an explanation of this alternative way of accessing forms.)

ELECTRONIC Filing Output on the Printout Menu: The Printout Menu that you see when you choose "3 PRINT Official Returns" from the Main Menu has a choice "4

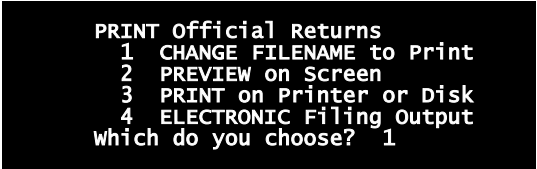


Figure 4-1. Printout Menu with e-file

ELECTRONIC Filing Output" as illustrated in Figure 4-1. When you make this choice the return is written to a file that is suitable for use by PDP's transmission software.

Other than these additions, the software operates in the same familiar way as it does without e-file. You merely write a disk file to be transmitted to the IRS through PDP instead of printing a paper return to be mailed to the IRS.

Steps to Electronic Filing. Although preparing an electronic return is the same as preparing a paper return in principle, there are a number of details that may make your approaches differ. The general procedure is outlined here, but you should read on to understand the details for each step and the limitations that electronic filing imposes on the way you prepare a return. The general steps are:

Step 1: Prepare return with Tax Preparer. You should prepare the return with *Tax Preparer* as you normally do, but be aware of restrictions on the forms and supporting statements that you are allowed to include with an electronic return generated by *Tax Preparer*, as described at the end of Chapter 2 in the details for the e-file form. If you must file a return that exceeds one of the restrictions, you must file a paper return rather than an electronic return. *CAUTION: Note that the IRS requires that ALL information on the Forms W-2, W-2G, and 1099-R received by the taxpayer be transmitted with the return, so you must enter all information into the corresponding worksheets that are built into Tax Preparer in support of Form 1040 line 1a for Form W-2, Schedule 1 line 8b for Form W-2G, and Form 1040 lines 4a and 5a for Form 1099-R.* (The worksheets for Forms W-2, W-2G, and 1099-R are not accessible from Form 8453. Instead, the worksheets accessible from Form 1040 and Schedule 1 contain all data required for e-file.)

Step 2: Complete e-file form. Our e-file form (*Form 90 on the Forms Menu for the 2024 Edition*) is the form that the taxpayer and ERO must electronically sign to verify the validity of the transmitted e-file return. It also serves many other purposes critical to e-file, including checking eligibility and verifying direct deposit or automatic withdrawal. *See the end of Chapter 2 of this Tax Forms Guide for details on our e-file form and what it contains.*

Step 3: Generate Electronic Filing Output. Once the return and Form 8453 are complete, the return can be written processed, then written to a file if it passes pre-transmission error checking. The process is as easy as printing a return, and is all performed through the added choice on the Printout Menu. You can create files for as many returns as you want to transmit in the same batch before proceeding to the next step. See the next page for details.

Step 4: Mark and prepare returns for transmission with PDPTRANS. When you are ready to start transmitting returns, start PDP's *PDP-TRANS* software by clicking the "PDPTRANS.23" icon you created

for your desktop. Click *Mark Returns* on the menu bar (see the figure on page 4-7) to select returns to transmit. Once all returns are marked with any letter other than U (for Unmark), they are ready to be prepared for transmission to PDP by clicking *Transmit Returns* on the menu bar. After you enter a 2-digit transmission sequence number, the returns are compressed into a single file ready to be transmitted to PDP. (The returns are not actually transmitted yet, in spite of the label on the menu bar.)

Step 5: Link to PDPFTP to transmit returns. The actual transmission to PDP of the e-file data is performed by the PDPFTP program. To access that program, double-click any icon below the *Link to PDPFTP* title in the main window of PDPTRANS (page 4-7). You can now click *Connect to FTP Server* on PDPFTP's menu bar, and check the box for "Send 2023 Transmission File(s)." Your returns will now be sent to PDP over a secure internet connection. They are then sent to the IRS at the end of the day from PDP's private, secure server.

Step 6: Get acknowledgements with PDPFTP. The next morning, you can get acknowledgements from the IRS using the PDPFTP program again. This time, after you click *Connect to FTP Server* on PDPFTP's menu bar, you can check the box for "Get New ACKs/Messages." If any new acknowledgements are found, they will be downloaded to your computer. You can then exit PDPFTP and print the acknowledgements with the PDPTRANS program by choosing *Print Acks* from its menu bar. (Other reports can be printed by choosing *Status Check/Utilities* from the menu bar.)

Step 7: Print and file Form 8453, if necessary. If there is any paper documentation that you are required to send to the IRS, as listed on screen 6 of our e-file form, you must print a paper Form 8453 and mail it along with the required documents within 3 business days of acceptance of the e-file return by the IRS.

Example of Generating Electronic Filing Output. Once the return and e-file form are complete, and the last entry on our e-file form shows Yes for "Return ready to be e-filed?", an "ELECTRONIC Filing Output" can be generated for the return. The process is just like printing a return, and is performed through choice 4 on the Printout Menu. Choose 3 (PRINT Official Returns) from the Main Menu, and the Printout Menu shown in Figure 4-1 appears. If you want to create e-file files for returns other than the active one named near the top of the *Tax Preparer* window, you must choose 1 (CHANGE FILE-NAME to Print) from this menu and select the return you want to use, or choose 17 (ALL files) to create e-file disk files for *all* returns in the tax volume. Once you are satisfied with the choice, choose 4 (ELECTRONIC Filing Output) from the new Printout Menu to start the process of creating an e-file disk file for the selected return(s). You are immediately prompted to confirm your choice through the prompt:

**Ready to write disk file(s)
for Electronic Filing?**

Once you answer Yes, the return is read from disk and the writing of the disk file will begin, confirmed on the screen with a message like

**writing Electronic Filing file
E-FILE\TS24B01.LDT**

Once the writing of this temporary file is complete (for client 2 in volume 1), the file is converted to an IRS-specified XML format, and a file named TS23B01.XML (for this example) will be placed in the E-FBAK folder (a sub-folder of the folder where you installed your *Tax Preparer* software). The .LDT file will be removed from the E-FILE folder at this point (another sub-folder of the folder where you installed your *Tax Preparer* software). Pre-transmission error checking will next be performed on the .XML file and, if the file passes, the file will be *renamed* (with a .IRS suffix rather than a .XML suffix) and copied to the E-FILE folder (again within the folder where you installed your *Tax Preparer* software). For example, if you installed *Tax Preparer* in C:\Program Files (x86)\HowardSoft Tax Preparer (the default location for 64-bit Windows), the final e-file output that can be used by the PDP transmission software will reside in C:\Program Files (x86)\HowardSoft Tax Preparer\E-FILE. (The identical file remains in the E-FBAK folder under its original name for use by HowardSoft Customer Service. The file in the E-FILE folder is erased once the file is successfully transmitted to PDP by PDPFTP.)

If You Have Trouble

Program improperly started. Cannot generate e-file output. If this message appears instead of "Ready to write disk file(s) for Electronic Filing?" you may have started *Tax Preparer* using an old icon, such as one you placed on your desktop for some prior edition. The message means that critical new portions of the software are being bypassed because of how you started the program, and the conversion of your data to IRS e-file format cannot be completed. It is therefore imperative that you start *Tax Preparer* using the new icon placed in your Program Folder for *HowardSoft Tax Preparer* this year. You can copy this new icon to your desktop if you so choose, but you should remove or rename any other *Tax Preparer* icons that reside on your desktop in order to avoid confusion.

E-FILE\TS20B01.LDT already exists. OK to erase? A message like this one may appear (with a slightly different filename) if the generation of an e-file output was previously attempted for the same client within the same tax volume, but was not successfully completed. The LDT file (a file with a .LDT extension in its filename), is an intermediate file generated during the conversion of your data to IRS e-file format. Normally, once the conversion is complete, the LDT file is erased. Therefore, this message can arise only if you are trying to generate e-file output anew after having encountered an error message when trying to generate e-file output for this return.

PDPTRANS error message upon clicking Mark Returns. If you have successfully generated e-file output with *Tax Preparer* and, after starting PDPTRANS and clicking *Mark Returns*, you encounter the message:

YOU HAVE A STATE RETURN WRITTEN AS FED/ST IN SOFTAX BUT THERE IS NO FEDERAL RETURN FOR xxxxxx.xxx. THIS IS AN INVALID CONDITION.

then you probably have files in your E-FILE folder that are *not* valid e-file output for the 2024 processing year. The PDPTRANS program will be aborted after the message appears and you will not be able to process any returns with PDPTRANS in this condition. For example, you could have some files left over from last year, which would have filenames that start with TS23. Or you could have files left over from a prior error in *Tax Preparer* that have filenames with the suffix .LDT. In either case, you must remove these files or else you will not be able to use PDPTRANS. (Valid files for 2023 Form 1040 returns have filenames based on the first four letters of the taxpayer's last name and the last four digits of the taxpayer's SSN. They also have a .IRS extension for Form 1040 returns.)

PDPTRANS shows no returns in Mark Returns. If you have successfully generated e-file output with *Tax Preparer* and, after starting PDPTRANS and clicking *Mark Returns*, you see an empty chart with no returns, then the likely cause is erroneous DATA DRIVE and DATA PATH in your settings for PDPTRANS. Both the drive and the path must be entered as shown earlier for your first use of PDPTRANS. Your data entry must be precise; placement of back-slashes and single spaces are important. If you have any mistakes, *Mark Returns* will have an empty chart without giving you any error message! **Spec or Filename.** If this error arises soon after you answer Yes to "Ready to write disk file(s) for Electronic Filing?" it means that the subdirectory E-FILE does not exist within the folder where you installed *Tax Preparer* this year. Since this subdirectory is automatically created when you first install an e-file version of *Tax Preparer*, the message indicates that either the installation was not successfully completed or the subdirectory is damaged. In either case you usually avert the problem by creating the subdirectory (folder) yourself through Windows Explorer or MS-DOS Prompt. You can contact HowardSoft Customer Service if you need help with the procedure.

Return has no e-file form. A return CANNOT be filed electronically without an e-file form, which includes the required PIN signatures of the taxpayer and ERO, data for Form 8453, 8879, W-2, W-2G, and 1099-R, and ACH debit information. (The e-file form is accessible from the Forms Menu as form 90 and the last screen of our Control Form, which is form 1 on the Forms Menu.)

Return NOT eligible for electronic filing. If the return is not eligible based on the forms or entries in the return, the question "May be eligible for e-file" at the bottom of screen 5 of Form 8453 will be automatically No, and the message "NOT eligible for electronic filing" appears immediately if you attempt to generate Electronic Filing Output for this return. *The message also appears later if, while generating the disk file, the software determines that the return cannot be written in a format acceptable to the IRS because too many supports exist for a particular line. See Table 2-18 at the end of Chapter 2 of this Tax Forms Guide for inherent limitations. (The form that appears in the*

box when the message is displayed is the form that violates the supporting statement limitations.)

Return cannot be modified enough by Tax Preparer to pass its pre-transmission error checking. When *Tax Preparer* fails to write an electronic filing file to completion due to its own eligibility checks, or a completed file continually fails pre-transmission error checking performed by *Tax Preparer*, you may have run into a restriction imposed by the software. See the tables on the last 3 pages of Chapter 2 of this *Tax Forms Guide* for a list of restrictions. You must then file a paper version of that return instead of an e-file version.