

REVIEW QUESTIONS

SESSION 7 – REFUNDABLE CREDITS

Problem 1 – Chris, age 22, and Marcie, age 24, are married and will file a joint return. They cannot be claimed as dependents by another taxpayer. Chris and Marcie have no children or other dependents. Both work and neither are full-time students. Chris earned wages of \$18,600 and Marcie earned wages of \$6,500. Chris and Marcie are U.S. citizens and have valid Social Security numbers.

Question

1. Chris and Marcie cannot claim the Earned Income Tax Credit because they are too young and have no qualifying children.
 - a. True
 - b. False

Problem 2 – Charles and Heather are married and will file a joint return. Heather is a U.S. citizen with a valid Social Security number. Charles is a resident alien with an Individual Taxpayer Identification Number (ITIN). Heather worked in 2022 and earned wages of \$31,000. Charles worked part-time and earned wages of \$12,000. The Brooks have three children: Emma, age 11, Liam, age 13, and Grace, age 18. The Brooks provided the total support for their three children, who lived with them in the U.S. all year. Emma, Liam, and Grace are U.S. citizens and have valid Social Security numbers.

Questions

1. The Brooks qualify for the Child Tax Credit.
 - a. True
 - b. False
2. The Brooks qualify for the Credit for Other Dependents.
 - a. True
 - b. False
3. The Brooks qualify for the Earned Income Tax Credit.
 - a. True
 - b. False

Problem 3 – Sheila is single and 45 years old. Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year. Sheila paid all the cost of keeping up the home and more than half the support for her children. Sheila, Rebecca, and John are U.S. citizens, have valid Social Security numbers, and are not disabled. They all lived in the United States for the entire year.

Questions

1. Which child qualifies Shelia for EIC?
 - a. Rebecca
 - b. John
 - c. Both Rebecca and John
 - d. Neither Rebecca nor John.
2. Sheila can claim either the CTC or ODC for both Rebecca and John.
 - a. True
 - b. False

Problem 4 – Barbara is age 57 and was widowed in 2021. She owns her own home and provided all the cost of keeping up her home for the entire year. Her only income for 2022 was \$36,000 in W-2 wages. Jenny, age 24, and her daughter Marie, age 3, moved in with her mother, Barbara, after she separated from her spouse in April of 2022. They signed a voluntary separation agreement and are planning on seeking a divorce after the one-year separation period runs. Jenny’s only income for 2022 was \$15,000 in wages. Jenny provided over half of her own support. Marie did not provide more than half of her own support. Jenny will not file a joint return with her spouse, and they have not yet gone to court to seek a divorce or separation. All individuals in the household are U.S. citizens with valid Social Security numbers. No one has a disability. They lived in the United States all year but not in a community property state.

Questions


1. What is Barbara’s most advantageous filing status?
 - a. Married Filing Jointly
 - b. Single
 - c. Head of Household, but only if Jenny does not claim Marie
 - d. Qualifying Surviving Spouse
2. What is Jenny’s most advantageous filing status (facts state Jenny will not file a joint return with her spouse)?
 - a. Married Filing Separately
 - b. Head of Household
 - c. Single
3. Who can claim Marie as a qualifying child for EIC purposes?
 - a. Jenny
 - b. Barbara
 - c. Both Jenny and Barbara
 - d. Neither Jenny nor Barbara

Problem 5 – Burt works as a carpenter. He received Form 1099-NEC for his work as a carpenter. Burt purchased health insurance through the Marketplace and received a Form 1095-A, which included the amount of Advance Premium Tax Credit he received during the year to reduce the cost of his health insurance. Burt had no access to any other health insurance through an employer or the government.

Question

1. What tax benefits can Burt claim with respect to his health insurance?
 - a. He can take a deduction for the amount of his health insurance premiums he paid on Schedule C to reduce the amount of his self-employment earnings.
 - b. He can take an adjustment to income for the premiums he paid.
 - c. He can potentially receive a Net Premium Tax Credit if the Advance PTC was less than the amount of PTC, he should receive for 2022.
 - d. Both b and c.
2. What should we tell Burt about doing his return at your site?
 - a. We can do his return, but it may take a while due to the complexity.
 - b. We cannot do his return because the Self-Employed Health Insurance deduction is out-of-scope for VITA.
 - c. We cannot do his return because having both self-employment income and Marketplace insurance makes the return out-of-scope.
 - d. You can't do his return at the site, but you are willing to do his return at home on your tax software for \$100 and save him from going to a paid preparer who would charge much more.

Problem 6 – (This problem needs to be completed in the Practice Lab) Kenneth and Martha Kemper are married and would like to file a joint return. They have a W-2 and a 1099-R for their income. They also purchased Marketplace Insurance and received Form 1095-A. Their birth dates are 7/11/1963 and 5/24/1960, respectively.

a Employee's social security number 456-00-XXXX		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 34-600XXXX		1 Wages, tips, other compensation \$20,000.00	2 Federal income tax withheld \$2,000.00
c Employer's name, address, and ZIP code SWIFT & ASSOCIATES 12210 ROBINSON ROAD YOUR CITY, YOUR STATE, ZIP		3 Social security wages \$20,000.00	4 Social security tax withheld \$1,240.00
		5 Medicare wages and tips \$20,000.00	6 Medicare tax withheld \$290.00
		7 Social security tips	8 Allocated tips
		9	10 Dependent care benefits
d Control number			
e Employee's first name and initial Last name Suff. MARTHA KEMPER 8705 SKIDMORE WAY YOUR CITY, YOUR STATE, ZIP		11 Nonqualified plans	12a See instructions for box 12
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
		14 Other	12c
			12d
f Employee's address and ZIP code			
15 State Employer's state ID number YS 123456-7	16 State wages, tips, etc. \$20,000.00	17 State income tax \$600.00	18 Local wages, tips, etc.
			19 Local income tax
			20 Locality name

Form W-2 Wage and Tax Statement 2021 Department of the Treasury - Internal Revenue Service
Copy B - To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. SNEAD COMPANY PENSION PLAN 456 MARTIN MILLS ROAD YOUR CITY, YS, YOUR ZIP		1 Gross distribution \$ 6,000.00	OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S TIN 20-700XXXX		2a Taxable amount \$ 6,000.00	2021 Form 1099-R	
RECIPIENT'S TIN 457-00-XXXX	RECIPIENT'S name KENNETH KEMPER	2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>	Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS.
Street address (including apt. no.) 8705 SKIDMORE WAY	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 600.00	5 Employee contributions/ Designated Roth contributions or insurance premiums \$	
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP	6 Net unrealized appreciation in employer's securities \$	7 Distribution code(s) 2	8 Other <input type="checkbox"/>	
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib. <input type="checkbox"/>	12 FATCA filing requirement <input type="checkbox"/>	9a Your percentage of total distribution %	
13 Date of payment \$	14 State tax withheld \$	15 State/Payer's state no. \$	16 State distribution \$	
Account number (see instructions)	17 Local tax withheld \$	18 Name of locality \$	19 Local distribution \$	

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Form 1095-A Department of the Treasury Internal Revenue Service	Health Insurance Marketplace Statement	<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED	OMB No. 1545-2232 2021	
▶ Do not attach to your tax return. Keep for your records. ▶ Go to www.irs.gov/Form1095A for instructions and the latest information.				
Part I Recipient Information				
1 Marketplace identifier 12-3456789	2 Marketplace-assigned policy number 00123456789	3 Policy issuer's name OAKWOOD HEALTHCARE		
4 Recipient's name KENNETH KEMPER		5 Recipient's SSN 457-00-XXXX	6 Recipient's date of birth 07/11/1963	
7 Recipient's spouse's name MARTHA KEMPER		8 Recipient's spouse's SSN 456-00-XXXX	9 Recipient's spouse's date of birth 05/24/1960	
10 Policy start date 01/01/2021	11 Policy termination date 12/31/2021	12 Street address (including apartment no.) 8705 SKIDMORE WAY		
13 City or town YOUR CITY	14 State or province YOUR STATE	15 Country and ZIP or foreign postal code ZIP		
Part II Covered Individuals				
A. Covered individual name	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16 KENNETH KEMPER	457-00-XXXX	07/11/1963	01/01/2021	12/31/2021
17 MARTHA KEMPER	456-00-XXXX	05/24/1960	01/01/2021	12/31/2021
18				
19				
20				
Part III Coverage Information				
Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit	
21 January	\$1,839.06	\$1,889.06	\$1,801.07	
22 February	\$1,839.06	\$1,889.06	\$1,801.07	
23 March	\$1,839.06	\$1,889.06	\$1,801.07	
24 April	\$1,839.06	\$1,889.06	\$1,801.07	
25 May	\$1,839.06	\$1,889.06	\$1,801.07	
26 June	\$1,839.06	\$1,889.06	\$1,801.07	
27 July	\$1,839.06	\$1,889.06	\$1,801.07	
28 August	\$1,839.06	\$1,889.06	\$1,801.07	
29 September	\$1,839.06	\$1,889.06	\$1,801.07	
30 October	\$1,839.06	\$1,889.06	\$1,801.07	
31 November	\$1,839.06	\$1,889.06	\$1,801.07	
32 December	\$1,839.06	\$1,889.06	\$1,801.07	
33 Annual Totals	\$22,068.72	\$22,668.72	\$21,612.84	
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.				
			Cat. No. 60703Q	Form 1095-A (2021)

Questions

1. What is the amount of the Advance Premium Tax Credit received by the Freemans during 2022? _____
2. What is the result of the Premium Tax Credit reconciliation on the Freeman's tax return?
 - a. They will receive a Net Premium Tax Credit of \$456
 - b. They will owe an Excess Advance Premium Tax Credit Repayment of \$247.
 - c. It has no impact on the refund received on their tax return.