

9c Income – Dividends

As an AARP Foundation Tax-Aide Counselor, you will serve people that receive taxable distributions from corporations or mutual funds that are dividends and need to be properly reported on their tax return.

Learning Objectives

- Report income correctly on Form 1040:
 - Ordinary Dividend Incomes
 - Qualified Dividend Income
- Learn the difference between “Ordinary and Qualified” Dividends

Resources:

Volunteer Training Guide – Pub 4491
Volunteer Resource Guide – Pub 4012

www.irs.gov

[IRS Form 1099-DIV Instructions](#)

Getting Started:



Review the specific discussion related to Dividends in the [IRS Training Guide Pub 4491](#) Chapter 9



In the Volunteer Resource Guide, find the references to

“Dividends Income” (inputting Dividends):

- i. In Tab O, Using TaxSlayer Pro Online. Find all the references to “Dividends Income”:

Note the occurrences:

- ii. Find and Study the pages that relates to “Dividends Income” in the Volunteer Resource Guide, Tab D. Note the pages you found?

Hint: Search throughout the electronic PDF files using [Adobe Reader](#) on your computer (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@aarpfdntaxaide.org

Appreciate suggestions and comments.

Dividends are distributions of money, stock, or other property paid to taxpayers by a corporation or by a mutual fund. Dividends may come through a partnership, an estate, a trust, or an association that is taxed as a corporation.

Hint from NTTC Modifications to the IRS Training Guide

- A new subset of ordinary dividends is called 199A dividends and are eligible for the qualified business income deduction (QBI deduction). For information on line 5. Section 199A Dividends see: <https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-deduction-for-qualified-business-income-faqs>
- See the standard deduction lesson for the QBI deduction and Pub 4012 for software entries.
- Sec. 1250 gain is a subset of capital gain distribution and is in scope for Tax-Aide.

Practice Lab

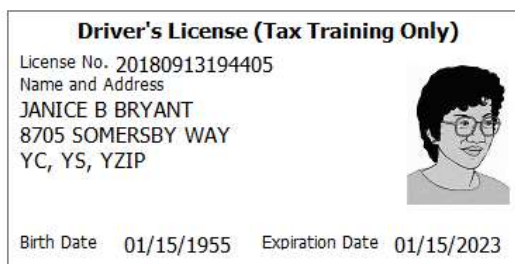
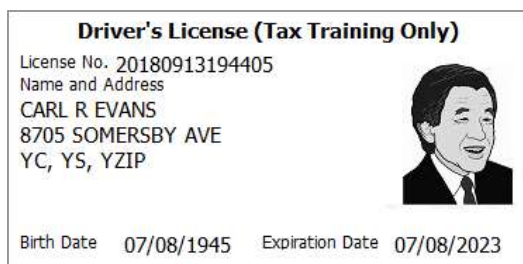
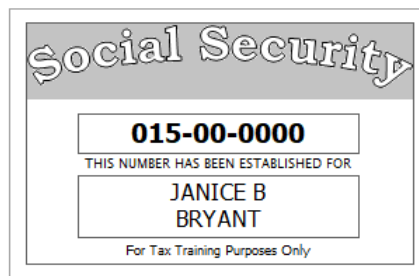
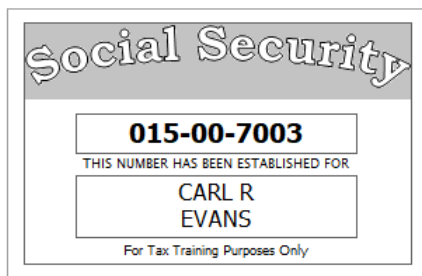
Open [TaxSlayer Practice Lab](#) and login.

- Find the **Entering Basic Income Part 1 video** in the TaxSlayer videos on the Practice Lab - Home Page under **Section 4** ... click.
- Follow the instructions and sign into the “Brainshark.”

TaxSlayer Exercise:

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

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



Evans/Bryant-Scenario:

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

Input the Form 1099-DIV. For guidance see Volunteer Resource Guide, Pub 4012, Tab O, Navigating TaxSlayer

<input type="checkbox"/> CORRECTED (if checked)		2018 Form 1099-DIV			Dividends and Distributions
PAYER'S name, address, city, state, ZIP code BAKER FINANCIAL SERVICES PO BOX 237 JACKSONVILLE FL 32209		1 Total Ordinary Dividends \$345.89			Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		1b Qualified Dividends \$256.50			
		2a Total capital gain distr. \$49.78	2b Unrecap. Sec. 1250 gain		
PAYER'S Federal identification number 25-7456789	RECIPIENT'S identification number 115-00-0000	2c Section 1202 gain	2d Collectables (28%) gain		
RECIPIENT'S name, address, city, state, ZIP code JANICE B BRYANT 8705 SOMERSBY WAY YC, YS, YZIP		3 Nondividend distributions \$16.23	4 Federal income tax withheld		
		5 Section 199A dividends	6 Investment expenses		
		7 Foreign Tax Paid \$5.13	8 Foreign Country or US possession		
		9 Cash liquidation distributions	10 Noncash liquidation distribution		
		11 Exempt-Interest dividends	12 Specified private activity bond interest dividends		
FATCA filing requirement <input type="checkbox"/>					
Account number (see instructions)		13 State	14 State Identification no.	15 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.

Learning Review

Dividend Income

1. Are dividends earned income?	
2. How are capital gain distributions from box 2a, Form 1099-DIV reported on Form 1040?	
3. Capital gains distributions reported on a Form 1099-DIV can only be reported in the capital gains and losses section of TaxSlayer. True or False	
4. Ordinary and qualified dividends are both taxed in the same way. True or False	
5. Form 1099-DIV shows \$16.23 in Box 3 [non-dividend distributions]. Since it is not an ordinary dividend it is eligible to be treated the same as a qualified dividend. True or False	
6. Is there a limit on the amount of foreign tax credit that can be claimed for an in-scope return?	
7. Tax-exempt dividends (1099-DIV Box 10) are not taxable and should not be entered in TaxSlayer. True or False	
8. Edward claims that since his dividend was part of a reinvestment plan to purchase more shares he does not have to declare the dividend. Is his statement True or False?	
9. Charlie has \$9.35 in dividends from his credit union account. He did not get a document reporting the amount from his credit union. You should report the amount as qualified dividends in the dividend section of TaxSlayer. True or False	

TIP: This is a good time to clear up any input problems or questions you have with Practice Lab/TaxSlayer.

Many times, there are two or three different ways to find a specific input form in TaxSlayer, so experiment with the navigation menus. Experiment with your own “what-ifs” and explore in TaxSlayer to see what happens.

Most importantly if you have questions, talk to your coach or Local Coordinator.

Answers to Learning Review:

1. No, they are unearned income. (Pub 4012 Tab D and Pub 4491, Chapter 9, What are types of taxable income?)
2. Capital gain distributions are reported to the taxpayer on Form 1099-DIV. The taxpayer reports these distributions as long-term capital gains on Form 1040, Schedule 1 and on Schedule D if required. (Pub 4491, Chapter 9, What are Capital gain distributions?)
3. *False. Capital gain distributions can be entered on the dividend income input screen or, from the capital gains page, on the additional capital gain distributions screen in TaxSlayer. (Pub 4012 Tab D, Enter your Dividend Income (Form 1099-DIV))*
4. *False. Qualified dividends are taxed at the lower capital gain rate. (Pub 17 Ch 8, Qualified Dividends)*
5. *False. A non-dividend distribution is input on the dividend income screen in TaxSlayer; but it is not taxable and will not appear on the return. The taxpayer or broker has to keep track of the non-dividend distribution as it reduces the basis of the stock in a future sale. (Pub 4012 Tab D, Enter your Dividend Income)*
6. *When the foreign tax covers passive (usually investment) income only and the total amount is \$300 (\$600 if MFJ) or less, we can use the simplified limitation election. If the amount exceeds those limits or the foreign tax relates to other types of income, the election is not available to the taxpayer and the return is out of scope without International Certification. (Pub 4012 Tab G-2, Form 1116 – Foreign Tax Credit)*
7. *False. Exempt interest or exempt interest dividends must be entered in TaxSlayer. (Pub 4012 Tab D, Tax-Exempt Interest)*
8. *False. Dividends (other than return-of-capital distributions) used to buy more stock must be reported even though the taxpayer receives no cash. It is then the basis for the new shares.*
9. *False. Credit union dividends are actually interest. If the amount had been \$10 or more, the credit union would have issued a Form 1099-INT. Once the taxpayer has told you about the income, it must be entered in the return in the interest section. (Pub 4491 Ch 9, Where do I get interest income information?)*