



Lesson Plan

Miscellaneous Credits

Time Required: 15 minutes

Introduction	Objectives	Topics
<p>This lesson explains how to apply the nonrefundable credits for:</p> <ul style="list-style-type: none"> • Retirement savings contributions • Elderly or the disabled • Residential energy credits 	<p>Determine if a taxpayer qualifies for the retirement savings contributions credit and accurately complete Form 8880, Credit for Qualified Retirement Savings Contributions.</p> <p>Calculate the credit for the elderly or the disabled by completing Schedule R (Form 1040), Credit for the Elderly or the Disabled.</p>	 <p>Retirement Savings Contributions Credit</p> <p>Credit for the Elderly or the Disabled</p> <p>Residential Energy Credits</p> <p>Mortgage Interest Credit</p> <p>Reporting Nonrefundable Credits</p>

Key Terms

After-tax Contributions: After-tax means the employee paid taxes on the money when it was contributed, i.e., the taxpayer has a cost basis in the plan.

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.

Annuity: A series of payments under a contract from an insurance company, a trust company, or an individual. Annuity payments are made at regular intervals over a period of more than one full year.

Before-tax Contributions: Before-tax simply means that the employee did not pay taxes on the money at the time it was contributed, i.e., the taxpayer has no cost basis in the plan.

Credit for the Elderly or the Disabled: The credit for the elderly or the disabled is calculated on Schedule R and reported in the Tax and Credits section of Form 1040.

Disability Income: This income comes from an employer's disability insurance, health plan, or pension plan. The payments replace wages for the time the taxpayer missed work because of the disability.

Individual Retirement Arrangement (IRA): A tax-sheltered savings plan set up by the taxpayer, generally for retirement income.

Mortgage Interest Credit: Taxpayers who hold qualified mortgage credit certificates (MCCs) under a qualified state or local government program may claim a nonrefundable credit for mortgage interest paid.

Nonrefundable Credit: A nonrefundable credit can only reduce the tax liability to zero. Any excess credit is not refunded to the taxpayers.

Railroad Retirement Benefits (RRBs): Benefits paid to railroad employees working in jobs that are covered by the Railroad Retirement Act. The RRA has two components. Tier 1 is the equivalent of Social Security benefits and Tier 2 is like an employer's pension plan.

Refundable Credit: Occurs when the amount of a credit is greater than the tax owed. Taxpayers not only can have their tax reduced to zero; they can also receive a "refund" of excess credit.

Retirement Savings Contributions Credit: The retirement savings contributions credit is a nonrefundable credit qualifying taxpayers may claim if they made a contribution to a qualified plan.

Thrift Savings Account (TSP): A retirement savings and investment plan that has been available to civilian employees of the federal government since 1987, and was made available to U.S. service personnel in 2002.

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 Miscellaneous Credits.	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) Miscellaneous Credits</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>Point out that although TaxSlayer will calculate these credits, volunteers must enter the correct information and make the correct determinations based on Form 13614-C, client interviews, and resource materials.</p>	<p>Visuals: Form 13614-C, page 2 Form 1040 Pub 4012, Nonrefundable Credits tab G</p>

Retirement Savings Contributions Credit

Emphasize that volunteers should ask if the taxpayer made a contribution to, or received distributions from, a retirement account (Form 13614-C).

Go through Pub 4012, Retirement Savings Contributions Credit – Decision Tree to determine a taxpayer’s eligibility.

Refer students to Form W-2 Instructions for box 12 codes and box 14.

Point out how employee after-tax designated Roth contributions under a section 401(k) or 403(b) plan are shown on Form W-2.

Caution students that contributions designated under Internal Revenue Code Section 414(h)(2) (government pick-up plans) are treated as employer contributions and do not qualify for the credit.

Ask: What is the maximum contribution amount that can be applied to the credit?

Answer: \$2,000 per year per person.

Discuss distributions received during a testing period that reduce eligible contributions.

Demonstrate TaxSlayer:

- Enter deductible and nondeductible IRA amounts on the Retirement Savings Contributions Credit screen. Remind students that even if Roth contributions are not deductible, they may have an impact on traditional IRA contributions/deductions and on the Retirement Savings Credit.
- The software will carry the appropriate contributions to Form 8880.

Review and discuss Tax Topics from IRS.gov.

Visuals:

[Form 13614-C](#), page 2

[Form 8880](#)

[Pub 4012](#), Nonrefundable Credits tab G, Retirement Savings Contributions Credit – Screening Sheet

[Form W-2 Instructions](#), box 12 codes and box 14

Internet:

L< Miscellaneous Credits, Retirement Savings Contributions Credit

Tax Trails:

- [Retirement Savings Contributions Credit](#)

Tax Topics:

- [Retirement Savings Contributions Credit](#)

TaxSlayer Demo:

Show how software calculates the Retirement Savings Contributions Credit.

Credit for the Elderly or the Disabled

Discuss definition of mandatory retirement age and purpose of disability income.

Refer to Pub 4012, Credit for the Elderly and Disabled – Screening Sheet, Figure A to determine a taxpayer’s eligibility.

Go through Pub 4012, Credit for the Elderly and Disabled – Figure B to determine income limits.

Display Schedule R and emphasize that it must be completed to determine if the taxpayer can claim the credit.

Point out that Social Security benefit amounts must be entered on the Social Security benefits screen, even if no Social Security amount is taxable, so the software can calculate this credit.

Ask: Why do so few taxpayers qualify for this credit? **Answer:** The taxpayer’s total income must be within certain limits, and most taxpayers’ Social Security benefits alone exceed the limit.

Review Tax Trails for determining eligibility and the article on Disability Information found on IRS.gov.

Review line 54 of the nonrefundable credits screen in TaxSlayer shown in Pub 4012.

Demonstrate TaxSlayer calculation of the credit for the elderly or the disabled.

Visuals:

[Pub 4012](#), Nonrefundable Credits tab G:

- Credit for the Elderly or the Disabled – Screening Sheet
- Figure B. Income Limits
- Nonrefundable Credits

[Schedule R \(Form 1040\)](#)

Internet:

L< Miscellaneous Credits, Credit for the Elderly or the Disabled

Tax Trails: [Do I Qualify for the Credit for the Elderly or Disabled?](#)

TaxSlayer Demo:

Show how software calculates the Credit for the Elderly or the Disabled

Residential Energy Credits

Review the two types of energy credits.

Point out that only the energy efficient home improvement credit (previously named the nonbusiness energy property credit) is in scope.

Refer to Pub 4012 to review the requirements of the credit.

Visuals:

[Pub 4012](#), Nonrefundable Credits tab G, Residential Energy Credits

Mortgage Interest Credit	<p>Caution students that taxpayers who hold qualified mortgage credit certificates (MCCs) under a qualified state or local government program and want to claim a nonrefundable credit for mortgage interest paid should be referred to a professional tax preparer.</p>	<p>Visuals: Pub 4491, Miscellaneous Credits, Mortgage Interest Credit</p>
Reporting Nonrefundable Credits	<p>Emphasize that the nonrefundable credits cannot exceed the taxpayer's federal income tax.</p> <p>Refer students to Pub 4012, Nonrefundable Credits.</p> <p>Demonstrate TaxSlayer calculation of the total credits.</p>	<p>Visuals: Pub 4012, Nonrefundable Credits tab G</p> <p>Internet: L&LT Miscellaneous Credits, Reporting Nonrefundable Credits</p> <p>TaxSlayer Demo: Show how software calculates the total tax credits.</p>
Summary	<p>Review the lesson summary and exercises with the class.</p> <p>Restate:</p> <ul style="list-style-type: none"> • Changes for current year • Out of scope items 	<p>Visuals: Pub 4491 Miscellaneous Credits, Summary</p>

References

Form 13614-C, Intake and Interview Sheet	Form 13614-C
Form 1040	Form 1040
Form 1040 Instructions	Form 1040 Instructions
Form 8880	Form 8880 , Credit for Qualified Retirement Savings Contributions
Form W-2 Instructions	Form W-2 Instructions
Schedule R (Form 1040)	Schedule R (Form 1040) , Credit for the Elderly or the Disabled
Pub 4012	<p>Pub 4012, Volunteer Resource Guide, Nonrefundable Credits tab and Credits tab</p> <p>Credit for the Elderly or the Disabled – Screening Sheet</p> <p>Figure B. Income Limits</p> <p>Retirement Savings Contributions Credit</p> <p>Nonrefundable Credits</p>

Recommended Classroom Activities



Skills Workout



Certification Warm Up



Media: Videos & Audio



TaxSlayer Tutorial



Job Aids



Practice Lab



Skills Workout: Link & Learn Taxes Miscellaneous Credits

Click Skills Workout to access L< Miscellaneous Credits.



Certification Warm Up – Exercises

Click Certification Warm Up to access the Exercises in L< Miscellaneous Credits.



Media: Video & Audio for Lesson

There is no media associated with this lesson



TaxSlayer Tips and Resources for Lesson

TaxSlayer Training Video [Entering Basic Credits](#)

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 Trails

Do I Qualify for the Credit for the Elderly or Disabled?

<https://www.irs.gov/help/ita/do-i-qualify-for-the-credit-for-the-elderly-or-disabled>

Tax Topics

Retirement Savings Contributions Credit

<http://www.irs.gov/taxtopics/tc610.html>

Other

Retirement Savings Contributions Credit

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>



Practice Lab

Practice Lab

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