The Taxpayer Interview

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A good interview is essential to a good tax return.

<u>Example</u>. The return included at the end of this handout was prepared by a Tax-Aide volunteer. The tax liability is wrong because of a flawed interview. The error was not detected during processing or by computer matching to the Form 1099-R.

I generally ask "Have you ever been married?" early in the interview. I find this produces a richer response than the more usual "Are you married?" In this instance, the taxpayer blushed and said he had gotten married a couple of years previously to someone about his own age.

What might be the error? Will you suggest amending the return?

Tax firms commonly rely upon the more experienced personnel for interviewing and quality review. TCE/VITA counselors do not have this luxury in my experience. Each counselor, no matter how inexperienced, is expected to conduct the interview, prepare the return and provide their own quality review.

This discussion attempts to gird the novice preparer for their first interviews. There might even be a few useful hints for the experienced preparer.

Mistakes are inevitable. Even if you are wrong three times out of ten, you are still good enough to be certified as a TCE/VITA counselor.

Get help with the interview and the return or refer if a mistake could have substantial consequences for the taxpayer.

Improve your performance by reducing your anxiety. I try to make as few demands as possible on my aging brain cells and so I've made a habit of looking things up. Keep a copy of Publication 17 handy, along with the instructions to Forms 1040 and 540. Bookmark relevant pages and diagrams.

Rely on official materials when you have to deliver bad news. That way, the taxpayer will understand that the benefit is being denied because the IRS or FTB says so. The taxpayer's anger shifts from the preparer to the IRS or FTB.

Use the worksheets. I used to pride myself that I understood the issues so well that I did not need worksheets. I don't know whether I have slowed down or whether the tax law has become more complex, but I now use worksheets.

Always use Forms 1040 and 540 when preparing a return without a computer. Using the “long forms” lets the novice focus on the tax issues and helps insure a comprehensive interview.

A computer eliminates the possibility of mathematical errors and tends to reduce other errors, a plus. But e-filing triggers new anxieties for the novice preparer and likely distracts from the interview process.

Compensate for the customer's anxieties. Explain why you are asking questions and do not ask for more than you need to know.

“How old are you?” offends some people and seeks unnecessary information. “I need to know if you are over age 65 because this will increase your refund” invariably provides the information that you need.

A comprehensive interview is more important than a quick interview. A novice must ask questions about each line on the Forms 1040 and 540, even if they would be unable to prepare the return if the response were positive. Examples of possible questions are included later in this handout.

With experience, an interviewer learns to ask questions in a priority order. The first focus might be to determine whether a tax return is required. An experienced interviewer will also consider materiality, the likely influence of a particular topic on the tax liability, and will tailor the interview accordingly.

Taxpayers can be annoyed by a comprehensive interview so begin with a story about how apparently irrelevant questions saved a taxpayer big bucks. Fabricate if necessary. The story will become true soon enough!

Be especially careful about those issues that the tax authorities cannot correct. Addition errors, incorrect entries from the tax tables and improper application of age limits are generally corrected automatically and the tax liability adjusted. No financial harm is done to the taxpayer. (The taxpayer may be frightened to receive the letter detailing the change however.)

On the other hand, if the error involves something that tax authorities cannot correct, the tax liability will be wrong or the refund will be sent to the wrong address. Such errors can and do mean financial harm to the taxpayer.

Consequently, TCE/VITA counselors should be especially careful about

- Address - "Where do you want the IRS to mail your refund check?" may elicit a different response from "Where do you live?"
- Marital and filing status.
- Dependents - Do they qualify as exemptions or for EITC, Head of Household, Child Care Credit or Child Tax Credit purposes?
- Disability and blindness.
- Cash and foreign income not reported to the IRS.

- Deductions not reported to the IRS: medical and charitable deductions, health insurance for the self employed, interest on student loans, IRA contributions, educational expenses, child care costs and foreign taxes paid.
- Citizenship and/or U.S. residency and/or California residency.

Successful interviewers know their limitations. Do not attempt a return which is beyond your training without the assistance of a qualified mentor. Seek qualified help or refer when you are unsure, especially when the dollar amounts are significant, even if you were trained on the topic.

Successful interviewers ask the same questions of everyone. Don't assume that a "homeless" person has no investment income, for example.

Successful interviewers ask neutral questions. Compare the following explanations of the presidential check-off options.

1. Check the "Yes" box if you want to get special interest money out of politics.
2. Check "No" to keep taxes from being raised to pay for political ads.
3. We spend a lot of money electing our public officials. If you are comfortable with how this money is raised, answer "No." If you think that it would be better if elections were publicly financed, check the "Yes" box.

Successful interviewers ask open ended questions. "Have you ever been married?" will elicit more information than "Are you married?"

Successful interviewers manage their customers' expectations. How might you respond to the mother with two children with wages of $5,000 who tells you that the children are her dependents, that files as Head of Household and that she is looking forward to a large EITC payment?

Hint: determine EITC eligibility first. Dependency and filing status may not affect the refund.

Successful interviewers overcome language and cultural barriers. You can't prepare the return if you don't understand the situation. Refer to another preparer when there are language difficulties or interpersonal conflicts.

Successful interviewers are alert to inconsistencies. Inconsistencies are usually the result of the customer's ignorance of the tax rules. Occasionally, the customer will be concealing relevant facts in hopes of a bigger refund.

The preparer's job is to act upon the taxpayer's responses. It is the job of the tax authorities to audit those responses. That said, there is no obligation to continue if you become concerned about truthfulness. But disengage tactfully. Make it your fault. "I don't understand your situation well enough to be sure that I'm getting you the full refund to which you are entitled."

Suggested Interview Questions

Begin with a broad, open ended question like "What can I do for you today?" or "Is there some issue that concerns you?"

Perhaps the customer received a letter changing something on a prior return. Does this change have implications for the current year's return?

Did you, your spouse and your dependents live in California all last year?

A negative response will mean a California part-year return unless worldwide gross income falls below the California filing requirements. Low income taxpayers who file a resident federal return (Form 1040) and who move in or out of California during the year are not be required to file a California return.

If the taxpayer, spouse and all of the dependents are U.S. citizens or have green cards, it is not relevant where they lived. However, those who come to the U.S. during the year as a visitor or immigrant or undocumented alien are generally not entitled to file a Form 1040 and not entitled to claim their children as dependents and not entitled to the EITC and child care credits.

Foreign students and teachers are generally taxed as nonresidents even though they are in the U.S. for the whole year. However, students who accept unauthorized employment forfeit their nonresident status. They file a Form 1040 if they have been in the U.S. the entire year. Employment may be unauthorized if Social Security and Medicare taxes appear on the W-2.

Nonresident and part-year returns should be referred to a college site where the VITA counselors have been trained to prepare nonresident returns or to a VITA military site where counselors have been trained to prepare multistate returns. Most counselors should not attempt these returns.

A U.S. resident whose spouse lives abroad must file either a separate or a joint return. See "Nonresident or dual-status alien" in Chapter 2 of Pub. 17. A joint return usually means less tax for low income taxpayers. The joint return is supposed to include an election in a special format, see IRS Pub. 519, and California wants a Form 540NR rather than a Form 540.

Did you file an income tax return last year? If the customer did not file, find out why not. Many nonfilers are due a refund but a taxpayer can only make a refund claim back three years. (Four for California.) Remember, “failure to file” penalties are larger than “failure to pay” penalties.

Ask to see a copy of last year's tax return. This is a good source for Social Security numbers and for the EIN of the child care provider. Less frequently, the prior return allows you to determine whether there was a taxable refund of state tax, whether there is an exception to the underpayment penalty and the amount of credit carryovers.

Comparing the current and prior year returns, and investigating the reasons for differences, is a good quality assurance technique.

You will also occasionally find an error on a prior year's return. Consider amending the return if the taxpayer will get a refund. *However, there is no obligation to correct an honest mistake on a prior return.* If amending means more tax, explain why this year's return will be done differently, suggest amending the prior return but do not insist on amending the prior return.

Have you ever been married? The interviewer might follow-up by asking "Are you still married?" If separated, "When did you separate?"

If separation occurred during the past year, refer the customer to someone who understands how to allocate community income, community deductions and community tax payments before the date of separation. (See FTB's Pub. 1051A, rev. 2001.) Ask additional questions to determine whether the customer qualifies to file as head of household.

If divorced, what does the divorce decree say about alimony and family support? Were payments made? Who claims the children as dependents?

If a widow or widower, determine the eligibility to file MFJ or as QW.

How many jobs did you have last year? Count the W-2s.

Confirm the taxpayer's address and social security number on these documents and the state to which taxes were paid.

Transfer the wages and taxes paid to the appropriate forms. Watch for advanced EITC payments and Dependent Care Benefits.

Wages are a good approximation to earned income for low income individuals. Consider the implications of the W-2 information for EITC, IRA deductibility and the child tax credit and adjust later questions accordingly.

Did you move during the year? Seek help from an experienced preparer when the customer is a California non resident or part year resident.

Were you out of work last year? Follow-up questions might investigate unemployment, disability income and Worker's Compensation.

Did you receive any public assistance (AFDC, food stamps, SSI, HUD/Section 8)? The response can affect filing status, the number of dependency exemptions and the Child and Dependent Care Credit.

Who lives in your household? Who depends upon you for support? Follow-up questions might investigate dependency, head of household status, eligibility for the EITC, child tax credit and the child care and education credits.

Are you receiving a pension or Social Security or any payments from an insurance company or education savings plan?

Did the taxpayer make any pension contributions not shown on the W-2, or take any money out, or convert to a Roth IRA?

If there is distribution from a pension or annuity, the client should have a Form 1099-R listing the taxable amount. Seek help from a knowledgeable colleague or refer when the box "Taxable Amount Not Determined" is checked unless you are absolutely sure how to precede because an error could have a material affect on the tax liability.

IRA and pension distributions are tax-free if the entire distribution was rolled over to a new IRA or pension within sixty days. Distributions may be partially tax-free if the taxpayer has "basis." FTB Pub. 1005 discusses California basis.

Distributions from education savings plans, and some savings bond distributions, are tax free if used for qualified expenses. Find out what the money was spent on and what expenses are qualified.

Distributions from IRAs, pensions, annuities, and education plans may produce penalties in addition to income tax. Seek help if you need it.

Social Security and Railroad Retirement benefits are reported on Forms SSA-1099 and RRB-1099. You will have to do a calculation to determine the federally taxable amount, if any. Social Security and Railroad Retirement benefits are not taxed by California.

Children can receive Social Security benefits by virtue of a parent's death. Sometimes, this income is paid to the child's surviving parent or custodian but it is still taxable to the child according to the usual rules.

SSI is non taxable.

Do you have a savings or checking account? Follow-up questions would test for interest income and early withdrawal penalties and whether the taxpayer wants any refund to be directly deposited to his bank account.

Ask about foreign bank accounts (questions at the bottom of Schedule B.)

Do you own any discounted bonds? Did you receive any tax exempt interest? Treat a Form 1099-OID like a Form 1099-INT and enter the amount in the interest section of Schedule B.

Seek help if you encounter someone who has purchased or sold a bond in the secondary market because there may be a taxable gain, even if the bond is a municipal bond, or because the taxpayer may be entitled to reduce taxable income by amortizing a bond premium.

Did you earn any money selling merchandise or services or do you operate your own business? Additional questions would elicit the needed information to complete Schedule C/SE and to test for health insurance and pension contributions.

Be careful with Form 1099-MISC. If the taxpayer receives nonemployee compensation, complete Schedule C/C-EZ (or line 21) and Schedule SE (self employment tax).

Some employers fraudulently hire employees as "contractors" and report the income as nonemployee compensation. If the true relationship is that of an employer/employee and if the customer is upset about the self-employment taxes and no longer works for the employer, refer the taxpayer to an experienced preparer, to the IRS or to California's EDD. It may be possible to report this income as wages and to not pay the self-employment taxes.

If Form 1099-MISC is coded as "other income," the payment is reported on Line 21 and is NOT subject to self-employment tax. "Stipends" paid by Alameda County Department of Education to employees of the Oakland School District are not subject to SE tax even though the taxpayer may consider the payment as part of their compensation. See IRS Revenue Ruling 70-337.

Alameda County reported these payments as nonemployee compensation in 2001. These returns should be amended to claim a refund of SE tax.

Do you own any real estate? Did you sell or rent any real estate? The point of these questions is to test for mortgage interest and real estate tax, for the sale of a personal residence and for the need to file a Schedule E.

Rental properties and the sale of a personal residence involve significant dollars and can be complex. Get help or refer.

Do you own stocks or bonds or mutual funds? Did you sell any stocks and bonds? Did you receive dividends?

Beginning in 2003, some dividends are taxed at special lower rates. The brokerage firms and mutual fund companies are supposed to code the Forms 1099-DIV to distinguish qualified and non qualified dividends. Some nonqualified dividends appear on Form 1099-MISC as "payments in lieu."

There will be lots of errors and the IRS has announced that taxpayers will not be penalized if they use the information on the forms. If the taxpayer is unhappy with the classification, direct them to a professional preparer.

The biggest challenge to Schedule D is determining the gain or loss. Some counselors provide assistance only if the customer can provide a list of gains and losses. If the broker has summarized the gains and losses, attach the schedule and do not re-enter the details onto Schedule D. (It's not easy to attach a schedule when e-filing. The word on the street is that the IRS is accepting returns with gains and losses described as "Broker's Summary.")

The tax calculation in Part IV of the Schedule D is tedious. Go slowly or refer the taxpayer to a volunteer with a computer.

Seek help or refer

When records are incomplete or dividends have been reinvested.

When the item sold was received as a gift or was inherited.

When there is margin interest or investment management fees.

If the customer exercised and/or sold an employee stock option or participated in an employee stock purchase plan.

Are you a partner in a business, a shareholder in an S-Corporation, the beneficiary of a trust? Income from these entities are reported on a Schedule K-1. Some K-1s have all of the complexity of a business tax return.

Distributions from a limited partnership or a trust are just that, a distribution. The distribution affects the taxpayer's basis but it is not taxable income. It is not uncommon for the distribution to be non taxable!

Some volunteers are tempted to "help" clients by entering the distribution amount as a dividend on Schedule B. This is an error. Always work from the K-1 information and seek help if you need it.

There is often a taxable gain when selling a partnership interest. The customer may think she lost money because the selling price was less than what she paid for the partnership. None the less, there can be a gain on the disposition because losses and depreciation previously distributed by the partnership reduced the basis to below the sales price. Seek help or refer.

Do you have any interests in agriculture or farming? This probably requires a Schedule F. I don't know how to prepare this schedule.

Did you win the lottery? Did you serve on a jury? Receive income from an Indian Casino? Were exercise of your non qualified stock options reported on your W-2? Did you have any other income? These items go on line 21. Take a deduction for jury duty pay returned to an employer on line 32 and for gambling losses on Schedule A. If the lottery is the California lottery, there are adjustments to income and itemized deductions on Form CA(540).

Do you have a student loan or educational expenses?

Determine whether the education credit is a better deal than the Tuition and Fees adjustment since you cannot claim both.

Do you own a home? Did you make charitable contributions or suffer unreimbursed medical expenses or a casualty loss? This probing is to determine whether the taxpayer would benefit by completing Schedule A, without the work of completing the form.

There may be a benefit to itemizing for California only.

Remember that MFS filers must itemize if either spouse itemizes.

If they don't own their home, check eligibility for the Renter's Credit.

Are you age 65, or blind. This question affects your standard deduction.

To be precise, an interviewer should ask (in the Spring of 2004) "Were you born before January 2, 1939? Can you see better than 20/200 in either eye with glasses and is your field of vision more than 20 degrees as certified by an ophthalmologist or registered optometrist no later than December 31, 2003?" If you phrase all questions this precisely, the taxpayer's eyes will glaze over.

Effective questions start a conversation. For example, "Yes, I'm sixty-five" might be followed by "When was your sixty-fifth birthday?" Whereas, "I'll not be sixty-five for a couple of years." needs no follow-up.

Because of the need to handle leap years and months with different numbers of days, the general rule is that one generally achieves a specific age on the day before one's birthday. The IRS has modified this rule in some circumstances. A child now attains a given age as of the anniversary of their birth for the dependency exemption, child tax credit, earned income credit, child care credit and a couple of other purposes. The day before rule still applies for determining whether a child's investment income is taxed at the parents' rate.

	IRS Publication 17 says	This means
Rev. Rul. 2003-72: Measured from the Anniversary of Birth		
Qualifying Child for Earned Income Credit.	Under age 19 or a student under age 24 or permanently and totally disabled	19^{th} or 24^{th} birthday no sooner than January 1 of the following year.
Child Tax Credit	Under age 17 at the end of the calendar year.	17^{th} birthday no sooner than January 1 of the following year.
Child and Dependant Care Credit	Under age 13 when the care was provided.	If care was provided on August 2; 14^{th} birthday must be August 3 or later.
Gross Income Test for Dependency	Under age 19 (24 if a student) at the end of the tax year.	Birthday can be no sooner than January 1 of the following year.
The Usual Rule: Measured from the Day Before the Anniversary of Birth		
Earned Income Credit, without a qualifying child	You, or your spouse if filing jointly, must be least age 25 but under age 65 at the end of the tax year.	25^{th} birthday no later than January 1 of the following year and 65^{th} birthday no sooner than January 2 of the following year.
Standard Deduction	65 or older at the end of the tax year.	65^{th} birthday no later than January 1 of following year

Investment Income of minor children	Under age 14 at the end of the tax year. A child born January 1, 1989 attains age 14 as of the end of 2002.	14th birthday no sooner than January 2nd of the following year.

When an age limitation is expressed in half years,

<u>The Day before the Day after Rule</u>

Premature Distribution Penalty	Generally, before age 59½.	Before the day before six months after the day after the fifty-ninth birthday.
Onset of Required Pension Distributions	Generally, not later than April 1st of year following age 70½.	Those born before July 1 are age 70½ in the year of their seventy-first birthday. Those born after June 30 are age 70½ in their seventy-second year.

Let's determine the half birthdate for someone born on May 31st. The day after the birthday is June 1 and six months later is December 1. The half birthday is the day before December 1 or November 30. A pension distribution before November 30 in the year that the participant attains age 59 is "premature."

The bottom line is be careful if someone's birthday is very close to the end or to the beginning of the calendar year or other testing interval. If you e-file; the computer should be able to determine eligibility from the birthdate.

Did you pay any tax other than through withholding? Double check the W-2s, 1099s and other forms for tax withholding.

Don't forget to include any estimated payments of state tax, and any payment made with last year's state return, on Schedule A.

Estimated payments are generally not required if the taxpayer has to pay the IRS less than $1000 in April, or the FTB less than $200, or if withholding exceeds last year's tax liability. Consequently, low income taxpayers generally don't need to worry about estimated payments.

Close the interview with an open ended question. "Did you receive any money that we have not talked about?"

One taxpayer responded that his uncle had sent him some money. I asked "What for?" He replied the money was the proceeds from the sale of his apartment building in Rio de Janeiro! I wish I'd found this out earlier in the interview but better late than never!

What Credence Should Be Accorded Tax Publications?

One of my most enduring memories is of Jim Jones, a Tax-Aide instructor, holding up Publication 17 and exclaiming "This is the bible!"

I would be confident about doing anything that a tax publication says taxpayers may do. The authorities might challenge the return and the taxpayer might lose in Court but there won't be any penalties or nasty allegations.

I would consider a position contrary to a publication if it were to the taxpayer's advantage. Few scholars take the bible literally. Tax preparers should likewise remember that IRS and FTB publications are not the law but interpretations of the law using simplified language and examples suitable for the general public.

Because of the simplified language and because the publications are written by real people, tax publications evidence occasional flaws.

- Specificity might be lost.

Example. In discussing the deductibility of IRA contributions, Pub. 17 says "If you or your spouse was covered by an employer retirement plan at any time during the year for which contributions were made, your deduction may be further limited." Pub 17 does not define "retirement plan."

The first place to look for the definition of a specific term is the Code itself. We look and we get lucky. Section 219 discusses the deductibility of IRA contributions and Section 219(g)(5) defines a retirement plan as a qualified plan (this category includes the popular 401(k) plans), plans described in 403(a), plans designed for US employees, 403(b) tax sheltered annuities for teachers, SEPs and SIMPLEs. The Code also says that a 457 deferred compensation plan is not a retirement plan in this context.

- Important situations might be omitted.

Example. In discussing the real estate taxes, Pub 17 says that two tests must be met for any tax to be deductible by you. It must generally be imposed on you and it must be paid by you during your tax year.

One exception not addressed by Pub 17 concerns a home owned by a trust. The person living in the home pays the real estate tax because the trust has no money to pay the tax and the county will foreclose on the home if the tax is not paid. The courts have allowed the person paying the tax to deduct the tax even though the tax is imposed on the trust and not the person paying the tax.

- Examples might reflect the writer's opinion, not the law.

Example. One requirement of the Child Care Credit is that the taxpayer must keep up a home. Pub 17 says that the costs of keeping up a home "do not include the purchase, permanent improvement, or replacement of property." This *statement is about as close to a statement of the law as you can get because it is drawn, almost word for word, from an IRS regulation[1].*

The publication continues "For example, you cannot include the cost of replacing a water heater. However, you can include the cost of repairing a water heater." This example does not appear the regulations; it is not the law.

If eligibility for the child tax credit hinged on whether the new water heater was a repair or a replacement of property, the taxpayer needs to decide based on the facts in their circumstances. They should not be inhibited from claiming the credit just because someone writing in an IRS publication chooses a water heater to illustrate their personal interpretation of the regulation.

- An overly conservative image of the law might be created.

Example. Publication 17 says that you should amend your return if you find you did not report some income or claimed deductions or credits you should not have claimed or did not claim deductions or credits you could have claimed or if you should have claimed a different filing status These are true statements.

However, it is also true that no law or regulation requires an amended return if the taxpayer discovers an honest mistake. Pub 17 omits this vital fact.

For the tax preparer's responsibility vis-à-vis an amended return, see comments from the 1999 Fresno IRS Symposium at www.lingane.com/taxaide/sep99.pdf.

The courts and the tax authorities do not rely on tax publications. They rely upon the statutes, the regulations interpreting the statutes and the court decisions interpreting the statutes and the regulations. Taxpayers are entitled to take a position contrary to a tax publication if they can support their position using more primary resources.

Trust the tax publications. But verify what they say if what is said adversely and materially impacts the customer's tax liability.

Volunteers are unable to research primary resources when issues are unclear or uncertain. This is why we do not recommend free assistance in situations which are out of the ordinary.

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[1] *Costs of maintaining a household.* The costs of maintaining a household are the expenses incurred for the mutual benefit of the occupants thereof by reason of its operation as the principal place of abode of the occupants. The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. These expenses do not include the cost of clothing, education, medical treatment, vacations, life insurance, or transportation or payments on mortgage principal or for the purchase, permanent improvement, betterment, or replacement of property. (emphasis added.) Further, the costs of maintaining a household do not include the value of services performed in the household by a qualifying individual described in paragraph (b) of this section. An expense incurred by a taxpayer which is paid or reimbursed by another is not considered as a cost of maintaining a household. IRS Reg. §1.44A-1(d)(3).

Form **1040A** Department of the Treasury — Internal Revenue Service
U.S. Individual Income Tax Return (99) 2002

IRS use only — Do not write or staple in this space.

Label (See instructions.)

Use the IRS label. Otherwise, please print or type.

Your first name	MI	Last name	OMB No. 1545-0085
John		Taxaide	Your social security number: 123-45-6789
If a joint return, spouse's first name	MI	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apartment no.	▲ **Important!** ▲ You **must** enter your SSN(s) above.
123 Anystreet			
City, town or post office. If you have a foreign address, see instructions.	State	ZIP code	
Oakland	CA	99999	

Presidential Election Campaign (See instructions.)
Note. Checking 'Yes' will not change your tax or reduce your refund.
Do you, or your spouse if filing a joint return, want $3 to go to this fund? ► You ☐ Yes ☐ No Spouse ☐ Yes ☐ No

Filing status (Check only one box.)
1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here ►
4 ☒ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here ►
5 ☐ Qualifying widow(er) with dependent child (year spouse died ►). (See instructions.)

Exemptions
6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a. — No. of boxes checked on 6a and 6b: 1
b ☐ **Spouse**
c **Dependents:** (If more than six dependents, see instructions.)

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit
Jack Smith	323-45-6789	Grandchild	☐
			☐
			☐
			☐
			☐
			☐

No. of children on 6c who: • lived with you ...... ; • did not live with you due to divorce or separation ...... ; Dependents on 6c not entered above 1

d Total number of exemptions claimed ...... Add numbers on lines above: 2

Income
Attach Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.
If you did not get a W-2, see instructions.
Enclose, but do not attach, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7
8a	**Taxable** interest. Attach Schedule 1 if required	8a
b	Tax-exempt interest. Do not include on line 8a ... 8b	
9	Ordinary dividends. Attach Schedule 1 if required	9
10	Capital gain distributions (see instructions)	10
11a	IRA distributions ... 11a — 11b Taxable amount	11b
12a	Pensions and annuities ... 12a — 12b Taxable amount	12b 19,000.
13	Unemployment compensation and Alaska Permanent Fund dividends	13
14a	Social security benefits ... 14a — 14b Taxable amount	14b
15	Add lines 7 through 14b (far right column). This is your **total income** ►	15 19,000.

Adjusted gross income

16	Educator expenses (see instructions) ... 16	
17	IRA deduction (see instructions) ... 17	
18	Student loan interest deduction (see instructions) ... 18	
19	Tuition and fees deduction (see instructions) ... 19	
20	Add lines 16 through 19. These are your **total adjustments**	20
21	Subtract line 20 from line 15. This is your **adjusted gross income** ►	21 19,000.

BAA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Form **1040A** (2002)

Tax, credits, and payments

22	Enter the amount from line 21 (adjusted gross income)	22 19,000.
23a	Check if: ☒ You were 65 or older ☐ Blind; ☐ Spouse was 65 or older ☐ Blind — Enter number of boxes checked ►	23a 1
b	If you are married filing separately and your spouse itemizes deductions, see instructions and check here ►	23b ☐
24	Enter your **standard deduction** (see left margin)	24 8,050.
25	Subtract line 24 from line 22. If line 24 is more than line 22, enter 0	25 10,950.
26	Multiply $3,000 by the total number of exemptions claimed on line 6d	26 6,000.
27	Subtract line 26 from line 25. If line 26 is more than line 25, enter 0. This is your **taxable income** ►	27 4,950.
28	**Tax,** including any alternative minimum tax (see instructions)	28 498.
29	Credit for child and dependent care expenses. Attach Schedule 2 ... 29	
30	Credit for the elderly or the disabled. Attach Schedule 3 ... 30	
31	Education credits. Attach Form 8863 ... 31	
32	Retirement savings contributions credit. Attach Form 8880 ... 32	
33	Child tax credit (see instructions) ... 33	
34	Adoption credit. Attach Form 8839 ... 34	
35	Add lines 29 through 34. These are your **total credits**	35
36	Subtract line 35 from line 28. If line 35 is more than line 28, enter 0	36 498.
37	Advance earned income credit payments from Form(s) W-2	37
38	Add lines 36 and 37. This is your **total tax** ►	38 498.
39	Federal income tax withheld from Forms W-2 and 1099 ... 39	
40	2002 estimated tax payments and amount applied from 2001 return ... 40	
41	**Earned income credit (EIC)** ... 41	
42	Additional child tax credit. Attach Form 8812 ... 42	
43	Add lines 39 through 42. These are your total payments ►	43

Standard Deduction for —
• People who checked any box on line 23a or 23b **or** who can be claimed as a dependent, see instructions.
• All others:
Single, $4,700
Head of Household, $6,900
Married filing jointly or Qualifying widow(er), $7,850
Married filing separately, $3,925

If you have a qualifying child, attach Schedule EIC.

Refund

44	If line 43 is more than line 38, subtract line 38 from line 43. This is the amount you **overpaid**	44
45a	Amount of line 44 you want **refunded to you** ►	45a
► b	Routing number ... ► c Type: ☐ Checking ☐ Savings	
► d	Account number	
46	Amount of line 44 you want **applied to your 2003 estimated tax** ... 46	

Direct deposit? See instructions and fill in 45b, 45c, and 45d.

Amount you owe

47	**Amount you owe.** Subtract line 43 from line 38. For details on how to pay, see instructions ►	47 498.
48	Estimated tax penalty (see instructions) ... 48	

Third party designee
Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete the following. ☒ **No**
Designee's name ► Phone no. ► Personal identification number (PIN) ►

Sign here
Joint return? See instructions. Keep a copy for your records.
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
		retired	
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid preparer's use only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ► Self-Prepared		EIN	
		Phone no.	

Form **1040A** (2002)