










Lesson Plan

Adjustments to Income

Time Required: 30 minutes

Introduction	Objectives	Topics
<p>This lesson covers the Adjustments to Income section of the tax return. Taxpayers can subtract certain expenses, payments, contributions, fees, etc. from their total income. The adjustments subtracted from total income on Form 1040 establish the adjusted gross income (AGI).</p>	<p>Identify which adjustments are in scope for VITA/TCE.</p>	 Educator Expenses
	<p>Calculate and accurately report the adjustments to income that are in scope for VITA/TCE.</p>	 Self-Employment Tax
		  Penalties for Early Withdrawal
		Alimony Paid
		 IRA Contributions
		  Student Loan Interest Jury Duty

Key Terms

Adjusted Gross Income (AGI): The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

Alimony: Payment to or for a spouse or former spouse under a separation or divorce instrument.

Coverdell ESA: A trust or custodial account created or organized in the United States only for the purpose of paying the qualified education expenses of the designated beneficiary of the account.

Modified Adjusted Gross Income (MAGI): The adjusted gross income with certain modifications.

Nondeductible Traditional IRA Contributions: Traditional IRA contributions that taxpayers may not deduct from their total income because the taxpayers do not meet the requirements; also includes remaining contributions from a partial IRA deduction.

Traditional IRA: An individual retirement arrangement that is not a Roth IRA or a SIMPLE IRA.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxSlayer on Income.	TaxSlayer® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • TaxSlayer IRS training • Click the appropriate demo
Provide details and engage the students	<p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples and sample interviews.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p>	<p>Internet: Link & Learn Taxes (L&LT) Adjustments to Income</p>

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>Review list of references.</p> <p>State the presentation time.</p> <p>Use Form 13614-C answers to determine if the taxpayer has adjustments to income.</p>	<p>Visual: Form 1040 Form 13614-C, Page 2, Part IV Pub 4012, Tab E, Adjustments</p>
Adjustments to Income	<p>Remind: Total income – adjustments = adjusted gross income (AGI).</p> <p>Ask taxpayers if they have:</p> <ul style="list-style-type: none"> • Educator Expenses? • Self-employment income? • Self-employed health insurance? • Early withdrawal of savings? • Alimony? • Contribution to an IRA? • Contribution to an HSA? • Student loan interest? • Jury duty income repaid to employer? 	<p>Visual: Form 13614-C, Page 2, Part IV, question 3 Pub 4012, Tab E, Adjustments, Adjustments to Income</p>

<p>Educator Expenses</p>	<p>Review L&LT topic Educator Expenses.</p> <p>Explain to students which expenses qualify for deduction.</p> <p>Remind students that only K-12 teachers who work a minimum of 900 hours during the school year may take the deduction.</p>	<p>Visuals: Pub 4012, Tab E, Adjustments, Educator Expenses</p> <p>Internet: Tax Topics, Work-Related Education Expenses</p>
<p>Self-Employment Tax</p>	<p>Review L&LT topic Self-Employment Tax.</p> <p>Explain self-employment health insurance deduction.</p> <p>Remind students that the self-employment tax is automatically calculated from Schedule SE.</p> <p>Remind students that the Other Taxes lesson covers this topic.</p>	<p>Visuals: Pub 4012, Tab E, Adjustments, Self-employed Health Insurance Deduction</p> <p>Form 1040</p> <p>Internet: Self-Employment video, Small Business Workshop</p> <p>TaxSlayer Demo: Self-Employed Health Insurance Deduction Worksheet to figure the deductible amount.</p>
<p>Penalties for Early Withdrawal</p>	<p>Review L&LT topic Penalties for Early Withdrawal.</p> <p>Remind students that early withdrawals can be found on Form 1099-INT or Form 1099-OID.</p> <p>Remind students the early withdrawal penalty amount should be entered in the interest income section if it is listed on Form 1099-INT. Otherwise, go to the Deductions section, then Adjustments, and click begin on the Penalty on Early Withdrawal of Savings or CD line.</p>	<p>Visuals: Form 1040 Form 1099-INT Form 1099-OID</p> <p>Pub 4012, Tab E, Adjustments: • Adjustments to Income</p>

Alimony Paid	<p>Review L&LT topic Alimony Paid.</p> <p>Direct students to Pub 4012, Alimony Requirements.</p> <p>Remind For divorce or separation agreement (or amendments) executed after 2018, the deduction for alimony payments and the inclusion of alimony in income is eliminated.</p> <p>Direct students to the Alimony chapter in Pub 17, and Pub 504, Divorced or Separated Individuals for more information.</p> <p>Remind students the recipient's SSN must be provided.</p> <p>Demonstrate how to enter alimony paid using the tax software.</p>	<p>Visuals:</p> <p>Pub 4012, Tab E, Adjustments:</p> <ul style="list-style-type: none">• Alimony Requirements• Adjustments to Income <p>Form 1040</p> <p>Pub 17</p> <p>Pub 504</p> <p>Internet:</p> <p>Tax Topics: Alimony Paid</p> <p>TaxSlayer Demo:</p> <p>Click on Deductions from Federal Section>Adjustments>Alimony Paid</p>
IRA Contributions	<p>Review L&LT topic IRA Contributions.</p> <p>Remind students that this topic covers traditional IRA and does not cover Roth or SIMPLE IRA.</p> <p>Review with students how much a taxpayer can contribute to an IRA, and when an IRA contribution can be deducted.</p> <p>Remind students that Form 1099-R is issued for excess IRA contributions that are withdrawn.</p>	<p>Visuals:</p> <p>Form 1040 Instructions IRA Deduction Worksheet</p> <p>Form 1040</p> <p>Pub 17, Individual Retirement Arrangements chapter</p> <p>Pub 4012, Tab E, Adjustments: IRA Deduction</p> <p>Form 1099-R</p> <p>Internet:</p> <p>Roth IRA Contributions</p>
Health Savings Account (H.S.A.)	<p>Review who qualifies for H.S.A.</p> <p>Review with students how much a taxpayer can contribute to an HSA, and when an HSA contribution can be deducted.</p> <p>Review qualified medical expenses and tax-free distributions from an HSA.</p>	<p>Visuals:</p> <p>Form 8889, Health Savings Accounts</p> <p>Pub 4012, Tab E, Adjustments: Screening Sheet for Health Savings Accounts (HSA)</p>

Adjustments to Income

Student Loan
Interest

Review L< topic Student Loan Interest.

Direct students to Pub 4012:

- Student Loan Interest Deduction at a Glance

Refer students to Form 1098-E.

Refer students to the Student Loan Deduction Worksheet from Form 1040 instructions.

Visuals:

[Form 13614-C](#), Page 2, Part V

Pub 4012, Tab E, Adjustments:

- [Student Loan Interest Deduction at a Glance](#)
- [Form 1040, Adjustments to Income](#)

[Form 1040](#)

[Form 1098-E](#)

Demonstrate how to enter student loan in TaxSlayer.

Form 1040 Instructions, [Student Loan Interest Deduction Worksheet](#)

[Pub 970](#)

Internet:

Tax Trails: [Student Loan Interest](#)

TaxSlayer Demo:

Federal section>Adjustments>Student Loan Interest Deduction

Skills Workout

Review the Skills Workout with the class.

Visuals:

L< Adjustments to Income: Click Certification Warm Up icon to review the exercises

References

Form 13614-C

[Form 13614-C](#), Intake/Interview & Quality Review Sheet, Page 2, Part IV

Form 1040

[Form 1040](#), AGI Section

Pub 4012

Pub 4012, Volunteer Resource Guide, Tab E, Adjustments
[Adjustments to Income](#)
[Educator Expenses](#)
[Self-employed Health Insurance Deduction](#)
[Alimony Requirements](#)
[IRA Deduction](#)
[Student Loan Interest Deduction at a Glance](#)
[Highlights of Education Tax Benefits](#)
 Health Savings Accounts

Form 1040 Instructions

[Form 1040 Instructions](#)

Schedule SE (Form 1040)

[Schedule SE \(Form 1040\)](#), Self-Employment Tax

Form 1098-E

[Form 1098-E](#), Student Loan Interest Statement

Form 1098-T

[Form 1098-T](#), Tuition Statement

Form 1099-INT

[Form 1099-INT](#), Interest Income

Form 1099-OID	Form 1099-OID , Original Issue Discount
Pub 17	Pub 17 , Part Four, Adjustments to Income
IRA Deduction Worksheet	Form 1040 Instructions , IRA Deduction Worksheet
Student Loan Deduction Worksheet	Form 1040 Instructions Student Loan Deduction Worksheet
Optional	
Pub 504	Publication 504 , Divorced or Separated Individuals, Alimony chapter
Pub 529	Publication 529 , Miscellaneous Deductions
Pub 590-B	Publication 590-B , Distributions from Individual Retirement Arrangements
Pub 969	Publication 969 , Health Savings Accounts and Other Tax-Favored Health Plans
Pub 970	Publication 970 , Tax Benefits for Education
Health Savings Accounts	Form 8889 , Health Savings Accounts

Recommended Classroom Activities



Skills Workout



Certification Warm Up



Media: Videos & Audio



TaxSlayer Tutorial



Job Aids



Practice Lab



[Skills Workout: Link & Learn Taxes Adjustments to Income](#)

Click Skills Workout for a new way to access Link & Learn Taxes Adjustments to Income.



[Certification Warm Up – Summary Exercise](#)

Click Certification Warm Up for a new way to access the exercises in Link & Learn Taxes Adjustments to Income.



[Media: Video & Audio for Lesson](#)

There is no media associated with this lesson.



TaxSlayer Tips and Resources for Lesson

TaxSlayer Training Video [Entering Adjusted Gross Income](#)

Practice Lab Tutorial From the [Practice Lab](#):

1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
 2. Sign in to Practice Lab or create an account.
 3. Select the appropriate tutorial.
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Job Aids
ITA and FAQs for Lesson

Tax Topics Tax Topics: Educator Expenses
<https://www.irs.gov/taxtopics/tc513.html>

Tax Topics: Alimony Paid
<https://www.irs.gov/taxtopics/tc452.html>

Student Loan Interest
<https://www.irs.gov/taxtopics/tc456.html>

Self-Employment
[Small Business Workshop](#)

Roth IRA Contributions
https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits?_ga=1.81200595.516493254.1473702659



Practice Lab

Practice Lab <https://vita.taxslayerpro.com/IRSTraining>
