



## Filing Basics



### Introduction

This lesson will help you determine which taxpayers must or should file a tax return. You will also find information on how to verify a taxpayer's identity, which form to use, and completing the Basic Information Section.

### Objectives

At the end of this lesson, using your reference materials, you will be able to:

- Determine who *must* file a tax return
- Determine who *should* file a tax return
- Verify the taxpayer's identity
- Determine how to file the return

#### What do I need?

- Form 13614-C
- Publication 4012
- Publication 17
- Optional:**
- Publication 559
- Form 1040 Instructions
- Form 9452
- Publication 4299

### Who must file?

U.S. citizens or residents of the United States must file a return based on three factors. There are special rules for dependents, surviving spouses, U.S. citizens and residents living outside the U.S., residents of Puerto Rico, and individuals with income from U.S. possessions.

Remember to use the interview techniques and tools when determining who must file.



Taxpayers often want written proof if they are not required to file a tax return. Form 9452, Filing Assistance Program, provides a worksheet to determine a person's filing requirement, and can be given to taxpayers to keep with their records.

### What do I need to know?

To decide whether someone must file a tax return, you need to know the individual's:

- Age
- Gross income
- Filing status

#### **Where do I get information on the taxpayer's age?**

Look at the intake and interview sheet for the taxpayer's date of birth. Confirm this date during the interview. Refer to the sample Intake/Interview & Quality Review sheet in the Volunteer Resource Guide, Tab B, Starting a Return and Filing Status.

#### **Where do I get information on the taxpayer's gross income?**

An approximation of gross income is enough to see if a taxpayer must file a return. Gross income is **all** the income the taxpayer received during the tax year in the form of money, goods, property, and services that is not exempt from tax. It includes both earned and unearned income.

The Income section of the Volunteer Resource Guide lists the sources of income that should be included and excluded in determining a person's gross income. You can also refer to the Income lessons in this training guide.

To approximate gross income:

- Add the amounts from all the taxpayer's Form(s) W-2, Box 1
- Add taxable amounts reported on any Form(s) 1099
- Using the intake and interview sheet, review the income questions with the taxpayer to see if there was any additional income not reported on Form W-2 or Form 1099 and determine each amount

Total the above amounts to determine the taxpayer's approximate gross income.



Do not include Social Security benefits when determining filing requirement unless the taxpayers are married, are filing a separate return, and lived with their spouse at any time during the tax year.

### ***Where do I get information on the taxpayer's filing status?***

Taxpayers may or may not know which filing status to use. For the purposes of determining whether a person must file a return, narrowing the choices down to the most likely filing status(es) is adequate in most cases.

Check the Taxpayer Information section of the intake and interview sheet for:

- The taxpayer's marital status
- Whether the taxpayer can be claimed as a dependent on someone else's tax return
- The taxpayer's potential dependents

Use the Volunteer Resource Guide's Determination of Filing Status decision tree and the Interview Tips in Tab B, Starting a Return and Filing Status, for helpful probing questions.

### **Who is legally required to file a federal tax return?**

To determine whether a taxpayer is legally required to file a return, start with the Volunteer Resource Guide, Tab A, Who Must File. Use the charts to review the examples.

#### **example**

Lucy is 36 years old and single, and her gross income is \$20,000. She must file a tax return since her income exceeds the amount for her age and filing status.

#### **example**

Henrietta and Javier are married and plan to file a joint return. Henrietta is 67 and had a gross income of \$11,000 for the tax year. Javier is 66. His gross income was \$5,000 for the year. Since their combined gross income is less than the minimum amount for their ages and filing status, they do not have to file a return.

### ***What are special situations that require a taxpayer to file?***

If the Who Must File charts show that an individual is not required to file a return, then continue to Chart C – Other Situations When You Must File in the Volunteer Resource Guide to see if any of the special conditions require the person to file.

The most common special situations when individuals are legally required to file a return are:

- Self-employed with net earnings of \$400 or more
- Taxpayers who owe special taxes
- Taxpayers who received advanced payments of the premium tax credit (APTC) for themselves, their spouse, or a dependent



Taxpayers who received the 2008 first-time homebuyer credit are required to file a return to repay a portion of the credit.



## EXERCISES

Refer to the Who Must File section of the Volunteer Resource Guide to answer these questions. Answers are at the end of the lesson summary.

**Question 1:** Bob is 27 years old. His gross income was \$17,000 during the tax year. Based only on this information, is he required to file a tax return?  Yes  No

**Question 2:** Janet and Harry are married, file jointly, and lived together all year. During the tax year, she turned 66 and he turned 64. Their gross income was \$19,800. Based only on this information, are they required to file a tax return?  Yes  No

**Question 3:** Juanita has a dependent child and can file as a Qualifying Widow. She is 47 years old. Her gross income was \$27,000. Based only on this information, is she required to file a tax return?  
 Yes  No

## Who should file?

Even if individuals are not required to file a tax return, they should file a return if they qualify for certain credits or a refund. These items are listed in the Volunteer Resource Guide, Tab A, Who Must File.

Individuals *should* file a return if they are eligible to claim:

- A refund of withheld taxes
- The earned income credit (EIC)
- The child tax credit
- Premium tax credit
- The health coverage tax credit (out of scope)
- The American opportunity credit
- Recovery rebate credit (Economic Impact Payment)
- The child and dependent care credit
- Sick leave or family leave credit for self-employed individuals

Taxpayers who should file may be entitled to a tax credit, and filing a return is the only way to get it.

Individuals who are not required to file a return and who would not benefit from filing a return can reduce the cost, time, and effort of unnecessary processing by not filing a return.

## How do I find out if a taxpayer is eligible to claim a refund or refundable credit?

The taxpayer may qualify for a tax refund, earned income credit, child tax credit, child and dependent care credit, sick leave or family leave credit for self-employed individuals, premium tax credit, recovery rebate credit, or American opportunity credit if:

- Federal or state income tax was withheld on any income form
- The taxpayer had earned income
- The taxpayer has a qualifying child
- The taxpayer paid higher education expenses
- Taxpayer did not receive the full amount of their Economic Impact Payment (EIP)
- The taxpayer made estimated tax payments
- The taxpayer purchased health coverage through the marketplace
- The taxpayer paid for child or dependent care expenses
- The taxpayer has a business and lost workdays due to COVID-19



The earned income credit may apply with or without a child. See the Earned Income Credit and Child Tax Credit lessons for details on determining eligibility.

If a taxpayer is not required to file a tax return, and you are uncertain if they will benefit from filing, begin a return to determine if filing a tax return would benefit the taxpayer. Refer taxpayers who may qualify for the health coverage tax credit or a credit for the repayment of previously taxed income to a professional tax preparer.

## How do I verify taxpayer identity?

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As the first step in the interview process, you should verify the identity of the taxpayer(s), address, and the spelling of names entered on the taxpayer's intake and interview sheet.

### What documents do I use to verify identity?

Ask to see government-issued photo identification such as:

- Valid driver's license (U.S.)
- State ID (U.S.)
- Passport
- Visa
- Military ID
- National ID

Judgment should be used to accept any other valid form of identification. For example, the Site Coordinator can allow proof of identity in a situation of an elderly person with a disability who has an expired driver's license and passport but also provides a valid birth certificate. IRS-tax-law certified volunteers preparing tax returns are required to confirm the identity of the taxpayer to avoid identity theft, tax fraud, and to validate the correct name and Social Security number. If a taxpayer cannot substantiate their identity, or if the volunteer is uncomfortable accepting the items presented as proof of identity, the taxpayer should be advised to return with an acceptable form of identification.

Exceptions to requiring photo ID should only be made under extreme circumstances and should be approved by the Site Coordinator. For example, there may be limited situations where an exception may apply to a person with a disability, the elderly, or other unique circumstances. Additionally, the Site Coordinator has discretion to approve exceptions to verification of taxpayer identity rules. Refer to Publication 4299, Privacy, Confidentiality and Civil Rights for additional information.



A spouse who is Married Filing Separately is not required to provide the Social Security card for the other spouse, although the return cannot be e-filed without the spouse's Social Security number.

In addition to photo identification for taxpayers, they must also present proof of taxpayer identification numbers (TIN) for themselves and all persons listed on their tax return. (TIN is explained in next section.) Exceptions to this rule should be rare and only the Site Coordinator has discretion to approve an exception. Taxpayers who **cannot** substantiate their identity should seek professional tax assistance.

### **What about taxpayers filing for decedents?**

If you are assisting someone who is filing a return for a decedent:

- Be aware that volunteers need to take steps to protect a taxpayer's identity and avoid possible identity theft.
- Ask to see the surviving spouse's identification or a copy of the death certificate.
- A personal representative may be filing the return for the deceased taxpayer. Verify the identity of the person who is filing for the decedent and ask if they have court documents or other documentation authorizing them to file the tax return.
- Representatives or surviving spouses who do not have the necessary documentation with them should be advised to return once they have the information. If they cannot provide the information, refer them to a professional tax preparer.

For additional information about filing a return for a decedent, refer to the Return Signature in the Volunteer Resource Guide, Tab K, Finishing the Return, Form 1040 Instructions, Form 1310, Publication 17, or Publication 559.

### **What are Taxpayer Identification Numbers?**

IRS regulations require that each person listed on a U.S. federal income tax return have a valid Taxpayer Identification Number (TIN). The types of TINs are:

- Social Security Number (SSN)
- Individual Taxpayer Identification Number (ITIN)
- Adoption Taxpayer Identification Number (ATIN)

### ***Who has a Social Security number?***

Any individual who is legally eligible for employment in the United States must have a Social Security number.



Under the Protecting Americans from Tax Hikes (PATH) Act, ITINs that have not been used on a federal tax return at least once in the last three consecutive years will expire at the end of the year. Affected taxpayers who expect to file a tax return in 2021 must submit a renewal application.



Some Canadians have both U.S. and Canadian Social Security numbers. Never use the Canadian number on a U.S. tax return.

## Who has an Individual Taxpayer Identification Number?

Some individuals who need to file tax returns do not have SSNs. The IRS issues ITINs to nonresidents and others living in the U.S. who are required to have a U.S. TIN but who are not eligible to obtain SSNs.

The ITIN contains nine digits and is formatted like an SSN (XXX-XX-XXXX), but begins with the number 9 and has a specified range of numbers in the fourth and fifth digits. You should enter the ITIN on the return wherever the SSN is requested.



Taxpayers with an ITIN are able to file their returns but are not eligible for certain tax credits, such as the earned income credit. This is covered in later lessons.

## Who has an Adoption Taxpayer Identification Number?

Taxpayers who are in the process of adopting a child and who are able to claim the child as their dependent or are able to claim the child and dependent care credit need an ATIN for their adoptive child.

The IRS issues an ATIN for the child while a final domestic adoption is pending, and the adopting taxpayers do not have the child's SSN.

Like an ITIN, the nine-digit ATIN begins with the number 9. You should enter the ATIN on the return wherever the child's Social Security number is requested.



Taxpayers who cannot obtain an SSN must apply for an ITIN if they file a U.S. tax return or are listed on a tax return as a spouse or dependent. These taxpayers must file Form W-7, Application for Individual Taxpayer Identification Number and supply documentation that will establish foreign status and true identity. A federal tax return must be associated with all Form W-7 applications with exceptions as noted in the Form W-7 Instructions.

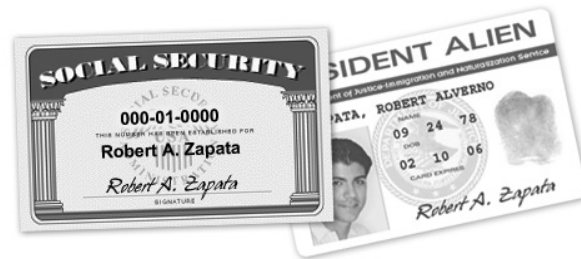


Taxpayer, spouse, or dependent name and Social Security number mismatches are some of the most frequent errors in processing a tax return.

## What are acceptable documents if the taxpayer does not have a Social Security card?

For individuals who do not bring their original or a copy of their Social Security card, you may accept either of the following:

- An SSA letter or a Form SSA-1099 statement
- An ITIN card or letter



Driver's licenses and passports are *not* acceptable substitutes for Social Security or ITIN cards.

## What if the taxpayer does not have an SSN or ITIN?

For individuals without a valid SSN, explain that they must have a taxpayer identification number before you can assist them. Direct them to the Social Security Administration and advise them to complete Form SS-5, Social Security Number Application. If the individual is not eligible for an SSN, refer them to the IRS for Form W-7, Application for IRS Individual Taxpayer Identification Number.

For a taxpayer who cannot obtain an SSN and has not yet applied for an ITIN, you can use a temporary identification number to prepare the return in the tax software. Turn to the Volunteer Resource Guide, Tab L, Resident/NR Alien.

When preparing a tax return for an ITIN application, include all Forms W-2, even if the SSN on the W-2 does not belong to the taxpayer. Do *not* change any information on the W-2. Send it in with the return as it is. Since it is not going to be transmitted electronically, it does not matter if the SSN does not match in the software.

Attach the tax return behind Form W-7 along with documentation that will establish foreign status and true identity and have the taxpayer submit the application package according to the Form W-7 instructions.

- If it is not available at the volunteer site, the taxpayer can obtain Form W-7 by calling the IRS at 1-800-829-3676 (1-800-TAX FORM) or download it at <https://www.irs.gov>
- If taxpayers need assistance in completing Form W-7, refer them to an IRS Taxpayer Assistance Center unless a volunteer at that site has been trained in the completion of Form W-7 or a Certifying Acceptance Agent (CAA) is available. A list of CAAs can be found on <https://www.irs.gov> by entering Certifying Acceptance Agent in the search field. Alternatively, refer the taxpayer to a professional tax preparer.
- An ITIN will expire for any taxpayer who fails to file a federal income tax return for three consecutive tax years. Any ITIN will remain in effect as long as a taxpayer continues to file U.S. tax returns. This includes ITINs issued after Jan. 1, 2013. These taxpayers will no longer face mandatory expiration of their ITINs and the need to reapply. A taxpayer whose ITIN has been deactivated and needs to file a tax return can reapply using Form W-7.



When preparing a return to include with a Form W-7 application, refer to the instructions in the Volunteer Resource Guide, Tab L, Resident/NR Alien.



## EXERCISES (continued)

**Question 4:** It is your responsibility as a volunteer tax preparer to enter each Social Security number correctly on the tax return.  True  False

## How do I choose the appropriate schedules to include with the tax return?

Form 1040 allows many taxpayers to file a short, simple form. Form 1040-SR, U.S. Income Tax Return for Seniors, is also available. It may be used by taxpayers who are age 65 or older at the end of the tax year. Schedules 1 through 3 have been created for instances where additional information needs to be carried over to the face of Form 1040/1040-SR.

The schedules are as follows:

- Schedule 1: Additional Income and Adjustments to Income
- Schedule 2: Additional Taxes
- Schedule 3: Additional Credits and Payments

## How do I file a return?



Detailed instructions for completing and filing the return are covered in the Volunteer Resource Guide.

A return can be filed electronically using IRS e-file or by sending in a paper return. The due date for filing a return for most taxpayers is April 15, unless it falls on a Saturday, Sunday, or legal holiday.

## What is electronic filing?

IRS e-file is a quick, easy, and more accurate alternative to paper returns. With e-filing, taxpayers receive their refund in half the usual time, and even faster with direct deposit.

## How do I answer taxpayers' general non-tax questions?

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The Volunteer Resource Guide, Publication 17, and <https://www.irs.gov> contain answers to many general non-tax questions asked by taxpayers during the interview process.

Questions such as “How can I get a copy of my prior year’s return” or “How can I get an IRS form or publication” can be answered by researching your reference materials.

Turn to the “Frequent Taxpayer Inquiries” located in the Volunteer Resource Guide, Tab P, Partner Resources, and review this helpful information. For a list of helpful phone numbers, refer to “Information for Volunteers,” located on the back of the Volunteer Resource Guide.

Review the index in the back of Publication 17 and locate answers to taxpayers’ questions that are not answered in the Volunteer Resource Guide.



### EXERCISES (continued)

Using your reference materials, answer the following question.

**Question 5:** A taxpayer wants to know about the Presidential Election Campaign Fund. Where can you find that information?

## What potential pitfalls should I keep in mind?

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To avoid any difficulties when preparing tax returns:

- Always treat the information used to prepare an individual’s income tax return as confidential.
- Canadians have a number that is like a Social Security number, but it is for their Canadian old age pension. Do not use this number on a U.S. tax return. Canadians often have both a U.S. and a Canadian Social Security number.
- Be alert to the following possible indications of fraudulent activity:
  - A Form W-2 that is typed, handwritten, or has noticeable corrections
  - A Form W-2 that looks different from other Forms W-2 issued by the same company
  - A suspicious person accompanying the taxpayer and observed on other occasions
  - Multiple refunds directed to the same address or P.O. box
  - Employment or earnings, which are a basis for refundable credits, that are not well documented
  - Similar returns (e.g., same amount of refund, or same number of dependents, or same number of Forms W-2)
- Notify your site’s coordinator if you suspect any fraudulent or unusual activity.

## Summary

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### Who must file?

To determine whether an individual is required to file a federal tax return:

- Obtain the person’s age
- Calculate the person’s approximate gross income
- Determine the person’s likely filing status
- Use the table and guidelines in the Volunteer Resource Guide, Who Must File section



## How do I verify taxpayer identity?

An initial step in the interview process is to verify the identity of the taxpayer(s), the accuracy of each SSN or ITIN, and spelling of names with the appropriate documents.

## Which tax forms are used?

Form 1040/1040-SR are used with Schedules 1 through 3.

## Filing the Return

E-filing is the safest, fastest, and easiest way to file a tax return. With e-file, taxpayers can generally expect their refund in less than 21 calendar days after the receipt of their tax return.



No refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month (February) following the close of the taxable year if the taxpayer claimed the EITC or additional child tax credit on the tax return.

## What situations are out of scope for the VITA/TCE programs?

The following are out of scope for this lesson. While this list may not be all inclusive, it is provided for your awareness only.

- Taxpayers who may qualify for the health coverage tax credit or credit for the repayment of previously taxed income
- Taxpayers who **cannot** substantiate their identity



## EXERCISE ANSWERS

**Answer 1:** Yes, Bob is required to file a return.

**Answer 2:** No, Janet and Harry are not required to file.

**Answer 3:** Yes, Juanita must file.

**Answer 4:** True. To prevent processing delays, check the accuracy of each Social Security number you enter on the return, as well as the spelling of the name associated with the number.

**Answer 5:** The index in Publication 17 directs us to a paragraph in the chapter on Filing Information.

