

# United We Thrive

January 28, 2026

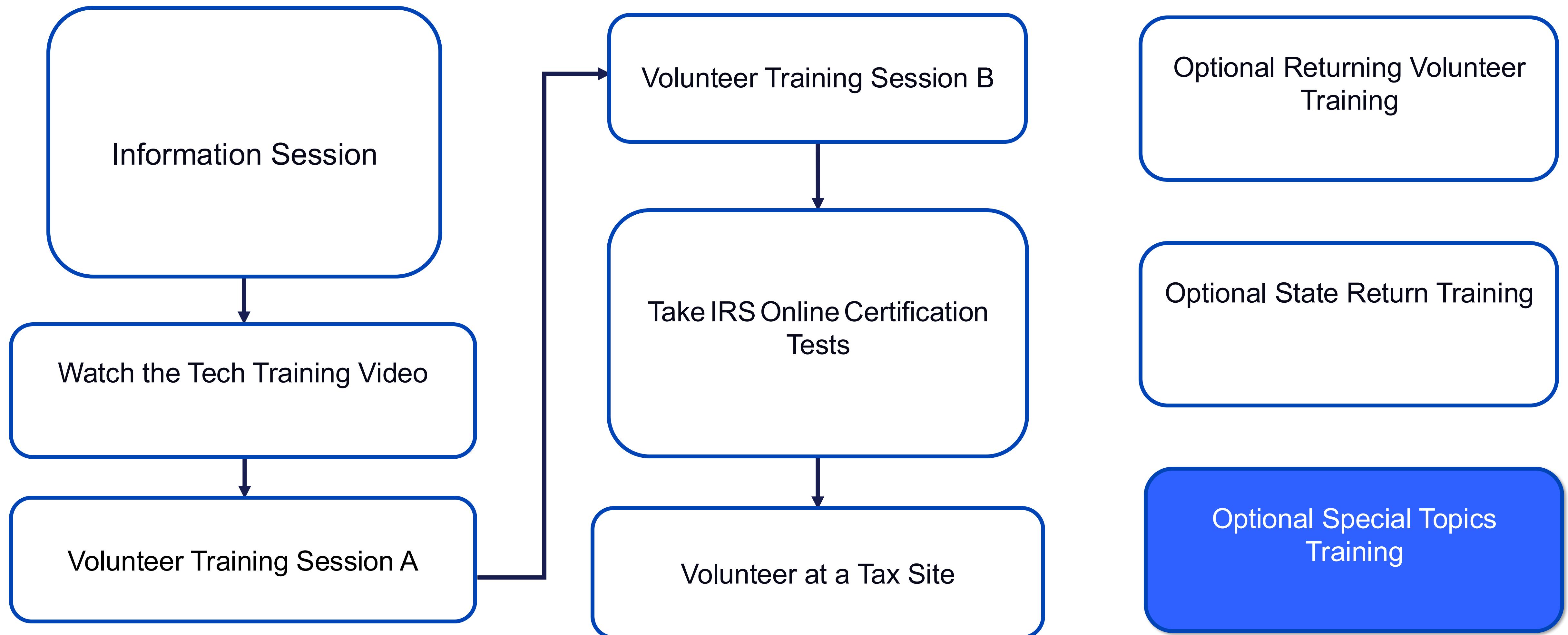
*Special Topics Training*



# Welcome!

- My name is Jim Yuhas
  - 15+ years with VITA
  - Site Coordinator, Care Center Taxes in Loveland
- Mary Lepper, Charles Lewis, Kathy Lavieri and Keith Gehring will monitor Zoom Chat
- Our United Way of Greater Cincinnati Support Team
  - Adrienne Brandicourt, Program Manager, Free Tax Prep
  - Jackson Hare, Associate, Free Tax Prep

# Your Volunteer Pathway: From today through Tax Season



# Special Topics Agenda

- Education Credits/Kiddie Tax
  - 15 minute break
- Residential Energy Credit
- Windfall Elimination Provision (WEP)
- Non-resident returns
- Final Q&A

# Education Credits / Kiddie Tax



# **Objective of this session: Maximize the taxpayer's Education Credit**

In Part B Training we learned about the two types:

- American Opportunity Credit – usually of greater benefit, but has several conditions
- Lifetime Learning Credit -- a non-refundable credit when AOC conditions are not met

# Which credit to select and why

- Most common scenario: Taxpayer indicates that their dependent is a college student. They have a copy of the school issued 1098-T.
- Assess with the taxpayer if the student meets all the criteria for the American Opportunity Credit (4012: Tab J)
  - If not, the Lifetime Learning Credit likely applies
- The parent claiming the dependent student gets the education credit, not the student.
- If student is not a dependent, the student claims the credit.

# Education Credits and issues

We'll review:

1. Scholarship less than tuition
2. Scholarship greater than tuition
3. The dreaded Kiddie Tax
4. Allocation
5. Summary

# 1098-T

## Scholarship is less than tuition

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number  Oakland University 677 Oakland Blvd Columbus, OH 43216		1 Payments received for qualified tuition and related expenses  <b>\$ 12,900.00</b>	OMB No. 1545-1574
		2	2025
		3	Form 1098-T
FILER'S employer identification no.  10-8XXXXXX	STUDENT'S TIN  224-00-XXXX	4 Adjustments made for a prior year  <b>\$</b>	5 Scholarships or grants  <b>\$ 10,000.00</b>
STUDENT'S name  Corey Emerson		6 Adjustments to scholarships or grants for a prior year  <b>\$</b>	7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2026  <input type="checkbox"/>
Street address (including apt. no.)  200 Amber Place		8 Checked if at least half-time student  <input checked="" type="checkbox"/>	9 Checked if a graduate student  <input type="checkbox"/>
City or town, state or province, country, and ZIP or foreign postal code  YOUR CITY, STATE, ZIP		10 Ins. contract reimb./refund  <b>\$</b>	

### Tuition Statement

Box 1 – Payments Received

### Copy B For Student

Box 5 – Scholarship or Grants

This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.

Box 8 – Whether more than Half-Time Student

# Scholarship Less Than Tuition

<b>Tuition (Box 1)</b>	<b>\$12,900</b>
<b>Books</b>	<b>\$500</b>
<b>Total Expenses</b>	<b>\$13,400</b>
<b>Scholarship (Box 5)</b>	<b>\$10,000</b>
<b>Qualified Education Expenses</b>	<b>\$3,400</b>

## Potential Credit

	<b>American Opportunity Credit</b>	<b>Lifetime Learning Credit</b>
<b>Claimed QEE</b>	<b>\$3,400</b>	<b>\$3,400</b>
<b>Credit calculation</b>	<b>100% of first \$2,000 + 25% of remainder = \$2,350</b>	<b>20% of QEE = \$680</b>
<b>Refundable portion</b>	<b>40% of \$2,350 = \$940</b>	<b>- None -</b>

# Scholarship Greater Than Tuition

<b>Tuition (Box 1)</b>	<b>\$12,900</b>
<b>Books</b>	<b>\$500</b>
<b>Total Expenses</b>	<b>\$13,400</b>
<b>Scholarship (Box 5)</b>	<b>\$18,400</b>
<b>Qualified Education Expenses</b>	<b>\$0</b>
<b>Taxable Scholarship</b>	<b>\$5,000</b>

- When scholarship/grant exceeds education expenses:
  - there is no education credit for the parent
  - but now taxable scholarship income for the student.

# Is this student subject to Kiddie tax??

This is a provision of the tax law that says sometimes the child's unearned (investment) income must be taxed at the parent's tax rate. It only is applied when both:

The child's unearned income, plus taxable scholarships and grants, exceeds \$2,700

AND

2025 limitations

The child has a filing requirement:

(earned income, including taxable scholarships, over \$15,750) **or**

(unearned income, not counting taxable scholarships, over \$1,350) **or**

(gross income more than (a) \$1,350, or (b) earned income (up to \$15,300) plus \$450)

# Form 8615, Tax for Certain Children Who Have Unearned Income (Kiddie Tax)

4012: H-5

Do you have to use Form 8615 to figure your child's tax on your child's tax return?

Step	Probe / Ask the Taxpayer	Action
1	Was the child's unearned income, including taxable scholarships and grants, more than \$2,700?	<b>YES</b> – Go to Step 2. <b>NO</b> – Don't use Form 8615 to figure the child's tax.
2	Is the child required to file a tax return for the tax year? See Chart B - For Children and Other Dependents in Tab A.	<b>YES</b> – Go to Step 3. <b>NO</b> – Don't use Form 8615 to figure the child's tax.
3	Was the child under age 18 at the end of the tax year?	<b>YES</b> – Go to Step 8. <b>NO</b> – Go to Step 4.
4	Was the child age 18 at the end of the tax year?	<b>YES</b> – Go to Step 7. <b>NO</b> – Go to Step 5.
5	Was the child under age 24 at the end of the tax year?	<b>YES</b> – Go to Step 6. <b>NO</b> – Don't use Form 8615 to figure the child's tax.
6	Was the child a full-time student during the tax year?	<b>YES</b> – Go to Step 7. <b>NO</b> – Don't use Form 8615 to figure the child's tax.
7	Did the child have earned income that was more than half of his or her support?	<b>YES</b> – Don't use Form 8615 to figure the child's tax. <b>NO</b> – Go to Step 8.
8	Was at least one of the child's parents alive at the end of the tax year?	<b>YES</b> – Go to Step 9. <b>NO</b> – Don't use Form 8615 to figure the child's tax.
9	Is the child filing a joint return?	<b>YES</b> – Don't use Form 8615 to figure the child's tax. <b>NO</b> – Go to Step 10.
10	Form 8615 must be used to figure the tax on the child's tax return. Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. For all other purposes, Form 8615 remains Out of Scope for the child's tax return (but does not make the parents' tax return Out of Scope).	

# Scholarship Greater Than Tuition

<b>Tuition (Box 1)</b>	<b>\$12,900</b>
<b>Books</b>	<b>\$500</b>
<b>Total Expenses</b>	<b>\$13,400</b>
<b>Scholarship (Box 5)</b>	<b>\$18,400</b>
<b>Qualified Education Expenses</b>	<b>\$0</b>
<b>Taxable Scholarship</b>	<b>\$5,000</b>

**Kiddie Tax limitation exceeded?** Yes, the scholarship income of \$5,000 exceeds the Kiddie Tax limitation of \$2,700.

**Filing Requirement?** Usually only if the student has other earned income in excess of \$10,750 (\$15,750 – \$5,000).

Some do, some don't.

So, the key question is almost always whether or not the student has a filing requirement. If no filing requirement, the student's return is In-Scope even though the Kiddie Tax threshold of \$2,700 is exceeded.

# Allocation when Scholarship/Grant is unrestricted

- Even more complexity (and potential benefit) occurs if the scholarship/grant is unrestricted. An unrestricted scholarship/grant may be used for either QEE or living expenses (Room&Board)
- Some scholarships, including all Pell Grants, are allowed to be claimed as income, if doing so is of benefit to taxpayer(s).
  - \$\$ don't have to be solely allocated to tuition and fees.
  - Some \$\$ can be used for living expenses (e.g. room & board).
- WHAT? We should consider adding income that we could exclude?
  - Yes, because the tax on that added income may be lower than the increase in the Education Credit.
- How do we know if a scholarship or grant is “allowed” to be allocated to income?
  - Pell Grant, yes.
  - All others, we need to rely on taxpayer's knowledge.
  - If uncertain, assume that allocation to income is NOT allowed.

# Extreme, but possible example: no allocation

<b>Tuition:</b> \$12,000		
<b>Books:</b> \$1,000		
<b>Pell Grant:</b> \$5,000		
<b>Other Scholarship:</b> \$8,000		
<b>Expenses less Grant/Scholarship:</b> -\$0-		
<b>Joe's other income:</b> \$3,000 W-2 summer job		
	<b>Joe</b>	<b>Parents</b>
<b>QEE for parents:</b>		\$0
<b>AOC for parents*:</b>		\$0
<b>Joe's taxable scholarship</b>	\$0	
<b>Joe's AGI:</b>	\$3,000	
<b>Joe has a filing requirement?</b>	No	
<b>Kiddie Tax?:</b>	No	
<b>Joe's income tax:</b>	\$0	
<b>Joe's refund:</b>	All withholding	
<b>Benefit to family</b>	Base case	Base case

- Joe is a college sophomore
- \*Assumes parents' income is below full AOC limits

# Extreme, but possible example: with allocation

<b>Tuition:</b> \$12,000		
<b>Books:</b> \$1,000		
<b>Pell Grant:</b> \$5,000		
<b>Other Scholarship:</b> \$8,000		
<b>Expenses less Grant/Scholarship:</b> -\$0-		
<b>Joe's other income:</b> \$3,000 W-2 summer job		
	<b>Joe</b>	<b>Parents</b>
<b>QEE for parents:</b>		<b>\$4,000</b>
<b>AOC for parents*:</b>		<b>\$2,500</b>
<b>Joe's taxable scholarship</b>	<b>\$4,000</b>	
<b>Joe's AGI:</b>	<b>\$7,000</b>	
<b>Joe has a filing requirement?</b>	<b>No</b>	
<b>Kiddie Tax?:</b>	<b>No</b>	
<b>Joe's income tax:</b>	<b>\$0</b>	
<b>Joe's refund:</b>	<b>All withholding</b>	
<b>Benefit to family</b>	<b>No change</b>	<b>\$2,500</b>

- Shifting \$4,000 of Pell Grant to living expenses (taxable scholarship) enables QEE increase of \$4,000.

# How to change TaxSlayer entries with allocation

TaxSlayer entry cells	Before Allocation	After Allocation
Tuition Paid	\$12,000	\$12,000
Grants and Scholarships	\$13,000	\$9,000
Other Qualified Expenses	\$1,000	\$1,000
Taxable Scholarship*	-0-	\$4,000

\*Other Income -> Other Compensation -> Scholarships and Grants

## If grant/scholarship allocation to income is allowed – how much?

- While there are some on-line calculators, I have found that simply laying out the scenario points me to the solution.
- Remember, all we're trying to do is get to \$4,000 QEE without invoking the Kiddie Tax.

# When Expenses Exceed Scholarship

- All scenarios assume student has received \$5,000 Pell Grant

	<b>No allocation</b>	<b>With allocation</b>
<b>Tuition</b>	<b>12,900</b>	<b>12,900</b>
<b>Books, etc.</b>	<b>500</b>	<b>500</b>
<b>Total Expenses</b>	<b>13,400</b>	<b>13,400</b>
<b>Scholarship</b>	<b>10,000</b>	<b>10,000</b>
<b>Pell Shift</b>	<b>-0-</b>	<b>600</b>
<b>Remaining scholarship</b>	<b>10,000</b>	<b>9,400</b>
<b>QEE</b>	<b>\$3,400</b>	<b>\$4,000</b>
<b>Taxable Scholarship</b>	<b>-0-</b>	<b>600</b>
<b>Kiddie Tax limitation</b>	<b>2,700</b>	<b>2,700</b>
<b>In scope</b>	<b>Most Likely</b>	<b>Likely</b>

Shift \$600 to  
increase \$3,400  
QEE to \$4,000

Scope limitations on other  
unearned income still apply

# When Scholarship Exceeds Expenses

- All scenarios assume student has received \$5,000 Pell Grant

	No allocation	With full Pell allocation	Allocation limited by Kiddie Tax (child has a filing requirement)
<b>Tuition</b>	12,900	12,900	12,900
<b>Books, etc.</b>	500	500	500
<b>Total Expenses</b>		13,400	13,400
			13,400
<b>Scholarship</b>	15,000	15,000	15,000
<b>Pell Shift</b>	-0-	5,000	2,700
<b>Remaining scholarship</b>		15,000	10,000
			12,300
<b>QEE</b>		-0-	\$3,400
			\$1,100
<b>Taxable Scholarship</b>	1,600	5,000	2,700
<b>Kiddie Tax limitation</b>	2,700	2,700	2,700
<b>In scope</b>	Maybe	Maybe	More Likely

# Key Steps:

- If a scholarship is shown on 1098-T
  - Ask if any portion of the scholarship was a Pell Grant or other unrestricted scholarship
  - Also: Did return show full \$4,000 QEE
    - If so, you're done. No help by allocation.
    - If QEE is not the full \$4,000, shift a portion of any Pell Grant to taxable scholarship to approach the full \$4,000 QEE
      - Remember, can't exceed the amount of the Pell Grant

# To Summarize

- Determine the student's education expenses from their 1098-T and books/equipment purchases.
- Is there a scholarship/grant?
  - No, enter QEE and claim appropriate education credit.
- If Yes, is it unrestricted?
  - No, apply it solely to tuition/fees (or taxable scholarship)

## To Summarize (cont'd)

- If Unrestricted, is QEE at or above \$4,000?
  - if exceeds \$4,000: the parent gets the maximum Education Credit
  - If QEE doesn't exceed \$4,000: examine if allocation will increase Education Credit
- Was there any taxable scholarship?
  - Assess possible Kiddie Tax implication

# Again, the Kiddie Tax

- So, if we have taxable scholarships for any reason – due to scholarships exceeding QEE or due to “allocation” of scholarships – do we invoke the Kiddie Tax? If so, the return becomes Out-Of-Scope for VITA for the child.
- If due to “allocation”, does not “allocating” or a reduced “allocation” keep the return under the Kiddie Tax thresholds?
- The cotaxaide tool can also be quite helpful in determining if the Kiddie tax is invoked.
- <https://cotaxaide.org/tools/Education%20Calculator.html>

# Closing

- This topic just gets more confusing and more complex the further down the rabbit hole we go.
- Most of the complexity comes when there is an unrestricted scholarship/grant involved (possible allocation).
- Or when there is a taxable scholarship/grant involved (possible Kiddie Tax).
- Every taxpayer's unique situation (and other incomes) will determine their “best” answer. My best practice is to talk it through slowly with a peer/site coordinator.
- Questions? Send email to [jimyuhas@gmail.com](mailto:jimyuhas@gmail.com).

# 15 Minute Break



# Residential Energy Credits



# Key points to cover

1. Final year for most credits
2. New requirement to add Manufacturer's ID number
3. A few TaxSlayer tips

# 2025 is the final year for most home energy credits

- Termination of these credits was part of the OBBBA
- This is good from a tax preparer complexity standpoint, but not good from a homeowner standpoint.

# QUALIFIED Manufacturer's ID

- New for 2025: taxpayer must provide the 4-digit alphanumeric Qualified Manufacturer's ID in order to claim home energy credits for:
  - Doors
  - Windows/Skylights
  - Air Conditioners
  - Water Heaters
  - Furnaces
  - Heat Pumps
- We no longer need to anguish with the taxpayer if the installation qualifies or not
- If they have the Manufacturer's ID, it does. If they don't, it doesn't.

Insure you add  
address in  
TaxSlayer Energy  
Credit screens

\* Mfg's ID

Item	Name of Credit
Door*	Qualified Energy Efficient Improvements
Window*	"
Skylight*	"
Audit	Residential Energy Property Expenditure
Air Conditioner*	"
Water Heater*	"
Furnace*	"
Heat Pump*	"

# Out of Scope

- The Residential Clean Energy Credit (Part 1 of Form 5695) is Out of Scope for VITA.
  - Fuel Cells
  - Solar
  - Wind
  - Geothermal
- Electric Vehicle credits (Form 8936)

# Windfall Elimination Provision (WEP)



# Windfall Elimination Provision (WEP) and Social Security Lump Sum Payments

- WINDFALL ELIMINATION PROVISION (WEP)  
The WEP was eliminated due to the signing of Social Security Fairness Act in January 2025

- **How does this change affect taxpayers?**

- WEP was a formula that could reduce amount of Social Security retirement or disability payments if taxpayer also received a pension from a job where they did not pay social security taxes
- Affected taxpayer's benefits **could have** been reduced by up to half of the amount due or up to maximum reduction of \$587 a month (2024 amount)
- Retroactive to social security benefits paid for 2024 – taxpayers received lump-sum payments in 2025 tax year

- **Who was affected?**
  - Teachers, firefighters, and police officers in many states
  - Federal employees covered by Civil Service Retirement System
- **Where will WEP payments be shown?**
  - On 2025 Social Security Form SSA-1099 as "Benefits paid for 2024"

# SSA-1099 Example – No WEP Income

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT			
<b>2025</b> • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. SEE THE REVERSE FOR MORE INFORMATION.			
Box 1. Name <b>YVETTE WILLIS</b>	Box 2. Beneficiary's Social Security Number <b>417-00-XXXX</b>	Box 3. Benefits Paid in 2025 <b>\$24,496</b>	Box 4. Benefits Repaid to SSA in 2025
		Box 5. Net Benefits for 2025 (Box 3 minus Box 4) <b>\$24,496</b>	
DESCRIPTION OF AMOUNT IN BOX 3  Paid by check or direct deposit: \$19,826.00  Medicare Part B premiums deducted from  your benefits: \$2,220.00  Total additions: <del>\$1,850.00</del>  Benefits for 2025: \$24,496		DESCRIPTION OF AMOUNT IN BOX 4	
		Box 6. Voluntary Federal Income Tax Withholding  <b>\$2,450</b>	
		Box 7. Address  <b>1234 CHARITY AVENUE YOUR CITY, YOUR STATE, ZIP</b>	
		Box 8. Claim Number (Use this number if you need to contact SSA.)	
<small>Form SSA-1099-SM (6/2020) DO NOT RETURN THIS FORM TO SSA OR IRS</small>			

# SSA-1099 Example —WEP Income

Look at taxpayer's 2024 1040 return to figure out next step:

- If taxpayer did not receive social security benefits in 2024, there is nothing to do, full amount received in 2025 (including 2024 amount) taxable at current rate.
- If taxpayer and/or spouse received social security benefit payments in 2024, you should complete a lump-sum worksheet to determine the 2024 taxable amount and tax due on the payment(s) received in 2025 for 2024. Amounts will be based on income received in 2024.
- TaxSlayer will combine 2024 amount received with benefits received for 2025 and compute total taxable amount for 2025.

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT		
<b>2025</b> • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name <b>YVETTE WILLIS</b>	Box 2. Beneficiary's Social Security Number <b>417-00-XXXX</b>	
Box 3. Benefits Paid in 2025 <b>\$36,496</b>	Box 4. Benefits Repaid to SSA in 2025	Box 5. Net Benefits for 2025 (Box 3 minus Box 4) <b>\$36.496</b>
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit: <b>\$31,826</b>		DESCRIPTION OF AMOUNT IN BOX 4
Medicare Part B premiums deducted from your benefits: <b>\$2,220.00</b>		
Total additions: Benefits for 2025: <b>\$24.496</b>		
Box 6. Voluntary Federal Income Tax Withholding <b>\$2,450</b>		
Box 7. Address <b>1234 CHARITY AVENUE YOUR CITY, YOUR STATE, ZIP</b>		
Box 8. Claim Number (Use this number if you need to contact SSA.)		

**BENEFITS PAID FOR 2024: \$12,000**

Form SSA-1099-SM (6/2020) DO NOT RETURN THIS FORM TO SSA OR IRS

# Lump-Sum Payments

1.

1099-SSA/1099-RRB  
**Social Security Benefits**

**CANCEL**

**Primary Taxpayer's Information**

5 - Social Security benefit  
This is generally found in box 5 of Form SSA-1099  
\$ [input field]

6 - Federal tax withheld  
\$ [input field]

Medicare premiums  
\$ [input field]

**Spouse's Information**

5 - Social Security benefit  
This is generally found in box 5 of Form SSA-1099  
\$36496

6 - Federal tax withheld  
\$2450

Medicare premiums  
\$ [input field]

Lump-sum payments

**EDIT WORKSHEET**

**Select Edit Worksheet**

2. Next screen – Select “Add a Lump-sum Payment”

2025

SSA Lump-Sum Payment

**Add a SSA Lump-Sum Payment**

Nothing has been added here yet.

**CONTINUE**

3. Complete a Lump-sum worksheet for each year where a payment was received for a previous year (if multiple years shown on 2025 1099-SSA, do one worksheet for each year listed)

# Lump-Sum Payments

2025

## Social Security Lump-Sum Payment

CANCEL

Year the lump sum payment was made for

2024 ▾

Filing status in earlier year \*

Select ▾

SSA payments received in earlier year

\$

Portion of this years SSA for earlier year \*

\$

Modified adjusted gross income for earlier year \*

\$

Exclusions/Adjustments claimed in earlier year

\$

Tax-exempt interest received in earlier year

\$

Taxable benefits reported in earlier year

\$

- Answer all the questions to figure out the percentage of social security benefits that are taxed and taxable amount.
- If benefits taxed at 85% rate for 2025, amount usually will be taxed at 85% rate for 2024. Use the worksheet to verify.
- Worksheet beneficial if income lower in 2024 and percentage of taxable amount determined to be less than 85%.
- Software will generate an extra worksheet to decide correct percentage rate and amount of taxable social security.

# Worksheet 2 – Calculate Benefit for Lump-Sum Payment

Worksheet 4. Figure Your Taxable Benefits Under the Lump-Sum Election Method (Use With Worksheet 2 or 3)

Keep for Your Records 

Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.

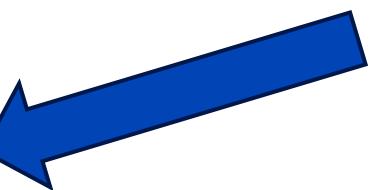
1. Enter the total amount from **box 5** of ALL your Forms SSA-1099 and RRB-1099 for 2024, minus the lump-sum payment for years before 2024 ..... 1. 24396  
**Note.** If line 1 is zero or less, skip lines 2 through 18, enter -0- on line 19, and go to line 20. Otherwise, go to line 2.
2. Multiply line 1 by 50% (0.50) ..... 2. 12198
3. Enter the amount from Worksheet 1, line 3 ..... 3. 62222
4. Enter the amount from Worksheet 1, line 4 ..... 4.
5. Enter the amount from Worksheet 1, line 5 ..... 5.
6. Combine lines 2, 3, 4, and 5 ..... 6. 74420
7. Enter the amount from Worksheet 1, line 7 ..... 7. 275
8. Subtract line 7 from line 6 ..... 8. 74145
9. Enter the amount from Worksheet 1, line 9. But if you are married filing separately and lived with your spouse at any time during 2024, skip lines 9 through 16, multiply line 8 by 85% (0.85), and enter the result on line 17. Then, go to line 18 ..... 9. 32000
10. Is the amount on line 8 more than the amount on line 9?  
 No. Skip lines 10 through 18, enter -0- on line 19, and go to line 20.  
 Yes. Subtract line 9 from line 8 ..... 10. 42145
11. Enter the amount from Worksheet 1, line 11 ..... 11. 12000
12. Subtract line 11 from line 10. If zero or less, enter -0- ..... 12. 30145
13. Enter the **smaller** of line 10 or line 11 ..... 13. 12000
14. Multiply line 13 by 50% (0.50) ..... 14. 6000
15. Enter the **smaller** of line 2 or line 14 ..... 15. 6000
16. Multiply line 12 by 85% (0.85). If line 12 is zero, enter -0- ..... 16. 25623
17. Add lines 15 and 16 ..... 17. 31623
18. Multiply line 1 by 85% (0.85) ..... 18. 20737
19. Enter the **smaller** of line 17 or line 18 ..... 19. 20737
20. Enter the total of the amounts from Worksheet 2, line 21, and Worksheet 3, line 14, for all earlier years for which the lump-sum payment was received ..... 20. 10200
21. **Taxable benefits under Lump-sum method.** Add lines 19 and 20 ..... 21. 30937

Next. Is line 21 above smaller than Worksheet 1, line 19?

No. Don't use this method to figure your taxable benefits. Follow the instructions on Worksheet 1 to report your benefits.  
 Yes. You can elect to report your taxable benefits under this method. **To elect this method, do the following.**

1. Check the box on Form 1040 or 1040-SR, line 6c.
2. If line 21 above is zero, follow the instructions on line 10 for "No" on Worksheet 1. Otherwise:
  - a. Enter the amount from Worksheet 1, line 1, on Form 1040 or 1040-SR, line 6a;
  - b. Enter the amount from line 21 above on Form 1040 or 1040-SR, line 6b; and
  - c. If you are married filing separately and you **lived apart** from your spouse for all of 2024, enter "D" to the right of the word "benefits" on Form 1040 or 1040-SR, line 6a.

\$12,000 in benefits received for 2024 in 2025



Taxable benefits under Lump-sum method -  
Amount carried to Line 6b on 1040 (may not  
change taxable amount for 2025 depending on  
income in 2024)

# Non-Resident Returns



# Three types we'll cover

- Those with a Green Card
- Those on a Visa
- Those undocumented – neither of the above

- In addition: spouse not in the US and children not in the US

# Dual Status returns

- Before going to the particulars, we need to understand the need for Dual Status returns.
- This is a situation where both a 1040 and a 1040-NR return must be filed for the taxpayer in the same tax year. As such, Out-of-Scope for VITA.
- This normally occurs during an immigrant taxpayer's first or final year of living in the US.

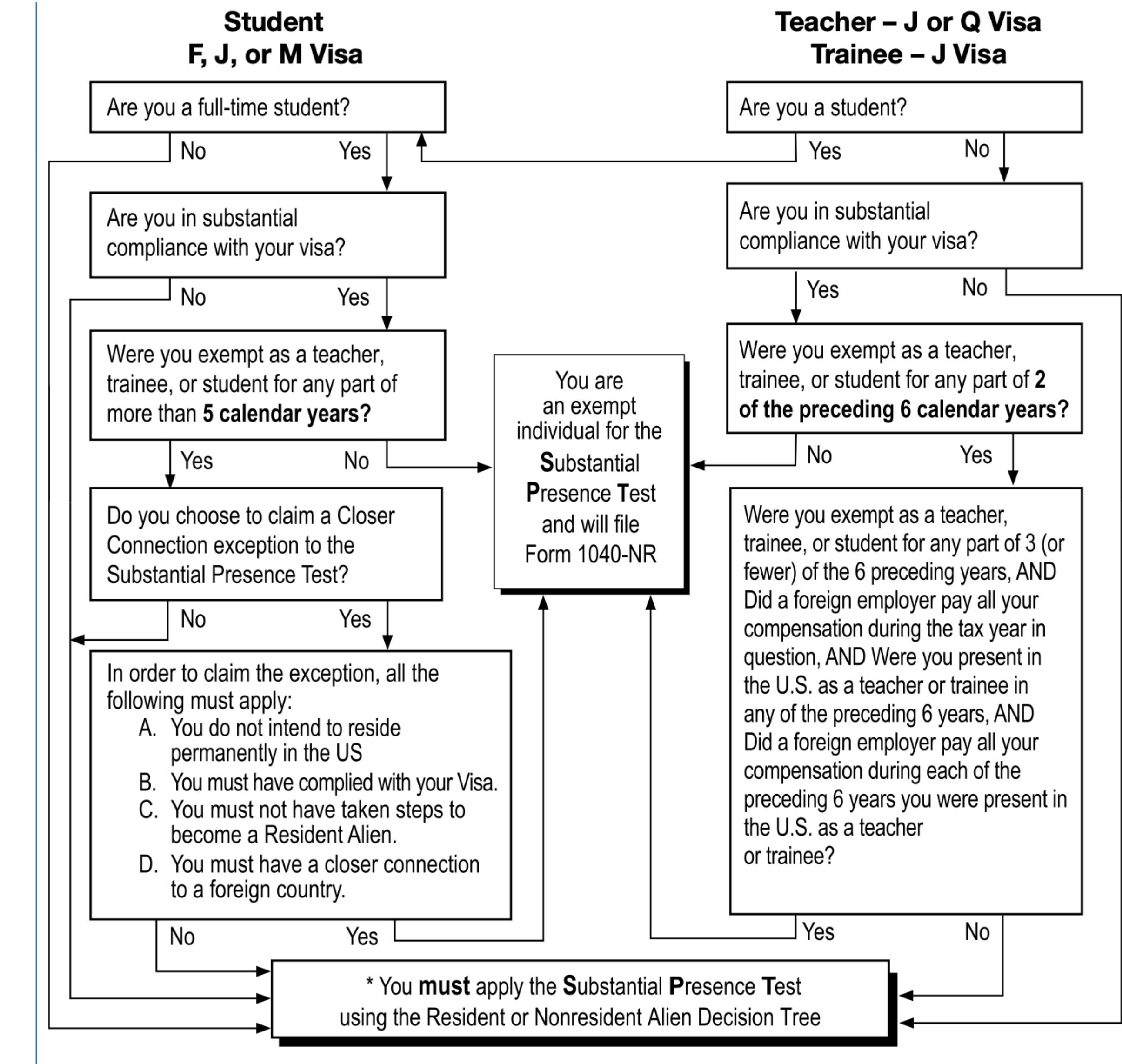
# Green Card holders

- Normally considered a Resident Alien and files a normal 1040
- Key watch out is Year 1 of their residency:
  - Must have arrived on or before Jan. 1, 2025
  - If arrived during 2025, a dual status return is required which is Out-of-Scope

# Those with visas

- See chart in 4012 pg L-3 (screen shot on next slide)
- Applies to students, teachers, trainees on F, J, M or Q Visas
- Often, they are exempt from Substantial Presence Test, but need to file 1040-NR
  - The Preparer and Reviewer must be 1040-NR certified
  - A key difference in a 1040-NR return is there is no standard deduction
- Can have foreign income (not reported on 1040-NR)

# Student and Teacher Visas (4012 pg L-3)



Do not count the following as days of presence in the United States for the substantial presence test:  
Days you are an exempt individual.



Trainees on a Q visa are **Out of Scope** for the Foreign Student and Scholar program.

# Undocumented

- If taxpayer has an ITIN and had arrived on or before Jan. 1, 2025
  - Considered a Resident Alien - files 1040
  - But, if taxpayer has foreign income, return is Out-of-Scope
- If taxpayer arrived during 2025, return is Out-of-Scope as it is a dual status return

# Married to a US Citizen or Resident Alien

- The nonresident alien may choose to be considered a US resident and both spouses must report and pay tax on worldwide income – form 1040
- Taxpayer and spouse are required to prepare a written statement per Pub 519
- Providing any advice on such an action is Out-of-Scope
- Also, if either has foreign income, return is Out-of-Scope

# **Spouse not in US with taxpayer**

Taxpayer is married but spouse is still in “home” country

- Spouse has an ITIN
  - May file MFJ with spouse’s written consent (form 2848)
  - But, neither can have foreign income
- Spouse does not have an ITIN
  - Taxpayer must paper file a MFS return

# Child lives in Mexico or Canada

- If child has an ITIN, they may be claimed as a dependent (qualifying relative):
  - if taxpayer provides more than half the child's support
  - And if the child earns less than \$5,200
- If the child does not have an ITIN, they can't be claimed as a dependent
- The child cannot be claimed as a dependent if they live in countries other than Mexico or Canada
- A child residing in Mexico or Canada, even if a dependent, does not qualify for either the Child Tax Credit or the Credit for Other Dependents. Those credits are limited to US citizens, US National, or US resident alien.

# Final Q&A



# Need Help – We are here!

- Send a request for assistance or question(s) to:
  - [freetax@uwgc.org](mailto:freetax@uwgc.org)
  - Include your name, e-mail, and phone.
- A trainer will contact you.
- Our team of trainers is here to help you. You will not know every aspect of tax law – none of us do! We will ensure you are supported when you come to volunteer at a site. You got this!



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