New York University

From the Selected Works of John S. Treu

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Introduction to Form 1040 Series - IRS Registered Preparer Exam Review Course

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Available at: http://works.bepress.com/john_spencer_treu/3/
Combined Text for:

Introduction to Form 1040 Series – IRS Registered Preparer Exam Review Course

(3rd Ed.)
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Introduction to the Course and Text

This course allows you to review the various topics in order or to select just the topics you wish to review by utilizing the table of contents which is broken down by units and chapters. This text very closely mirrors the lectures and is meant for additional study or review as needed.

If you wish to receive the continuing education credit for this course then you will need to complete each of the lectures and review questions and achieve a 4 out of 5 on each of the checkpoint quizzes at the conclusion of each Unit, which we will track for your convenience as you go along.

The practice tests are designed to be taken in one sitting to mirror test like conditions, although there is a save option which allows you to stop and restart later where you left off. The two practice tests will provide you with a net score and also provide feedback including the topics for which you may need additional study. We encourage you to take the first practice test once you've completed the course. Then you can use the feedback from the practice test as a roadmap for follow up study which can be accomplished either by re-watching those segments or by reading the online text for those sections.

Passing this exam will require that you understand not only the underlying topics, but that you also understand how to dissect the test questions even when they are unclear or ambiguous. This course is designed to cover both the specific topics the IRS will test on and the specific manner in which they have historically tested these topics. In order for you to get the maximum benefit from this course, it is absolutely essential that you take the time to carefully answer every review question. We also encourage you to take the time to review the explanations to the questions as we often use these explanations to provide additional insight and test-taking tips.
UNIT I – FILING REQUIREMENT/STATUS/EXEMPTIONS/DEPENDENTS

Chapter 1: Filing Requirements for Individuals

a. Who Must File

An individual taxpayer is required to file an income tax return if either: (i) the gross income test is met, or (ii) one of the other filing requirements is met. Additionally, even taxpayers who do not have a filing requirement must still file a return in order to receive a refund of taxes withheld and to be eligible for certain tax credits. The filing requirements for non-individuals, such as businesses, charities, governmental entities and unincorporated associations, are not covered in this chapter.

b. Gross Income Test

A taxpayer must file based on the gross income test if that taxpayer’s income exceeds the amounts shown on Chart A to the instructions to Form 1040, based on the filing status and age of the taxpayer. Gross income means all income received by the taxpayer in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of a taxpayer’s main home (even if the taxpayer may exclude part or all of it from taxable income). For purposes of calculating gross income for the gross income test, social security benefits are not included unless a taxpayer is filing as married filing separately and lived with their spouse or if one half the taxpayer’s social security benefits plus other gross income and any tax exempt interest is more than $25,000 ($32,000 if married filing jointly). Please note that exemptions for dependents or standard deduction increases based on blindness, discussed later in the text, are not taken into account for purposes of determining whether there is a filing requirement.

c. Other Filing Requirements

Even if a taxpayer is not required to file a return under the gross income test, an income tax return is still required if one of the following conditions are met:

i. The taxpayer was claimed as a dependent and had unearned income, earned income, or gross income, in excess of the threshold amounts shown in Chart B on page 8 to the instructions to Form 1040. Unearned income includes taxable interest, ordinary dividends, unemployment and capital gain distributions. Earned income includes salaries, wages, tips, professional fees, taxable scholarships and fellowship grants. Gross income includes both unearned and earned income.

ii. The taxpayer owes any special taxes for the following:

(a) Alternative Minimum Tax
(b) The taxpayer owes additional tax on a qualified plan, but if this is the only reason a return is required then the taxpayer may file just Form 532 by itself.

(c) Household Employment taxes, but if this is the only reason a return is required then the taxpayer may file just Schedule H by itself.

(d) Social security and Medicare tax on tips the taxpayer did not report to their employer or on wages the taxpayer received from an employer that failed to withhold these taxes.

(e) Taxpayer must recapture a first-time homebuyer credit.

(f) Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips the taxpayer reported to their employer or on group-term life insurance and additional taxes on health savings accounts.

(g) Recapture taxes.

iii. Taxpayer had net earnings from self-employment of at least $400.

iv. Taxpayer had wages of $108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

v. Taxpayer or taxpayer’s spouse received HSA, Archer MSA, or Medicare Advantage MSA distributions.

Each of these requirements are available on Charts A, B and C found in the instructions to Form 1040, which you will have access to on the exam.

**Review Question: True or False**

Terry, a single U. S citizen, is 18 and she is appropriately claimed as a dependent on her parent’s tax return. During the tax year, she had wages of $6,500. She had no other income or any tax payments. She does not have to file a federal income tax return for the tax year.

**Answer:** False, a single dependent taxpayer that is neither 65 or older nor blind must file a tax return if they have income in excess of $5,950.

**Review Question: True of False**

Anna is age 18 and single. Her only income was $600 of self-employment income from selling cosmetics. Anna is not required to file a return for the tax year.

**Answer:** False, any taxpayer with self-employment income in excess of $400 must file a tax return.

d. **Filing Requirement for Certain Tax Credits**

Even if a taxpayer is not required to file a tax return, there are certain tax credits that must be elected by the taxpayer and, as such, can only be taken if the taxpayer files a return. These tax credits include the earned income credit, the additional child tax credit, the American opportunity credit, the First-time homebuyer credit, the credit for federal tax on fuels, the adoption credit, the refundable credit for prior year AMT, and the health coverage tax credit.
Chapter 2: Filing Status

a. Introduction to Filing Status Concepts

The first tax based inquiry on the form 1040, 1040A and 1040EZ, following the identification information of the taxpayer, is the taxpayer’s filing status. The determination of filing status is generally fairly straightforward, but the filing status affects almost every aspect of the tax return calculations so this topic is very important and it will almost certainly be tested. A taxpayer’s filing status is one of the following categories as reflected on Form 1040 lines 1 through 5: (i) Single, (ii) Married Filing Jointly, (iii) Married Filing Separately, (iv) Head of Household, and (v) Qualifying Widower with Dependent Child.

b. “Single” Taxpayers

A Single taxpayer is an individual who was never legally married or is “considered unmarried,” and does not qualify for any other filing status. Marriage is defined, for federal tax purposes, as a legal union between a man and a woman as husband and wife. Same gender couples legally married under state law do not qualify as married for purposes of filing their federal tax returns and so, absent qualifying dependents, individuals in same gender marriages file as Single taxpayers. The more difficult distinction is an individual who is “considered unmarried” for tax purposes. This includes individuals who are still legally married but are also legally separated under a separate maintenance decree or have not lived together during the last six months of the tax year. Individuals who were widowed before the beginning of the tax year and did not remarry before the end of the tax year and do not meet the requirements of a qualifying widower must file Single. Single filing status is the default for taxpayers because in most instances a single taxpayer will pay the highest tax. Taxpayers will, therefore, use Single filing status if they do not meet the criteria for any other filing status.

c. Married Filing Separately

The first requirement for a taxpayer to file as Married Filing Separately is that the taxpayer be married. A taxpayer is considered to be married for purposes of their tax return if the taxpayer was: (i) legally married as of the last day of the tax year and lived with their spouse at some point during the last six months of the tax year, or (ii) married during the tax year but the taxpayer’s spouse died prior to the end of the tax year and the surviving taxpayer did not remarry. The net result of married taxpayers filing separately, as opposed to jointly, is generally that they will pay higher taxes for a couple of reasons. First, married filing separately taxpayers cannot take certain deductions and credits including deductions for student loan interest, tuition and fees and the education or earned income credits. Additionally, Married Filing Separately taxpayers must both either itemize or take the standard deduction. These credits and deductions will all be discussed in much greater detail later.

The primary advantage to married filing separately is that the taxpayer is not liable for any underpayment of taxes by their spouse. One additional wrinkle arises if one of the spouses is a
non-resident alien or dual status alien. In such cases the taxpayers can only file as Married Filing Jointly if the non-resident alien or dual status alien spouse elects to be taxed as a resident alien.

d. Married Filing Jointly

For purposes of Married Filing Jointly, the taxpayer and the taxpayer’s spouse must be married based on the IRS definition. Also, the married taxpayers must, in a sense, elect this filing status as the signature of both spouses is required on any jointly filed tax return, unless one of the spouses is deceased. Once the due date for that tax return passes, the individuals cannot change this election and choose to file separate returns. The advantage to married filing jointly is that the taxpayers will typically pay less tax because of the ability to maximize certain deductions and credits and more favorable phase-outs on deductions (which will be covered later).

The primary disadvantage is that both taxpayers are jointly and severally liable for any taxes due. This means even if an underpayment is related to only one spouse’s income, the IRS can hold either spouse individually liable for the full amount of the tax bill. This applies even if the other spouse had no income at all during the tax year.

Although, in certain limited circumstances a taxpayer may apply for and be granted relief from the tax obligations arising from their spouse’s under-reported income through a program referred to as the innocent spouse relief by filing form 8379. The innocent spouse must have paid their portion of taxes due, must have not known about their spouse’s underpayment, and the circumstances must be such that it would be unfair to hold the innocent spouse liable for the tax obligation. Generally if the innocent spouse received the benefit of the under-stated tax then the last element is not met.

Review Question: True or False
Tom’s wife passed away on March 20th before Tom had filed his tax return. In April just one month after his wife passed away, he files his return as married filing jointly for the tax year. Tom cannot file as Married Filing Jointly for the following tax year (meaning the tax year in which his wife passed away).

Answer: False, Tom can file as married filing jointly for the tax year in which his spouse died, regardless of whether Tom files his tax return for the prior tax year (a tax year in which his wife lived the entire year) prior to her death in March. In this situation Tom would actually sign for his wife on the tax returns for two tax years (the year in prior to her death and the year of her death) by indicating on the return that she is deceased and listing her date of death.

e. Head of Household (with Qualifying Dependent)

The head of household designation is the most complicated filing requirement as it incorporates various other aspects of the tax code including the concepts of qualifying dependents and expenses for keeping up a home. This filing status is for unmarried persons who provide a home for certain qualifying individuals. Qualifying dependents are covered later in the text. A taxpayer can file as a head of household if the taxpayer (i) is single or “considered unmarried” on the last day of the tax year, (ii) paid more than half of the costs of keeping up a home, and (iii) either (a) has a qualifying dependent living in the home for more than half the year or (b) paid more than half the cost for the entire year of keeping up a dependent parent’s home, which
may include a rest home. Home upkeep costs include expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and even food eaten in the home. However, upkeep costs do not include clothing, education, medical treatment, vacations, life insurance, or transportation.

**Review Question: Multiple Choice**
Which of the following would not be a qualifying person for purposes of filing as Head of Household?

A. A taxpayer’s mother whom the taxpayer can claim as a dependent.
B. A taxpayer’s adopted child who lives with the taxpayer, is married, and can be claimed as the taxpayer’s dependent
C. A taxpayer’s foster child who lived with the taxpayer all year and is the taxpayer’s dependent
D. A taxpayer’s aunt who is related to the taxpayer by blood and who is the taxpayer’s dependent but does not live with the taxpayer.

**Answer:** D, this question tests the requirement that the dependent live with the taxpayer. Unless the dependent is the taxpayer’s parent then the qualifying dependent must live with the taxpayer. In this case, the taxpayer’s aunt dependent does not live with the taxpayer and therefore would not qualify the taxpayer for head of household.

**Review Question: Multiple Choice**
Bob is unmarried and Sally, his dependent daughter, lived with him all year. Property taxes of $4,000 and mortgage interest of $10,000 on the home where he and Sally live are divided equally with his ex-wife. Bob paid all the cost for himself and Sally for the utilities of $300 per month, food of $200 per month and clothing of $100 per month. What amount may Bob use as the costs of keeping up a home to qualify for head of household filing status?

A. $7,600
B. $13,000
C. $14,600
D. $20,200

**Answer:** B. In order to answer this question correctly you must first determine which costs are relevant to the home upkeep calculation which, in this question, includes everything but clothing. Second you must re-calculate the numbers given on a monthly basis (utilities and food) as opposed to those given on an annual basis (mortgage interest and property taxes) by multiplying the monthly expenses by 12 months (which results in annual utility costs of $3,600 and annual food costs of $2,400). Finally, you must back out any expenses that were not paid by the taxpayer. Half of the mortgage interest ($5,000) and half of the property taxes ($2,000) are then excluded giving the total amount of ($13,000) as indicated in the calculation below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>2,000</td>
</tr>
<tr>
<td>Mortgage Interest</td>
<td>5,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>3,600</td>
</tr>
<tr>
<td>Food</td>
<td>2,400</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>13,000</td>
</tr>
</tbody>
</table>

**f. Qualifying Widower (With Dependent Child)**
Qualifying Widower with Dependent Child is a tax filing status a taxpayer may elect in the two years following the tax year in which their spouse died, but only if the taxpayer has one or more qualifying dependents and does not remarry. A qualifying child includes a taxpayer’s child or stepchild, but does not include a foster child. Remember that in the tax year the spouse passes away, the surviving spouse taxpayer may file as Married Filing Jointly.

**Review Question: Multiple Choice**
Betty was married but her husband died in April of the tax year and she did not remarry before the end of the tax year. Which filing status should Betty use for her tax return for the following tax year assuming she still has two dependent children?
A. Single  
B. Married Filing Jointly  
C. Head of Household  
D. Qualifying Widower with Dependent Child

**Answer:** D, Betty would file Married filing jointly only in the tax year in which her spouse died. In the following tax year, with two dependent children, she’s allowed to file as a qualifying widower with dependent child assuming she does not remarry.

**Chapter 3: Exemptions & Dependents**

a. **Exemptions**

A taxpayer may claim an exemption for themselves, their spouse and their dependents so long as certain conditions or tests are met. For the 2012 tax year, a taxpayer may deduct $3,800 for each claimed exemption. In order to claim an exemption for any individual, including the taxpayer’s self, that individual cannot be claimed as a dependent on another taxpayer’s return. Therefore, so long as another taxpayer did not, and could not, claim an exemption for the filing taxpayer, the taxpayer may take an exemption for himself or herself by checking the box on line 6a of the form 1040. For a taxpayer to claim an exemption for the taxpayer’s spouse, the taxpayer must file as married filing jointly and the spouse must not be claimed as a dependent on another taxpayer’s return. A taxpayer may claim an exemption for each individual that meets the requirements for a dependent, as defined in the following section, but only if any such individual is not claimed as a dependent on another taxpayer’s return.

**Review Question: True or False**
Taylor is 18 years old and single. He attended school all year while working part time. His total income for the tax year was $8,000. Taylor lives with his parents. He qualifies as their dependent and they are claiming him as an exemption on their tax return. Since Taylor will file his own return, he may also take an exemption for himself.

**Answer:** False, in order to claim an exemption for any individual, including one’s self, that individual cannot be claimed as a dependent on any other taxpayer’s tax return.

b. **Qualifying Child, Dependents & Child Tax Credit**
A taxpayer may take an exemption for each dependent qualifying child or dependent qualifying relative. The topic of dependents is typically tested on IRS exams and the terms dependent, relative and child are not necessarily logical or intuitive. So the following requirements should be carefully studied and clearly understood.

i. **Qualifying Child**

The first test for determining whether an individual is a qualifying child is the relationship test. Ironically, the definition for a qualifying child under the relationship test includes individuals that are neither children nor direct descendants of the taxpayer. While a qualifying child does include individuals that one might expect, such as a taxpayer's son, daughter, stepchild, and foster child, it also includes a brother, sister, stepbrother, stepsister, half-brother, or half-sister as well as any descendent of any of the aforementioned people. So a taxpayer's half-brother's granddaughter could be the taxpayer's qualifying child so long as the other requirements are met. It is important to note that for purposes of dependents, the IRS makes no distinction between an adopted child and a biological child.

A qualifying child must meet the age requirement test, meaning the child is an individual that is (i) under the age of 19 at the end of the tax year, (ii) a student that is under the age of 24 and also younger than the taxpayer (and the taxpayer's spouse if filing jointly), or (iii) any age and permanently and totally disabled. A qualifying child does not include any individual who provided over half of his or her support for the tax year or who files a joint return unless the joint return is filed only as a claim for a refund (meaning the child did not take the earned income credit or any other similar refundable credit). Finally, a qualifying child must have lived with the taxpayer for over half the year, though temporary absences by the taxpayer or the child for special circumstances (including school, vacation, business, medical care, military service, or detention in a juvenile facility) do not count as time living apart for purposes of making this determination.

**Review Question: Multiple Choice**
Terrance and Rose are the parents of four children, ages 10, 12, 15, and 22. Their 22-year-old child is a full-time student with income of $5,600. Terrance and Rose provided more than 50% of the support for all their children. If they file a joint return, how many exemptions can they claim for the above family members?

A. 5  
B. 4  
C. 6  
D. 3

**Answer:** C, Since Terrance and Rose file a joint return, they may claim exemptions for themselves. Since they provided more than 50% of the support for their three minor children they can claim three exemptions for the three minor children. Since Terrance and Rose provided more than 50% of the support for their adult child who is under 24 years of age and a full time student, they can claim that child as a dependent as well.
**ii. Qualifying Relative**

If an individual does not meet the requirements of a qualifying child for the taxpayer, the individual could still be considered a dependent as a qualifying relative. The relationship test for a qualifying relative of a taxpayer includes any of the relationships that qualify for a qualifying child except with respect to descendants. The test only extends to the children of brothers and sisters (and half-brothers and half-sisters) rather than all descendants and for step-brothers or step-sisters no descendants qualify. Additionally, a qualifying relative can include a father, mother, aunt, uncle, ancestor (grandfather, grandmother, etc.), step-father, step-mother, father-in-law, mother-in-law, brother-in-law, sister-in-law, daughter-in-law, and son-in-law. An alternative to the family relationship test is the member of household test. Under the member of household test any other person (other than a spouse) who lived as a member of the taxpayer’s household the entire year may be a qualified relative so long as the taxpayer’s relationship with that individual did not violate local law.

A qualifying relative also must be an individual for which the taxpayer provided over half of their support and a qualifying relative cannot have gross income in excess of $3,800 in 2012 and $3,900 in 2013. It’s helpful to note that this gross income limit will always match the personal exemption amount for the tax year. However, if the person was disabled, certain income from a sheltered workshop is excluded. Additionally, a qualifying relative cannot be a qualifying child for another taxpayer, though for purposes of this test, the other taxpayer is only considered a taxpayer if they are required to file a return or if they filed a return for a purpose other than just to claim a refund.

There is an exception to the support test for a qualifying relative where multiple parties provide at least 10% each and combine for more than 50% the support of a qualifying relative, but none of the supporting parties provide 50% of the support on their own. For a qualifying relative dependent where multiple parties provide for the care of the individual, any person who provides at least 10% of the care of that individual may claim the dependent as long as all other persons providing at least 10% of the dependent’s care agree to it in a signed statement and the claiming taxpayer lists each such individual on Form 2120.

**Review Question: Multiple Choice**

Mr. & Mrs. Rigby are both over 65. Their adjusted gross income is $100,000. During the year their 35-year-old single son, Tom, lived with them while attending college and earned $4,000. Mr. Rigby’s mother, Ivy, lived with them until June 1 when she was placed in a nursing home for an indefinite period of time to receive medical care. Ivy received no income and was supported solely by Mr. and Mrs. Rigby. Determine the number of exemptions Mr. and Mrs. Rigby can claim on their joint return.

A. 2
Answer: B. Mr. and Mrs. Rigby cannot claim Tom as a qualified child even though he lives with them and is a full time student, because he is not under the age of 24. Because Tom earned over $3,800, they cannot claim him as a qualifying relative either. The Rigby’s may claim Mr. Rigby’s mother as a qualifying relative because they provided over half of her support for the year and she received no income.

iii. Dependents

A taxpayer may claim a qualifying relative or qualifying child as their dependent so long as certain requirements are met. First, the taxpayer (and the taxpayers spouse if filing jointly) cannot be claimed as a dependent on another taxpayer’s tax return. Second, the qualifying relative or qualifying child must meet the citizenship or resident test either by being a resident U.S. citizen, U.S. national, U.S. resident alien, a resident of Canada or Mexico, or by being adopted by the taxpayer, who is a U.S. citizen or U.S. national, and living with that taxpayer all year as a member of the taxpayer’s household. Finally, the qualifying child or qualifying relative must meet the joint return test, meaning either (i) the individual is single, or (ii) if married, they cannot file a joint return unless they do so only as a claim for refund and no tax liability would exist if the spouses had filed separately. A qualifying child or qualifying relative can only be claimed as a dependent on a taxpayer’s return if each of the above requirements is met.

Review Question: Multiple Choice

There are a number of tests which must be met for a taxpayer to claim an exemption for a dependent. Which of the following is not a requirement?

A. Citizen or Resident Test
B. Member of Household or Relationship Test
C. Disability Test
D. Joint Return Test

Answer: C, the disability test is not a test which must be met for purposes of determining whether a taxpayer can claim an exemption but, rather, it is an exception to the age requirement test for a qualifying child. Since a qualifying child could qualify based on age alone, the disability test is not a requirement in all cases. The other tests must always be met. This distinction may seem somewhat arbitrary, but this question was derived from an actual IRS test question and so it is important enough to the IRS to test on it.

iv. Special Rules for Divorced/Separated Taxpayers with Dependent Child
In instances of divorce or separation, the parent with legal custody, also referred to as the custodial parent, may claim the exemption unless one of the exceptions applies. A non-custodial parent may take a child as their dependent if the following conditions are met: (i) the parents are divorced, legally separated, separated under a separation agreement, or lived apart at all times during the last six months of the tax year (whether or not they were married), (ii) the child received over half of his or her support from the parents (or the parent’s spouse), (iii) the child is in custody of one of the parents for more than half of the year, and (iv) one of the following conditions is met: (a) the custodial parent signs a form 8332 or similar statement that he or she will not claim the child or (b) in lieu of such a form or statement, the taxpayer can provide a divorce decree or agreement effective post-1984 and pre-2009 stating that the non-custodial taxpayer is entitled to claim the child as a dependent or (c) the taxpayer can provide a pre-1985 divorce decree or separate maintenance agreement stating that the non-custodial parent can claim the child as a dependent but only if the non-custodial parent provides at least $600 for support of the child during the tax year.

Review Question: Multiple Choice
Bob and Melinda Crabtree were divorced in 2007. The divorce decree was silent regarding the exemption for their 12-year-old daughter, May. Melinda has legal custody of her daughter and did not sign a statement releasing the exemption. Melinda earned $8,000 and Bob earned $90,000. May had a paper route and earned $3,000. May lived with Bob 4 months of the tax year and with Melinda 8 months. Who may claim the exemption for May in the tax year?

A. May can, since she had gross income over $3,000 and files her own return.
B. Since May lived with both Bob and Melinda during the year, they both may claim her as an exemption.
C. Melinda may, since she has legal custody and physical custody for more than half the year.
D. Bob may, since he earned more than Melinda and, therefore, is presumed to have provided more than 50% of May’s support.

Answer: C, the test under a divorce is that the custodial parent takes the exemption, unless one of the exceptions applies.

v. Child Tax Credit Requirements

A qualifying child qualifies for the child tax credit if they are under 17 years of age at the end of the tax year and they meet the citizenship requirement, meaning they are a resident U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico, or they are adopted by the taxpayer, who is a U.S. citizen or U.S. national, and lived with that taxpayer all year as a member of the taxpayer's household. This topic is highly tested by the IRS and the questions tend to be a mix of the requirements of a dependent and for the child tax credit. Therefore, the child tax credit is mentioned briefly here and then covered again in the credits unit.

Review Question: True or False
Frank and Mary are husband and wife who file a joint return. Their son turned 17 years of age on December 30 of the tax year. Frank and Mary claimed their son as a dependent on their return for the tax year. Frank and Mary’s son is also considered as a qualifying child for the child tax credit.

**Answer:** False, a qualifying child must be under the age of 17 at the end of the tax year to be a qualifying child for the child tax credit.

### Chapter 4: Various Form 1040s

**a. Introduction to Form 1040**

This course provides a general review of each of the basic forms that the IRS has stated will be tested on the exam. The primary form, the Form 1040, is the basic building block for all individual tax returns. All other forms for individual taxation are generally designed to flow onto the Form 1040. The three most common types of form 1040 for purposes of the Wage and Non-Business Income portion of the exam are Form 1040, Form 1040A, and Form 1040EZ.

**b. Form 1040EZ**

The simplest form, 1040EZ, is designed for only the simplest of tax returns. Form 1040EZ cannot be used if the taxpayer claims any dependents, has a filing status other than single or married filing jointly, claims anything other than the normal standard deduction, earns more than $100,000, claims any credit other than the earned income credit, or has certain other types of income or deductions. For a complete list of the requirements for filing a tax return using Form 1040EZ, refer to the “Checklist for Using Form 1040EZ” in the Instructions to Form 1040EZ.

**c. Form 1040A**

Form 1040A is designed for slightly more complicated taxpayer circumstances than the Form 1040EZ. Similar to Form 1040EZ, a taxpayer cannot file on 1040A if they itemize deductions or if they had income in excess of $100,000. However, the other restrictions either do not apply or are less stringent. For instance, a taxpayer filing the Form 1040A may claim more credits, may have certain limited adjustments to income, and may have broader sources of income. For a complete list of the restrictions for filing a tax return using Form 1040A, see the section called “Who Can Use Form 1040A?” on the Instructions to Form 1040A.

**d. Form 1040**

If an individual taxpayer’s circumstances include a level of complexity not covered by Form 1040EZ or 1040A, the taxpayer should file a tax return using Form 1040. For example, if the
taxpayer itemizes deductions or has income in excess of $100,000, then the taxpayer will use Form 1040.

e. **Form 1040X, 1040NR, 1040PR, 1040ES, and 1040V**

There are a number of other forms the IRS has designated within the 1040 series which exist for other miscellaneous purposes. For instance, Form 1040X is the form a taxpayer files to amend a return (in fact, for most amended returns the IRS uses the “X” designation following the form number for the standard return). Form 1040NR is filed by non-resident aliens because various credits and other tax benefits are not open to non-resident aliens (discussed in detail throughout the course). Form 1040PR is a self-employment tax return for filers in Puerto Rico. Form 1040ES is used to calculate and report estimated tax payments and Form 1040V is merely a simple payment voucher submitted by a taxpayer with any payment.

**UNIT II – Individual Income**