

## Miscellaneous Credits

As an AARP Foundation Counselor, this lesson provides the information you need to be able to prepare a return with certain nonrefundable credits.

### Learning Objectives

- Determine if a taxpayer qualifies for the retirement savings contributions credit and accurately complete Form 8880, Credit for Qualified Retirement Savings Contributions
- Calculate the credit for the elderly or the disabled by completing Form 1040, Schedule R, Credit for the Elderly or the Disabled

### Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 26.



Open [Pub 4012 Volunteer Resource Guide](#) Tab G-14 through G-15.

A nonrefundable credit can only reduce the tax liability to zero. Generally, nonrefundable credits are applied against federal tax in the order they are listed on Form 1040, Schedule 3, Nonrefundable Credits. All the credits discussed in this lesson are nonrefundable credits.

**Tax Software Hint:** The software will calculate these credits, but the correct information must be entered. The volunteer tax preparer must make the correct determinations by using the intake and interview sheet and resource materials.

### Retirement savings contributions credit

It is a nonrefundable credit

- Eligible taxpayers may claim if with eligible, qualifying contribution to a retirement plan.
- Contribution is tax deductible (such as a traditional IRA)
- Taxpayer receives the benefit of the tax deduction and a tax credit (considered a *double benefit*).
- Contributions to non-tax-deductible accounts (such as Roth IRAs) can qualify the taxpayer for the credit as well.
- Credit is calculated on Form 8880, Credit for Qualified Retirement Savings Contributions.

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### TaxSlayer Hint:

If the taxpayer contributed to a Roth or a traditional IRA, whether it is deductible or not, the amounts **are eligible for** on the Retirement Savings Contributions Credits. The software will carry the appropriate contributions to Form 8880. Review the Volunteer Resource Guide, Tab G, Nonrefundable

### Hints (updates) from NTTC Modifications to the IRS Training Guide

**What may reduce an eligible contribution for purposes of the retirement savings contributions credit?** (Modification includes)

- **Qualified retirement plans** as defined in section 4974(c) (including the federal Thrift Savings Plan) ***if the taxpayer could have made elective contributions to the plan***

**TaxSlayer Hint:** The software automatically reduces contributions by any taxable distributions from current tax year Forms 1099-R. Any other distributions that reduce the amount of contributions must be manually input on the appropriate line of the Retirement Savings Contributions Credits screen. **A negative adjustment may be needed to back out a distribution from an employer plan that did not allow elective contributions.**

#### Practice Lab

Open [TaxSlayer Practice Lab](#) and login.

If necessary, find and review the **Entering Basic Credits video**.

Open the same Clark Exercise already created in Lesson 22 Foreign Tax Credit and open the return in TaxSlayer.

• Navigate to Summary/Print, in the Form 1040, Schedule 3, Nonrefundable Credits. What line contains the “Retirement savings contributions credit. Attach 8880”?	Line _____
• Look at the Clark’s W-2s. What input contributed to the retirement savings contributions credit?	

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

**TaxSlayer Input:**

For **Credit for the Elderly or Disabled** (Schedule R), navigate to Deductions>Credits<Credit for the Elderly or Disabled. Check the appropriate inputs

**Learning Review**

1: All of these taxpayers contributed to their employers' 401(k) plan. Who qualifies for the retirement savings credit based on adjusted gross income?

- A. Ed, who is single and has an AGI of \$49,000
- B. Sybil, who is married, files jointly, and has an AGI of \$52,500
- C. Megan, who is head of household and has an AGI of \$65,400
- D. Carl, who is a qualifying widower with a dependent child, and has a modified AGI of \$59,250

2: Taxpayers may be able to take the credit for the elderly or disabled if they are:

- Under age 65 at the end of the tax year
- Retired on permanent and total disability
- Under the mandatory retirement age on January 1, of the tax year, and
- Receiving taxable disability income

True or False

**Feedback:**

Please email: [selfstudy@aarpdfntaxaide.org](mailto:selfstudy@aarpdfntaxaide.org). Appreciate suggestions and comments.

### Answers to Learning Review:

1: B. Sybil qualifies for the credit because her adjusted gross income is under the threshold limit for Married Filing Jointly.

2: True. A taxpayer may be able to take the credit for elderly or disabled if:

- under age 65 at the end of the tax year,
  - retired on permanent and total disability,
  - had not reached mandatory retirement age by January 1 of the tax year,
- and**
- receives taxable disability income

All these items must first be met before a taxpayer who is under age 65 can be considered for the credit for the elderly or disabled.