



Filing Basics



Introduction

This lesson will help you determine which taxpayers must or should file a tax return. You will also find information on how to verify a taxpayer's identity, which form to use, and completing the Basic Information Section.

Objectives

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

- Determine who *must* file a tax return
- Determine who *should* file a tax return
- Verify the taxpayer's identity
- Determine how to file the return

Who must file?

U.S. citizens or residents of the United States must file a return based on three factors. There are special rules for dependents, surviving spouses, U.S. citizens and residents living outside the U.S., residents of Puerto Rico, and individuals with income from U.S. possessions.

Remember to use the interview techniques and tools when determining who must file.

What do I need to know?

To decide whether someone must file a tax return, you need to know the individual's:

- Age
- Gross income
- Filing status

Where do I get information on the taxpayer's age?

Look at the intake and interview sheet for the taxpayer's date of birth. Confirm this date during the interview. Refer to the sample intake and interview sheet in the Volunteer Resource Guide, Tab K.

Where do I get information on the taxpayer's gross income?

An approximation of gross income is enough to see if a taxpayer must file a return. Gross income is **all** the income the taxpayer received during the tax year in the form of money, goods, property, and services that is not exempt from tax. It includes both earned and unearned income.

The Income section of the Volunteer Resource Guide lists the sources of income that should be included and excluded in determining a person's gross income. You can also refer to the Income lessons in this training guide.

What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Publication 17

Optional

- Publication 559
- Form 1040 Instructions
- Form 9452



Taxpayers often want written proof if they are not required to file a tax return. Form 9452, Filing Assistance Program, provides a worksheet to determine a person's filing requirement, and can be given to taxpayers to keep with their records.

To approximate gross income:

- Add the amounts from all the taxpayer's Form(s) W-2, box 1
- Add taxable amounts reported on any Form(s) 1099
- Using the intake and interview sheet, review the income questions with the taxpayer to see if there was any additional income not reported on Form W-2 or Form 1099 and determine each amount

Total the above amounts to determine the taxpayer's approximate gross income.

Where do I get information on the taxpayer's filing status?

Taxpayers may or may not know which filing status to use. For the purposes of determining whether a person must file a return, narrowing the choices down to the most likely filing status(es) is adequate in most cases.

Check the Taxpayer Information section of the intake and interview sheet for:

- The taxpayer's marital status
- Whether the taxpayer can be claimed as a dependent on someone else's tax return
- The taxpayer's potential dependents

Use the Volunteer Resource Guide's Determination of Filing Status decision tree and the Interview Tips in the Filing Status tab for helpful probing questions.

Who is legally required to file a federal tax return?

To determine whether a taxpayer is legally required to file a return, start with the Volunteer Resource Guide, Who Must File tab. Use these charts to review the examples.

example

Lucy is 36 years old and single, and her gross income is \$20,000. She must file a tax return since her income exceeds the amount for her age and filing status.

example

Henrietta and Javier are married and plan to file a joint return. Henrietta is 67 and had a gross income of \$11,000 for the tax year. Javier is 66. His gross income was \$5,000 for the year. Since their combined gross income is less than the minimum amount for their ages and filing status, they do not have to file a return.

What are special situations that require a taxpayer to file?

If the Who Must File charts show that an individual is not required to file a return, then continue to Chart C – Other Situations When You Must File in the Volunteer Resource Guide to see if any of the following special conditions require the person to file.

The most common special situations when individuals are legally required to file a return are:

- Self-employed with net earnings of \$400 or more
- Taxpayers who owe special taxes

TIP

Do not include Social Security benefits when determining filing requirement unless the taxpayers are married, are filing a separate return, and lived with their spouse at any time during the tax year.



Use the gross sale price, not the net profit, when estimating gross income for a taxpayer who sold stock or other assets.

TIP

Taxpayers who received the 2008 first-time homebuyer credit are required to file a return to repay a portion of the credit.



EXERCISES

Refer to the Who Must File section of the Volunteer Resource Guide to answer these questions. Answers are at the end of the lesson summary.

Question 1: Bob is 27 years old. His gross income was \$17,000 during the tax year. Based only on this information, is he required to file a tax return? Yes No

Question 2: Janet and Harry are married and usually file jointly. During the tax year, she turned 66 and he turned 64. Their gross income was \$19,800. Based only on this information, are they required to file a tax return? Yes No

Question 3: Juanita has a dependent child and can file as a Qualifying Widow. She is 47 years old. Her gross income was \$25,000. Based only on this information, is she required to file a tax return? Yes No

Who should file?

Even if individuals are not required to file a tax return, they should file a return if they qualify for certain credits or a refund. These items are listed in the Volunteer Resource Guide, Who Must File tab.

Individuals *should* file a return if they are eligible to claim:

- A refund of withheld taxes
- The earned income credit (EIC)
- The additional child tax credit
- The health coverage tax credit (out of scope)
- The American opportunity credit

Taxpayers who should file may be entitled to a tax credit, and filing a return is the only way to get it.

Individuals who are not required to file a return and who would not benefit from filing a return can reduce the cost, time, and effort of unnecessary processing by not filing a return.

How do I find out if a taxpayer is eligible to claim a refund or refundable credit?

The taxpayer may qualify for a tax refund, earned income credit, additional child tax credit, premium tax credit, or American opportunity credit if:

- Federal or state income tax was withheld on any income form
- The taxpayer had earned income
- The taxpayer has a qualifying child
- The taxpayer paid higher education expenses
- The taxpayer made estimated tax payments
- The taxpayer purchased health coverage through the marketplace

If a taxpayer is not required to file a tax return, and you are uncertain if they will benefit from filing, begin a return to determine if filing a tax return would benefit the taxpayer.

Refer taxpayers who may qualify for the health coverage tax credit to a professional tax preparer.

TIP

Taxpayers who received advance premium tax credits are required to file a return to reconcile the allowable credit.

TIP

The earned income credit may apply with or without a child. See the Earned Income Credit and Child Tax Credit lessons for details on determining eligibility.

How do I verify taxpayer identity?

Before you begin the tax return, you should first verify the identity of the taxpayer(s) and the spelling of names entered on the taxpayer's intake and interview sheet.

What documents do I use to verify identity?

Ask to see photo identification such as:

- Valid driver's license (U.S.)
- State ID (U.S.)
- Passport
- Visa
- Military ID
- National ID
- Employer ID
- School ID

A black square with the word "TIP" in white, bold, uppercase letters.

A spouse who is Married Filing Separately is not required to provide the Social Security card for the other spouse.

Judgment should be used to accept any other valid form of identification. For example, the Site Coordinator can allow proof of identity in a situation of an elderly person with a disability who has an expired driver's license and passport but also provides a valid birth certificate. IRS-tax-law certified volunteers preparing tax returns are required to confirm the identity of the taxpayer to avoid identity theft, tax fraud, and to validate the correct Social Security number. If a taxpayer cannot substantiate their identity, or if the volunteer is uncomfortable accepting the items presented as proof of identity, the taxpayer should be advised to return with an acceptable form of identification. Exceptions to requiring photo ID should only be made under extreme circumstances and should not be the norm. For example, there may be limited situations where an exception may apply to a person with a disability, the elderly, or other unique circumstances. The exception does not include taxpayers known to the site.

Taxpayers who **cannot** substantiate their identity should seek professional tax assistance.

What about taxpayers filing for decedents?

If you are providing assistance to someone who is filing a return for a decedent:

- Be aware that volunteers need to take steps to protect a taxpayer's identity and avoid possible identity theft.
- Ask to see the surviving spouse's identification or a copy of the death certificate.
- A personal representative may be filing the return for the deceased taxpayer. Verify the identity of the person who is filing for the decedent and ask if they have court documents or other documentation authorizing them to file the tax return.
- Representatives or surviving spouses who do not have the necessary documentation with them should be advised to return once they have the information. If they cannot provide the information, refer them to a professional tax preparer.

For additional information about filing a return for a decedent, refer to Form 1040 Instructions, Publication 17, or Publication 559.

What are Taxpayer Identification Numbers?

IRS regulations require that each person listed on a U.S. federal income tax return have a valid Taxpayer Identification Number (TIN). The types of TINs are:

- Social Security Number (SSN)
- Individual Taxpayer Identification Number (ITIN)
- Adoption Taxpayer Identification Number (ATIN)

Who has a Social Security number?

Any individual who is legally eligible for employment in the United States must have a Social Security number.

Who has an Individual Taxpayer Identification Number?

Some individuals who need to file tax returns do not have SSNs. The IRS issues ITINs to nonresidents and others living in the U.S. who are required to have a U.S. TIN but who are not eligible to obtain SSNs.

The ITIN contains nine digits and is formatted like a SSN (XXX-XX-XXXX), but begins with the number 9 and has a specified range of numbers in the fourth and fifth digits. You should enter the ITIN on the return wherever the SSN is requested.

Who has an Adoption Taxpayer Identification Number?

Taxpayers who are in the process of adopting a child and who are able to claim the child as their dependent or are able to claim the child and dependent care credit need an ATIN for their adoptive child.

The IRS issues an ATIN for the child while a final domestic adoption is pending, and the adopting taxpayers do not have the child's SSN.

Like an ITIN, the nine-digit ATIN begins with the number 9. You should enter the ATIN on the return wherever the child's Social Security number is requested.



ITINs that have not been used on a federal tax return at least once in the last three years will no longer be valid for use on a tax return unless renewed by the taxpayer. In addition, ITINs issued prior to 2013 will need to be renewed based on a rolling renewal schedule. To renew an ITIN, taxpayers must complete a Form W-7, Application for IRS Individual Taxpayer Identification Number.



Some Canadians have both U.S. and Canadian Social Security numbers. Never use the Canadian number on a U.S. tax return.



Taxpayers who cannot obtain a SSN must apply for an ITIN if they file a U.S. tax return or are listed on a tax return as a spouse or dependent. These taxpayers must file Form W-7, Application for Individual Taxpayer Identification Number and supply documentation that will establish foreign status and true identity. A federal tax return must be associated with all Form W-7 applications with exceptions as noted in the Form W-7 Instructions.



Taxpayer, spouse, or dependent name and Social Security number mismatch is rated as one of the most frequent errors in processing a tax return.

What are acceptable documents if the taxpayer does not have a Social Security card?

For individuals who do not bring their original or a copy of their Social Security card, you may accept either of the following:

- A SSA letter or a Form SSA-1099 statement
- An ITIN card or letter

TIP

Driver's licenses and passports are *not* acceptable substitutes for Social Security or ITIN cards.

What if the taxpayer does not have a SSN or ITIN?

For individuals without a valid SSN, explain that they must have a taxpayer identification number before you can assist them. Direct them to the Social Security Administration and advise them to complete Form SS-5, Social Security Number Application. If the individual is not eligible for a SSN, refer them to the IRS for Form W-7, Application for IRS Individual Taxpayer Identification Number.

For a taxpayer who cannot obtain a SSN and has not yet applied for an ITIN, you can use a temporary identification number to prepare the return in the tax software. Turn to the Volunteer Resource Guide, ITIN Returns tab.

When preparing a tax return for an ITIN application, include all Forms W-2, even if the SSN on the W-2 does not belong to the taxpayer. Do *not* change any information on the W-2. Send it in with the return as it is. Since it is not going to be transmitted electronically, it does not matter if the SSN does not match in the software.

TIP

Taxpayers can get an instant benefit verification letter on the Social Security website using their *my Social Security* account.

Attach the tax return behind Form W-7 along with documentation that will establish foreign status and true identity and have the taxpayer submit according to Form W-7 instructions.

- If it is not available at the volunteer site, the taxpayer can obtain Form W-7 by calling the IRS at 1-800-829-3676 (1-800-TAX FORM) or at www.irs.gov.
- If taxpayers need assistance in completing Form W-7, refer them to an IRS Taxpayer Assistance Center unless a volunteer at that site has been trained in completion of Form W-7 or a Certifying Acceptance Agent is available. A list can be found on www.irs.gov by entering Certifying Acceptance Agent in the search field. Alternatively, refer the taxpayer to a professional tax preparer.
- An ITIN will expire for any taxpayer who fails to file a federal income tax return for five consecutive tax years. Any ITIN will remain in effect as long as a taxpayer continues to file U.S. tax returns. This includes ITINs issued after Jan. 1, 2013. These taxpayers will no longer face mandatory expiration of their ITINs and the need to reapply. A taxpayer whose ITIN has been deactivated and needs to file a tax return can reapply using Form W-7.

TIP

When preparing a return to include with a Form W-7 application, refer to the instructions in the Volunteer Resource Guide, ITIN Returns tab.

What if the SSN on Form W-2 does not match the SSN on the tax return?

The SSN or ITIN on the taxpayer's Form W-2 is expected to match what you enter on the tax return. A mismatch will delay return processing and can create serious errors if the return is filed electronically.

Taxpayers with a Valid SSN

If the taxpayer's Form W-2 does not have the correct SSN, you can prepare the return with the materials provided. However, the taxpayer needs to request a corrected Form W-2 from the employer before submitting the tax return.

Taxpayers with a Valid ITIN

Taxpayers who file tax returns using their ITINs often have Forms W-2 showing erroneous SSNs. If such an ITIN/SSN mismatch occurs:

- Do *not* change any information on Form W-2
- It is acceptable to e-file a return with an ITIN/SSN mismatch
- The return should reflect the ITIN for the taxpayer, *not* the SSN on Form W-2
- When entering Form W-2 information, the mismatched SSN should be entered exactly as shown on the Form(s) W-2 issued
- The taxpayer is not eligible for the Earned Income Credit (EIC)



ITIN changes were implemented by the PATH Act. Refer to the What's New lesson in this publication, or the tab in Publication 4012 for additional information.



EXERCISES (continued)

Question 4: It is your responsibility as a volunteer tax preparer to enter each Social Security number correctly on the tax return. True False

How do I choose the appropriate tax return form?

All taxpayers can use Form 1040. Individuals must meet certain requirements to use Form 1040EZ or Form 1040A. For more details about choosing the correct form, refer to Publication 17, Filing Information chapter.

How do I file a return?

A return can be filed electronically using IRS e-file or by sending in a paper return.

What is electronic filing?

IRS e-file is a quick, easy, and more accurate alternative to paper returns. With e-filing, taxpayers receive their refund in half the usual time, and even faster with direct deposit.

How do I answer taxpayers' administrative questions?

The Volunteer Resource Guide, Publication 17, and www.irs.gov contain answers to many administrative questions asked by taxpayers during the interview process.

Questions such as "How can I get a copy of my prior year's return" or "How can I get an IRS form or publication" can be answered by researching your reference materials.

Turn to the "Frequent Taxpayer Inquiries" located in the Volunteer Resource Guide, Partner Resources tab and review this helpful information. For a list of phone numbers you can provide to taxpayers, refer to the bottom portion of the "Contact Information for Volunteers," located on the back of the Volunteer Resource Guide.

Review the index in the back of Publication 17 and locate answers to taxpayers' questions that are not answered in the Volunteer Resource Guide.



For taxpayers who filed Form 1040EZ or Form 1040A the previous year, determine whether their situation has changed. It may be to their advantage to file Form 1040 if additional adjustments or deductions will result in a lower tax.



Detailed instructions for completing and filing the return are covered in the Concluding the Interview lesson and the Volunteer Resource Guide, Preparing the Return tab.



EXERCISES (continued)

Using your reference materials, answer the following question.

Question 5: A taxpayer wants to know about the Presidential Election Campaign Fund. Where can you find that information?

What potential pitfalls should I keep in mind?

To avoid any difficulties when preparing tax returns:

- Always treat the information used to prepare an individual's income tax return as confidential.
- Canadians have a number that is like a Social Security number, but it is for their old age pension. Do not use this number on a U.S. tax return. Canadians often have both a U.S. and a Canadian Social Security number.
- Be alert to the following possible indications of fraudulent activity:
 - A Form W-2 that is typed, handwritten, or has noticeable corrections
 - A Form W-2 that looks different from other Forms W-2 issued by the same company
 - A suspicious person accompanying the taxpayer and observed on other occasions
 - Multiple refunds directed to the same address or P.O. box
 - Employment or earnings, which are a basis for refundable credits, that are not well documented
 - Similar returns (e.g., same amount of refund, or same number of dependents, or same number of Forms W-2)
- Notify your site's coordinator if you suspect any fraudulent or unusual activity.

Summary

Who must file?

To determine whether an individual is required to file a federal tax return:

- Obtain the person's age
- Calculate the person's approximate gross income
- Determine the person's likely filing status
- Use the table and guidelines in the Volunteer Resource Guide, Who Must File section

How do I verify taxpayer identity?

Before entering the taxpayer's identity information in the Basic Information section or the appropriate tax return form, first verify the identity of the taxpayer(s), the accuracy of each SSN or ITIN, and spelling of names with the appropriate documents.

Which tax return form should I use?

The three federal tax return forms are Form 1040EZ, Form 1040A, and Form 1040. The tax software defaults to Form 1040. You should prepare all returns on Form 1040.

Filing the Return

E-filing is the safest, fastest, and easiest way to file a tax return. With e-file, taxpayers can generally expect their refund in less than 21 calendar days after the receipt of their tax return.

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

The following are 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 the health coverage tax credit
- Taxpayers who **cannot** substantiate their identity



No credit for refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month (February) following the close of the taxable year if the taxpayer claimed the EITC or additional child tax credit on the tax return.



EXERCISE ANSWERS

Answer 1: Yes, Bob is required to file a return.

Answer 2: No, Janet and Harry are not required to file.

Answer 3: Yes, Juanita must file.

Answer 4: True. To prevent processing delays, check the accuracy of each Social Security number you enter on the return, as well as the spelling of the name associated with the number.

Answer 5: The index in Publication 17 directs us to a paragraph in the chapter on Filing Information.

