



## 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 materials. The site may prepare returns beyond the three previous years if taxpayers have the required materials 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 regarding amendments. 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, use the latest revision of Form 1040X, Amended U.S. Individual Income Tax Return.

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

#### What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Publication 17
- Publication 4491-W
- Form 1040X
- Form 1040X Instructions

#### **Optional:**

- Form 1040 Instructions
- Form 8379

### When is an amended return required?

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

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.

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 their own personal exemption on the return when someone else was entitled to claim it
- Claimed deductions or credits they should not have claimed
- Did not claim 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.



Under the PATH Act, a wrongfully incarcerated individual does not include in income any civil damages, restitution, or other monetary award received that relates to his or her incarceration. Eligible taxpayers must file Form 1040X for each year these payments were reported and write “Incarceration Exclusion PATH Act” at the top. See the What’s New lesson for additional information.

#### 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 1040X 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 1040X.

However, if the couple is filing Form 1040X 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 1040X. See Publication 17, Form 8379, and Form 1040X Instructions for further information.

### How do I start?

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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 and interview 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 1040X. Ask taxpayers if they have received any correspondence from the IRS making changes to the original return, or if they want to amend the return for another reason. For example, the parents of a college student correctly claimed their child as a dependent. However, their child also filed a return and incorrectly claimed the personal exemption. The child’s return was processed first. In this situation, the IRS would adjust the parents’ return by removing the exemption for the child. You will need this information to correctly amend the parents’ and child’s returns.

## What is Form 1040X?

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Look at the format of Form 1040X, 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)

### TIP

Amended returns can be prepared using tax software. However, they cannot be filed electronically. They must be mailed to the IRS.

Part I, Exemptions (on page 2), is used only if the taxpayer is increasing or decreasing the number of exemptions (personal and dependents) claimed on line 6d of 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, is 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.”

### TIP

Taxpayers can easily find out the status of a Form 1040X, Amended U.S. Individual Income Tax Return, using the Where's My Amended Return? tool on [www.irs.gov](http://www.irs.gov). 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.

### TIP

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. For a free 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.

## 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. Returns filed before the due date (without regard to extensions) are considered filed on the due date.

### example

Robert's 2012 tax return was due April 15, 2013. He filed it on March 20, 2013. He amends the 2012 return, expecting the correction to result in a refund. If he gets it postmarked on or before April 15, 2016, it will be within the three-year limit, and the return will be accepted. But if the amended 2012 return is postmarked after April 15, 2016, it will fall outside the three-year period and he will not receive the refund.

Time periods for claiming a refund are suspended for a period when a taxpayer is financially disabled due to a medically determined physical or mental impairment. It is, however, very rare that a taxpayer qualifies for that status. Read the definition of financial disability in Publication 17, Filing Information chapter.

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 1040X 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:

- 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 will be paid for a refund on an amended return from the due date or filing date of the original return, whichever is later, to the date the amended return is filed. (This interest will be taxable in the year it is received.)
- 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 1040X 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, Preparing the Return tab, for more information on payment options.

**TIP**

Refer taxpayers to the Form 1040X 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 2012 Form 1040 on March 29, 2013. John found an error on the 2012 return and mailed an amended 2012 return on April 15, 2016. Is this too late to qualify for the refund?

Yes    No

**Question 2:** Brenda discovers an error on her timely-filed 2012 tax return. Correction of this error would result in a refund. She mails an amended return on May 6, 2016. 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, Other Returns tab, to review the step-by-step procedures for preparing Form 1040X.



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 1040X?

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### What should be attached?

Remember, Form 1040X can be prepared using tax software but it cannot 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 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. Have the taxpayer (and spouse if Married Filing Jointly) sign and date Form 1040X and the state return.
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 1040X.
4. Attach any forms or schedules needed to explain the changes. Make sure the reason for amending the return is explained on Form 1040X, Part III.

Explain that normal processing time for an amended return is generally 12-16 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.



Attach all affected forms and schedules when amending a return, otherwise IRS will send the amended return back to the taxpayer unprocessed.

## Who can prepare prior year returns?

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Volunteers may only prepare returns within the scope defined for their level of training. Prior year returns may only be prepared by volunteers when the tax issues fall within the scope of their current level of training and certification. Taxpayers seeking assistance outside the scope of the volunteers' certification 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 paid 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 [www.irs.gov](http://www.irs.gov) (keyword search: prior year returns) are critical resources for administrative and technical resources.

At a minimum, the following tools are required:

- Prior year tax preparation software
- Reference material, including Publications 17 and 4012 (available in the tax software) and volunteer quality alerts/volunteer tax alerts (available on [www.irs.gov](http://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.



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

Prior year tax form instructions and publications are also available on [www.irs.gov](http://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 a limited number of current and prior year tax law questions using a probe and response process. ITA is available on [www.irs.gov](http://www.irs.gov).

## How do I file a prior year return?

Prior year returns for 2013 and subsequent tax years can be e-filed. Other prior year returns cannot be electronically filed. Refer taxpayers to the Form 1040 Instructions for the appropriate address to mail their tax return. Also see the information about balance due returns in the Volunteer Resource Guide, Preparing the Return tab.

## Summary

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In the VITA/TCE programs, you can help taxpayers prepare an amended tax return. Use the interview process and research tools to prepare an accurate amended return.

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

Additional notes:

- Amended returns and prior year returns before 2013 cannot be e-filed.
- A refund on an amended 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 defined for their level of training. Prior year returns may only be prepared when the tax issues come within the scope of 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 paid 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



### 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.



### TAX LAW APPLICATION USING THE WORKBOOK

To gain a better understanding of the tax law, complete the comprehensive problem or practice exercise(s) for your course of study in Publication 4491-W.

For practice using the tax preparation software, complete the scenarios using the Practice Lab on L&LT.

