

NTTC Modifications to the IRS Training Guide – 2018 Returns – Release 2

Publication 4491

For volunteers using the hard copy of Pub 4491, the following recaps the modifications that were made to the electronic version available on the Volunteer Portal – Library. Use this document in conjunction with your study of Pub 4491. Changes since Release 1 are highlighted in light yellow. Pub 4491X (Jan. 2019) additions are highlighted in light blue.

Page	Modification
iii	<p>Tax Forms: Form 1040 has been redesigned for 2018.</p> <p>Forms 1040A and 1040-EZ are not available for tax year 2018.</p>
iii	<p>Student Loan Discharges</p> <p>Certain student loan discharges on account of death or disability are excluded from gross income after December 31, 2017 and before January 1, 2026.</p>
iv	<p>Taxes deduction</p> <p>Clarify that foreign real estate tax is not deductible unless it relates to a business or for the production of income (Schedules C or E).</p> <p>The \$10,000 (\$5,000 for MFS) limitation does not apply to real or personal property taxes that relate to a business or for the production of income (Schedules C or E).</p> <p>Foreign income taxes related to a business or for the production of income are not subject to the \$10,000/\$5,000 limitation.</p>
iv	<p>Qualified Residence Interest:</p> <p>First sentence, add the word “substantially” before the word “improve”.</p> <p>Third paragraph, first sentence, change “...incurred before...” to: “incurred on or before”</p>
viii	<p>Kiddie Tax</p> <p>Clarify the net unearned income over the kiddie tax threshold amount of \$2,100 for 2018, up to the amount of taxable income, is taxed at the trust rates.</p>
ix	<p>Business Returns</p> <p>The TCJA allows small taxpayers (less than \$25 million in sales) to immediately expense purchases of goods for resale or materials for production of goods for resale starting in 2018. This means that cash-basis taxpayers do not need to keep inventory records and can claim a cost of goods sold deduction for their purchases paid during the year, even though not yet sold at year end. Refer to the Income - Business lesson for more information.</p>
2-2	<p>Tuition and fees adjustment to gross income (T&F) (if extended)</p> <p>Schools are not required to issue Form 1098-T when the tuition and fees have been paid with scholarships or grants. The taxpayer and student may choose to make unrestricted grants taxable and claim the T&F deduction or another tax benefit. In such cases, the taxpayer can substantiate qualified education expenses by other means (such as the student’s financial account transcript) and obtain the required FEIN from the school.</p>

Page	Modification
3-4 to 3-9	<p>Health coverage exemptions – Unclaimed Dependent</p> <p>Clarify that an individual who could have been claimed as a dependent but is not actually claimed as dependent has their own household for major ACA purposes:</p> <ul style="list-style-type: none"> • The filing threshold exemption is measured by the individual’s sole gross income or MAGI. • For the unaffordable marketplace coverage exemption, the individual would compare the cost of the lowest cost bronze plan to their separate affordability threshold. No premium tax credit (PTC) is allowed as the individual is not an applicable taxpayer. • When the individual lived in a state that did not expand Medicaid at any time during the year, the individual’s separate income is compared to 138% of FPL. <p>For completeness, the taxpayer that could claim the individual would NOT include the individual’s MAGI in their MAGI because the individual is not a member of their household for exemption eligibility, PTC, or shared responsibility payment (SRP) purposes.</p> <p>Example: Student Johnny is 23 and has earned income of \$7,000 but no health coverage. His parents could but do not claim him. The lowest cost bronze plan for Johnny alone would be \$211 per month or \$2,532 annualized. The cost \$2,532 is more than his affordability threshold (8.05% of his MAGI = \$7,000 x 8.05% = \$564). Add Johnny to his parent’s return and claim the unaffordable coverage exemption (type A) for Johnny for the whole year. In a nonexpansion state, Johnny could also claim that exemption (type G).</p>
3-5	<p>Hardship exemptions</p> <p>For 2018, hardship exemptions can be claimed on the tax return. In prior years, they were available only from the Marketplace. Counselors need not determine whether a hardship existed. The taxpayer can review the list of hardships and decide when a hardship existed and to whom the exemption applies. See Pub 4012 Tab H, Form 8965 and its instructions.</p> <p>Marketplace exemptions</p> <p>There are several Marketplace exemptions for which a taxpayer may apply. Some can be granted retroactively.</p> <p>Refer to Pub 4012 and Form 8965 instructions for eligible hardship exemption circumstances and Marketplace exemptions.</p>
3-10	<p>Premium Tax Credits</p> <p>Household income for the PTC calculation on Form 8962 includes the MAGI of the taxpayer, spouse if filing MFJ, and claimed dependents whose gross income exceeds the filing threshold. It does not include the MAGI of a spouse if filing MFS or the MAGI of an unclaimed dependent.</p> <p>Caution though, if the unclaimed dependent is on the same policy as the taxpayer that could claim them, it would be a shared policy and the return will be out of scope.</p>
4-1	<p>Who must file – Tax-Aide does not use Form 9452; instead we recommend everyone e-file to detect and prevent tax identity theft.</p>
4-3	<p>Who should file</p> <p>PTC: A taxpayer that is eligible for premium tax credit should file even if they did not get advance premium tax credits.</p> <p>Zero-AGI returns</p> <p>To assist in identifying and preventing tax identity theft, Tax-Aide recommends all taxpayers to e-file. Because -0- AGI returns cannot be e-filed, enter \$1 as other income. Describe as "IN ORDER TO E-FILE."</p>
5-2	<p>Who is single?</p> <p>Clarify that a marriage that has been legally annulled is treated as never having existed.</p>

Page	Modification
5-9	<p>Qualifying widow(er) Clarify that a widow or widower may use the qualifying widow(er) filing status even though their qualifying child cannot be claimed as a dependent – because the child does not meet the gross income test, or does not meet the joint return test, or except that the taxpayer may be claimed as a dependent of another taxpayer.</p>
6-1	<p>A dependent claiming dependents An individual is not a dependent of a person if that person is not required to file an income tax return and either does not file an income tax return or files an income tax return solely to claim a refund of estimated or withheld taxes. If this is the situation, answer "no" to "can anyone claim you as a dependent?" This applies for all purposes of the code.</p>
7-2	<p>Dependent Taxpayer Text An individual is not a dependent of a person if that person is not required to file an income tax return and either does not file an income tax return or files an income tax return solely to claim a refund of estimated or withheld taxes. If this is the situation, answer "no" to "can anyone claim you as a dependent?" This applies for all federal tax purposes.</p>
7-6	<p>Relationship Test An adopted or fostered individual is treated as if biologically related. For example, an adopted sibling is treated as the other sibling's biological brother or sister.</p>
9-10	<p>Dividend income A new subset of ordinary dividends is called 199A dividends and are eligible for the qualified business income deduction (QBI deduction). See the standard deduction lesson for the QBI deduction and Pub 4012 for software entries.</p>
9-11	<p>Dividend income Sec. 1250 gain is a subset of capital gain distribution and is in scope for Tax-Aide.</p>
9-12	<p>State tax refunds A refund from a year prior to 2017 is in scope for Tax-Aide if it can be quickly determined that the refund is entirely taxable or entirely nontaxable. For example, it is wholly nontaxable because the standard deduction was claimed in prior years. Or, the taxpayer agrees that the refund is wholly taxable.</p>
9-13	<p>Alimony income TIP: Alimony income is unearned income. However, it is considered compensation, which may allow the taxpayer receiving alimony income to make a deductible traditional IRA or nondeductible Roth IRA contribution.</p>
10-15	<p>Special note about training or education expense: The taxpayer can deduct the costs of qualifying work-related education as a business expense if they are self-employed. This is education that meets at least one of the following two tests:</p> <ul style="list-style-type: none"> • The education is required to keep his or her present business, status or job. The required education must serve a bona fide business purpose of his or her business. • The education maintains or improves skills needed in his or her present work. <p>However, even if the education meets one or both of the above tests, it isn't qualifying work-related education if:</p> <ul style="list-style-type: none"> • It is needed to meet the minimum educational requirements of his or her present trade or business, or • It is part of a program of study that will qualify him or her for a new trade or business. <p>A business expense deduction can result in lower income tax and lower self-employment tax. It may also have a positive effect on the earned income credit or premium tax credits, if any.</p>

Page	Modification
10-8	Other Interest Business interest includes the business portion of interest on a car loan – it can be added to the standard mileage rate.
10-11	Business vehicle expenses In addition to the standard mileage rate, the business portion of car loan interest, car washes, parking and tolls can be deducted.
10-12 10-13	Schedule C or C-EZ Tax-Aide uses Schedule C as it prints the details of the taxpayer's expenses. To force TaxSlayer to print and e-file Schedule C (instead of C-EZ), enter \$1 as beginning inventory and \$1 as ending inventory in the cost of goods section.
10-13	Cost of Goods Sold The law was changed effective for TY 2018. In-scope cash-basis taxpayers can expense their purchases and not treat their goods as inventory. Tax-Aide Counselors can follow this new law when the sole proprietor wishes to expense their purchases of goods that would otherwise be inventory. Enter the purchases amount in the cost of goods sold section. No other entry is needed; that is, make no entry for beginning or ending inventory.
10-17	Out of scope: taxpayers who have transactions involving Bitcoins or other virtual currencies.
11-14	Sale of home by surviving spouse TIP: Upon the death of the first spouse, some or all of the property may have a new basis based on the fair market value on the date of death. This may substantially reduce the amount of gain or loss.
11-17	How much of the gain from a home sale can a taxpayer exclude? Some surviving spouses may also exclude up to \$500,000.
11-19	Capital gains or losses – scope For Tax-Aide only: The sale of bonds that mature or are sold with no gain or loss or are reported on a brokerage statement with capital gain or loss only (no ordinary income/loss) are in scope. The disposition of totally worthless securities is in scope. However, securities worth anything, even \$1, are not totally worthless.
12-4 to 12-6	Taxable portion of IRA income Form 8606 Parts I and II are in scope for Tax-Aide Part I tracks the IRA owner's basis in their IRA – basis is created when less than the full amount of the annual contribution is deductible. This should not be confused with an excess contribution, which is potentially subject to an additional 6% tax. All the individual's traditional IRAs should be aggregated on Form 8606 except inherited IRAs. Basis in inherited IRAs is kept separate and may require a second Form 8606 to be filed. A surviving spouse who is the beneficiary of their deceased spouse's IRA has options, which include taking the inherited as their own. If they do so, it is no longer treated as an inherited IRA. See Pub 590-B. Part II uses the information from Part I to determine the portion of a Roth conversion that is taxable. Caution: state rules may differ.
12-4	Roth IRA distributions Clarify that the 5-year rule for Roth IRA distributions applies to each Roth conversion. See Pub 590-B.
12-5	Distribution Codes J or T Clarify that if Form 1099-R, box 7, code J or T is in error and it is a qualified Roth distribution, it is in scope for Tax-Aide.

Page	Modification
12-12	<p>Missed required minimum distribution Taxpayers can request a waiver of the minimum distribution addition to tax using Form 5329, Part IX, which is in scope for Tax-Aide. See the Other Taxes lesson for more information.</p>
13-3	<p>Residential rentals Clarify that residential rentals are in scope with Military certification when the taxpayer is in the active military only. Rental of a personal residence for less than 15 days during the year is not rental activity and the income is not taxable. (A personal residence is a dwelling used by the taxpayer as a residence for 15 days or more.) Rental of land with no improvements is in scope and reported on Schedule E. All land rental income must be reported whether on a Form 1099-MISC or not. No expenses are in scope. Deductible interest or taxes can be claimed on Schedule A if itemizing. Sharing arrangements (roomies) are not rental arrangements – there is no profit motive.</p>
14-1	<p>Repayment of income If the taxpayer received unemployment compensation and repaid some of it in the same year, only the net is reported on the tax return. If the taxpayer received unemployment compensation (or other previously taxed income) in one year and repaid some of it in a later year, the repayment can be deducted on Schedule A (not subject to the 2% of AGI reduction) or a credit can be computed if the repayment amount is more than \$3,000. A repayment of less than \$3,000 provides no tax benefit as deductions subject to the 2% threshold are suspended.</p>
15-1	<p>Foreign social security Canadian or German social security are treated as U.S. Social Security for tax purposes and are in scope for Tax-Aide. The taxpayer should provide the U.S. dollar amount to be reported. That should be the gross amount, before any currency conversion costs. Be careful to not confuse Canadian social security with other types of retirement income. Check your state's rules as they may differ.</p>
16-2	<p>Gambling winnings The IRS provides rules that allow a taxpayer who maintains detailed gambling records to use a per-session rule. If the taxpayer maintains detailed session records, they can report the net session gains as income. The net session losses are claimed as an itemized deduction up to the amount of winnings. Taxpayers who wish to claim gambling as a business (Sch. C) should be referred to a paid preparer.</p>
16-4	<p>Long-term care benefits Forms 1099-LTC and 8853 Section C are in scope for Tax-Aide. Long term care benefits can be based on a per-diem rate or as a direct reimbursement of actual expenses. Use Form 8853 Section C to determine whether long-term care benefits are taxable. If any benefit is taxable, the return is out of scope.</p>

Page	Modification
16-7	<p>Worldwide income CAUTION: Taxpayers with foreign income or assets may have additional filing responsibilities, which are out of scope. These include a taxpayer:</p> <ul style="list-style-type: none"> • with a foreign bank account, including signature authority over a foreign account, • who has other specified foreign financial assets over certain values, • who is the grantor of a foreign trust, made a transfer to a foreign trust, or received a distribution from a foreign trust, or • who receives a foreign gift or inheritance <p>See forms FinCEN 114, 3520 and 8938. Refer affected taxpayers to a paid preparer.</p>
17-3	<p>In the example, delete: Disability severance pay and \$10,000 Also, delete: ...plus the entire \$10,000 disability severance payment.</p>
18-4	<p>Clarify: Coverage can be in the name of the taxpayer or spouse, if MFJ. Include health, dental, vision, supplemental, limited coverage, and long-term care (LTC) premiums. LTC is limited to the deduction cap for Schedule A – based on age. The spouse's Medicare premiums qualify for the deduction when filing MFJ even though paid from the spouse's benefits.</p>
18-5	<p>TIP: The SE health deduction is in scope for 2018 and any open year. Review prior year returns to see if claiming the adjustment would benefit the taxpayer.</p>
18-11	<p>Student interest adjustment to gross income Clarify that the taxpayer can deduct interest on a student loan for a dependent or an individual that <i>would have been</i> a dependent except that the taxpayer was a dependent of another taxpayer, the student filed a joint return, or the student's income exceeded the personal exemption amount.</p>
18-15	<p>Refer to the extenders lesson for the tuition and fees adjustment to gross income, if extended.</p>
18-16	<p>Other adjustment to gross income – out of scope but listed for awareness:</p> <ul style="list-style-type: none"> • Archer MSA deduction • Expenses related to personal property rentals • Nontaxable Olympic and Paralympic medals and USOC prize money included as other income • Reforestation amortization and expenses • Repay of supplemental unemployment • Attorney fees or court costs for certain discrimination cases • Attorney fees or court costs in connection with IRS awards for information <p>An entry on Form W-2 box 12 code H carries automatically and is in scope for:</p> <ul style="list-style-type: none"> • Contributions to Sec. 501(c)(18)(D) pension plans
20-5	<p>Kiddie tax example – replace with: Morgan (age 19) is a full-time student and earned \$7,900 working at the local mall, which was less than half of her support. She received a scholarship of \$6,500. Her tuition and fees for the year were \$2,000. She decides to include only \$4,500 of the scholarship as income on her return. Morgan's gross income (all earned for the filing threshold) exceeds the filing threshold so she must file a return. She will be required to complete Form 8615 to figure the tax because the \$4,500 scholarship income is unearned income for the kiddie tax and more than the kiddie tax ceiling amount.</p>

Page	Modification
20-5	<p>Alternate example (modified by NTTC): Morgan (age 19) is a full-time student and earned \$2,000 working at the local mall. She also had \$1,100 of interest income. She received a scholarship of \$6,500. Her tuition and fees for the year were \$4,000. She decides to include \$2,500 of the scholarship as income on her return (applying \$4,000 to the qualifying education expenses). Since Morgan included the scholarship as income on her return, she will be required to complete Form 8615 to figure the tax because \$3,600 (the \$2,500 scholarship income plus \$1,100 interest) is unearned income and more than ceiling amount.</p>
20-5 20-6	<p>Qualified business income (QBI) deduction – add the following (before Summary section)</p> <ul style="list-style-type: none"> • Net capital gains includes qualified dividends for this purpose <p>Combined qualified business income includes:</p> <ul style="list-style-type: none"> • Net profit from Schedule C (remember a net loss makes the return out of scope) • Qualified REIT dividends (a new 199A box on Form 1099-DIV) • Qualified publicly traded partnership income (subject to K-1 scope limitations) • Qualified cooperative dividends (out of scope) <p>The applicable threshold is based on taxable income before the QBI deduction and reduced for any net capital gains (net capital gain is the excess of net long-term gains over net short term losses increased for qualified dividends). For 2018, the threshold is \$315,000 for MFJ and \$157,500 for all other filing statuses. Taxpayers with income over the threshold should be referred to a professional tax preparer.</p>
20-6	<p>Clarify Summary The kiddie tax is in scope when it applies. Scope is not limited to students with taxable scholarships.</p>
21-3	<p>Allowable medical expenses Clarify that premiums for long-term care insurance are deductible up to a limit amount based on the age of the insured.</p>
21-3	<p>Deductible medical insurance expense Clarify that taxpayers receiving premium tax credits (PTC) will adjust their current year medical deduction for medical insurance up or down for the excess PTC or additional PTC, respectively. In the example at the bottom of the page add: Effectively, the taxpayer adds the excess APTC he/she has to repay to the net amount of premiums they paid. Conversely, he/she reduces their deduction for any additional net PTC he/she claims on the return.</p>
21-4	<p>Sales tax deduction The deductible sales tax using the IRS sales tax tables can be increased by general state and local sales tax paid on any motor vehicle, boat, aircraft, and home construction or improvement.</p>
21-5	<p>Tax deduction limitation State and local income taxes, property taxes, sales taxes, foreign property, and foreign income taxes paid as part of a trade or business or for the production of income are not subject to the aggregate \$10,000 limit. Refer taxpayers adversely affected by scope limitations to professional preparers. Such as property taxes related to land rentals or royalties – scope does not allow for any expenses to be claimed on Schedule E.</p>
21-5	<p>Under the heading, Home Mortgage Interest, second sentence, add the word “substantially” before the word “improve”.</p>

Page	Modification
21-8	<p>Form 1098-C Form 1098-C provided only as confirmation of a donated vehicle worth \$500 or less is in scope. No entry other than the value of the donation is required.</p>
21-10	<p>Noncash charitable contributions Noncash contributions up to \$5,000 total for the year are in scope for Tax-Aide. The taxpayer is responsible for providing the cost basis (if required) and the fair market value (usually thrift store value) of all noncash donations. Refer to the Volunteer Resource Guide for specific software instructions to complete Form 8283.</p>
21-11	<p>Deductible miscellaneous deductions Add to the list of deductible expenses (not subject to the 2% of AGI rule):</p> <ul style="list-style-type: none"> • Repayment of income of \$3,000 or more. Note there is also a credit that may be better – see Pub 525 • Loss on termination of an annuity by a deceased annuitant – see Pub 575
22-6	<p>Surviving spouse’s child or dependent care credit Clarify that the surviving spouse may disregard the decedent's earned income and use their own earned income only when beneficial. If the surviving spouse remarries before the end of the year, the decedent's final separate return may be able to claim the credit.</p>
22-7	<p>Taxpayer Interview and Tax Law Application at bottom of page Correct that Bill’s granddaughter takes care of Helen, not herself.</p>
23-1	<p>Who can take an education credit? A Form 1098-T is not required when all the tuition and fees were paid with scholarships or grants. The taxpayer will need to provide the required information to claim an education credit.</p>
23-3	<p>Clarify restricted and unrestricted grants The student can choose whether to apply the education assistance to reduce qualified education expenses or as taxable income only if the scholarship or grant is unrestricted. Restricted scholarships or grants must be used for tuition, fees, and other expenses, such as books, as per the terms of the grant. If the student could withdraw unspent assistance amounts from their student account, the assistance is unrestricted.</p>
23-4	<p>Clarify in the Juan example that It may be better to forgo some portion of the AOC when other issues, such as the kiddie tax or premium tax credits, could be adversely affected by Juan having a filing requirement.</p>
23-5	<p>Clarify that taxpayers under age 24 cannot claim the refundable portion of the credit if certain conditions are met – these are the same conditions that would make the kiddie tax apply, other than having unearned income in excess of the kiddie tax ceiling requirement. See Who must file Form 8615 in Lesson 20.</p>
23-7	<p>Correct wording in TIP: A taxpayer who has taken an early distribution from an IRA may take an exception to the 10% additional tax up to the amount of the qualified higher education expenses.</p>
23-9	<p>Correct last bullet: Students that include tax-free scholarships and grants in income and have a filing requirement may need to file Form 8615, Tax for Certain Children Who Have Unearned Income</p>

Page	Modification
23-10	<p>Additional text</p> <p>Review of possible education benefits:</p> <p>Scholarships, grants or fellowships One main benefit is to make scholarships, grants or other education assistance tax-free. Scholarships or grants that are not based on work can be tax-free. If they are tax-free, they are not entered on the tax return. See Worksheet 1-1 in Pub 4012, Tab J.</p> <p>Coverdell Education Savings Accounts (ESA) and Qualified Tuition Programs (QTP) These are special accounts that have been set up to pay education expenses. The earnings are tax-free if the distributions are used to offset qualifying expenses. Qualifying expenses include room and board if the student attended at least half-time. Coverdell distributions can be used for K-12 expenses as well as post-secondary education. QTP (Sec. 529 plan) distributions can also be used for K-12 expenses, up to an annual limit of \$10,000.</p> <p>Employer-provided educational assistance Employers may provide up to \$5,250 of tax-free payments or reimbursements for an employee’s education expenses. Unreimbursed qualified education expenses that exceed the employer payments can be used toward other benefits.</p> <p>Veterans Administration education benefit If the student qualifies for one or more VA education benefits, the payments are not included on his or her tax return, but he or she must reduce the amount of education expenses qualifying for an education tax benefit by his or her VA payments. This applies only to the part of his or her VA payments that is required to be used for education expenses.</p> <p>Business deduction The taxpayer can deduct the costs of qualifying work-related education as a business expense if they are self-employed. Refer to the Business Income lesson.</p> <p>Educator Expenses Professional development expenses can be claimed as part of the educator expense adjustment to gross income. Refer to the Adjustments to Income lesson.</p> <p>Tuition and Fees Adjustment See Extenders.</p>
25-3	In the first Caution, second sentence, change the word “by” to “before”.
26-2	Bottom of page software hint: traditional IRAs are entered in the adjustments section of the software and carry automatically to Form 8880.
26-3	<p>What may reduce an eligible contribution for purposes of the credit? Revise the 3rd bullet to read as follows:</p> <ul style="list-style-type: none"> • Qualified retirement plans as defined in section 4974(c) (including the federal Thrift Savings Plan) <i>if the taxpayer could have made elective contributions to the plan</i>
26-3	<p>Tax Software Hint</p> <p>Add: A negative adjustment may be needed to back out a distribution from an employer plan that did not allow elective contributions.</p>
27-2	<p>Who does not pay self-employment tax?</p> <ul style="list-style-type: none"> • Notaries public are not subject to the self-employment tax by law. • Statutory employees have Social Security and Medicare tax withheld and do not have to pay the self-employment tax.
27-4 and 27-7	<p>Missed required minimum distribution from an IRA</p> <p>Part IX of form 5329 is in scope for Tax-Aide. Use it to request a waiver of the addition to tax for failure to take the required minimum distribution from an IRA. The taxpayer must take a correcting distribution to catch up in order to request the waiver. Refer to the Volunteer Resource Guide for specific software instructions.</p>

Page	Modification
27-5	<p>The list of exceptions to the additional tax is also in the Volunteer Resource Guide Tab H. Do not reduce medical expenses or education expenses eligible for a deduction or credit for the amounts used to reduce the addition to tax on an early distribution. This is not a double dip situation and is allowable.</p>
28-5	<p>Repayments of previously taxed income When a taxpayer repays income that they included in a prior year's tax return of more than \$3,000, the taxpayer may choose between an itemized deduction for the repayment (not subject to the 2% rule) or a tax credit on the return of the year of repayment. The tax credit is computed on a with-and-without basis to measure the incremental tax that was paid when the income was included and is reported on Schedule 5, Line 74. Refer to the Volunteer Resource Guide for software entries. If the taxpayer repaid income of \$3,000 or less, there is no deduction or credit.</p>
30-2	<p>Options for overpayments A direct deposit can be made to a checking account, a savings account (including an IRA), or a prepaid debit card. Refer to the Volunteer Resource Guide for required input.</p>
A-26 to A-28	<p>The affordability threshold calculation is $\\$33,280 \times 8.05\% = \\$2,679$. Using 2018 premium rates from Healthcare.gov, LCBP is \$858 and SLCP is \$764. The affordability worksheet in TaxSlayer for 2017 is \$2,208 for each month (transposition error in the amount). The 2018 amount is \$2,652 for each month.</p>
A-28	<p>ACA shared responsibility payment (SRP) SRP appears to apply. If the Fultons were to make a traditional IRA contribution of at least \$348, they could save \$1,390 as there would be no SRP. If they decide against the IRA, discuss the hardship exemptions with Edward and Julia that may be available and can now be claimed on the return. If they choose to apply for another exemption from the marketplace and they do not have the ECN (exemption certificate number), use "PENDING" as the ECN.</p>
A-47	<p>Add at the end: You note that Charles and Shay's MAGI is at 208% of the FPL on Form 8962. If their MAGI could be reduced below 200% of the FPL, the repayment cap on the excess APTC will be reduced from \$1,550 to \$600. You inform Charles and Shay that if one or the other or both contribute to a traditional IRA about \$2,051 total, they will get immediate benefits:</p> <ul style="list-style-type: none"> • Income tax deduction and tax reduction • Retirement savings credit • Increased EIC • Reduced repayment of APTC <p>You can enter a deductible IRA contribution amount in the adjustments section to show how these amounts are determined and help Charles and Shay decide if they want to contribute to an IRA and the amount. Remind Charles and Shay that the IRA must be set up and funded prior to the due date of the return.</p>