



Adjustments to Income

Schedule 1 (Form 1040) 2024

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Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions):		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8I from the rental of personal property engaged in for profit	24b	



About Adjustments to Income

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise



Objectives – Adjustments to Income

- Identify which adjustments are in scope for VITA/TCE
- Calculate and accurately report the adjustments to income that are in scope for VITA/TCE
- Time Required: 60 minutes

Topics



- Educator Expenses
- Self-Employment Tax
- IRA Contributions
- Health Savings Account
- Self-Employed Health Insurance Deduction



- Penalties for Early Withdrawal
- Alimony Paid
- Student Loan Interest
- Jury Duty
- Other Adjustments to Income



Key Terms

Definitions are always available in the L< online Glossary.

- Adjusted Gross Income (AGI)
- Alimony
- Coverdell ESA
- Modified Adjusted Gross Income (MAGI)
- Nondeductible Traditional IRA Contributions
- Traditional IRA



Adjustments to Income

- What are some common adjustments to income you should ask taxpayers about?
 - Self-employment income and tax
 - Self-employed health insurance
 - Penalties on early withdrawal of savings
 - Alimony
 - Contribution to an IRA or HSA
 - Student loan interest
 - Jury duty income repaid to employer
- Total income – adjustments = adjusted gross income (AGI)
- Review Pub 4012, Tab E, Adjustments

Educator Expenses



- Eligible educators can deduct up to \$300 of qualified expenses
- K-12 teachers who work a minimum of 900 hours during the school year may take the deduction
- Expenses that qualify include:
 - Books
 - Supplies
 - Equipment (including computer equipment, software, and services)
 - Other materials used in the classroom
- Expenses that do not qualify include:
 - Home schooling
 - Nonathletic supplies for physical education
 - Supplies for health courses

Self-Employment Tax



- A portion of self-employment tax can be subtracted from total income
- The self-employment tax is automatically calculated from Schedule SE
- Self-employed health insurance deduction is in scope for returns without Premium Tax Calculations

c Combine lines 4a and 4b. If less than \$400, stop; you don't owe self-employment tax. Exception: If less than \$400 and you had church employee income, enter -0- and continue.		4c	
5a	Enter your church employee income from Form W-2. See instructions for definition of church employee income.	5a	
b	Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-	5b	
6	Add lines 4c and 5b	6	
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2024	7	168,600
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$168,600 or more, skip lines 8b through 10, and go to line 11	8a	
b	Unreported tips subject to social security tax from Form 4137, line 10	8b	
c	Wages subject to social security tax from Form 8919, line 10	8c	
d	Add lines 8a, 8b, and 8c	8d	
9	Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11	9	
10	Multiply the smaller of line 6 or line 9 by 12.4% (0.124)	10	
11	Multiply line 6 by 2.9% (0.029)	11	
12	Self-employment tax. Add lines 10 and 11. Enter here and on Schedule 2 (Form 1040), line 4, or Form 1040-SS, Part I, line 3	12	
13	Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter here and on Schedule 1 (Form 1040), line 15	13	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11358Z Schedule SE (Form 1040) 2024

Penalties for Early Withdrawal



- Form 1099-INT, Interest Income, or Form 1099-OID, Original Issue Discount, document this penalty
- The penalty amount is entered on the interest statement in TaxSlayer

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0112 Form 1099-INT (Rev. January 2024) For calendar year _____		Interest Income
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)		Copy B For Recipient
PAYER'S TIN		1 Interest income \$		
RECIPIENT'S TIN		2 Early withdrawal penalty \$		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name		3 Interest on U.S. Savings bonds and Treasury obligations \$		
Street address (including apt. no.)		4 Federal income tax withheld \$		
City or town, state or province, country, and ZIP or foreign postal code		5 Investment expenses \$		
FATCA filing requirement <input type="checkbox"/>		6 Foreign tax paid \$		
Account number (see instructions)		7 Foreign country or U.S. territory \$		
8 Tax-exempt interest \$		9 Specified private activity bond interest \$		
10 Market discount \$		11 Bond premium \$		
12 Bond premium on Treasury obligations \$		13 Bond premium on tax-exempt bond \$		
14 Tax-exempt and tax credit bond CUSIP no.		15 State \$		
16 State identification no.		17 State tax withheld \$		

Form **1099-INT** (Rev. 1-2024) (keep for your records) www.irs.gov/Form1099INT Department of the Treasury - Internal Revenue Service

Alimony Paid



- Alimony payments: subtracted from income by the payer, reported as income by the recipient
- Can be direct payments to the ex-spouse, or payments to cover expenses for the ex-spouse (such as medical bills, housing costs)
- Do not confuse alimony payments with child support payments, which are not deductible (and are not taxable for the recipient)
- See [Pub 4012](#), Tab E, Adjustments, Alimony Requirements, the Alimony chapter in [Pub 17](#), and [Pub 504](#), Divorced or Separated Individuals

Alimony Requirements (Instruments Executed After 1984)

Payments **ARE** defined as alimony if **all** of the following are true:

Payments are required by a divorce or separation instrument.

Payer and recipient spouse don't file a joint return with each other.

Payment is in cash or cash equivalents (including checks or money orders).

Payments **AREN'T** alimony if **any** of the following are true:

Payments aren't required by a divorce or separation instrument.

Payer and recipient spouse file a joint return with each other.

Payment is:

- Not in cash,

• A periodic payment for the support of the recipient.

IRA Contributions



- Only contributions to traditional IRAs are deductible
- Taxpayers may contribute and deduct up to \$7,000 (\$8,000 if age 50+)
 - Contributions cannot be more than taxpayer's yearly compensation
- Deductions can be “phased out” depending on income (MAGI), filing status, and availability of employer-provided retirement plan
- Find the IRA Deduction Worksheet in the Form 1040 Instructions
- To add IRA contributions, go to the adjustments tab and click begin on the IRA deduction line.

IRA Deduction Worksheet—Schedule 1, Line 32

Warning: If you were age 70½ or older at the end of 2018, you can't deduct any contributions made to your traditional IRA or treat them as nondeductible contributions. Don't complete this worksheet for anyone age 70½ or older at the end of 2018. If you are married filing jointly and only one spouse was under age 70½ at the end of 2018, complete this worksheet only for that spouse.

Before you begin:

- ✓ Be sure you have read the 11-item list in the instructions for this line. You may not be able to use this worksheet.
- ✓ Enter any write-in adjustments to be entered on the dotted line next to Schedule 1, line 34 (see the instructions for Schedule 1, line 34).
- ✓ If you are married filing separately and you lived apart from your spouse for all of 2018, enter “D” on the dotted line next to Schedule 1, line 32. If you don't, you may get a refund after notice from the IRS.

Your IRA		Spouse's IRA	
1a. Were you covered by a retirement plan (see <i>Were You Covered by a Retirement Plan?</i>)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	1b. <input type="checkbox"/> Yes <input type="checkbox"/> No	
Next, if you checked “No” on line 1a (and “No” on line 1b if married filing jointly), skip lines 2 through 6, enter the applicable amount below on line 3a (and line 3b if applicable), and go to line 7. <ul style="list-style-type: none">• \$7,000, if under age 50 at the end of 2018.• \$8,000, if age 50 or older but under age 70½ at the end of 2018. Otherwise, go to line 2.			
2. Enter the amount shown below that applies to you. <ul style="list-style-type: none">• Single, head of household, or married filing separately and you lived apart from your spouse for all of 2018, enter \$13,000.• Qualifying widow(er), enter \$13,000.• Married filing jointly, enter \$13,000 in both columns. But if you checked “No” on either line 1a or 1b, enter \$13,000 for the person who hasn't been covered by a plan.• Married filing separately and you lived with your spouse at any time in 2018, enter \$10,000.		2a. _____	2b. _____
3. Enter the amount from Form 1040, line 6 _____		3. _____	
4. Enter the total of the amount from Schedule 1, lines 23 through 31a, plus any write-in adjustments you entered on the dotted line next to Schedule 1, line 34 other than any amounts identified as “QPAI” _____		4. _____	
5. Subtract line 4 from line 3. If married filing jointly, enter the result in both columns _____		5a. _____	5b. _____
6. Is the amount on line 5 less than the amount on line 2? <input type="checkbox"/> No. <input checked="" type="radio"/> Yes. STOP None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.			
<input type="checkbox"/> Yes. Subtract line 5 from line 2 in each column. Follow the instruction below that applies to you. <ul style="list-style-type: none">• If single, head of household, or married filing separately, and the result is \$7,000 or more, enter the applicable			

Health Savings Accounts (HSA)



- Review the taxpayer's intake/interview & quality review sheet to see if the HSA box is checked
- The taxpayer (or spouse's) Form W-2 will contain code W in box 12 for employer contributions
- The taxpayer (or spouse) should have a Form 1099-SA with an x in the box showing distributions from an H.S.A
- See [Pub 4012](#), Tab E, Health Savings Accounts for contribution limits

Student Loan Interest



- Generally the smaller of \$2,500 or the interest paid that year on a qualified student loan
- Gradually phased out or eliminated based on the taxpayer's filing status and MAGI
- Reported to the taxpayer on Form 1098-E, box 1
- See [Pub 4012](#), Tab E, Adjustments:
 - Student Loan Interest Deduction at a Glance
- See [Pub 970](#), Tax Benefits for Education
- Refer to the Student Loan Deduction Worksheet from Form 1040 Instructions



Summary

- This lesson explained how to identify and claim adjustments to income:
 - Educator expenses
 - Deductible portion of self-employment tax
 - Self-employed health insurance deduction
 - Penalty on early withdrawal of savings
 - Alimony paid
 - IRA deduction
 - Health Savings Account
 - Student loan interest deduction
 - Jury duty pay turned over to the taxpayer's employer
- Check your understanding of this lesson by going to Certification Warm Up on your student landing page



Out of Scope for this Lesson:

- Other adjustments to income on Form 1040, such as:
 - Self-employed health insurance deduction with premium tax credit calculations
 - Self-employed SEP, SIMPLE, and qualified plans
 - Certain business expenses of performing artists
 - Domestic production activities deduction
- Form 8606, Nondeductible IRAs