TAXWARE SYSTEMS INC.

TAX YEAR 2020
ANNUAL SEMINAR

2020 Tax Updates

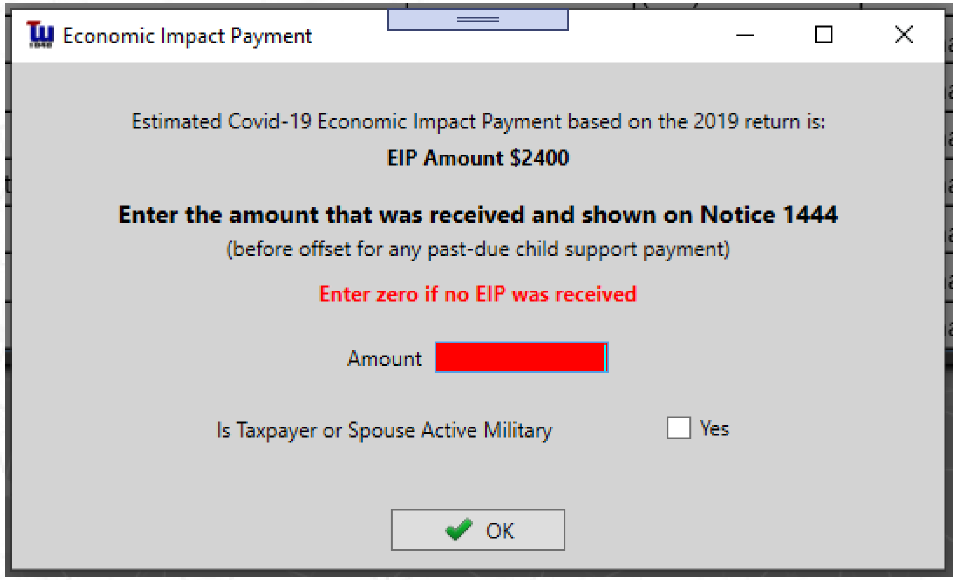
Topics covered in this section:

- Recovery Rebate Credit
- Charitable Contributions
- SE Tax Payment Extension
- IRA Changes
- Retirement Distributions
- 7202 Credit for SE Sick & Family leave
- 1099 NEC
- Spanish Forms and Sch LEP
- E-file 1040X

Recovery Rebate Credit

- Recovery Rebate Credit is associated with the Covid-19 Economic Impact Payment (EIP)
- Refundable Credit for those that did not get the full amount of the EIP or conditions changed.
- Computation is based on 2020 Income, Filing Status and number of eligible dependents.
- Credit is reduced by the EIP already received by taxpayers and reported on Notice 1444.
- No paybacks.
- The Majority of taxpayers have probably received the max.
- Examples of Taxpayers that will see the refundable credit.
  - Taxpayers who did not need to file a 2018 or 2019 return and did not receive SS benefits.
  - Taxpayers whose income was above the threshold in 2018 and/or 2019 and the income dropped in 2020
  - Taxpayers who did not receive payment for eligible children.

Recovery Rebate Credit



- *Estimated* , EIP will be calculated on returns that were recalled from prior year.
- Enter amount before offset for any past-due child support payment.
- You MUST enter an amount or a ZERO.
- If Taxpayer and Spouse received separate payments, total amount should be entered.

Charitable Contributions

- 2020 taxpayers can take a deduction of up to $300 of Cash contributions in addition to the Standard deduction if they do not Itemize.
- Data entry is done within the Schedule A, and the program will automatically carry the Charitable contributions to line 10b of Form 1040, when appropriate.
- 60% limit on Charitable contributions is suspended for 2020.

• Married filing jointly or Qualifying widow(er), $24,800
• Head of household, $18,650
• If you checked any box under *Standard Deduction,* see instructions.

10	Adjustments to income:				
[10]	From Schedule 1, line 22	10a	71		
[11]	Charitable contributions if you take the standard deduction. See instructions	10b	300		
c	Add lines 10a and 10b. These are your **total adjustments to income** ►			10c	371
11	Subtract line 10c from line 9. This is your **adjusted gross income** ►			11	4,629
[12]	**Standard deduction or itemized deductions** (from Schedule A)			12	12,400
[13]	Qualified business income deduction. Attach Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	12,400
15	**Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0-			15	
16	**Tax** (see instructions). Check if any from Form(s): **1** ☐ 8814 **2** ☐ 4972 **3** ☐			16	
[17]	Amount from Schedule 2, line 3			17	

Charitable Contributions

Sch A **Contributions**

[49] Contributions by cash or check (60%)	4,250
[50] Contributions by cash or check (30%)	
Contributions from K-1's	
[51] Other than cash (8283) ...	
[52] Other than cash < $500	
[53] Carryovers (60%)	
[54] Carryovers (30%)	
[55] Carryovers (Special 30%)	
[56] Carryovers (20%)	
[57] Church	
[58] United Way	850
[59] Red Cross/March of Dimes	
[60] Miscellaneous organized charity	
[61] Transportation Miles	

Deductible Cash Contributions if Not Itemizing

Calculated Amt.	Override
300	

	Description	Amount
[62] Other-1		
[63] Other-2		
[64] Other-3		
[65] Fed only		
[66] State only		
[67] Other Contrib. Overflow ...		

Self Employment Tax Postpone

- Self Employed individuals can postpone a portion of SE tax.
- The postponement is reported as a Refundable Credit on Schedule 3
- Postponement is only for the employer portion equivalent of Social Security 6.2%
- Repayments will be made equally in 2021 and 2022.

Schedule SE (Form 1040) 2020 Attachment Sequence No. **17** Page **2**

Part III **Maximum Deferral of Self-Employment Tax Payments**

	If line 4c is zero, skip lines 18 through 20, and enter -0- on line 21.		
18	Enter the portion of line 3 that can be attributed to March 27, 2020, through December 31, 2020	**18**	1,000
19	If line 18 is more than zero, multiply line 18 by 92.35% (0.9235); otherwise, enter the amount from line 18	**19**	924
20	Enter the portion of lines 15 and 17 that can be attributed to March 27, 2020, through December 31, 2020	**20**	
21	Combine lines 19 and 20	**21**	924
	If line 5b is zero, skip line 22 and enter -0- on line 23.		
22	Enter the portion of line 5a that can be attributed to March 27, 2020, through December 31, 2020	**22**	
23	Multiply line 22 by 92.35% (0.9235)	**23**	
24	Add lines 21 and 23	**24**	924
25	Enter the smaller of line 9 or line 24	**25**	924
26	Multiply line 25 by 6.2% (0.062). Enter here and see the instructions for line 12e of Schedule 3 (Form 1040)	**26**	57

Schedule SE (Form 1040) 2020

IRA & Retirement Distribution Changes

- Required Minimum Distribution (RMD) not required in 2020
- RMD starting age is now 72 (used to be 70 1/2)
- Beginning 2020 taxpayers may contribute to an IRA beyond age of 70 1/2
- Distributions up to $5,000 used for child birth or adoption not subject to 10% penalty (use “Other” on 5329 Code 12)
- Distributions up to $100,000 related to Covid-19 not subject to 10% penalty -or- can be treated as loan if repaid within 3 years. (use exception “Other” on 5329 Code 12)
- Covid-19 retirement distribution taxable amount can be spread out over 3 years.
- May need to file Form 8915-E, which is currently not available by the IRS to E-file. Form currently not available.
- https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers

Form 7202

- Form 7202 “Credit for Sick Leave and Family Leave for Certain Self-Employed Individuals”
  - Self employed individuals may be eligible if they were unable to work because they had Covid-19 or they needed to care for someone that has/had Covid-19.
  - Credit will carry to Schedule 3 Part II as refundable credit.

Form **7202**

Department of the Treasury
Internal Revenue Service

Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals

▶ Attach to Form 1040 or 1040-SR.

▶ Go to *www.irs.gov/Form7202* for instructions and the latest information.

OMB No. 1545-0074

2020

Attachment Sequence No. **202**

Name of person with self-employment income (as shown on Form 1040 or 1040-SR)

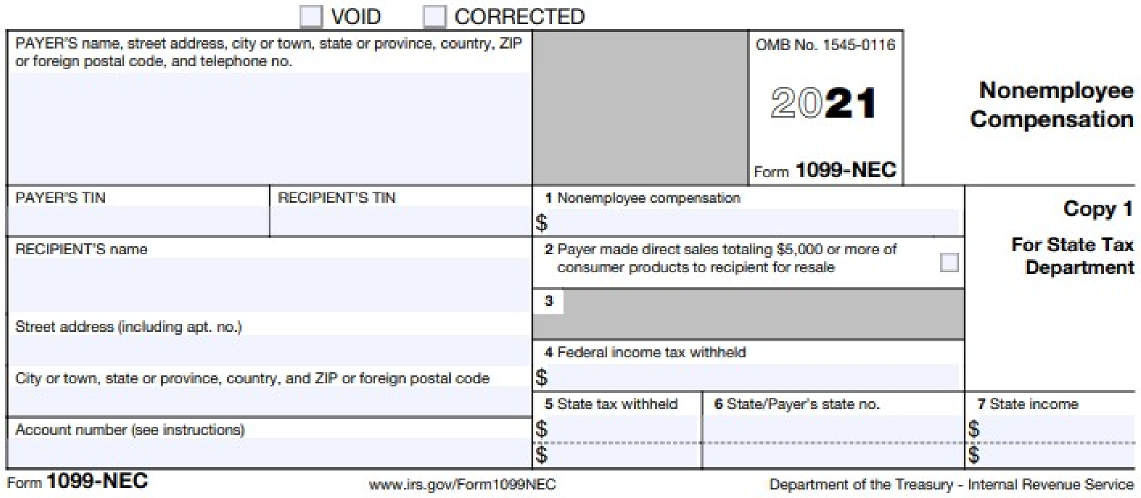
Social security number of person with self-employment income

Part I **Credit for Sick Leave for Certain Self-Employed Individuals**

1	Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you required. See instructions	1	
2	Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you provided to another. (Do not include days you included in line 1.) See instructions	2	
3	If you are filing a fiscal year return, see instructions; otherwise enter 10	3	
4	Enter the smaller of line 1 or line 3	4	
5	Subtract line 4 from line 3	5	
6	Enter the smaller of line 2 or line 5	6	
7	Net earnings from self-employment (see instructions)	7	
8	Divide line 7 by 260 (round to nearest whole number)	8	
9	Enter the smaller of line 8 or $511	9	
10	Multiply line 4 by line 9	10	

Form 1099 NEC

- New Form 1099 NEC will replace 1099 Misc that had “Non Employee compensation” box.
  - Taxware has added 1099NEC Input to gather information similar to the 1099Misc but neither Forms will not be included in E-file Record (IRS does not have a provision to include this info like they do for the W-2 and 1099R forms)
  - Located in either Other Income section or W-2 - 1099R menu.



VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116

2021

Form 1099-NEC

Nonemployee Compensation

PAYER'S TIN

RECIPIENT'S TIN

1 Nonemployee compensation
$

Copy 1

For State Tax Department

RECIPIENT'S name

2 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale

3

Street address (including apt. no.)

4 Federal income tax withheld
$

City or town, state or province, country, and ZIP or foreign postal code

5 State tax withheld
$
$

6 State/Payer's state no.

7 State income
$
$

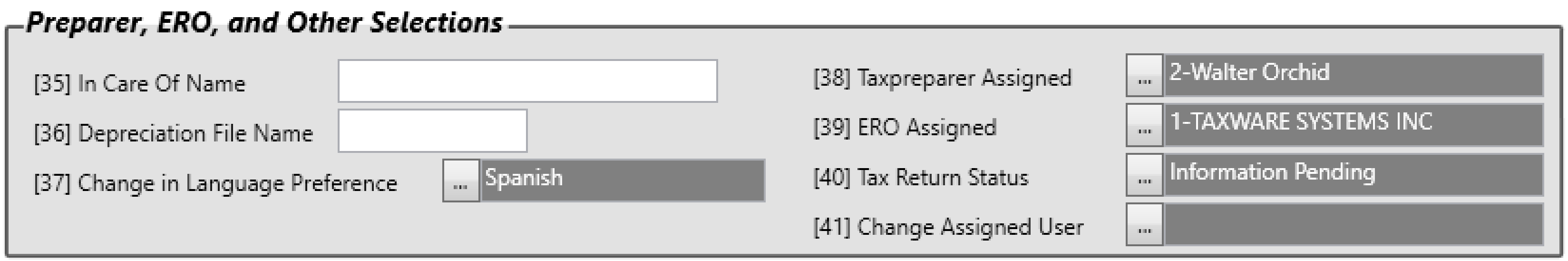
Account number (see instructions)

Form 1099-NEC www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Spanish Language Forms and Sch LEP

- Limited Forms available in Spanish Language
  - 1040 / 1040SR , Schedules 1-3, Form 8812 and Sch EIC
  - Spanish forms will print when "Change in Language Preference" – Spanish is selected.
  - Selection will be stored with each client, but a Default can be set in Defaults Screen.

- Schedule LEP
  - Used to tell IRS what is the Taxpayer's preferred language used when sending correspondence and notices.
  - Not guaranteed that taxpayers will get correspondence in selected language, but will also be used as IRS chooses to add additional languages to forms and instructions.
  - Will be E-filed.

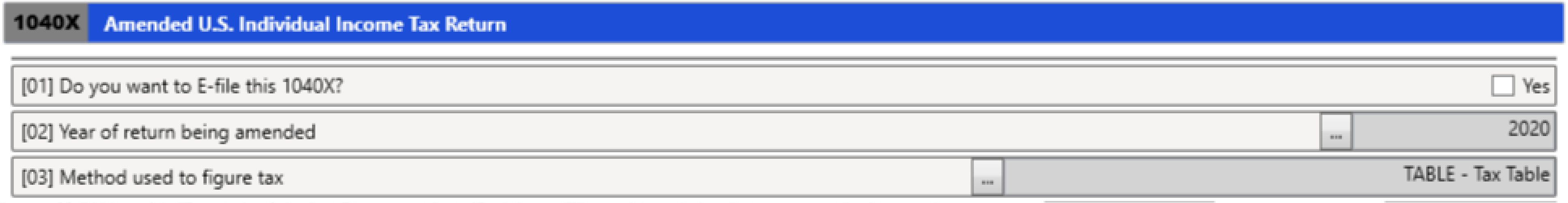


1040X E-file

- E-File 1040X available for 2019 and 2020 returns.

- When an amended return is filed, the IRS will receive both the Form 1040-X and the complete corrected 1040 return.

- Based on information provided by IRS for 2019 amended returns, the same conditions will likely apply in 2020:
  - Refunds will be issued by paper check, not through direct deposit.
  - The return being amended must have been electronically filed.
  - The filing status on the amended return must match the filing status on the original return.
  - The primary and secondary TIN on the amended return must match the primary and secondary TIN on the original return.
  - A dependent claimed on someone else’s return cannot be claimed on the amended return.

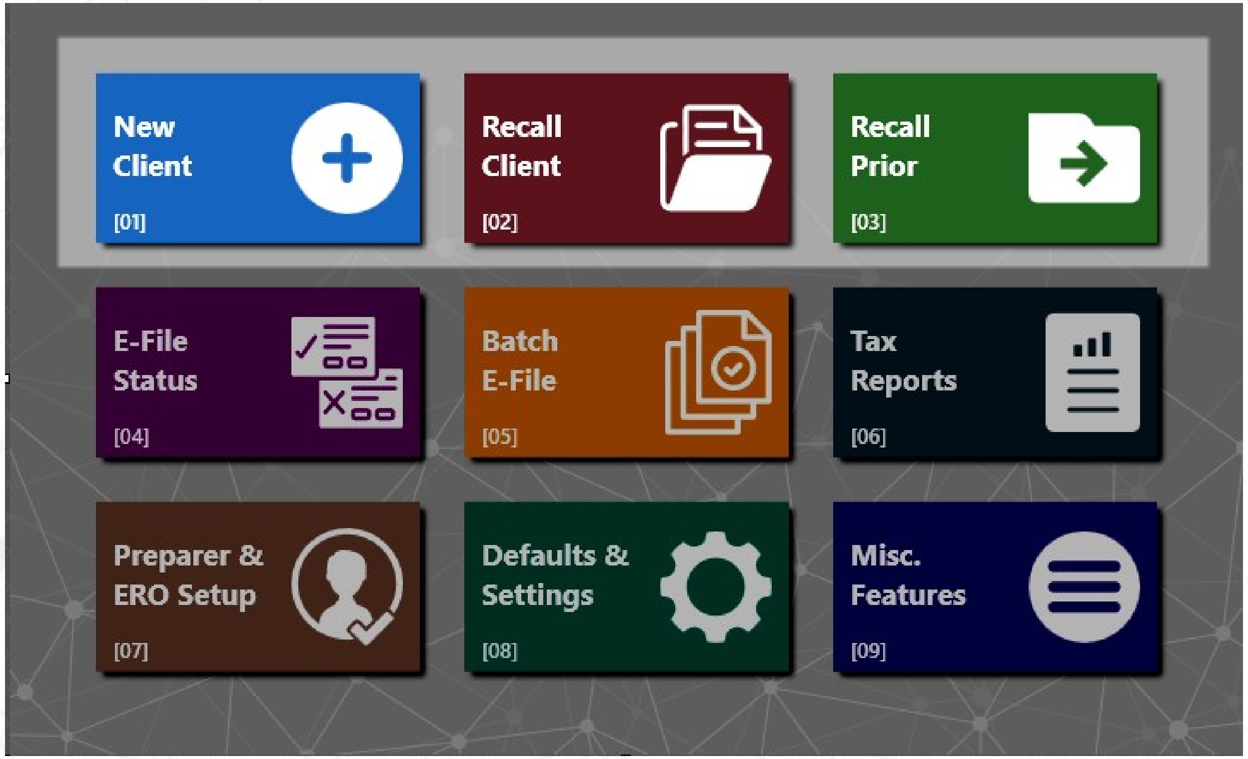


Preparing a Return

Topics covered in this section:

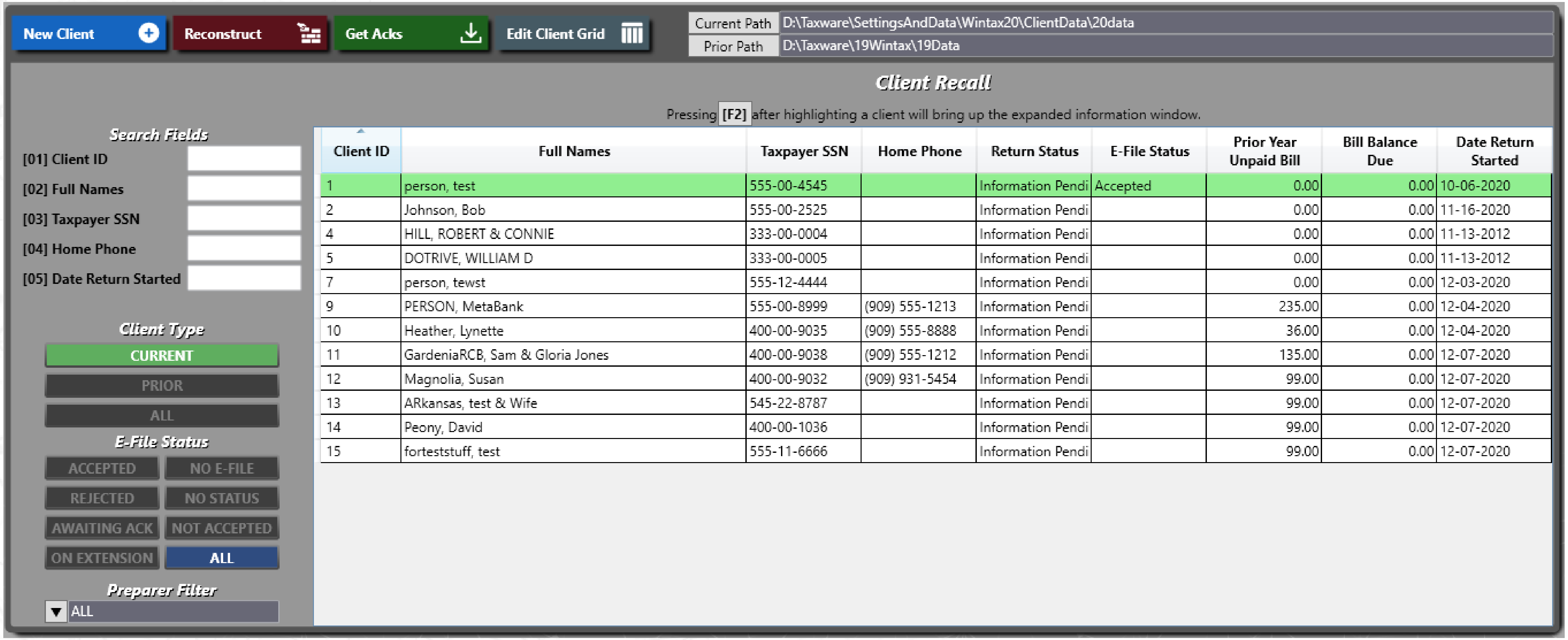
- Starting a client
- Basic Information
- Program Flow Overview
- Wage Statements
- Lettered Schedules
- Other Income, Adjustments & Payments
- American Opportunity Credit
- EIC, 8867, Due Diligence and DOB
- ACA Wizard

Starting Returns



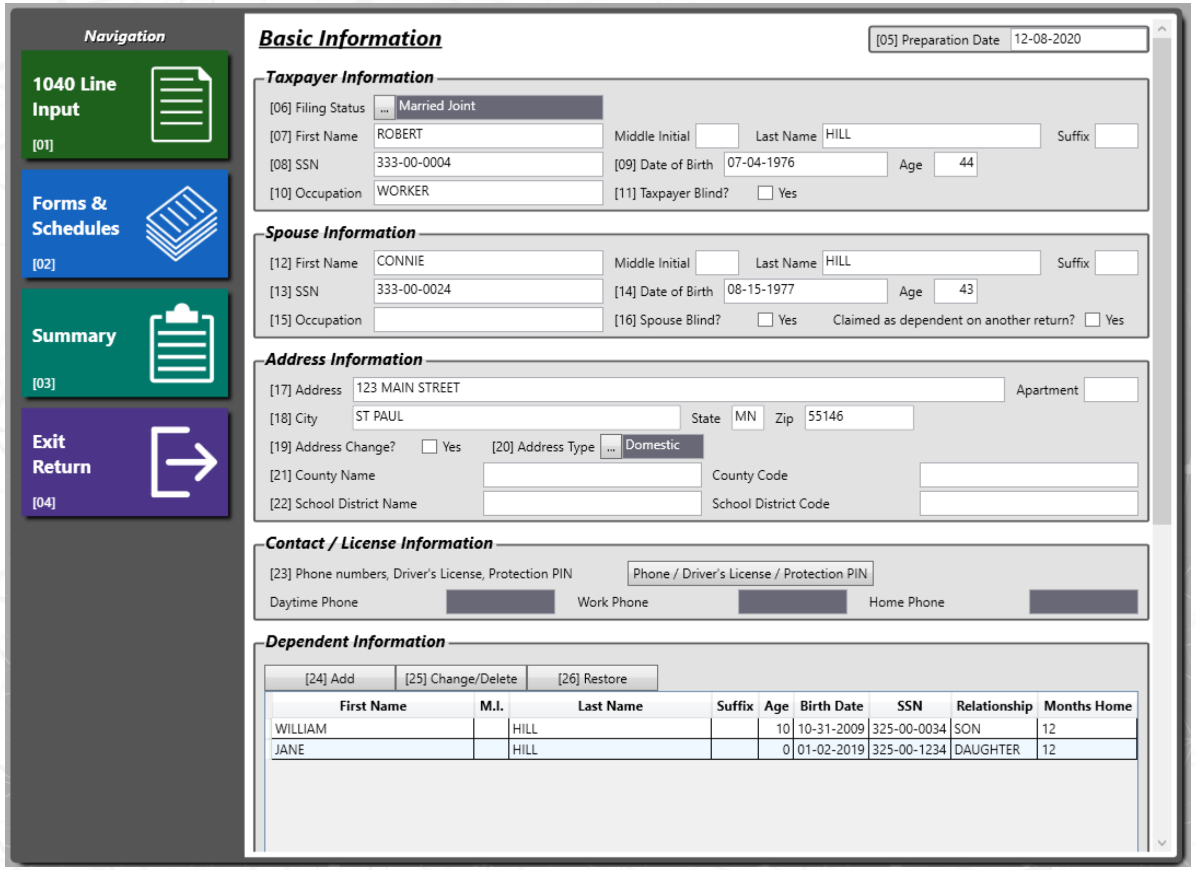
- New Client
- Recall Prior
- Recall Current
- Client ID Importance and Overwriting

Recall Client



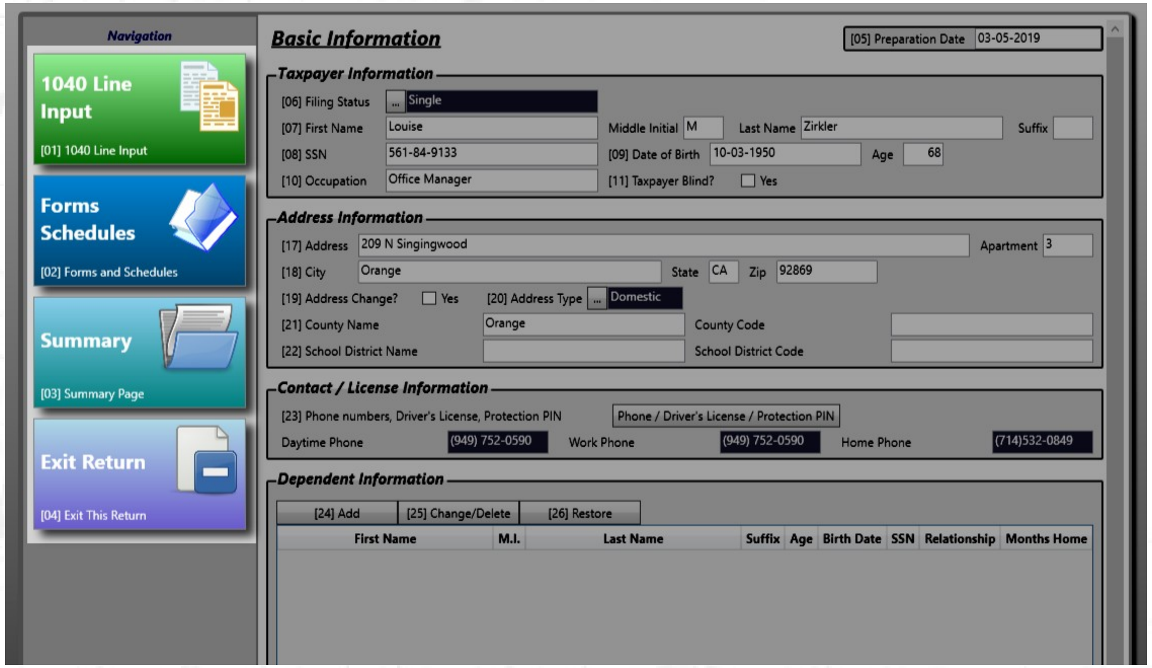
Client ID	Full Names	Taxpayer SSN	Home Phone	Return Status	E-File Status	Prior Year Unpaid Bill	Bill Balance Due	Date Return Started
1	person, test	555-00-4545		Information Pendi	Accepted	0.00	0.00	10-06-2020
2	Johnson, Bob	555-00-2525		Information Pendi		0.00	0.00	11-16-2020
4	HILL, ROBERT & CONNIE	333-00-0004		Information Pendi		0.00	0.00	11-13-2012
5	DOTRIVE, WILLIAM D	333-00-0005		Information Pendi		0.00	0.00	11-13-2012
7	person, tewst	555-12-4444		Information Pendi		0.00	0.00	12-03-2020
9	PERSON, MetaBank	555-00-8999	(909) 555-1213	Information Pendi		235.00	0.00	12-04-2020
10	Heather, Lynette	400-00-9035	(909) 555-8888	Information Pendi		36.00	0.00	12-04-2020
11	GardeniaRCB, Sam & Gloria Jones	400-00-9038	(909) 555-1212	Information Pendi		135.00	0.00	12-07-2020
12	Magnolia, Susan	400-00-9032	(909) 931-5454	Information Pendi		99.00	0.00	12-07-2020
13	ARkansas, test & Wife	545-22-8787		Information Pendi		99.00	0.00	12-07-2020
14	Peony, David	400-00-1036		Information Pendi		99.00	0.00	12-07-2020
15	forteststuff, test	555-11-6666		Information Pendi		99.00	0.00	12-07-2020

Basic Information



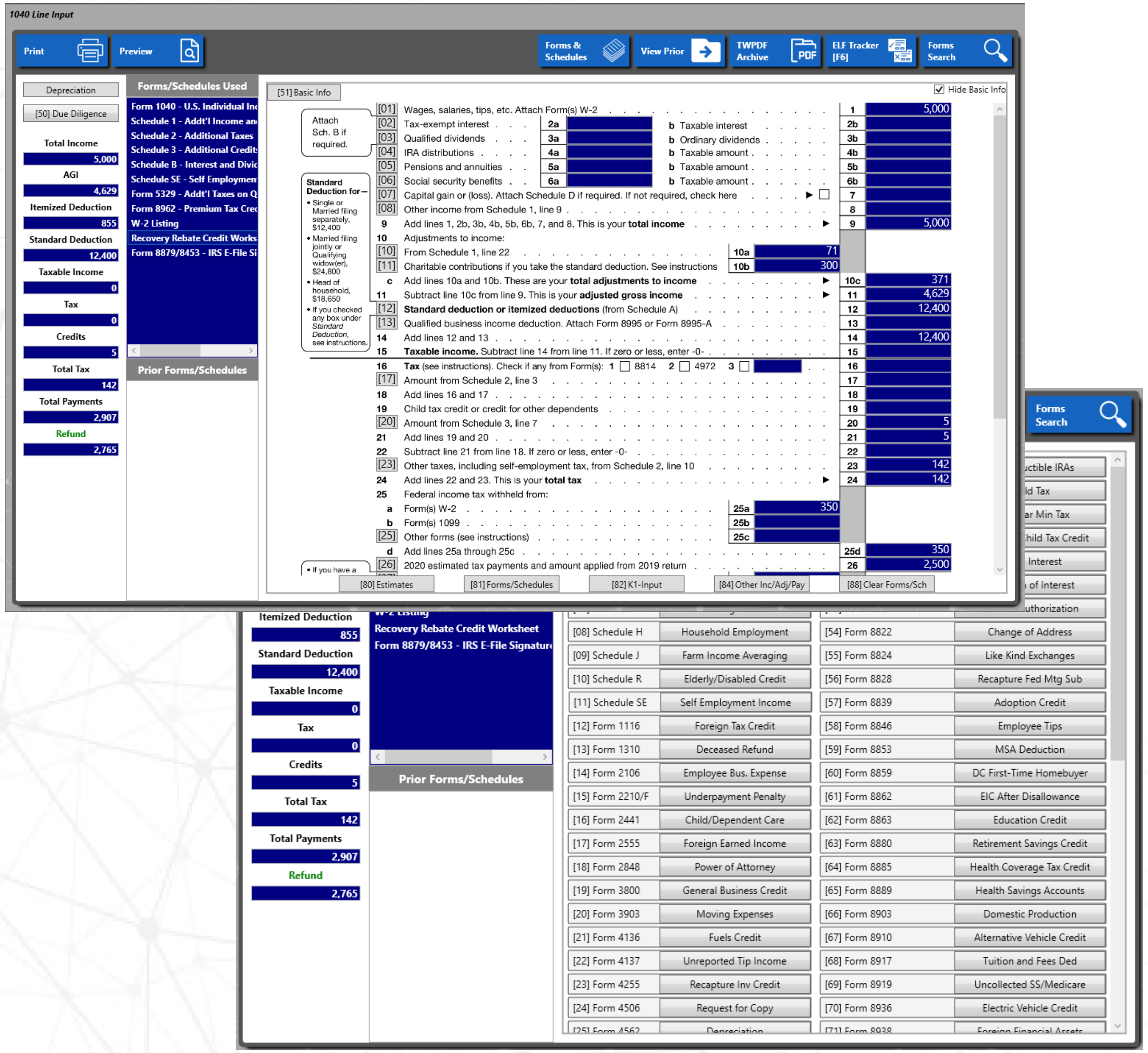
- SSN, Address, and School Codes
- License and IP PIN
- Dependent Information
- Special Filing Categories
- Preparer, ERO, and Status
- Depreciation File Name

Program Flow



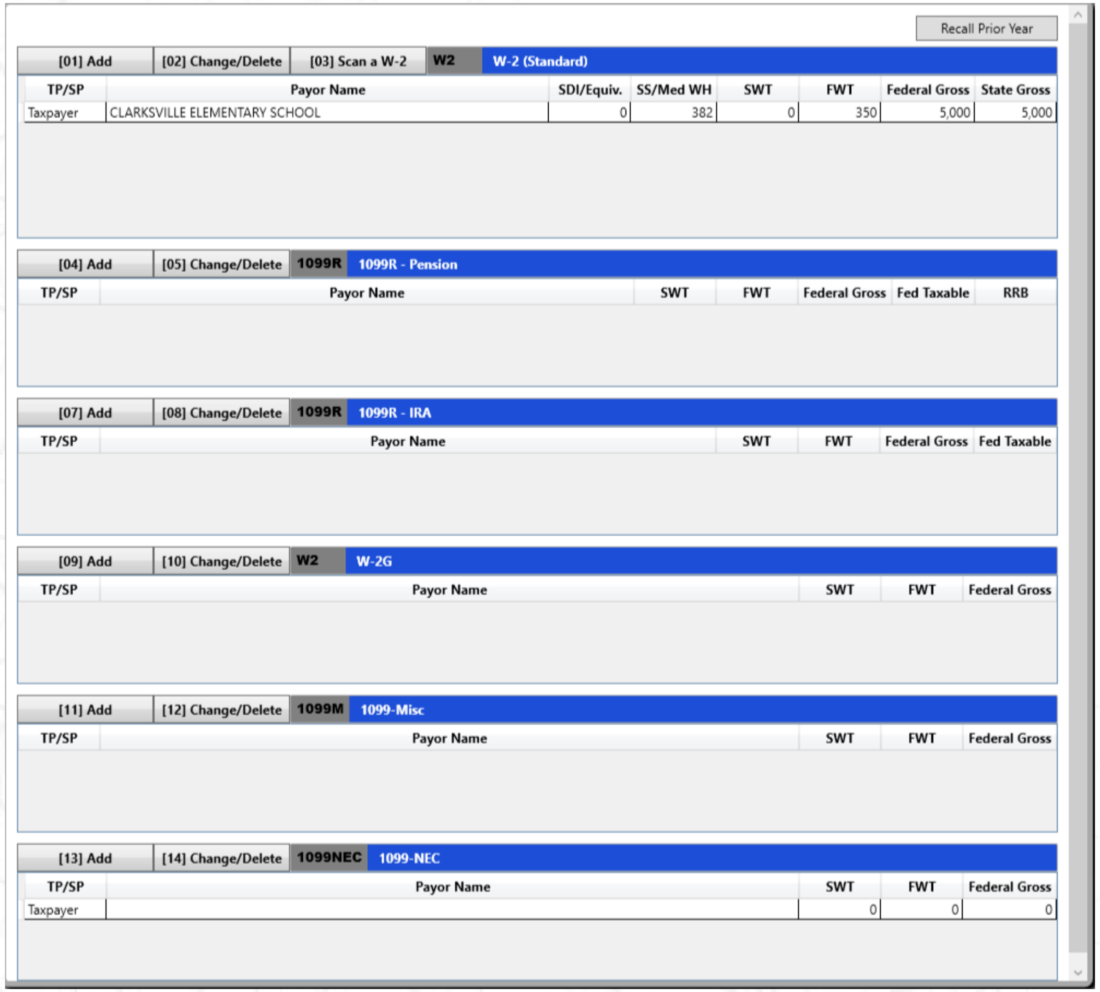
- Basic Information
- Line Input or Forms/Schedules
- Summary Menu
  - Validation
  - Bank Products
  - E-File

Line Input vs Form/Schedules



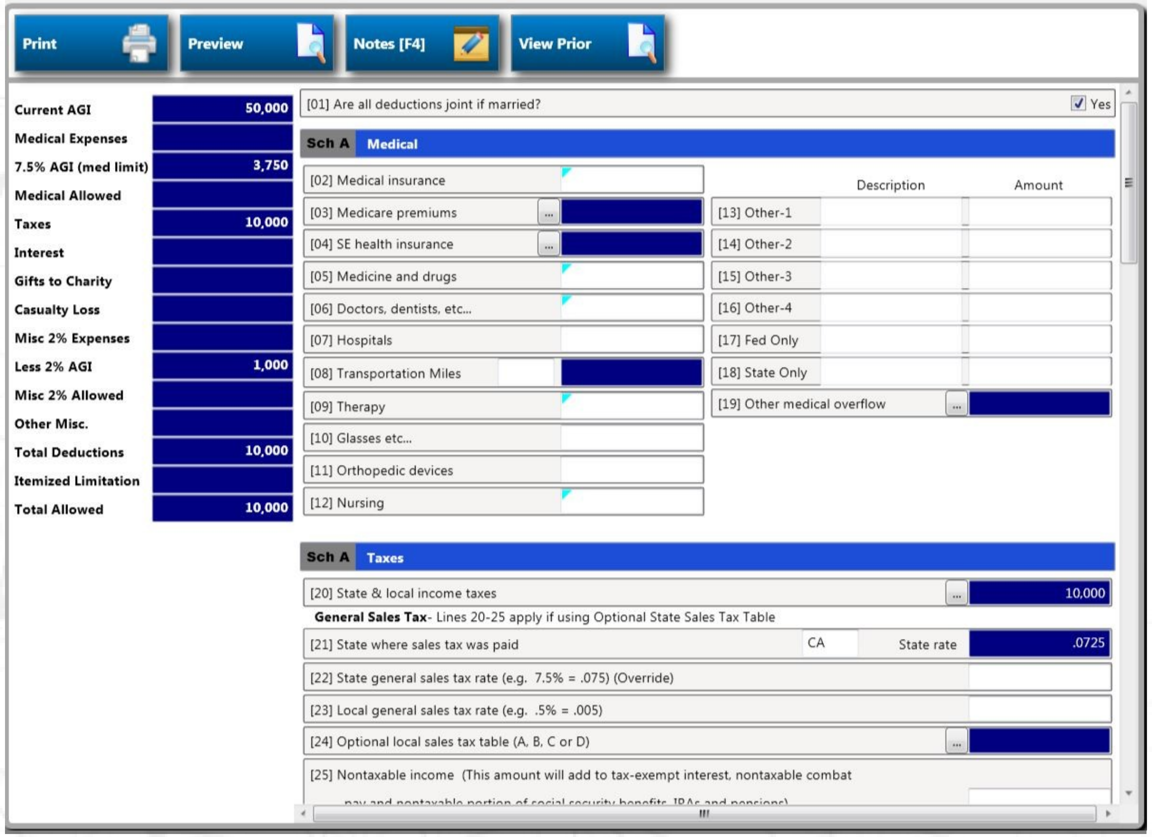
- Line Input
  - Follow the 1040
  - Line by Line
- Forms/Schedules
  - Enter Forms Directly
  - Enter Forms Without Line Input
- Forms Search In Either
- Forms Used In Either

Wage Statements



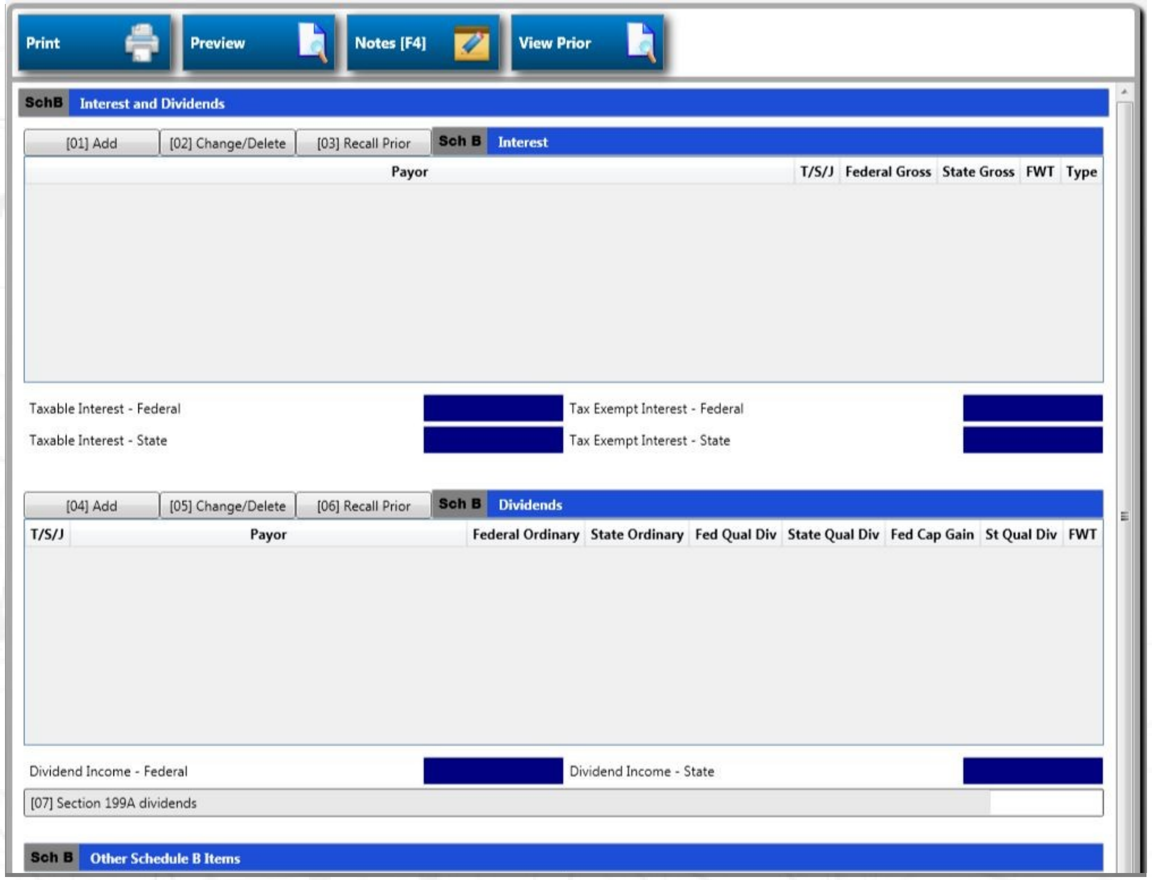
- W-2s
- 1099R
- W-2G
- 1099-Misc
- 1099-NEC

Schedule A



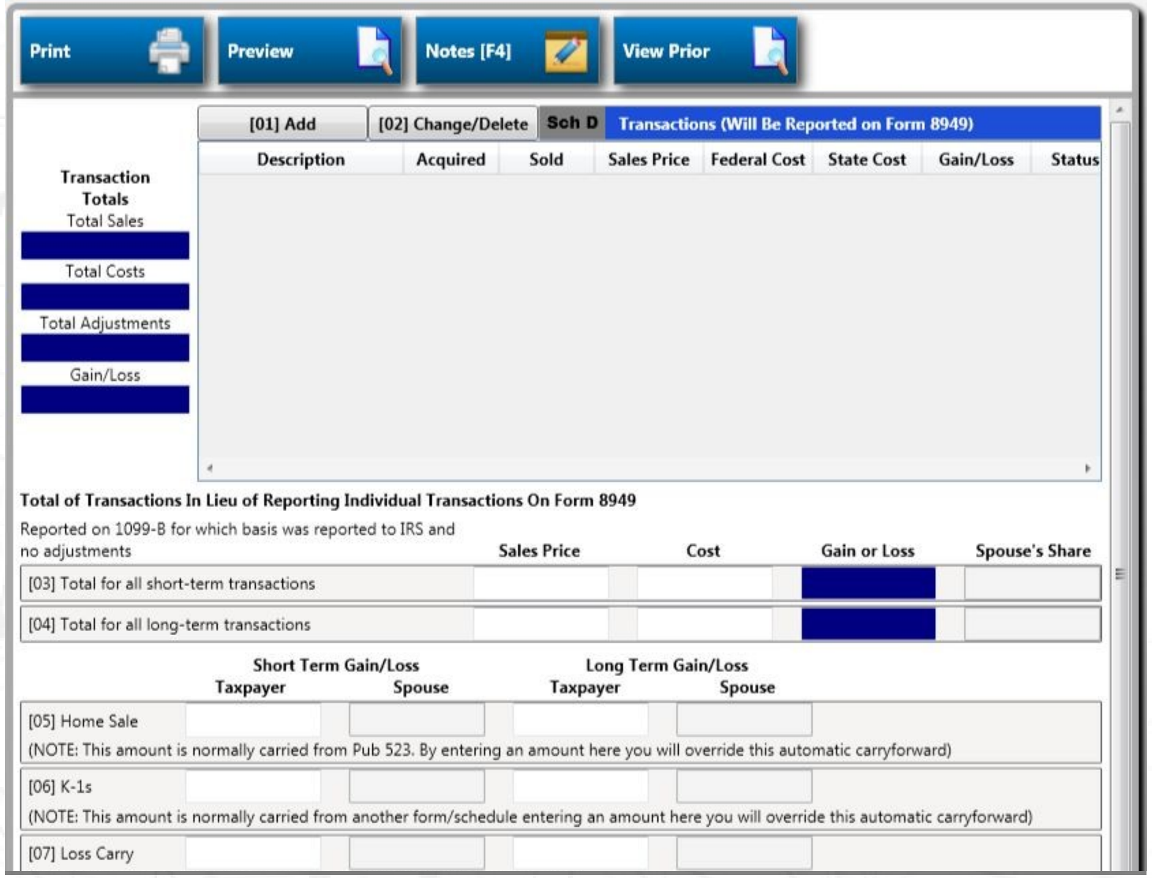
- Medical
- Taxes
- Interest
- Contributions
  - 8283
- Miscellaneous

Schedule B



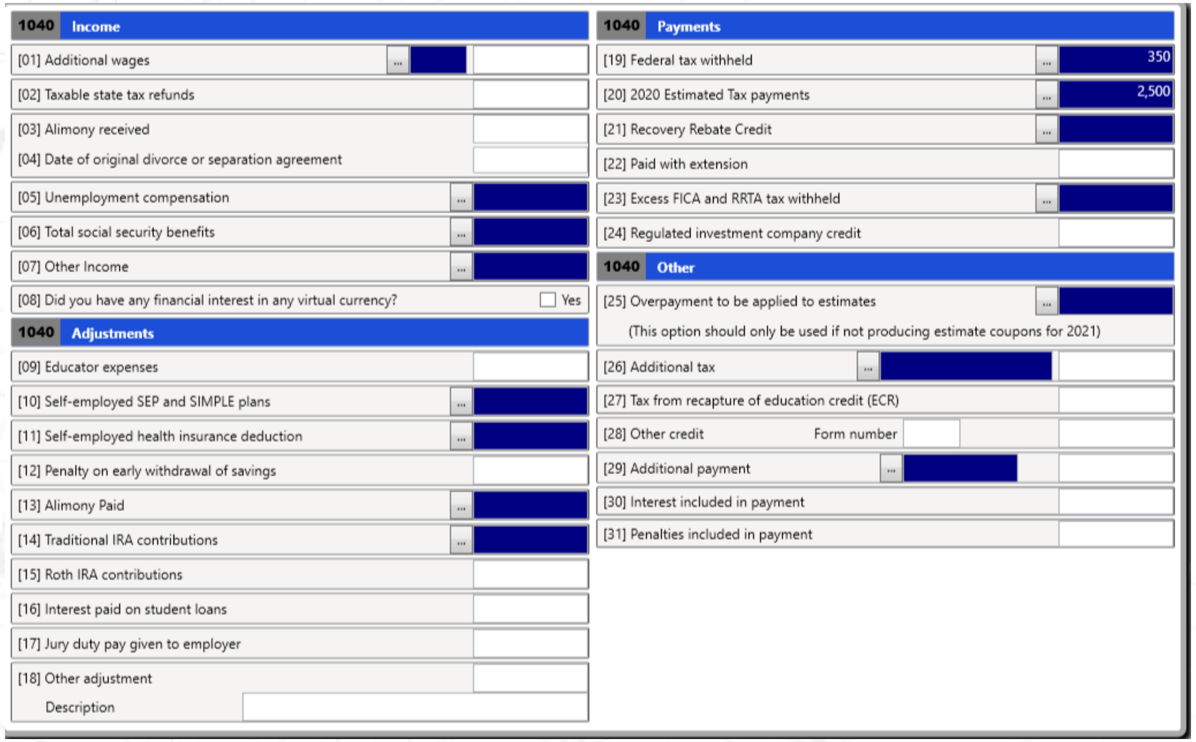
- Interest
- Dividends
  - 199A Dividends

Schedule D



- 8949 Transactions
  - Adjustment Codes
- Summarized Transactions

Other Inc/Adj/Payments



1040 Income

[01] Additional wages
[02] Taxable state tax refunds
[03] Alimony received
[04] Date of original divorce or separation agreement
[05] Unemployment compensation
[06] Total social security benefits
[07] Other Income
[08] Did you have any financial interest in any virtual currency? Yes

1040 Adjustments

[09] Educator expenses
[10] Self-employed SEP and SIMPLE plans
[11] Self-employed health insurance deduction
[12] Penalty on early withdrawal of savings
[13] Alimony Paid
[14] Traditional IRA contributions
[15] Roth IRA contributions
[16] Interest paid on student loans
[17] Jury duty pay given to employer
[18] Other adjustment
Description

1040 Payments

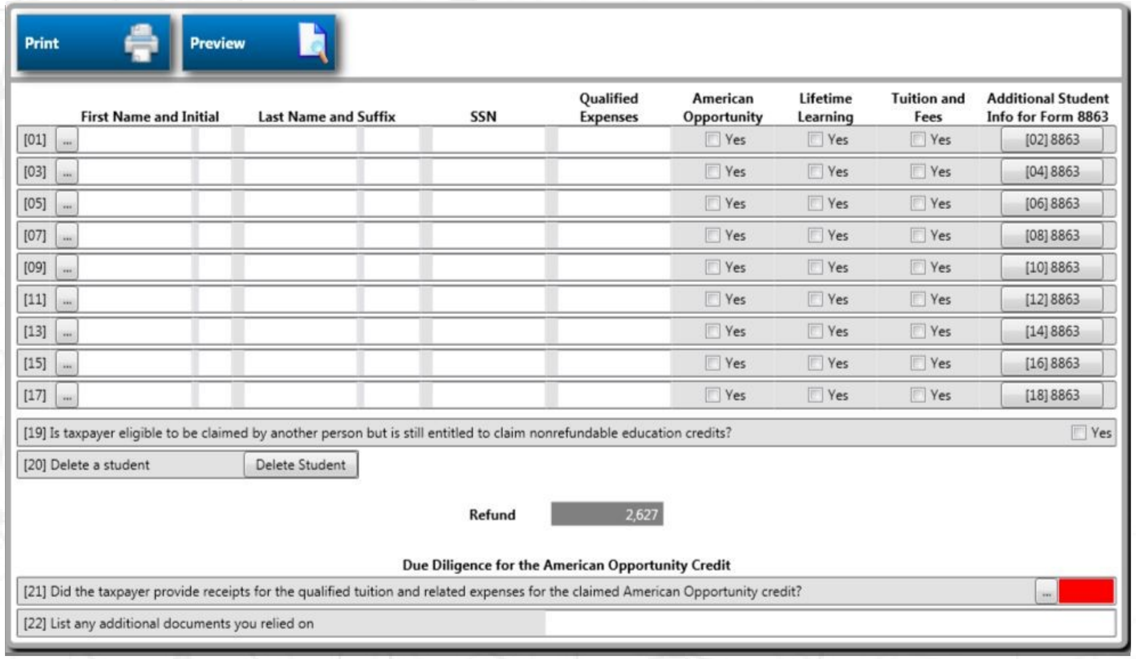
[19] Federal tax withheld 350
[20] 2020 Estimated Tax payments 2,500
[21] Recovery Rebate Credit
[22] Paid with extension
[23] Excess FICA and RRTA tax withheld
[24] Regulated investment company credit

1040 Other

[25] Overpayment to be applied to estimates
(This option should only be used if not producing estimate coupons for 2021)
[26] Additional tax
[27] Tax from recapture of education credit (ECR)
[28] Other credit Form number
[29] Additional payment
[30] Interest included in payment
[31] Penalties included in payment

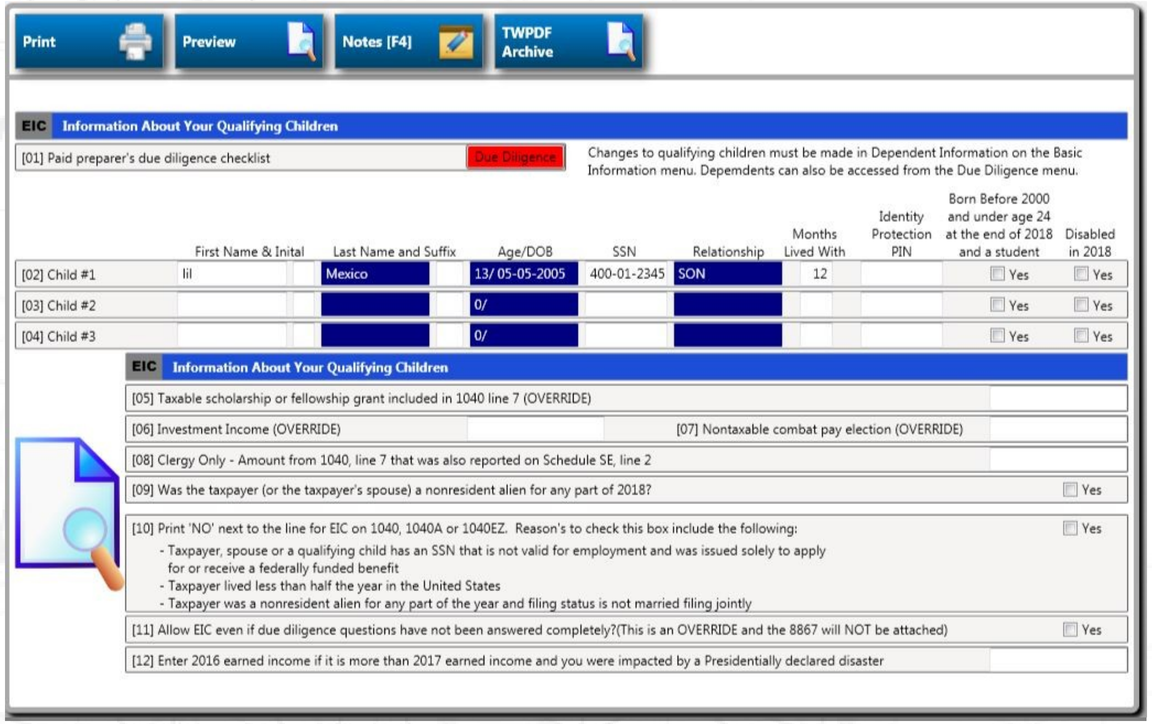
- Income
  - Unemployment 1099-G
- Adjustments
  - Alimony
- Payments
  - Estimated Tax Payments
  - Recover Rebate Credit
- Other
  - Additional Tax/Payments
  - Interest & Penalties

Education Credits (8863)



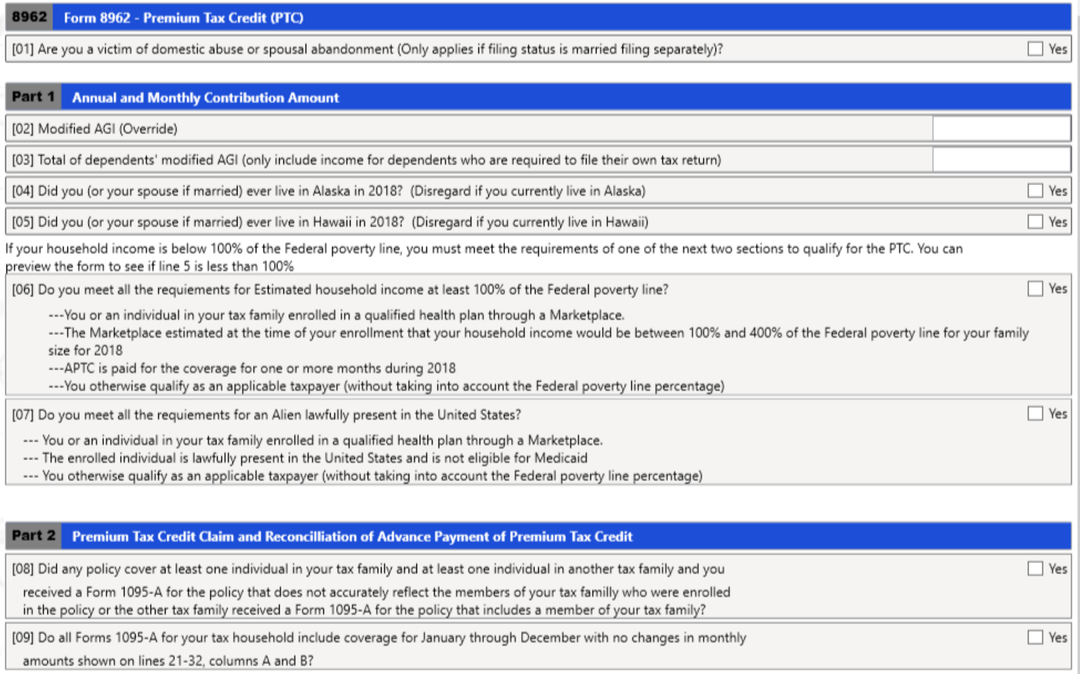
- American Opportunity vs Lifetime Learning
  - Qualifications
- Additional Due Diligence

Earned Income Credit



- Qualifications
- Due Diligence
    - Quicker Fill
    - Recall From Prior

ACA Wizard



8962 Form 8962 - Premium Tax Credit (PTC)

[01] Are you a victim of domestic abuse or spousal abandonment (Only applies if filing status is married filing separately)? ☐ Yes

Part 1 Annual and Monthly Contribution Amount

[02] Modified AGI (Override)

[03] Total of dependents' modified AGI (only include income for dependents who are required to file their own tax return)

[04] Did you (or your spouse if married) ever live in Alaska in 2018? (Disregard if you currently live in Alaska) ☐ Yes

[05] Did you (or your spouse if married) ever live in Hawaii in 2018? (Disregard if you currently live in Hawaii) ☐ Yes

If your household income is below 100% of the Federal poverty line, you must meet the requirements of one of the next two sections to qualify for the PTC. You can preview the form to see if line 5 is less than 100%

[06] Do you meet all the requiements for Estimated household income at least 100% of the Federal poverty line? ☐ Yes

---You or an individual in your tax family enrolled in a qualified health plan through a Marketplace.
---The Marketplace estimated at the time of your enrollment that your household income would be between 100% and 400% of the Federal poverty line for your family size for 2018
---APTC is paid for the coverage for one or more months during 2018
---You otherwise qualify as an applicable taxpayer (without taking into account the Federal poverty line percentage)

[07] Do you meet all the requiements for an Alien lawfully present in the United States? ☐ Yes

--- You or an individual in your tax family enrolled in a qualified health plan through a Marketplace.
--- The enrolled individual is lawfully present in the United States and is not eligible for Medicaid
--- You otherwise qualify as an applicable taxpayer (without taking into account the Federal poverty line percentage)

Part 2 Premium Tax Credit Claim and Reconcilliation of Advance Payment of Premium Tax Credit

[08] Did any policy cover at least one individual in your tax family and at least one individual in another tax family and you received a Form 1095-A for the policy that does not accurately reflect the members of your tax familly who were enrolled in the policy or the other tax family received a Form 1095-A for the policy that includes a member of your tax family? ☐ Yes

[09] Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown on lines 21-32, columns A and B? ☐ Yes

- Marketplace Coverage
- 8962 Premium Tax Credit
  - Under 100%
  - Between 100-400%
  - Over 400%
- 8965 Health Coverage Exemptions

Summary Menu

Topics covered in this section:

- Reports and Diagnostics
    - Validity Checks
- Print Options
- States
- Direct Deposit/Electronic Payment
- Billing Information
- E-File
- Amendments (1040X)

Reports and Diagnostics

Required Forms and Schedules

Federal

Form 1040 - U.S. Individual Income Tax Return
Schedule 1 - Addt'l Income and Adjustments
Schedule 6 - Foreign Addr & 3rd Party Designee
Schedule B - Interest and Dividend Income
Schedule D - Capital Gains and Losses
Form 8962 - Premium Tax Credit (PTC)
Form 8965 - Health Coverage Exemptions
State and Local Income Tax Refund

Summary

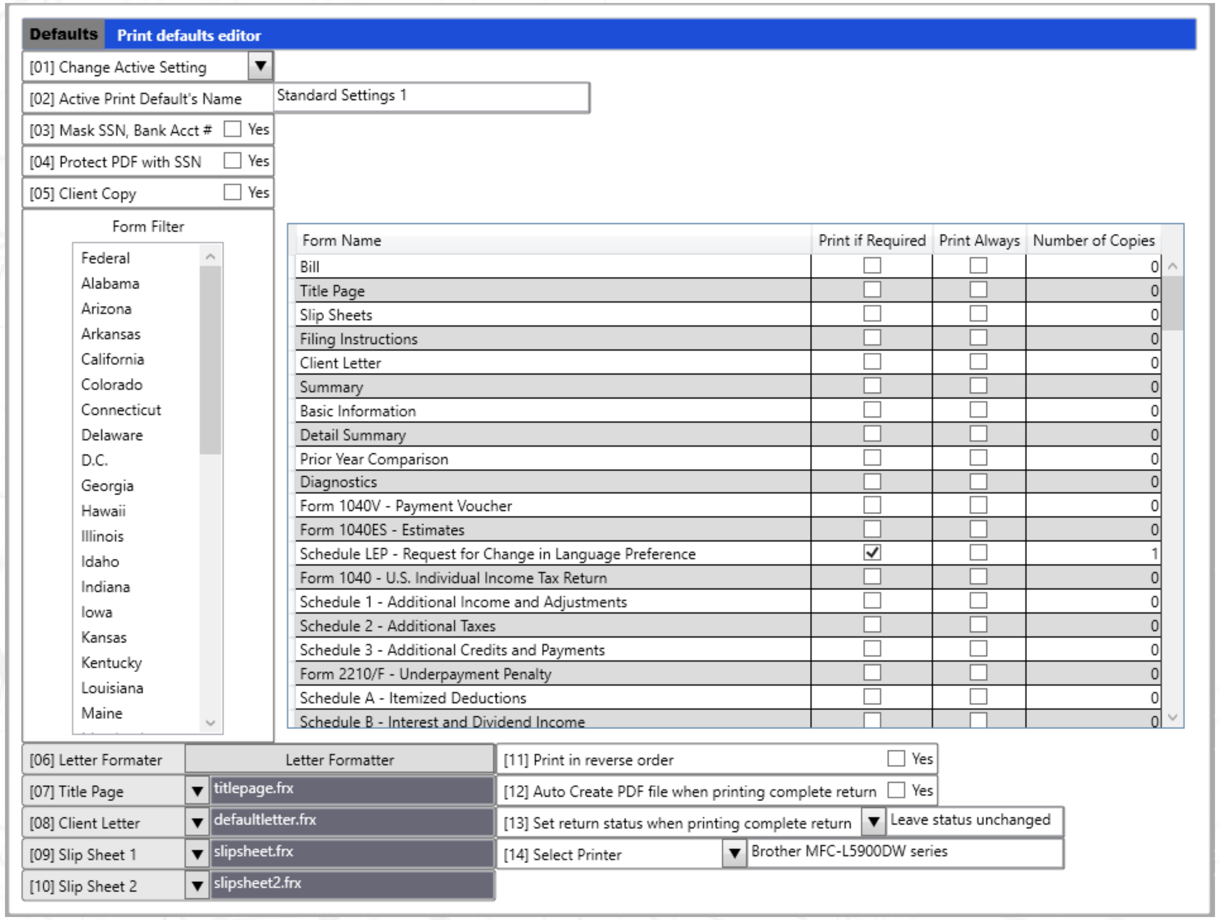
	Federal	MT
Adjusted Gross Income	281	0
Deductions	26,600	0
Exemptions	0	0
Taxable Income	0	0
Regular Tax	0	0
Payments	0	0

Additional Information

Top Bracket Percentage	0.00 %	0.00 %
Actual Tax Rate	0.00 %	

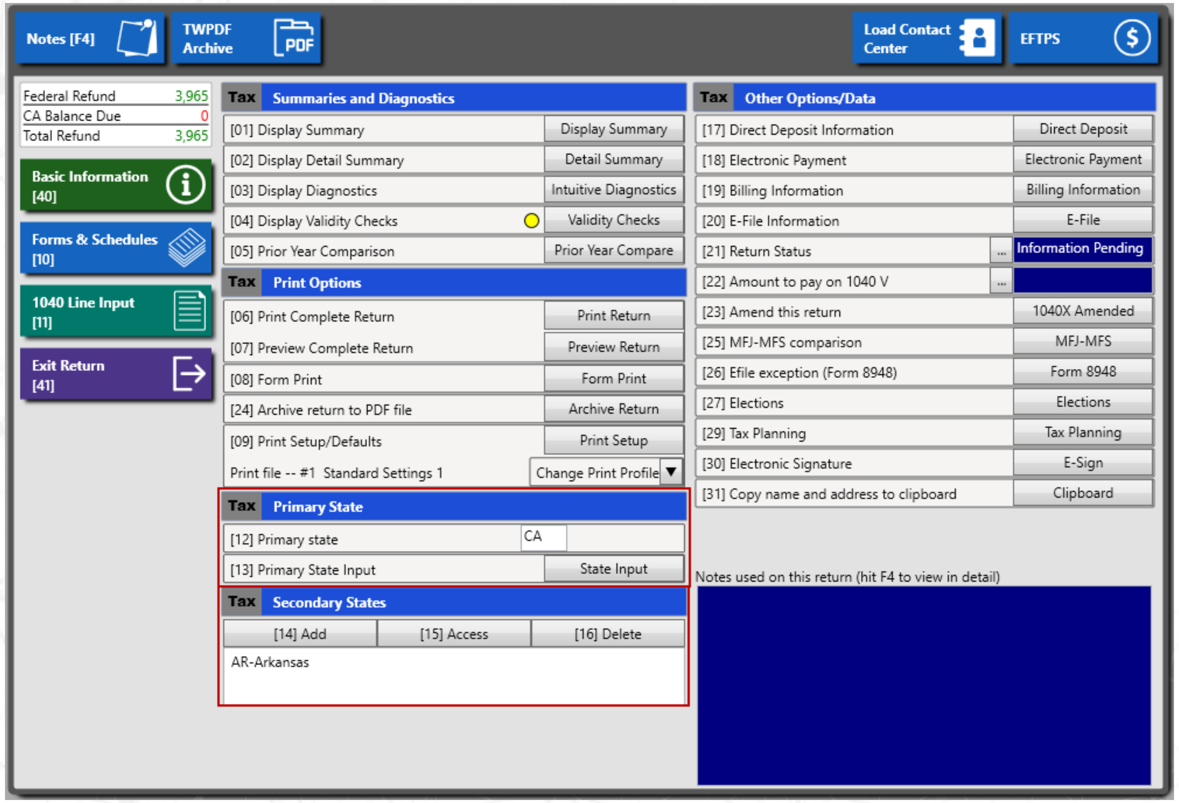
- **Summary Report**
- **Detailed Summary Report**
- **Intuitive Diagnostics**
- **Validity Checks**

Print Options



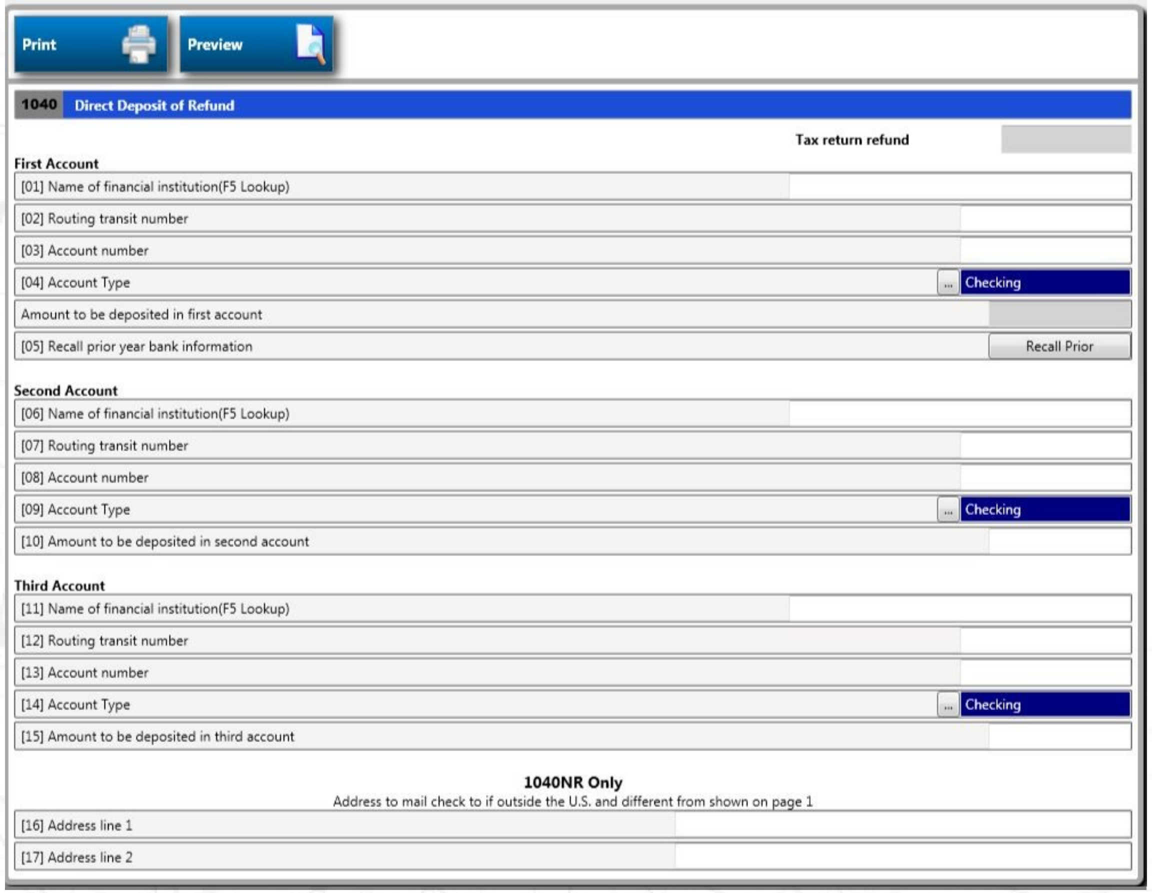
- **Print Return**
- **Preview Return**
- **Archive Return**
- **Print Setup**

States



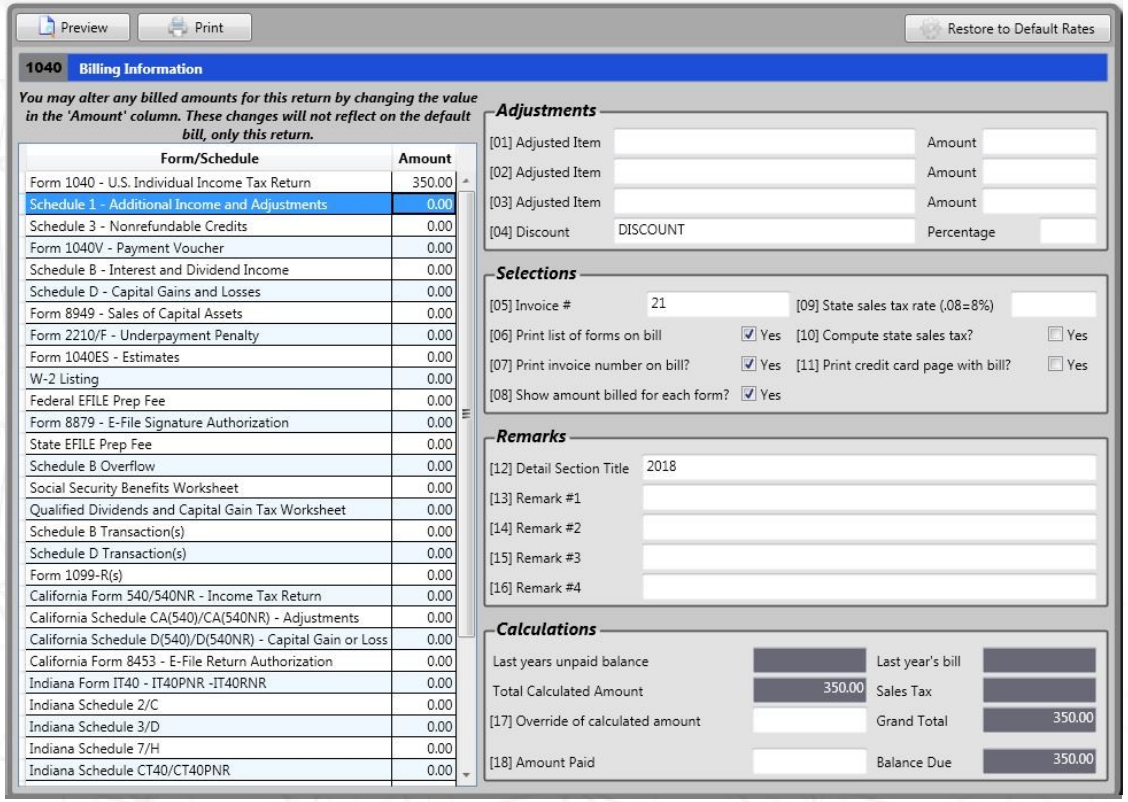
- State Selection
  - Adding Additional States
- Carrying Options
  - Carry
  - Don't Carry
  - Zero Out and Carry

Direct Deposit and Electronic Payments



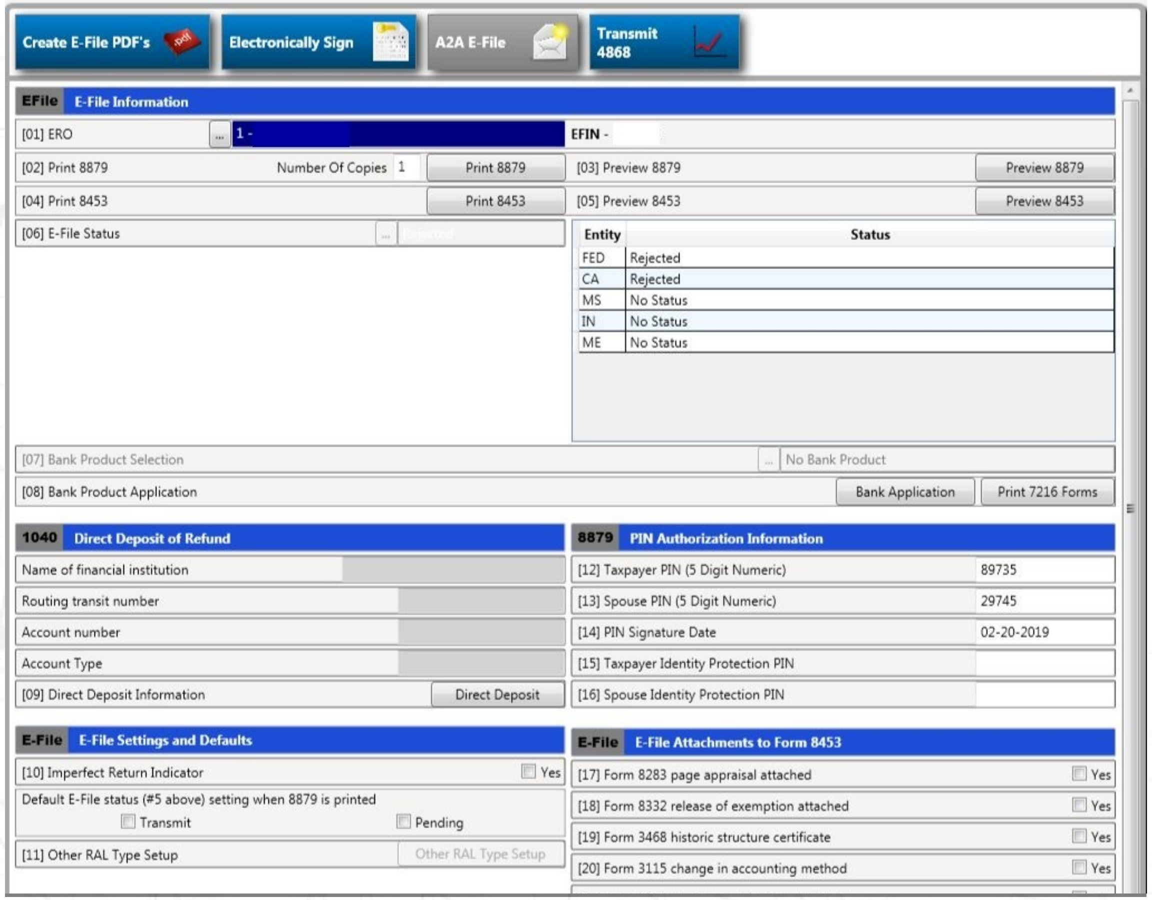
- Direct Deposit
  - Bank Lookup
  - Bank Product
- Electronic Payments

Billing Information



- Snapshot
- Price Per Form
- Adjustments
- Options
- Remarks
- Calculations and Payments

E-File Information



- E-File Signature (8879)
- Entity Status
- Bank Applications
- Pin and Date Information
- 8453 Attachments

THANK YOU FOR CHOOSING

TAXWARE

SYSTEMS INC.