



## Amended and Prior Year Returns



### Introduction

This lesson will help you determine how to amend a federal income tax return regardless of where the original return was prepared. In addition, this lesson provides guidance on preparing prior year returns for the previous three years, provided the taxpayer has the applicable required information. The site may prepare returns beyond the three previous years if taxpayers have the required information for those years.

If a taxpayer requests your help in filing an amended return, first confirm the original return is within the scope of the VITA/TCE programs. Ask the taxpayer what errors or omissions they wish to correct, and examine the return carefully to determine if the original return is, in fact, incorrect.

To amend a return, tax preparation software must be used to complete Form 1040-X, Amended U.S. Individual Income Tax.

### Objectives

At the end of this lesson, using your resource materials, you will be able to:

- Identify when it is appropriate to prepare an amended return, Form 1040-X
- Determine the time limits for filing Form 1040-X
- Identify how to assemble and submit Form 1040-X
- Provide guidance when preparing prior year returns
- Identify when it is appropriate to file a prior year return

#### What do I need?

- Form 13614-C
- Publication 4012
- Publication 17
- Form 1040-X
- Form 1040-X Instructions

#### **Optional:**

- Form 1040 Instructions
- Form 8379

### When is an amended return required?

Taxpayers should file amended returns using Form 1040-X to correct any errors or omissions on a return they have already filed.



An exclusion of unemployment compensation of up to \$10,200 was allowed for individuals for tax year 2020. In most cases, the IRS automatically redetermined the correct taxable amount of unemployment compensation and the correct tax. However, if as a result of the excluded unemployment compensation, taxpayers now qualify for deductions or credits not claimed on their original return, they should file an amended return. For example, if the taxpayer did not claim the Earned Income Tax Credit (EITC) on their originally filed return because the AGI was too high, but the exclusion allowed for unemployment compensation now reduces the AGI, the taxpayer should file an amended return to claim the credit if now eligible.

An amended return is not always required when the original return has an error. For example, the IRS will usually correct a math error on a return, or they will write the taxpayer and request a missing schedule or form. In these cases, do not amend the return. If taxpayers receive a notice from the IRS, refer them to the contact person and telephone number on the notice.



Before preparing an amended return, be sure you have any and all IRS changes to the originally filed return.

File an amended return if taxpayers:

- Received another Form W-2, a corrected Form W-2, or another income statement that was not reported on the original return
- Received an additional Form 1099 (such as unemployment compensation) or a corrected Form 1099 that was not reported on the original return
- Claimed dependents, deductions or credits they should not have claimed
- Did not claim dependents, deductions or credits they could have claimed, or
- Should have used a different filing status



If the federal return has to be amended, often the state return must also be amended.

#### example

Two weeks after Bernard's current-year tax return was filed, he received another Form W-2 in the mail. The volunteer tax preparer reviews Bernard's file to be sure the Form W-2 wasn't included on the original return. The volunteer then helps Bernard prepare Form 1040-X to include the additional Form W-2 on the current-year return.



After the due date of the original return, a taxpayer can change from Married Filing Separately to Married Filing Jointly, but cannot change from Married Filing Jointly to Married Filing Separately. However, an executor may be able to make this change for a deceased spouse. Refer to Publication 17 for more information.

### Is an amended return needed for injured spouse situations?

When a joint return is filed and only one spouse owes a past due amount such as child support, an education loan, or prior year's taxes, the spouse who is not obligated for the debt can be considered an "injured spouse." The couple should have filed Form 8379, Injured Spouse Allocation, with their original return. If they did not file Form 8379, and one of them qualifies as an injured spouse, file Form 8379 by itself. Do not attach the form to Form 1040-X.

However, if the couple is filing Form 1040-X for an additional refund not associated with the original injured spouse claim, and they do not want the injured spouse's portion of the overpayment to be applied to the offset against the spouse, then complete and attach another Form 8379 to Form 1040-X. See Publication 17, Form 8379, and Form 1040-X Instructions for further information.

### How do I start?

To file an amended return, you need a copy of the original return and the information that needs to be changed.

- Begin by researching and verifying the change requested by the taxpayer. Review the Intake/Interview & Quality Review Sheet with the taxpayer **and** use the Volunteer Resource Guide and Publication 17 to make sure that what the taxpayer wants to change is correct.
- Ask probing questions, using the interview techniques and tools discussed in the Volunteer Resource Guide, to get all the facts before preparing Form 1040-X. Ask taxpayers if they have received any correspondence from the IRS making changes to the original return and all the reasons, they want to amend the return. When amending a return, it is important to correct all known errors, regardless of whether correcting the error increases or decreases a refund or balance due.

## What is Form 1040-X?

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Look at the format of Form 1040-X, page 1; there are three columns:

- Column A is used to show the **original** or **IRS adjusted figures** from the original return or previous amendment
- Column C is used to show the entries that would have been made on the original return if it had been done correctly
- The differences between the figures in columns A and C are shown in column B (Net change)



Amended returns can be prepared using tax software. However, only tax year 2019 and later can be amended and filed electronically using Form 1040-X if the return was originally e-filed. If the original return was paper filed, the amended return will also have to be paper filed.

Part I, Exemptions and Dependents (on page 2), is used only if the taxpayer is increasing or decreasing the number of dependents claimed on the return being amended.

Part II, Presidential Election Campaign Fund, is used to make a \$3 donation to the fund for you (or your spouse) if you did not do so on your original return.

Part III, Explanation of Changes, must be used to explain specific changes being made on the return and the reasons for each change.

Explanations should be easily understood and clearly point out that the taxpayer qualifies for the change. For example, “taxpayer received another W-2 after they filed original return,” or “taxpayer qualifies to claim child care expenses of \$600 for their 10-year-old dependent child, Form 2441 attached,” or “taxpayer meets the qualifications to file as Head of Household instead of Married Filing Separately.”



Taxpayers can easily check the status of a Form 1040-X, Amended U.S. Individual Income Tax Return, using the [Where's My Amended Return?](#) tool. It's available in English and Spanish, and tracks the status of the amended return for the current year and up to three prior years.



Taxpayers can obtain a free transcript of their original or amended return from the last three years using the IRS2Go phone app or completing Form 4506T or Form 4506T-EZ, Request for Transcript of Tax Return. To get a copy of the original return, complete and mail Form 4506, Request for a Copy of Tax Return, to the appropriate IRS office listed on the form. There is a charge to receive a copy of the original return.

## What are the time limits to file amended returns for refunds?

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There is a statute of limitations on refunds being claimed on amended returns. In general, if a refund is expected on an amended return, taxpayers must file the return within three years of the due date of the original return, or within two years after the date they paid the tax, whichever is later. An original return filed before the due date (without regard to extensions) is considered filed on the due date.

### example

Robert's 2015 tax return was due April 15, 2016. He filed it on March 20, 2016. He amends the 2015 return, expecting the correction to result in a refund. If he gets it postmarked on or before April 15, 2019, it will be within the three-year limit, and the return will be accepted. But if the amended 2015 return is postmarked after April 15, 2019, it will fall outside the three-year period and he will not receive the refund.

There are a few exceptions to the three-year limit. For example, a taxpayer has a longer period of time to claim a loss on a bad debt or worthless security, or for a foreign tax credit or deduction. The exceptions are explained in more detail in Publication 17 and the Form 1040-X Instructions. If you think the taxpayer may qualify for an exception to the three-year time limit, refer them to a professional tax preparer.

## What if taxpayers are due a refund on their amended return?

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If the amended return indicates the taxpayer is due a refund, be sure to advise that:

- Before mailing the amended return, the taxpayer must wait until the original return is processed.
- The taxpayer can cash the original refund check, if any, while waiting for any additional refund.
- Interest may be paid on claims not processed within 45 days of the due date of the return.
- Generally, it takes 8-16 weeks to process an amended tax return.

## What if the taxpayer owes money on the amended return?

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If the amended current year return indicates the taxpayer owes money, file Form 1040-X and instruct the taxpayer to pay the amount by the April due date to avoid interest and penalties.

Taxpayers who cannot pay the balance in full by the April due date should file the return on time anyway. Encourage taxpayers to pay as much as they can on time, because the IRS will calculate and bill for interest on the amount of tax owed. Refer to the Volunteer Resource Guide, Tab K, Finishing the Return, for more information on payment options.



Refer taxpayers to the Form 1040-X Instructions for information they must include on their check or money order.



### EXERCISES

Answers are after the lesson summary.

**Question 1:** John e-filed his 2015 Form 1040 on March 29, 2016. John found an error on the 2015 return and mailed an amended 2015 return on April 15, 2019. Is this too late to qualify for the refund?

Yes  No

**Question 2:** Brenda discovers an error on her timely-filed 2015 tax return. Correction of this error would result in a refund. She mails an amended return on May 6, 2019. Is this too late for Brenda to claim a refund?  Yes  No

## How do I complete the amended return using tax software?

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Volunteer tax preparers can amend returns regardless of where the original return was prepared, using tax software. Remember to follow the interview process and use the research tools to prepare an accurate return.



**Tax Software Hint:** For software entries, go to Volunteer Resource Guide, Tab M, Other Returns, to review the step-by-step procedures for preparing Form 1040-X.



A refund on an amended return cannot be direct deposited. A paper check will be mailed to the taxpayer.

## How do I assemble and submit Form 1040-X?

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### What should be attached when the return cannot be e-filed?

Remember, Form 1040-X should be prepared using tax software. However, only 2019 or later tax years can be e-filed. Once the amended return is complete, follow these steps to assemble the return for mailing and for the taxpayers' records:

1. Print two copies of the federal amended return, Form 1040-X, from the tax software, and if there is a state return, two copies of that form: one for the taxpayers' records and one to mail.
2. Attach any forms or schedules needed to support the changes. Make sure the reason for amending the return is explained on Form 1040-X, Part III.
3. Attach all additional or corrected Form(s) W-2 or Form(s) 1099 that the taxpayers received after filing their original return. Be sure you have included any additional federal income tax withheld in the Payments section of Form 1040-X.
4. Have the taxpayer (and spouse if Married Filing Jointly) sign and date Form 1040-X and the state return.



Attach all affected forms and schedules when amending a return, otherwise IRS will send the amended return back to the taxpayer unprocessed (but do not include the original Form 1040).

Explain that normal processing time for an amended return is generally 8-16 weeks. Also tell the taxpayers that, if they owe money and are not paying the balance due by the original due date of the return, the IRS will send a bill that will include any interest or penalty amounts.

### Who can prepare prior year returns?

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A volunteer may prepare a prior year return if it is within scope and if the tax topics are within the volunteer's **current** year's certification level. Taxpayers seeking assistance outside the scope of the VITA/TCE programs should be referred to a professional tax preparer.



SPEC may be able to support sites that have the resources, motivation and ability to go back as many years as needed, while maintaining quality standards.



VITA/TCE sites are encouraged, but not required to prepare prior year returns.



If a taxpayer requests return preparation assistance for returns older than three years or if the site is unable to prepare prior year returns, refer the taxpayer to a professional tax preparer to complete the prior year returns.

### What technical resources are required?

If your site chooses to prepare prior year returns, the Site Coordinator should be aware of the requirements. The SPEC Relationship Managers and <https://www.irs.gov> (keyword search: prior year returns) are critical resources for administrative and technical resources.



The Partner and Volunteer Resource Page on [irs.gov](https://www.irs.gov) (keyword search: Partner and Volunteer Resource Center) includes hot topics for partners and volunteers.

At a minimum, the following tools are required:

- Prior year tax preparation software
- Reference material, including Publications 17 and the Volunteer Resource Guide (available in the tax software) and volunteer quality alerts/volunteer tax alerts (available on [irs.gov](https://www.irs.gov))
- A current year Form 13614-C must be completed for each prior year return and will be used to determine the scope and certification level of each return.

Prior year tax form instructions and publications are also available on [irs.gov](https://www.irs.gov) for reference. If your site does not have the necessary tools to prepare prior year returns, seek guidance from your Site Coordinator.



The **Interactive Tax Assistant (ITA)** is an online tool that provides consistent answers to many current and prior year tax law questions using a probe and response process. ITA is available on [irs.gov](https://www.irs.gov).

## How do I file a prior year return?

Tax returns for the two most current prior years can be filed electronically. Older prior year returns must be mailed by taxpayers to the appropriate IRS address listed in the Volunteer Resource Guide, Tab P, Partner Resources. Also, see the information about balance due returns in Tab K, Finishing the Return, of the same guide.

## Summary

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In the VITA/TCE programs, you can help taxpayers prepare amended or prior year tax returns provided the site offers this service. Use the interview process and research tools to prepare accurate amended returns.

Amended returns should be filed to correct any error or omission that is within scope.

Additional notes:

- Amended returns for any year other than 2019 and later cannot be e-filed.
- A refund on an amended or prior year return cannot be direct deposited; a check is mailed to the taxpayer.
- If you are amending the federal return, you usually have to amend the state return.
- Volunteers may only prepare returns within the scope of the VITA/TCE programs and only if the tax issues come within the volunteer's current level of training and certification.
- If a taxpayer requests return preparation assistance for returns older than three years or if the site is unable to prepare prior year returns, refer the taxpayer to a professional tax preparer to complete the prior year returns.

## What situations are out of scope for the VITA/TCE programs?

The following is out of scope for this lesson. While this list may not be all inclusive, it is provided for your awareness only.

- Taxpayers who may qualify for an exception to the three-year time limit for filing an amended return for a refund



## TAX LAW APPLICATION

To gain a better understanding of the tax law, complete the practice return(s) for your course of study using the Practice Lab on L&LT.



## EXERCISE ANSWERS

**Answer 1:** *No, it is not too late. Returns filed before the due date are considered filed on the due date of the return. Therefore, John's amended return was filed within the three-year period allowed for refunds.*

**Answer 2:** *Yes, it is too late. The postmark must be three years from the due date of the return. The IRS will disallow Brenda's amended return requesting a refund because it was filed more than three years after the due date of the original return.*

