









Lesson Plan

Other Taxes

Time Required: 15 minutes

Introduction	Objectives	Topics
<p>This lesson explains how to determine if taxpayers owe additional taxes or payments and how to figure the total tax using the appropriate schedules and forms.</p> <p>Other taxes and payments in scope for VITA/TCE include:</p> <ul style="list-style-type: none">• Self-employment taxes• Taxes on unreported tip income• Taxes and penalties on qualified retirement plans	<p>Identify the different types of other taxes on a return.</p> <p>Determine if a taxpayer is liable for other taxes that are within scope of the volunteer program.</p> <p>Determine how to report these additional taxes on the tax return, and complete the applicable forms or schedules.</p>	<p> Other Taxes Self-Employment Tax Unreported Tip Income</p> <p>  Qualified Retirement Plans</p> <p> Form 5329, Part I</p> <p>  Figuring the Total Tax</p>

Key Terms

Allocated Tips: Tips an employer assigns to an employee. They are in addition to the tips the employee reports to the employer.

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

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

Pension: A series of definitely determinable payments made to an employee or survivor (the beneficiary of a deceased employee's pension) after the employee retires from work.

Self-employment Income: Earned income from a trade, business, farming, or profession that is not paid by an employer. For example, hair stylists and lawn care workers who work for themselves (and not for someone else) are considered self-employed.

Tip Income: Money and goods received for services performed by food servers, baggage handlers, hairdressers, and others. Tips go beyond the stated amount of the bill and are given voluntarily.

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	<p>Review the online demo of TaxSlayer on Other Taxes.</p> <p>Point out that other taxes are not reduced by nonrefundable credits.</p>	<p>TaxSlayer® Demo:</p> <p>From the Practice Lab, select:</p> <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:</p> <p>Link & Learn Taxes (L&LT) Other Taxes</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>Caution students that although TaxSlayer makes most of the calculations, volunteers must enter the correct information and make the correct determinations based on Form 13614-C, client interviews, and resource materials.</p>	<p>Visuals:</p> <p>Form 13614-C, Page 2</p> <p>Form 1040</p> <p>Pub 17:</p> <ul style="list-style-type: none"> • Chapter 7, Social Security and Equivalent Railroad Retirement Benefits • Chapter 11, Taxes • Chapter 13, How to Figure Your Tax, Other Taxes <p>Pub 4012, Income and Other Taxes and Payments tabs</p>

Other Taxes	<p>Emphasize that the “Other Taxes” section of Form 1040 are for taxes that are calculated on their own forms and schedules, as opposed to the tax tables or Tax Computation Worksheet.</p> <p>Refer students to Pub 4012, Other Taxes and Payments.</p> <p>Point out topics beyond scope of VITA/TCE:</p> <ul style="list-style-type: none"> • Household employment taxes • IRA minimum distributions not withdrawn when required • Excess IRA contributions not removed • Parts II-IX of Form 5329 	<p>Visuals:</p> <p>Pub 4012, Other Taxes and Payments tab, Form 1040, Page 2 – Other Taxes and Payments</p>
Self-Employment Tax	<p>Discuss what self-employment tax is and any new tax law.</p> <p>Ask: How much does a taxpayer need to receive in net earnings from self-employment before having to pay self-employment tax? Answer: \$400 or more (\$108.28 as a church employee).</p> <p>Refer students to Pub 17 for more information.</p> <p>Refer to Pub 4012 during discussion of how to figure the tax.</p> <p>Point out that TaxSlayer transfers info from Schedule C to Schedule SE and calculates the tax and adjustment of the deductible part of the tax.</p> <p>Advise students that self-employed taxpayers who receive tips should include tips in gross receipts on Schedule C.</p> <p>Review Tax Topics and FAQs on self-employment tax and income found on IRS.gov.</p> <p>Demonstrate TaxSlayer calculation of the self-employment tax</p>	<p>Visuals:</p> <p>Pub 334</p> <p>Pub 4012, Income tab,</p> <ul style="list-style-type: none"> • Schedule C Business Income, page 1 • Schedule C Business Income, page 2 <p>Pub 4012, Adjustments to Income tab</p> <p>Pub 4012, Other Taxes and Payments tab, Form 1040, Page 2 – Other Taxes and Payments</p> <p>Internet:</p> <p>Tax Topics, Self-Employment Tax</p> <p>FAQs, Small Business/Self-Employed/Other Business</p> <p>TaxSlayer Demo:</p> <p>Entering Other Taxes – Self Employment Tax (Schedule SE)</p>

Unreported Tip Income

Discuss the definition of allocated tips and how they are included on Form W-2.

Ask: How much does a taxpayer need to receive in unreported tips before having to pay Social Security and Medicare taxes on it?

Answer: \$20 per month or more.

Refer students to Pub 17 for more information.

Refer to Pub 4012 for discussion of figuring the tax.

Point out that TaxSlayer uses info from Form W-2 to compute the correct tax on unreported tips.

Advise students that sometimes people do not realize they owe taxes on tips they do not report to their employer. During the interview, volunteers should explain that the taxes paid on those tips boost the taxpayer's future Social Security benefits.

Review Tax Tip on tip income found on taxmap.irs.gov.

Demonstrate TaxSlayer entries required for the calculation of taxes on unreported tip income.

Visual:

[Pub 17](#), Chapter 6, Social Security and Medicare Tax on Tips

[Form 4137](#)

[Form W-2](#)

[Pub 4012](#)

- Income tab, How to Enter Tips
- Other Taxes and Payments tab, Form 1040, Page 2 – Other Taxes and Payments

Internet:

TaxSlayer Demo:

[Entering Other Taxes – Tax on Unreported Tip Income \(Form 4137\)](#)

Qualified Retirement Plans

Discuss conditions that require taxpayers to pay penalty taxes on contributions to or distributions from their retirement plans.

Point out that only early distributions are in scope for VITA/TCE.

Advise students to refer to Form 13614-C, page 2 for interview question regarding pension or IRA distributions.

Display: Form 1099-R, box 7 when discussing code 1 indicating early distribution.

Discuss if code 1 is in box 7, taxpayers are subject to 10% additional tax for early distribution.

Visuals:

[Pub 17](#), Chapters 10, 17, Additional taxes on Qualified Retirement Plans and IRAs

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

[Form 1099-R](#)

[Pub 4012](#)

- Income tab, 1099-R Pension and Annuity Income
- Other Taxes and Payments tab, Form 1040, Page 2 – Other Taxes and Payments

TaxSlayer Demo:

[Entering Other Taxes – Tax on Early Distribution](#)

Form 5329, Part I

Ask: When is Form 5329 required?
Answer: When an exception to the additional tax on early distributions applies.

Refer students to Pub 17 and Form 5329 Instructions for information on the exceptions to the additional tax.

Demonstrate TaxSlayer entries required for the calculation of taxes on early distributions.

Point out that the software does not use code numbers. Select from the drop down box on the 3rd line of the software.

Visuals:

[Form 5329](#), Part I

[Form 5329 Instructions](#)

[Pub 4012](#), Other Taxes and Payments tab, Form 5329, Additional Taxes on Qualified Plans

Internet:

FAQs, [General Taxability Issues including Distributions, Early Withdrawals, 10% Additional Tax, Defaulted Loans](#)

TaxSlayer Demo:

[Entering Other Taxes – Tax on Early Distribution](#)

First-Time Homebuyer Credit	Advise students to refer to Form 13614-C, page 2 for questions about selling a home.	Visuals: Form 13614-C , Page 2
Skills Workout	Review the Skills Workout with the class. Re-emphasize out of scope items	Visuals: L< Other Taxes, Click Certification Warm Up icon to review Summary and Exercises

References

Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Page 2
Form 1040	Form 1040
Form 1040 Instructions	Form 1040 Instructions
Form 4137	Form 4137 , Social Security and Medicare Tax on Unreported Tip Income
Form 5329	Form 5329 , Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
Form 5329 Instructions	Form 5329 Instructions
Form W-2	Form W-2
Schedule SE	Schedule SE (Form 1040) , Self-Employment Income
Pub 4012	Pub 4012 , Volunteer Resource Guide, Income, Adjustments, and Other Taxes and Payments tabs How/When to Enter Income How to Enter Tips Schedule C Business Income, page 1 Schedule C Business Income, page 2 1099-R Pension and Annuity Income Adjustments to Income Form 1040, Page 2 – Other Taxes and Payments Form 5329, Additional Taxes on Qualified Plans
Pub 17	Pub 17 , Chapter 7, Chapter 11 – Taxes and Chapter 13 – How to Figure Your Tax, Other Taxes
Pub 531	Pub 531 , Reporting Tip Income
Pub 575	Pub 575 , Pension and Annuity Income

Optional

Form 1099-R [Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.](#)

Schedule C [Schedule C \(Form 1040\), Profit or Loss From Business](#)

Recommended Classroom Activities



**Skills
Workout**



**Certification
Warm Up**



**Media: Videos
& Audio**



**TaxSlayer
Tutorial**



Job Aids



**Practice
Lab**



Skills Workout: Link & Learn Taxes Other Taxes

Click Skills Workout to access Link & Learn Taxes Other Taxes.



Certification Warm Up–Exercises

Click Certification Warm Up to access the exercises in Link & Learn Taxes Other Taxes.



Media: Video & Audio for Lesson

There is no media associated with this lesson.



TaxSlayer Tips and Resources for Lesson

TaxSlayer Training Video [Entering Other Taxes](#)

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.



Job Aids

ITA and FAQs for Lesson

Tax Topics

Self-Employment Tax

<https://www.irs.gov/taxtopics/tc554.html>

FAQs

Small Business/Self-Employed/Other Business

<https://www.irs.gov/faqs/small-business-self-employed-other-business>

General Taxability Issues including Distributions, Early Withdrawals, 10% Additional Tax, Defaulted Loans

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>



Practice Lab

Practice Lab

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