

Income – Wages

As an AARP Foundation Tax-Aide Counselor, wages and W-2 forms are a common type of income.

Learning Objectives - Wages:

- Report income correctly on Form 1040: Line 1 Wages, salaries, tips, etc.
- Understand out of scope situations concerning wages
- Explore what questions can you ask a taxpayer to determine all sources of income
- Discover Form W-2 references and learning tools

Getting Started:



Review the specific discussion related to Wages in the

VITA/TCE Volunteer Training Guide,
Chapter 9



In the **Volunteer Resource Guide**, Find the references to

“W-2” (inputting Wages):

- a. In Tab O, Using TaxSlayer Pro Online.
Find and note all the references to W-2:

- b. Find and Study the pages that relates to
“W-2” in the Volunteer Resource Guide,
Tab D. Note the pages you found?

Resources:

Volunteer Training Guide – Pub 4491

Volunteer Resource Guide – Pub 4012

www.irs.gov

[IRS Form W-2 Instructions](#) (list of Box 12 codes)

TaxSlayer Videos

- TaxSlayer Videos are on the Practice Lab first page
- Find the **Entering Basic Income Part 1 video** under **Section 4**
- Click on the desired lesson.

Hint: Use *Adobe Reader* on your computer to search and read the electronic PDF files. Very effective with the Volunteer Resource Guide (Pub 4012). In the document menu bar, click on **EDIT** and then **FIND**. Enter the **keyword** in the search box. A short cut is to open the search box with the shortcut **Ctrl+F**.

Feedback: Please email:

selfstudy@aarpfoundation.org

Appreciate suggestions and comments.

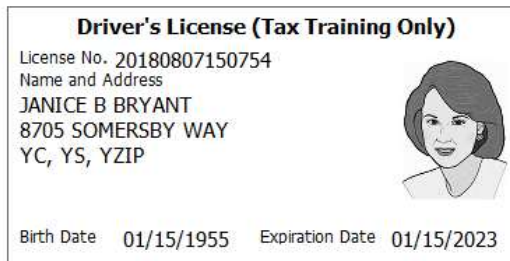
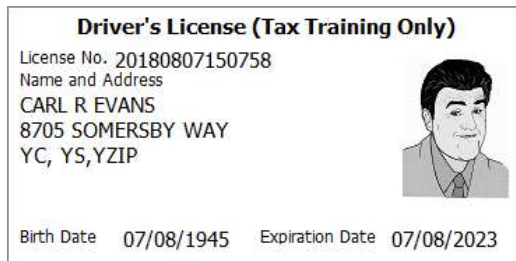
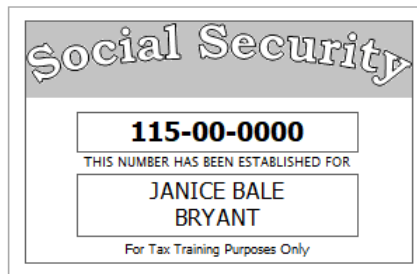
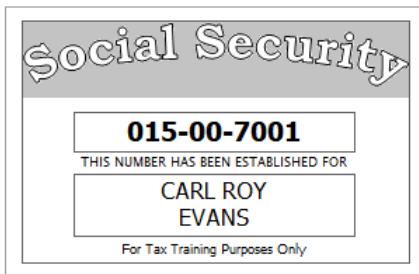
Income – Wages

Practice Lab

TaxSlayer Exercise:

This exercise is an excerpt from the 2018 NTTC Workbook. While it is similar, there are changes incorporated for Self-Study.

1. Open Practice Lab and create a new return with this detail:



2. Evans/Bryant Scenario:

- Carl and Janice are married and will file Married Filing Jointly with no dependents
- Both have Minimum Essential Coverage through Janice's family plan from work
- Asked to use the Standard Deduction
- Want their refund mailed to them

Since Practice Lab returns cannot be efiled, the **Primary** Taxpayer's SSN are different for each Exercise. However, the spouse and dependent SSN can be the same.

Income – Wages

See Volunteer Resource Guide, Pub 4012, Tab O Table:

Navigating TaxSlayer

Form or Topic	Keyword	1040 View	Navigation to Data Entry Screen	4012 Pg
W-2 Wages & Salaries	W	Line 1	Income>Wages and Salaries	D-4

3. Input the two Form W-2s.

Input the following forms:

a. Employee's social security number 115-00-0000					
b. Employer identification number (EIN) 25-5234567		1. Wages, tips, other compensation \$21,010.27		2. Federal income tax withheld \$2,100.00	
c. Employer's name, address, City, State and ZIP Code JEFFERSON SCHOOL 12210 ROBIN ROAD INDIANAPOLIS IN 46204		3. Social security wages \$22,010.27		4. Social security tax withheld \$1,364.64	
		5. Medicare wages and tips \$22,010.27		6. Medicare tax withheld \$319.15	
		7. Social security tips		8. Allocated tips	
d. Control number		9. Verification code Df4Z-mnrB-8xDm-DnRJ		10. Dependant care benefits	
e. Employee's first name and initial last name f. Employee's address and ZIP code JANICE B BRYANT 8705 SOMERSBY WAY YC, YS, YZIP		11. Nonqualified plans		12a. See instructions for box 12 D \$1,000.00	
		13. Statutory Employee Retirement Plan Third-party sickpay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b. DD \$4,734.53	
		14. Other FSA 480.00		12c.	
				12d.	
15. State YS	Employer's state ID number 216234567	16. State wages, tips, etc. \$21,010.27	17. State income tax 1,051.00	18. Local wages, tips, etc.	19. Local income tax
20. Locality name					
Form W-2 Wage and Tax Statement 2018 Copy B - To Be Filed With Employee's FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.					

This W-2 has changes when compared to the TY18 NTTCC Workbook.

Income – Wages

a. Employee's social security number 015-00-7001						
b. Employer identification number (EIN) 25-6234567		1. Wages, tips, other compensation \$12,283.00	2. Federal income tax withheld \$1,228.00			
c. Employer's name, address, City, State and ZIP Code PETROLEUM OIL & GAS 624 KASPER DRIVE INDIANAPOLIS IN 46201		3. Social security wages \$12,283.00	4. Social security tax withheld \$761.55			
		5. Medicare wages and tips \$12,283.00	6. Medicare tax withheld \$178.10			
		7. Social security tips	8. Allocated tips			
d. Control number		9. Verification code E5r0-M0o3-AebH-wVNN	10. Dependant care benefits			
e. Employee's first name and initial last name f. Employee's address and ZIP code CARL R EVANS 8705 SOMERSBY AVE YC, YS, YZIP		11. Nonqualified plans	12a. See instructions for box 12			
		13. Statutory Retirement Third-party Employee Plan sickpay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b.			
		14. Other	12c.			
			12d.			
15. State YS	Employer's state ID number 312234567	16. State wages, tips, etc. \$12,283.00	17. State income tax 614.00	18. Local wages, tips, etc.	19. Local income tax	20. Locality name
Form W-2 Wage and Tax Statement 2018 Copy B - To Be Filed With Employee's FEDERAL Tax Return. This information is being furnished to the Internal Revenue Service.						

Find answers in the file: *Answers to Practice Lab Self-Study Exercises*
in the Self-Study 2018>H. Answers, etc. Module.

Learning Review

1. What will happen if the EIN on a W-2 is entered incorrectly on a return?	(Pub 4012 Tab D, Form W-2 Instructions)
2. Where can you find the definition of the codes for Box 12?	On the back of the form, in Pub 4012 Tab D, and in Form W-2 Instructions among other places.
3. If a W-2 has a Code D in Box 12 what Form might be generated as a result and what probing questions should you ask?	(Pub 4012 Tab G-8 and 9)
4. If a W-2 has a Code DD in box 12 what does that mean? What probing questions should you ask?	(Pub 4012 Tab D-5 and Tab H)
5. How does an entry in W-2, box 10 “Dependent care benefits” affect the return?	
6. Where do you find the more common W-2, box 12 codes listed in Pub 4012, Tab D.	(Pub 4012 Tab D, Form W-2 Instructions)
7. What W-2 box and code reflect a 401(k) or 403(b) contribution?	(Pub 4012 Tab D, Form W-2 Instructions)

Answers to Learning Review

- | |
|--|
| 1. An incorrect employer identification number may cause an e-file reject. (Pub 4012 Tab D, Form W-2 Instructions) |
| 2. W-2 box 12 codes can be found on the back of the form, in Pub 4012 Tab D, and in Form W-2 Instructions among other places. |
| 3. Code D indicates a contribution to an employer's defined contribution plan (e.g., 401(k)). In most cases this will generate Form 8880 Retirement Savings Credit. Include probing questions:
a. Was the taxpayer and/or spouse a full-time student any part of five months last year
b. Did the taxpayer and/or spouse take any distributions from IRAs or qualified retirement plans such as 401(k), Thrift Savings Plans, etc. after 2015 and before the due date of the 2018 return? (Pub 4012 Tab G-8 and 9) |
| 4. Code DD indicates the cost of employer sponsored health coverage. Probing questions should be used to determine how this coverage relates to the ACA section of the return:
a. For whom was this coverage (i.e., was it just the taxpayer or did it include others listed on the return)?
b. Was this Minimum Essential Coverage (MEC)?
c. How many months did the plan cover? (Pub 4012 Tab D-5 and Tab H) |
| 5. If there is an entry in Box 10, Form 2441 must be completed. (Pub 4012 Tab D-5) |
| 6. Pub 4012 Tab D-6 |
| 7. The code D is associated with 401(k) and code E is for 403(b). (Pub 4012 Tab D-6) |