

TaxSlayer Federal Defects

(Changes needed to prepare correct/accurate federal returns. Note: some changes are included that do not impact the federal return but are required for a state return under premise that change should be implemented once since information is entered in federal section.)

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1. Conform Form 5329 to Official IRS Form and Add Capability to Waive Additional Tax for Failure to Take Required Minimum Distribution (RMD)

Description: Taxpayer may request waiver of 50% additional tax for failure to take RMD by completing Part IX of Form 5329 and attaching a statement explaining why the RMD was missed, that the RMD has been taken and steps to ensure future RMDs will be taken on time.

The entry page for Form 5329 does not have a Part VIII. The old Part VIII recently re-labeled as Part IX, does not allow the additional tax to be waived and offers no way to attach the required statement.

Part IX - Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)	
Minimum required distribution for current year	\$ <input type="text"/>
Amount actually distributed to you in current year	\$ <input type="text"/>

Business Case: Preparer cannot prepare correct tax return if taxpayer wants to request waiver of additional tax.

2. Medicaid Waiver Payment (MWP) Reported on W-2 – Taxpayers versus Spouse

Description: MWP must be excluded from income even if reported on a W-2. The MWP field on the W-2 entry page reduces earned income for purposes of determining various credits and adds an offsetting entry on line 21 with the correct explanation. However, it reduces the **taxpayer's** earned income even if the **spouse** received the MWP.

Business Case: Reducing the incorrect person's earned income can result in incorrect credits: EIC, ACTC and CDC.

3. Dependent Care Benefits Reported on W-2

Description: Dependent care benefits reported in W-2 box 10 in excess of the maximum excludable amount of \$5000 are being carried to 1040 line 7.

Business Case: According to the W-2 instructions, any excess payments over \$5,000 have already been included in W-2 boxes 1, 3, and 5 so the taxable income is overstated.

4. Provide Record of Direct Debits and Deposits and Adjust Voucher Amount for Partial Direct Debit Amounts

Description: When payment by direct debit is requested, there is no record printed for the taxpayer. There is also a voucher for the full amount generated as part of the print set. There is also a voucher for the full amount printed if the taxpayer requests direct debit of less than the full amount due. Similarly, there is no record of direct deposits of federal or state refunds.

Business Case: The taxpayer needs a record of the direct debit as confirmation of the amount that will be debited and when it will happen. The inconsistent debit documents are confusing to the taxpayer and can lead to multiple or incorrect payments. A printed page would provide confirmation to the taxpayer, and also provide a reference of the expected deposits/withdrawals.

Use Case: One printed page provide a summary of all federal and state direct debit and direct deposit actions that are scheduled to occur.

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5. SSN on W-2 for Spouse with ITIN when Taxpayer has ITIN

Description: Unable to enter the SSN used on a W-2 for a spouse with an ITIN. TaxSlayer allows an SSN for the taxpayer with an ITIN, but not for the spouse when both have ITINs.

Business Case: Without the SSN as shown on the W-2, the IRS will not be able to credit the tax withheld and will not be able to process the return as filed.

6. General Sales Tax Calculation and Show Computed Amount of Sales Tax

Description: The modified adjusted gross income (MAGI) should show on the Sales Tax Deduction page rather than the Taxes You Paid page since that is where it's used. It should also include a simple table of the components to aid the preparer in ensuring it's correct and it should include Schedule C income before expenses.

Modified Adjusted Gross Income	
Calculated Modified Adjusted Gross Income (MAGI)	\$35000
Amount to Adjust the Calculated MAGI by	\$

Business Case: Align the important information with where it is used and correct the calculations to better enable volunteer to prepare a correct return.

7. Form 2210 Underpayment of Estimated Tax Penalty

Description: To properly calculate an underpayment of estimated tax penalty, the software needs to know the actual dates of estimated payments. It is not correct to simply assume the payments were made on the quarterly due date. (Form 2210 is not out of scope for a volunteer's own return.)

Business Case: The penalty will be incorrectly calculated.

8. Ability to Designate Ownership of Capital Gains/Losses Transactions

Description: The ownership of capital gains/losses transaction cannot be assigned to taxpayer, spouse or joint when entered.

Business Case: At least two states (PA and MD) require ownership to be identified to prepare a correct state return.

9. Ability to Designate Ownership of Schedule E Income

Description: The ownership of Schedule E income cannot be assigned to taxpayer, spouse or joint when entered.

Business Case: States require ownership to be identified to prepare a correct state return.

10. Retirement Savings Credit Offset

Description: Voluntary contributions to a qualified retirement plan are eligible for Retirement Savings Credit and are reported on Form 8880. There are income, minimum age, other limits and the contribution is subject to an offset if taxpayer or spouse also received certain distributions within current and past two tax years from qualified plans to which he or she could have voluntarily contributed. Most of the exceptions for distributions that do not offset a current contribution are listed in the Form 8880 instructions.

Business Case: The only distribution code that currently always qualifies a distribution as an exception is code G for a rollover. Otherwise, the preparer must determine from the interview with the taxpayer if other distributions qualify, and, currently, if so, must enter a negative entry on the Form 8880 entry page. Add a field on each 1099-R that allows the preparer to designate this distribution as an exception to the Retirement Savings Credit offset.

Retirement Savings Contributions Credits

TAXPAYER

Enter Any Qualifying Retirement Distributions in 2016, 2015, or 2014

Enter Any Other Taxable Distributions in 2016 or 2015

11. Entry of Tax-exempt Dividends

Description: The entry page for tax-exempt dividends is reached from the Interest and Dividends landing page as the third choice with both forms 1099-INT and 1099-DIV specifically mentioned:

1099 Description Schedule B

Choose the type of Interest or Dividend item you want to enter:

Interest Income, Form 1099-INT, Form 1099-OID (including interest income < 1,500)

Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10

Dividend Income, Form 1099-DIV

Seller Financed Interest Income

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However, the next page makes no mention of tax-exempt dividends:

Schedule B Other Interest

Type of transaction: Tax Exempt Interest, Box 8

Payer's Name *

Taxpayer, Spouse, or Joint?

Interest Income *

Taxable State Interest

Business Case: The last entry page is confusing since dividends are not mentioned. Further, although the federal return combines tax-exempt interest and tax-exempt dividends on 1040 line 8b, some states (PA and CT as examples) require tax-exempt income to flow to separate schedules – tax-exempt interest to PA Schedule A and tax-exempt dividends to PA Schedule B for example. As is, besides the confusion factor, correct state returns cannot be prepared if there are tax-exempt dividends.

12. Change 2014 and 2015 Software to Handle Medicaid Waiver Payments

Description: Currently when amending a 2014 or 2015 return to reduce income for receipt of Medicaid Waiver payments, the program does not recalculate the EIC/ACTC/CDC on the Form 1040X.

Business Case: Results in an inaccurate amended return.

13. Gambling Losses and Gambling Winnings

Description: Currently, the program allows you to enter any amount of gambling losses even if the amount exceeds the amount of gambling winnings, thereby resulting in an inaccurate return. Once amount of winnings have been entered, program should limit amount of losses to amount of winnings. Also, Taxpayers do not always receive a Form W-2G for their gambling winnings so the software should allow “Other Income” to be tagged as gambling winnings.

Business Case: Results in an inaccurate return

Use Case: Easy to enter gambling losses that exceed winnings resulting in an inaccurate return.

14. Revise ACA Affordability Calculator

Description: The affordability process must address issues of employer or government-sponsored health insurance as well as marketplace affordability. The result of the affordability calculation should be carried to the appropriate form. The affordability

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threshold must be properly computed, allowing the preparer to enter any pre-tax medical. Additionally, the worksheet needs to accommodate changing circumstances during the year. Show the percentage of FPL and alert the preparer in a non-expansion state if below 138%.

Business Case: Automating a frequently encountered, high dollar impact process. Speed of preparing a return and return quality.

Use Case: Will result in a more accurate return and correct calculation of the employer and marketplace affordability calculation.