

Foreign Tax Credit

As an AARP Foundation Counselor, this lesson will show you how to help taxpayers claim the foreign tax credit.

Learning Objectives

- Determine which taxes and types of foreign income are eligible for the foreign tax credit
- Compute the credit accurately using Form 1116
- Calculate and report the foreign tax credit as a nonrefundable credit

Scope: Foreign Tax Credit (Individual, Estate or Trust)

In scope for:

- **Simplified limitation election (total creditable foreign taxes of no more than \$300 (\$600 if filing status is MFJ)) no F 1116 required**
- **Complete F 1116 for International certification only**

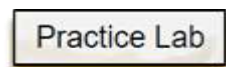
Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 24.



Open [Pub 4012 Volunteer Resource Guide](#) **Tab G-2 through G-4.**



Open [TaxSlayer Practice Lab](#) and login.
Find and view the **Entering Basic Credits video**.

TaxSlayer Hint:

The foreign tax credit is input on the Form 1099-DIV and automatically flows to 1040, Line 48.

Do not try to input again on TaxSlayer Input: Form 1116 (counted twice).

Read the TaxSlayer note! Foreign tax credit above \$600 (MFJ or \$300 (Single) is out of scope.

Input the Income forms for the Clark Exercise:

Foreign Tax Credit

Form 13614-C (October 2017)	Department of the Treasury - Internal Revenue Service Intake/Interview & Quality Review Sheet	OMB Number 1545-1964											
<p>You will need:</p> <ul style="list-style-type: none"> Tax Information such as Forms W-2, 1099, 1098, 1095. Social security cards or ITIN letters for all persons on your tax return. Picture ID (such as valid driver's license) for you and your spouse. <p style="text-align: center;">Volunteers are trained to provide high quality service and uphold the highest ethical standards. To report unethical behavior to the IRS, email us at wi.voltax@irs.gov</p>													
<p>Part I – Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)</p>													
1. Your first name JEREMY	M.I. A	Last name CLARK											
2. Your spouse's first name JANICE	M.I. S	Last name STEPHENS											
3. Mailing address 1129 CHARLES ST	Apt #	City YOUR CITY											
4. Your Date of Birth 3/13/1973	5. Your job title TECHNICIAN	6. Last year, were you: a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No											
7. Your spouse's Date of Birth 12/12/1975	8. Your spouse's job title ASST MANAGER	9. Last year, was your spouse: a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No											
10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure													
11. Have you or your spouse: a. Been a victim of identity theft? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No													
Part II – Marital Status and Household Information													
<p>1. As of December 31, 2017, were you:</p> <p><input type="checkbox"/> Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)</p> <p><input checked="" type="checkbox"/> Married a. If Yes, Did you get married in 2017? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Divorced b. Did you live with your spouse during any part of the last six months of 2017? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Legally Separated Date of final decree _____</p> <p><input type="checkbox"/> Widowed Date of separate maintenance agreement _____</p> <p>Year of spouse's death _____</p>													
<p>2. List the names below of:</p> <ul style="list-style-type: none"> everyone who lived with you last year (other than your spouse) anyone you supported but did not live with you last year <p style="text-align: right;">If additional space is needed check here <input type="checkbox"/> and list on page 3</p>													
To be completed by a Certified Volunteer Preparer													
Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/17 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes/no)	Did this person have less than \$4,050 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)					
SEAN CLARK	9/1/2011	SON	12	Y	Y	S	Y	N					
THOMAS CLARK	6/8/2000	SON	12	Y	Y	S	Y	N					

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Form **13614-C** (Rev. 10-2017)

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Check appropriate box for each question in each section			Page 2
Yes	No	Unsure	
			Part III – Income – Last Year, Did You (or Your Spouse) Receive
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (B) Alimony income or separate maintenance payments?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income? (Form 1099-MISC, cash)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. (A) Payments from Pensions, Annuities, and/or IRA? (Form 1099-R)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. (B) Unemployment compensation? (Form 1099-G)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	14. (M) Income (or loss) from Rental Property?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify _____
			Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Contributions to a retirement account? IRA (A) <input checked="" type="checkbox"/> 401K (B) Roth IRA (B) Other _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Unreimbursed employee business expenses? (such as uniforms or mileage)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (B) Medical expenses? (including health insurance premiums)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (B) Home mortgage interest? (Form 1098)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. (B) Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (B) Charitable contributions?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. (B) Child or dependent care expenses such as daycare?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. (A) Expenses related to self-employment income or any other income you received?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12. (B) Student loan interest? (Form 1098-E)
			Part V – Life Events – Last Year, Did You (or Your Spouse)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. (A) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. (A) Buy, sell or have a foreclosure of your home? (Form 1099-A)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. (B) Live in an area that was affected by a natural disaster? If yes, where? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. (A) Receive the First Time Homebuyers Credit in 2008?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?

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Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input checked="" type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If Yes, were advance/credit payments made to help you pay your health care payments?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

Name (List dependents in the same order as in Part II)	MEC Entire Year	No MEC	Part Year MEC (mark months with coverage)	Exemption (mark months exemptions applies)	Exemption All Year	Notes
Taxpayer			J F M A M J J A S O N D	J F M A M J J A S O N D		
Spouse			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D		

Part VII – Additional Information and Questions Related to the Preparation of Your Return

1. Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Services)

2. Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund ☐ You ☐ Spouse

3. If you are due a refund, would you like:

a. Direct deposit
☐ Yes ☒ No

b. To purchase U.S. Savings Bonds
☐ Yes ☒ No

c. To split your refund between different accounts
☐ Yes ☒ No

4. If you have a balance due, would you like to make a payment directly from your bank account? ☐ Yes ☒ No

5. Have you or your spouse received any letters from the Internal Revenue Service? ☐ Yes ☒ No

Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.

6. Other than English, what language is spoken in your home? ☐ NONE ☐ Prefer not to answer

7. Do you or any member of your household have a disability? ☐ Yes ☒ No ☐ Prefer not to answer

8. Are you or your spouse a Veteran from the U.S. Armed Forces? ☐ Yes ☒ No ☐ Prefer not to answer

Additional comments

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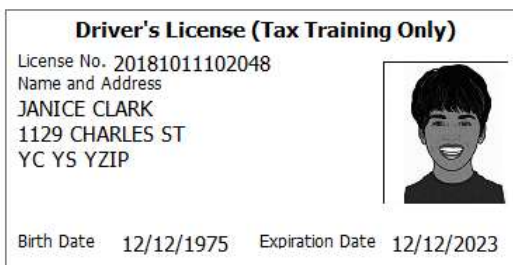
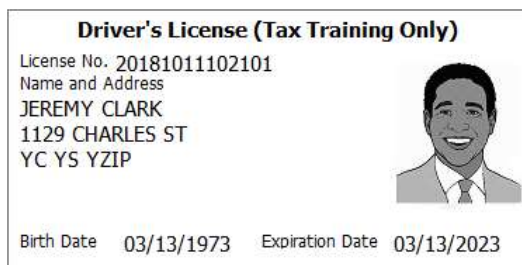
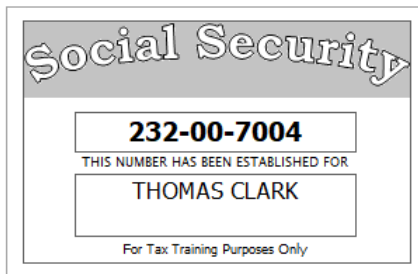
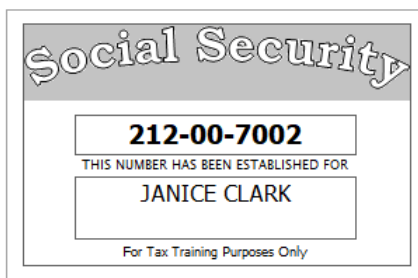
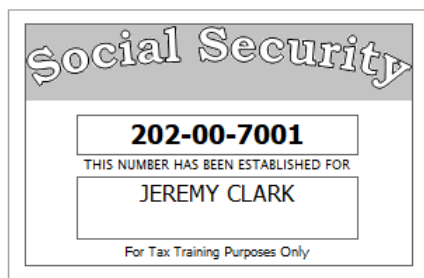
Foreign Tax Credit

Clark – Interview Notes

Jeremy and Janice were married two years ago.

Jeremy says he had family health insurance that meets MEC for his family.

They did not itemize last year, and will not itemize this year. If there is a refund, they want a check mailed to them. If they owe, they will mail their payment.



Foreign Tax Credit

a. Employee's social security number 202-00-7001						
b. Employer identification number (EIN) 13-0123456		1. Wages, tips, other compensation \$22,650.35		2. Federal income tax withheld \$1,682.75		
c. Employer's name, address, City, State and ZIP Code MARC TECKTRONICS PO BOX 717 CHARLOTTE NC 28202-0717		3. Social security wages \$23,770.35		4. Social security tax withheld \$1,473.76		
		5. Medicare wages and tips \$23,770.35		6. Medicare tax withheld \$344.67		
		7. Social security tips		8. Allocated tips		
d. Control number 134897		9. Verification code		10. Dependant care benefits		
e. Employee's first name and initial last name f. Employee's address and ZIP code JEREMY CLARK 1129 CHARLES ST YC YS YZIP		11. Nonqualified plans		12a. See instructions for box 12 D \$1,120.00		
		13. Statutory Retirement Third-party Employee Plan sickpay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b. DD \$3,458.00		
		14. Other		12c.		
				12d.		
15. State YS	Employer's state ID number 130123456	16. State wages, tips, etc. \$22,650.35	17. State income tax 597.50	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.						

a. Employee's social security number 212-00-0000						
b. Employer identification number (EIN) 13-1123456		1. Wages, tips, other compensation \$24,512.55		2. Federal income tax withheld \$1,322.42		
c. Employer's name, address, City, State and ZIP Code G.K. ASSOCIATES 313 TAYLOR AVE STATESVILLE, NC 28677		3. Social security wages \$24,512.55		4. Social security tax withheld \$1,519.78		
		5. Medicare wages and tips \$24,512.55		6. Medicare tax withheld \$355.43		
		7. Social security tips		8. Allocated tips		
d. Control number 134897		9. Verification code		10. Dependant care benefits		
e. Employee's first name and initial last name f. Employee's address and ZIP code JANICE CLARK 1129 CHARLES ST YC YS YZIP		11. Nonqualified plans		12a. See instructions for box 12		
		13. Statutory Retirement Third-party Employee Plan sickpay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b.		
		14. Other		12c.		
				12d.		
15. State YS	Employer's state ID number 131123456	16. State wages, tips, etc. \$24,512.55	17. State income tax 613.15	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.						

Foreign Tax Credit

<input type="checkbox"/> CORRECTED (if checked)				
PAYER'S name, address, city, state, ZIP code ACE FINANCIAL CORPORATION 726 MAIN ST CHERRYVILLE NC 28201		1 Total Ordinary Dividends \$201.50	2018 Form 1099-DIV	Dividends and Distributions
		1b Qualified Dividends \$134.50		
		PAYER'S Federal identification number 13-3123456		2a Total capital gain distr. \$82.00
2c Section 1202 gain	2d Collectables (28%) gain			
RECIPIENT'S name, address, city, state, ZIP code JEREMY CLARK 1129 CHARLES ST YC YS YZIP		3 Nondividend distributions \$17.00	4 Federal income tax withheld	
		6 Foreign Tax Paid \$8.62	7 Foreign Country or US possession	
		8 Cash liquidation distributions	9 Noncash liquidation distribution	
RECIPIENT'S Federal identification number 202-00-7001		10 Exempt-Interest dividends	11 Specified private activity bond interest dividends	
Account number (see instructions)		12 State	13 State Identification no.	14 State tax withheld
Form 1099-DIV				

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

A Practice Lab Exercise Clarification

- The Clark Exercise has a Foreign Tax Credit, a Retirement Savings Credit, and a Child Tax and Other Dependent Credit. A Credit for Child and Dependent Care will be added in Lesson 23.

Learning Review

1: To claim the foreign tax credit without filing Form 1116, a taxpayer who is filing Single must have paid foreign taxes as shown on Form 1099-DIV, Form 1099-INT, or Schedule K-1 that are equal to or less than \$300.	True or False
2: Clyde comes to your site seeking help with his foreign tax credit. He is single and his Forms 1099-DIV show a total of \$324 of foreign tax paid. Can Clyde claim the foreign tax credit without filing Form 1116?	Yes or No
3: Judy and Mark are married and will file a joint return. Their Forms 1099-DIV show a foreign tax paid of \$590. Can they claim the foreign tax credit without filing Form 1116?	Yes or No

Foreign Tax Credit

Answers to Learning Review

1: True. Form 1116 is not required if the total foreign taxes paid are less than or equal to \$300 (\$600 if Married Filing Jointly).

2: No. Clyde needs to complete Form 1116 because his foreign taxes exceed \$300. Clyde will need to be referred to a volunteer with an International certification or seek the assistance of a professional tax preparer.

3: Yes. Judy and Mark do not have to complete Form 1116 because they file jointly and their foreign taxes are less than \$600.