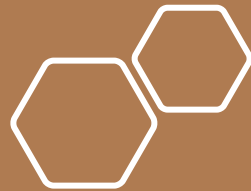




# 2026 Advanced Tax Preparation Training

(2025 tax returns)





# Advanced Course: Scenarios and Test Questions

*IRS Publication 4012-VITA Volunteer Resource Guide  
will be your guide*

# Advanced Scenario 1

## Important Topics for Test Questions: Joy Sunshine

- **Filing Status**
  - 4012 Section B pg.13(Follow Filing Status Tree)
- **Earned Income**
  - 4012 Section I pg 4
- **Income- Examples of Taxable Income**
  - 4012 Section D pg 3

# Advanced Scenario 2

## Important Topics for Test Questions: Matt and Megan Summer

- **Child Tax Credit**
  - 4012 Section G pgs 7 (Hint follow the chart)
- **Child Care**
  - 4012 Section G pg 15 (Hint follow yes or no questions)

# Advanced Scenario 3

## Important Topics for Test Questions:

### Nancy James

- **HSA- 2025 Contribution Limits**
  - 4012 Section E pg 15
- **HSA Form 8889**
  - 4012 Section E pg 14
- **Medical Expenses**
  - Section E pg 19 (HSA Qualifying Medical Expenses)

# Advanced Scenario 4

## Important Topics for Test Questions:

### Alex Rice

- **Qualifying Dependent- Overview of Rules for claiming Dependent**
  - 4012 Section C pg. 3
- **Deductions- Qualifying Child of more than one person**
  - 4012 Section I pg 7

# Advanced Scenario 5

## Important Topics for Test Questions:

### Julia Jacobs

- **Deductions- Sch A Mortgage Interest**
  - Section F pg 15
- **Income- Less common Income**
  - 4012 Section D pg 81

# Advanced Scenario 6

## Important Topics for Test Questions:

Carlos Carter

- **Education Credits**
  - 4012 Section J pg 7
- **Early distribution from IRA or other Qualified Retirement Plans**
  - 4012 Section H-7
  - Footnotes H-8

# Advanced Scenario 7

## Important Topics for Test Scenarios:

### Martin and Yvette Willis

- **Simplified Method**
  - 4012 Section D pg 62-63
  - Practice Lab 1040 line 5
- **Credit for Other Dependents**
  - Practice Lab 1040 pg 2 line 18 or
  - 4012 Section A pg 4
- **Reported Other Income**
  - Practice Lab 1040pg1 line 8 or pg 3 Line 10

# Advance Scenario 7 continued

- **Educator Expenses**
  - 4012 Section E pg 3
- **Standard Deduction**
  - 4012 Section F pg 4( follow the Standard Deduction Chart)
- **Qualifying Education Expenses**
  - 4012 Section J pgs 3 and 6
- **Taxable Social Security**
  - Practice Lab 1040 Line 6B
- **Federal Tax Withholding**
  - Practice Lab 1040 pg 2 Line 25 A-D and 26

# Advanced Scenario 8

## Important Topics for Test Scenarios:

### Jocelyn Jones

- **Capital Gains/Losses**
  - practice Lab 1040 Schedule D
    - \*Please use 4012 Section D pgs 42 - 49 to complete
- **Business Expenses**
  - 4012 Section D pgs 41
- **Student Loan Interest Deduction**
  - Practice Lab 1040 pg 4(Sch 1 part 2)
- **Mileage Deduction**
  - 1040 Schedule C Profit Loss
  - (Hint must use the summary print PDF)

# Advanced Scenario 8 Continued

- **Lifetime Learning Credit**

- Practice Lab 1040 Schedule 3

- **IRA additional Tax**

- Practice Lab 1040 Schedule 2 Part 2 Line 8

*\*In order to get the following answer please refer to 4012 section H pg 6 (Hint: In order to get answer, Form 5329 must be completed.)*

- **Balance Due**

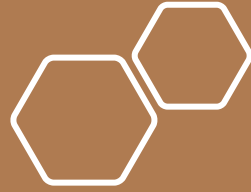
- 4012 Section K pgs 26 - 28

# Advanced Scenario 9

## Important Topics for Test Scenarios:

### Carl Graves

- **Filing Status**
  - 4012 Section B pg 13
- **Adjusted Gross Income(AGI)**
  - Practice Lab 1040 pg. 1 line 11A
- **Additional Child Tax Credit**
  - Practice Lab 1040 pg 2 Line 28
- **Retirement Savings Contribution**
  - Practice Lab 1040 Schedule 3 Part 1 Line 4
- **Premium Tax Credit**
  - Practice Lab 1040 Schedule 3 Line 9
- **Dependent Child Care**
  - Practice Lab 1040 Schedule 3 Part 1 Line 2



# Advance Tax Law & Information

# Overview:

- What to expect as a tax prep volunteer
- What to expect on your Advanced certification
- Important topics in tax prep
- Topics relevant for the Advanced certification

# Reminder:

- You can not take the Advanced certification until you have completed and passed the Standards of Conduct, and Intake/Interview and Quality Assurance
- Suggest taking the Basic exam too for additional practice. Required by PEACE, Inc. for new to our site preparers.

# NYS Tax Law

**Public/Government Pensions:** Completely tax free on the NY return,  
*State Street is not Public*

**Private Pensions:** Tax free up to \$20,000, as long as client is at least age 59 ½

**NY Education Credit:** Tuition only for undergraduates, Part time to full time

**Healthcare Worker Bonus??**

**Volunteer Firefighters and Ambulance Workers Credit**

**NonCustodial Parent:** Pays through NYS Support System and not in rears

**Real Property Tax Credit**

For age 65 and older

Renter's credit

**Injured Spouse (Advanced)**

**Disability Income Exclusion (Advanced)**

# Recap: Basic topics on Advance exam

- **Head of Household Filing Status**
  - Must be Single or considered Single
  - Must maintain household
  - Must have a dependent living with you for more than half of the year
    - Only related dependents qualify you for HOH
- **Qualifying Surviving Spouse**
  - Year of death: can still file Married Jointly
  - Next two years: can use as long as dependent lives with client all year
  - **Earned Income Limit**
    - EIC has income limits based on how many qualifying child dependents you claim, Pub 4012 page I-4 & 5

# Recap: Basic topics on Advance exam

- **American Opportunity Credit**

- Credit for going to college
- Must be at least half-time
- Only available up to first Bachelor's degree & claim 4 times for each student
- Can't be convicted of a drug felony
- Expenses = tuition minus scholarships, mandatory books, supplies, & fees

- **Lifetime Learning credit**

- Available for most anyone who doesn't qualify for AOC
- Must be taking class to improve job skills
- Expenses = tuition minus scholarships, mandatory books, supplies, & fees

# Recap: Basic topics on Advance exam

- **Educator expense**
  - Adjustment up to \$300 for supplies bought for the classroom
- **Student loan interest**
  - Adjustment up to \$2500
- **Early distribution of pension**
  - 10% penalty for withdrawing pension before age 59 ½
  - An exception applies if IRA pension is used for college tuition.
  - Any part of the distribution not used for college is subject to the penalty. Example: you take out \$10k of pension and apply \$4k of it toward tuition. \$6k is subject to penalty, so penalty of \$600
  - \$1,000 exception applies for emergency, personal expenses

# Recap: Basic topics on Advance exam

- **Child Tax Credit**

- Credit for claiming dependent under 17. Child must have SSN, but parents do not.
- Credit is \$2000 per child for the non refundable portion, \$1700 for refundable portion

- **Credit for other dependent**

- Credit for claiming dependent 17 or older, or who don't have SSNs
- Flat \$500 nonrefundable

- **Child and dependent care credit**

- Credit for putting dependent under age 13 into daycare/after school care
- Can't claim credit if paid another dependent for the daycare

# Health Savings Account (HSA)

- **High Deductible Health Plan (HDHP)**
  - Health insurance that has a high deductible
  - A deductible is the amount of money you must pay for your medical expenses before your health insurance kicks in and starts paying
  - To help you pay for your deductible, you can open a health savings account (HSA)
- **HSA**
  - Bank account you can set up if you have a HDHP
  - Any money withdrawn from the account, including interest, is tax free if used for medical expenses
  - There are tax benefits for contributing to an HSA

# HSA Contributions

- **Employer contributions**

- If you have an HSA established through your job, you can make contributions through paychecks, and employer can contribute as well
- Contributions from your paychecks are not reported as wages on your W2, so are tax free Contributions from employers and from paychecks are reported as Code W on W-2

- **Form 5498 SA**

- Reports all contributions to HSA during the year

- **Contribution limits**

- Yearly contribution limits apply to HSAs
- Page Pub 4012 E-13, not on the exam
- Limit increases \$1k if client is age 55 or older

# HSA Distributions

- Distributions are tax free if used for qualifying expenses
  - Unreimbursed doctors bills
  - Unreimbursed dental bills
  - Prescription and over the counter medicine
  - Physical therapy
  - More personal type expenses like gym memberships are **not** qualifying

# Form 8889

- Used on tax return to report HSA contributions, deductions, and disbursements
  - Part 1:
    - Reports all contributions made by everybody (employer, client, client's family and friends)
  - Part 2:
    - Reports distributions and how much of it was used for qualifying medical expenses

# Itemized Deductions

- Certain expenses that, if added up and are greater than your standard deduction
- **Expenses that count**
  - Unreimbursed doctors, dental, and medicinal expenses
  - State income tax withholdings OR state sales tax, whichever is higher (not both)
  - Personal property taxes if based on value of property (NY doesn't have this)
  - Charitable donations to nonprofit 501c3 (both cash and donations of goods)
  - Mortgage interest and Real estate taxes
  - Gambling losses, up to amount of winnings
- **Expenses that don't count**
  - Homeowner association fees
  - Donations to personal campaigns
  - Contributions to HSAs (you already get a tax benefit for this)

# Simplified Method

- When a pension is distributed, it consists of two elements
  - Original contributions made by client
  - Interest earned
- How much of the pension distribution is taxable depends on how the original contribution was made
  - Contributions may or may not have been taxed already
  - If contributions were already taxed, won't be taxed again when distributed
- Pension companies will usually determine taxability, but sometimes they won't
  - In those cases (box 2a is blank), need to use the simplified method to determine taxability of pension if there is an amount in box 9b

# Simplified Method

- Calculation used to determine how much of a pension distribution during the year is taxable, and how much is tax free
- Need certain info for calculation
  - Client's contributions to the pension
  - Age of client at the time the pension started to be distributed
  - Age of client's spouse age if pension is joint/survivor
  - Number of payments during the year (usually 12)
- Tax software will automatically calculate tax free part of pension when putting this info in

# Extra Form Self- Employment

## VITA Customer Self-employment Expense Sheet

For each business, we will need a separate expense sheet. *If you run more than one business, receive more than one 1099 for different businesses, and/or participate with more than one ride share, you will need to complete a separate form for each business.*

*We cannot prepare your business taxes if you are an LLC or have a net business loss.*

**Even if you do not receive a 1099 form, you must report all of you income/tips.**

**Total income/tips NOT included on 1099-NEC/K/MISC: \$** \_\_\_\_\_

**Business name:** \_\_\_\_\_

**Business type:** \_\_\_\_\_

**For rideshare/delivery services:** (Uber, Uber Eats, DoorDash, Lyft, Instacart, Grubhub, etc.)

### Vehicle Description:

\_\_\_\_\_ Year                      \_\_\_\_\_ Make                      \_\_\_\_\_ Model

**When you put the business vehicle into Service:**

\_\_\_\_\_ Month                      \_\_\_\_\_ Day                      \_\_\_\_\_ Year

**Business Vehicle Mileage:** We cannot use gas receipts. The IRS requires us to use the **standard mileage rate** based on the current rate. *We cannot deduct actual expenses or any "wear-and-tear" repairs of your vehicle for business use.*

### **Suggestion: Keep a logbook in your vehicle to track mileage**

1/1/25-12/31/25	Business Miles (work-to-work)	
1/1/25-12/31/25	Commuter Miles (Home-to-work & work-to-home)	(not required)
1/1/25-12/31/25	Other Miles (personal)	(not required)
	<b>Total</b>	

- Do you (or spouse) have another vehicle available for personal use? Yes or No
- Was your vehicle available for personal use during off-duty hours? Yes or No
- Do you have evidence to support your deductions? Yes or No
  - Is it written? Yes or No

updated 11/25

(please complete side 2)

### **Expenses for Ride Share:**

Vehicle Supplies: <i>(ride share only)</i>	\$	Snacks/Refreshments: <i>(For passengers only)</i>	\$
Cell Phone Plan: <i>(You cannot deduct the entire plan, if you also use it for personal)</i>	\$	Tolls/Parking transponder: <i>(non-reimbursed)</i>	\$
Mileage Tracking Software	\$	Commission and Fees	\$
Taxes and Licenses	\$	Accessories/PPE: <i>(Chargers, cables, mounts)</i>	
Other: <i>(ride share only - Car washes, first aid kit, etc.)</i>	\$	Description:	

### **Your Business Home Office/Day Care (Not all may qualify)**

Total square footage of your home:	
Square footage used <b>exclusively</b> for business, for day care, or storage of inventory	
Square footage used <b>only partly</b> for business, for day care, or for storage of inventory	

### **Expenses for Home Office/Day Care:**

Office Expenses:	\$	Other interest	\$
Property: <i>(Rent/lease, not your home)</i>	\$	Repairs and Maintenance: <i>(not vehicle)</i>	\$
Advertising:	\$	Health Insurance:	\$
Insurance <i>(other than health)</i>	\$	Legal & Professional Services	\$
Equipment: <i>(Rent or lease)</i>	\$		
Other: <i>(unreimbursed expenses)</i>	\$	Description:	
Other: <i>(unreimbursed expenses)</i>	\$	Description:	

### **Day Care Facilities only:**

- Was home used as a day care facility? Yes or No
- Hours used for day care per day? \_\_\_\_\_
- Days used for day care per year? \_\_\_\_\_
- Days available for day care? \_\_\_\_\_

# Self-Employment Income

- Self-employed income is taxed differently than wage income
  - Business expenses can be deducted from self-employment income
  - Self-employment income is taxed twice, once with income tax, once with the self-employment (FICA) tax
  - You can't withhold taxes from self-employment income
    - Quarterly payments can be made
- Self-employed VITA clients are usually ride-sharing employees

# Self-Employment Income

- **Form 1099-K:**
  - Payments by credit card. The bulk of a client's ride-sharing income is reported on this form
- **Form 1099-NEC:**
  - for ride-sharing clients, used to report promotional and referral income. For other clients (independent contractors), used to report income made from the job
- **Cash payments:**
  - Not reported on a form but must be put on tax return



# Self-Employment Expenses

- **Expenses:** that can be deducted from self-employment income
  - Required ride-sharing fees
  - Safe deposit box rentals
  - Car expenses (explained next)
  - Business parking fees
  - Supplies, Advertising, etc.
- **Expenses that can't be deducted**
  - Speeding tickets
  - Lunches

# Self-Employment Car Expenses

- Car expenses can be deducted one of two ways
  - Standard mileage rate
  - Actual costs (out of scope)
- Standard Mileage Rate
  - Take the total business miles driven during the year and multiply by a certain rate (changes every year). This number is the total assumed cost of using the car during the year
  - Can't take any other car expenses (insurance, repairs) because it's already included in the assumed cost, except parking fees
- Business Miles
  - Mileage while customer is in car and mileage driving between customers.
  - Commuting miles (driving home for the day, driving to get lunch) not deductible

# Example of Uber Dashboard *(Lyft is similar)*

<b>Driving Totals</b>	<b>1,288</b>	<b>9,871</b>
Online Miles shows all of the miles you drove while online, including off trip miles.	COMPLETED TRIPS	ONLINE MILES



## Your Gross Payment

Total Trip Earnings from Uber plus any other additional earnings

### Reportable Payments

Gross Trip Earnings	+ \$17,858.78
Total Additional Earnings	+ \$7,070.94

**\$24,929.72**



## Expenses, Fees and Tax

Expenses, Fees and Tax. For a complete breakdown, please refer to table 1 on page 2.

### Expenses, Fees and Tax

+ \$8,888.48

**\$8,888.48**



## Your Net Payout

**Not for tax filing purposes.** This amount represents what was paid in your bank account.

### Net Earnings

+ \$16,041.24

**\$16,041.24**

# Marketplace Health Insurance

- If you purchased private health insurance from the NY Marketplace, you may receive a subsidy to help pay your premiums
  - Subsidy is based on estimating your income when you go online
  - Actual income reported on tax return may be more or less than what you estimated so you may have to pay back (or get more of) part of the subsidy
- **Form 1095-A**
  - Reports how much monthly premiums are, how much of a subsidy you got, and how much the premiums are for the next cheapest health insurance you could've bought
  - All of this info, combined with the total income reported on your tax return, is used to determine if you received too much or too little subsidy
  - Difference is added as extra tax/extra credit (premium tax credit) on tax return.

# Stock

- Selling stock has a tax effect
  - Gains (profit) from selling stock are taxable
  - Losses from selling stock are deductible
- How to determine gain/loss
  - What you paid for the stock (cost basis)
  - What you sell the stock for = gain or loss
  - Short term gain/loss: selling the stock within one year
  - Long term gain/loss: selling the stock after one year: Taxed at a lower rate
- Net gains/losses
  - Net losses are deductible up to \$3k. Extra is carried over into future years
- All stock transactions are reported on Schedule D

# Other info on Advance

(On exam)

- **Jury duty**
  - Income is reportable on tax return as other income
- **Cancelled credit card debt**
  - Considered income and is taxed. Reported on Form 1099-C

# Other info regarding Advance topics

(Not on exam)

- **SSA-1099:** If there is “Benefits paid in year breakdown” in Box 3:
  - Please give to a veteran tax filer. This is retroactive payments.
- **Residing in more than one state or not in NY in 2025:**
  - Please give to a veteran tax filer.

# What's next?

- Take your certifications
  - Provide me with your 13615 (can update as you change levels)
- Schedule your days/hours
  - Hub location, 1201 E Fayette St, Syracuse
    - Tuesdays & Saturdays, 9am - 5pm
    - Wednesdays & Thursdays, 12pm - 7pm
    - Mondays & Fridays, 9am-4pm
      - Not open to the public: data entry, tax prep for experienced preparers
- [Training Schedules](#) & Materials are on the website [peace-caa.org/taxes](http://peace-caa.org/taxes)
- Additional events for volunteering / end of season celebration



# Practice Scenarios

*Link and Learn Home*

[linklearncertification.com](http://linklearncertification.com)

*Please ask questions as we go*



# Thank you!

Additional questions/Volunteer:

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