Volunteer's Workbook

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Overview

Thank you for volunteering to help taxpayers prepare their 2003 individual income tax returns. Intuit® Inc. is proud to sponsor the Intuit Tax Freedom Project℠, a philanthropic initiative of the Intuit Financial Freedom Foundation. Through the Intuit Tax Freedom Project, the Foundation donates free online tax preparation and filing to eligible taxpayers.

Use this manual to become familiar with TurboTax® for the Web℠, one of Intuit's tax preparation products, so you can help taxpayers prepare their own returns. We don't expect you to become an expert in taxes, or in preparing tax returns. However, the exercises in this tutorial give you a good idea of the TurboTax for the Web interview process, the information required for completing returns, and the variety of options available to taxpayers as they prepare their returns.

In this section, we'll answer a few questions for you, such as who is Intuit and why Intuit is committed to this project, what the Intuit Tax Freedom Project is, and provide an overview of TurboTax for the Web, which is what you'll use to help the taxpayer prepare and file their tax information.

Who is Intuit?

In 1983, Intuit founders Scott Cook and Tom Prouix embarked on a quest to revolutionize the way individuals and small businesses manage their finances. Today, Intuit has emerged as the worldwide leader in electronic finance. Intuit markets and develops the world's best-selling personal, small business, and tax preparation software, as well as the most comprehensive set of Web-based solutions to give consumers and businesses the power to take full control of their financial lives with less work.

Why is Intuit offering this free service?

Intuit's tenth Operating Value is **We Care and Give Back**.

At Intuit, one of our most enduring values is our genuine care for the people with whom we work. We also believe that with our success comes the responsibility to give back to our community.

We seek to contribute to our community in ways that reflect broadly held values, have meaningful impact, draw upon our unique strengths as a corporation, and, whenever possible, reinforce our business objectives.

Frequently-asked questions about the Intuit Tax Freedom Project

Who qualifies for this service?

In 2004, taxpayers can prepare and file their **FEDERAL** return online for free with Intuit's TurboTax for the Web if they:

- Qualify for the federal Earned Income Credit (EIC), or
- During calendar year 2003:
  - Were age 62 or older (taxpayer or spouse), or
  - Were age 22 or younger (taxpayer or spouse), or
  - Served active Military duty (including Reservists and National Guard). Active military taxpayers must have a 2003 W-2 from the military.

Taxpayers can also file their **STATE** return for free with the Intuit Tax Freedom Project if they file a return in a state that sponsors a Free File Alliance. This includes taxpayers in **Alabama, Arizona, Arkansas, Georgia, Idaho, Kentucky, Massachusetts, Michigan, Minnesota, Mississippi, Montana, New York, North Dakota, Oklahoma, and Vermont**.

Taxpayers who file their state return in a state that *does not* sponsor a Free File Alliance can choose to complete their state tax return and pay the standard fee for the TurboTax state product when they print or e-file. For earlier filers – those who file before April 1, 2004 – TurboTax state is $5.95 for Turbo Tax 1040EZ, or $19.95 for TurboTax Basic.

For more information about the IRS and state Free File Alliances, please visit www.taxfreedom.com and click on the “Free File Alliances” tab at the top of the page.

How do taxpayers participate in the Intuit Tax Freedom Project?

With your help, eligible taxpayers:

- Access the Intuit Tax Freedom Project on the Web at www.taxfreedom.com. Please be sure that taxpayers review and understand the information about who qualifies for the Tax Freedom Project, and that they know how to use the program before they click **Start a Return**.

- Select the TurboTax product that best meets their needs. Qualified taxpayers can use either TurboTax 1040EZ or TurboTax Basic for free.

- Follow the easy-to-use on-screen instructions, answer the questions asked, and enter their tax information.

Taxpayers can prepare and file their return in one session, or they can come back and work on it in multiple sessions.

Important: Please remind the taxpayers you assist that they must always begin and continue their return through www.taxfreedom.com in order to prepare and file returns for free through the Intuit Tax Freedom Project.

What if someone doesn't qualify for the Intuit Tax Freedom Project?

If taxpayers prepare a return using TurboTax® for the Web℠ Basic or TurboTax for the Web 1040EZ, and then discover that they don't qualify for the Intuit Tax Freedom Project, they won't be able to print their return or file it electronically unless they pay the TurboTax service fee. TurboTax guides them to the appropriate place where they can pay the fee.

The TurboTax fees for tax year 2003 are:

TurboTax for the Web versions	Discount pricing through April 1, 2004		Regular pricing starting April 2, 2004	
	Federal	**State**	**Federal**	**State**
1040 EZ	$9.95	$5.95	$14.95	$9.95
Basic	$19.95	$19.95	$34.95	$24.95

Is the taxpayer's data confidential?

Yes. The protection of taxpayer's tax return data and confidential information is very important to Intuit.

The data taxpayers enter into TurboTax for the Web resides on Intuit servers, and Intuit's data center operates under strict security protocols. Intuit follows stringent security guidelines to protect taxpayer's data. Electronically-filed tax returns are encrypted during transmission to Intuit, via 128 bit industry-standard SSL (Secure Socket Layers) protocol, and TurboTax for the Web supports only those browsers that use SSL encryption. All tax return information that is transmitted to Intuit is used only in accordance with applicable laws to provide the electronic filing or other services that the taxpayer requests. When transmitting taxpayer's tax return data, Intuit uses the most secure transmission technology supported by the IRS and state tax filing agencies. Intuit does not rent, sell or share any taxpayer data with anyone outside of Intuit for their marketing use. Taxpayer's data is never made available to anyone, including Intuit, for any marketing purpose.

Intuit is a licensee of the TRUSTe Privacy Program – the "Good Housekeeping Seal of Approval" for Internet privacy and security. TRUSTe reviews designated Intuit Web sites and evaluates our privacy practices.

To learn more about Intuit's privacy and security practices, please refer to the TurboTax.com and TurboTax for the Web Privacy Statement at:
http://www.turbotax.com/privacy/index.html.

Tax Returns

What are they?

A tax return is the form that a majority of Americans must file to reconcile the taxes they paid throughout the year with the total taxes they owe. The formula for calculating taxes owed is based on the taxpayer's income and the federal and state tax laws.

Probably one of the best ways to understand tax returns is to look over the sample return that appears later in this workbook. It is the result of entering the sample data in TurboTax for the Web.

The best part about using TurboTax for the Web is that the taxpayer never has to understand these forms or touch a pen or pencil. Based on what the taxpayer enters in TurboTax, TurboTax does the calculations, puts the taxpayer's information on the correct tax forms, and then prints or e-files the completed tax return.

Who needs to file a federal return?

The individual income tax system relies on taxpayers to voluntarily file annual tax returns. According to Internal Revenue statistics, 87% of all tax returns resulted in a refund, with an average refund of approximately $1,973. So, for a majority of taxpayers, it's worthwhile to file a tax return to get a refund.

However, not everyone has to file an income tax return. It depends on how much gross income taxpayers received in 2003, their age, and other factors. The following chart lists situations in which someone has to file. Take a look at the chart first, then look at the "Special situations" section after that to see additional situations that require a taxpayer to file a return.

A person has to file if:

Their filing status is:	Their age is:	Their gross income is at least:
Single	Under 65	$7,800
Single	65 or older	$8,950
Married filing jointly	Under 65 (both spouses)	$15,600
Married filing jointly	65 or older (one spouse)	$16,550
Married filing jointly	65 or older (both spouses)	$17,500
Married filing separately	Any age	$3,050
Head of household	Under 65	$10,050
Head of household	65 or older	$11,200
Qualifying widow(er)	Under 65	$12,550
Qualifying widow(er)	65 or older	$13,500
(Information in this table is found on the IRS web site, http://www.irs.gov.)		

What is gross income?

Taxable gross income is made up of many things... wages, interest, dividends, business income, alimony, tax refunds, social security benefits, gains from selling property, retirement income, rental income, farming income, unemployment compensation, prizes, awards, gambling winnings, and so forth.

If a taxpayer's primary source of income is social security benefits, and their income is higher than the amounts in the chart shown above, they still might not have to file a return. To find out, the best thing is to have the taxpayer prepare their return with TurboTax for the Web.

Special situations

Regardless of a taxpayer's gross income, they have to file a return if any of the following special situations apply for 2003:

1. **They owe special taxes.** These include:

    - **Tips.** The taxpayer received tips, didn't report them to their employer, and they owe social security and Medicare taxes on those tips.

    - **Alternative minimum tax.** The taxpayer owes the alternative minimum tax. It generally applies to higher income earners with lots of itemized deductions on Schedule A. The best way to determine if the taxpayer owes the alternative minimum tax is to have them complete a return using TurboTax for the Web – it will tell them if they owe alternative minimum tax.

    - **Retirement distributions.** The taxpayer owes taxes relating to retirement distributions. This applies if the taxpayer received a distribution from a retirement plan earlier than they should have (for example, they cashed out their 401(k) when they left a job and they were under age 59½).

    - **Recaptured credits.** The taxpayer has certain credits that have to be recaptured. This isn't very common, but generally applies if the taxpayer took a tax credit when they bought certain special property, and they ended up selling the property sooner than expected.

2. **They already received the earned income credit.** If the taxpayer had the earned income credit advanced to them in their paychecks for 2003, it shows up in box 9 of the taxpayer's W-2.

3. **They own a business.** The taxpayer must file a return if they run their own business and they earned $400 or more from the business operations.

4. **They received church wages.** If the taxpayer received $108.28 or more in wages from a church or a church-controlled organization that is exempt from social security taxes, they must file a return.

Different rules apply to children and people who are claimed as dependents on someone else's return.

State returns

Taxpayers must file a state return if they live in a state (or earn income in a state) that requires it.

States that don't require an income tax return

There are nine states that do not require taxpayers to file a state income tax return:

Alaska
Florida
Nevada
New Hampshire
South Dakota
Tennessee
Texas
Washington
Wyoming

Local taxes

Certain states also have cities or "localities" that require their own tax return. These are called "local" taxes.

Most of the time, the state mails the taxpayer a form to fill out, the taxpayer fills it out by hand, and sends it through the mail to the local tax authority.

For a few states, TurboTax will complete the local tax return for the taxpayer.

To find out whether the taxpayer's state requires local taxes, go to the state's Web site. If they can't find the state's Web site, go to:
http://www.turbotax.com/articles/FederalTaxFormLinks.html

Filing returns

Electronic filing versus filing by mail

There are two ways to file a tax return:

- **By filing it electronically.** If the taxpayer chooses electronic filing, the returns are transmitted through a secure Internet connection to the TurboTax Electronic Filing Center. We use industry-standard encryption technology to protect the tax information during transmission.

  At the TurboTax Electronic Filing Center, the returns are converted to a standardized format and transferred to the IRS or the state taxing authority.

- **By mailing a copy to the IRS and the state.** With this more traditional method, the taxpayer prints a copy of the federal return from TurboTax and mails it to the IRS. Likewise, if required, the taxpayer prints a copy of the state return and mails it to the state taxing authority.

Advantages of filing electronically

Because of the advantages of electronic filing, we urge you to have the taxpayer file electronically.

Electronic filing provides the following advantages:

- **Faster refunds.** The taxpayer usually receives their federal and state refunds sooner than if they file the returns by mail. For example, if they choose to have their refund deposited directly into their bank account (direct deposit), the taxpayer can receive their federal refund in 10 to 21 days, versus an average of 6 to 8 weeks when filing a return by mail.

- **More accurate.** Electronic filing is usually more accurate because the IRS and state taxing authorities don't have to manually enter the tax data into their computers. This reduces the chance of errors being introduced into the returns.

Filing deadlines

All deadlines are at midnight, your local time. Listed here are the important federal filing dates that you and the taxpayer should be aware of.

Important information about state deadlines: Most states have the same filing deadlines, although a few states have different deadlines.

To find out whether the taxpayer's state requires local taxes, go to the state's Web site. If they can't find the state's Web site, go to:
http://www.turbotax.com/articles/FederalTaxFormLinks.html

Federal deadlines

April 15, 2004	Deadline for filing returns (electronically or by mail). If the taxpayer owes taxes, the payment must be postmarked by April 15, 2004, even if they file for an extension.
April 20, 2004 (electronic filing only)	Deadline for electronically re-filing a rejected federal return. The taxpayer must have electronically filed the original return by April 15, 2004.
August 15, 2004	Deadline for filing federal returns (electronically or by mail) if the taxpayer filed for an extension using Form 4868: Application for Automatic Extension of Time to File.
August 20, 2004 (electronic filing only)	Deadline for electronically re-filing a rejected federal return. The taxpayer must have filed for an extension using Form 4868, and they must have electronically filed the original return by August 15, 2004.
October 15, 2004	Deadline for filing federal returns (electronically or by mail) if the taxpayer filed for an additional extension using Form 2688: Application for Additional Extension of Time to File. The IRS must have approved the Form 2688 extension request.
October 20, 2004 (electronic filing only)	Deadline for electronically re-filing a rejected federal return. The taxpayer must have filed for an additional extension using Form 2688, the IRS must have approved the Form 2688 request, and the taxpayer must have electronically filed the original return by October 15, 2004.

Before starting the tutorial

Before you start, make sure you review this section. It contains information that the taxpayer needs before starting the return, a brief glossary of terms that you will run across in your tour through TurboTax for the Web, and other process items you need to know before and after you help a taxpayer file a return using TurboTax for the Web.

Required information for starting a return

Make sure that the taxpayers have the following applicable tax documents and information before they begin preparing their return:

Most common items

- **Social security numbers.** Social security numbers and birth dates for the taxpayer, the spouse, their children, and any other people they support. Entering the correct social security numbers is critical.
- **W-2s.** Forms W-2 for all jobs the taxpayer and their spouse held during the year.
- **1099s.** Forms 1099 for interest and dividends received from banks for bank accounts, mutual funds, and companies in which the taxpayer or the spouse owns stock.
- **Direct deposit numbers.** Correct bank routing transit numbers and deposit account numbers if the taxpayer wants any refund deposited directly to their account (the taxpayer's bank can provide this information, or if they have a checking account, they can usually find it on their checks).
- **Social security benefit information.** Form SSA-1099 for social security benefits received by the taxpayer or spouse.
- **Last year's income tax return**. If the taxpayer has last year's tax return, it can be a very useful source of information.

If the taxpayer has children

If the taxpayer has children, make sure they have the following:

- **Social security numbers.** The social security number for each child.
- **Child care information.** If the taxpayer pays for child care, make sure that they know the following:
    - **Amount paid.** What they paid during the year in child care expenses for each child.
    - **Child care provider's information.** The child care provider’s address and social security number or employer identification number (EIN).

Less common items

If the taxpayer has these items, they should have them handy when completing their tax return:

- Medical expenses
- Moving expenses
- Job-related expenses, including job search expenses, union dues, and any other amounts the taxpayer paid that relate to keeping a job (but not commuting expenses)
- Alimony paid or received
- Multiple support agreements. These agreements are for situations where two or more people (such as divorced parents) pay the living costs of a child or other dependent (such as an older parent). However, only one person can claim that person as a dependent on their tax return. The multiple support agreement should help the taxpayer figure out who reports the person as a dependent.
- Unemployment income, retirement income, social security benefits received, and tax refunds
- Mortgage interest paid (if the taxpayer owns a home)
- Charitable contributions of cash and property
- Federal, state, and local taxes paid. These would have been paid with last year's tax return, or as estimated tax payments for this tax year, or for any other reason during the year.
- Property tax the taxpayer paid on buildings or land that they own
- Car registration fees paid (this isn't really a tax, but most of the amount paid can be listed as an itemized deduction on 1040 Schedule A)
- Interest and dividend income received by their children under age 14 (for example, from bank accounts)
- Income and expenses from the taxpayer's own business or odd jobs
- Income and expenses from rental or royalty property the taxpayer owns
- Sale and purchase records for any stock or other property the taxpayer sold during 2003 (date the stock or property was acquired, cost of the stock or property when it was acquired, date the stock or property was sold, price the stock or property was sold for)
- Student loan interest and education expenses

- Casualty and theft loss information (date the property was acquired, the cost of the property when it was acquired, fair market value of the property when it was destroyed or lost, date of casualty or loss)

- Payments made to household employees

Definition of terms

Before helping a taxpayer prepare a tax return, you should have a basic understanding of what the following terms mean:

Deduction – A deduction is an amount that the taxpayer gets to subtract from their *taxable income* (also called the adjusted gross income). Examples include charity contributions and state taxes paid. The amount of taxable income, in turn, determines a lot of things, including the tax bracket, and thus the amount of taxes to pay for the year.

Credit – A credit is deducted from the *total amount of taxes* to pay for the year. So, for example, if the taxable income is $20,000, and the taxes to pay for the year are $2,000, a credit of $600 would reduce the taxes to pay to $1,400.

Income – Income, for tax return purposes, is any money the taxpayer received during the year that is taxable. Examples include wages earned from a job (shown on the W-2), tips, social security benefits, retirement and pension income, money received from investments, alimony, and income received from a rental property.

Expense – An expense, for tax return purposes, is anything the taxpayer spent that may reduce their taxable income (that is, taken as a deduction). Most expenses, however, have to meet certain requirements in order to qualify for a deduction. Examples of possible qualifying expenses include child care expenses, medical expenses, job-related expenses, and expenses related to rental property.

Filing status – A person’s filing status can be: single, married filing jointly, married filing separately, head of household, and widower. Selecting the appropriate filing status to use on the income tax return is usually fairly straightforward. It determines lots of things, including how much of a standard deduction the taxpayer gets to take on the return, the tax bracket the person falls into, and ultimately, how much to pay in taxes.

If the taxpayer is unsure of their filing status, be sure to have them use the **Guide Me** link in TurboTax.

Dependent – Taxpayers can report their children as dependents on their tax return. For 2003, each dependent usually means another $3,050 deduction, which can translate into a tax savings of $823 if the taxpayer is in the 27% bracket.

But what if the taxpayer is supporting someone who's not their child, like their brother-in-law? A potential tax savings of $823 is certainly worth checking out the rules for claiming dependents.

To make a long story short, if the person: 1) is a relative and 2) the taxpayer provided more than half of the person's support and 3) the person didn't make too much money on his or her own, the taxpayer can claim that person as a dependent.

The best way to find out if someone is a dependent is to use the **Guide Me** link in TurboTax.

Child care credit – The child care credit (usually called the dependent care credit) gives the taxpayer a credit for up to 30% of their child care expenses. So, for example, if the taxpayer spent $3,000 in child care during the year, they can take a credit of up to $900. Because this is a credit, not a deduction, the credit cuts dollars off the tax bill, not just the taxable income used to determine the tax bracket.

TurboTax calculates this credit for the taxpayer based on the child care expenses entered on the return.

Child tax credit – If the taxpayer has children age 16 or under as of the end of 2003, depending on the taxpayer's taxable income, they can get a $1,000 tax credit per child on their 2003 tax return. Like the child care credit, this cuts dollars off the tax bill. And this credit is in addition to the child care credit and the deductions taken for dependents.

Earned income credit – The earned income credit (also called the earned income tax credit or EITC) is a refundable credit that's available to lower income persons and families who have earnings for 2003 below a certain level. A "refundable credit" is one that can actually create a tax refund when a taxpayer's tax liability is reduced down to zero. TurboTax determines whether the taxpayer qualifies for this credit, based on the data the taxpayer enters into TurboTax.

What you need to know before starting the return

There are a few more things to know before starting a return:

- **The only way to prepare and file for free.** Please remind the taxpayers you assist that they must always begin and continue their return through www.taxfreedom.com in order to prepare and file returns for free through the Intuit Tax Freedom Project. Taxpayers must choose TurboTax for the Web 1040EZ or Basic as their choice of programs.

- **Member ID and password.** The taxpayer must write down and remember their TurboTax for the Web Member ID and password. There is no way to access the return or the required electronic filing information without it. TurboTax for the Web includes an option to print this information so the taxpayer can keep it with their records.

  If the taxpayer loses their Member ID or password, please refer to the Common Questions section of www.taxfreedom.com for more information how to retrieve it.

- **Print return to keep.** The taxpayer should print a copy of the return for their records, even if they are filing electronically.

- **More than one state return.** If the taxpayer qualifies for the Intuit Tax Freedom Project, they can complete and electronically file only one federal return and one state return (if their state sponsors a free file alliance) at no cost. If they must file more than one state return (for example, if they moved during the year, or had a job in a state other than the state in which they live), they can pay for and use the desktop version of TurboTax, or use the Intuit Tax Freedom Project for their federal return and one state return, and fill out the extra state return by hand.

- **Electronic filing – check status.** If the taxpayer files their return electronically, they **must** come back to TurboTax for the Web 24 to 48 hours after they electronically file their return. This allows them to check the status of their return, make sure the IRS and state taxing authority have accepted it, print the electronic filing forms, and sign them.

  If the return is rejected, the taxpayer must either correct the errors and re-file the return, or print the return and file by mail.

Tutorial

What you'll be doing

In this section, you will learn how Turbo Tax for the Web works by completing a very basic return for Mr. John Smith. You're going to enter Mr. Smith's personal information, income information, deductions, taxes, and credits, and then check his federal return for errors. When all of the information is complete and error-free, you will print Mr. Smith's return.

Use Mr. Smith's sample return to understand what to expect when the taxpayer prints their return, and to verify that you correctly entered the sample data in this tutorial.

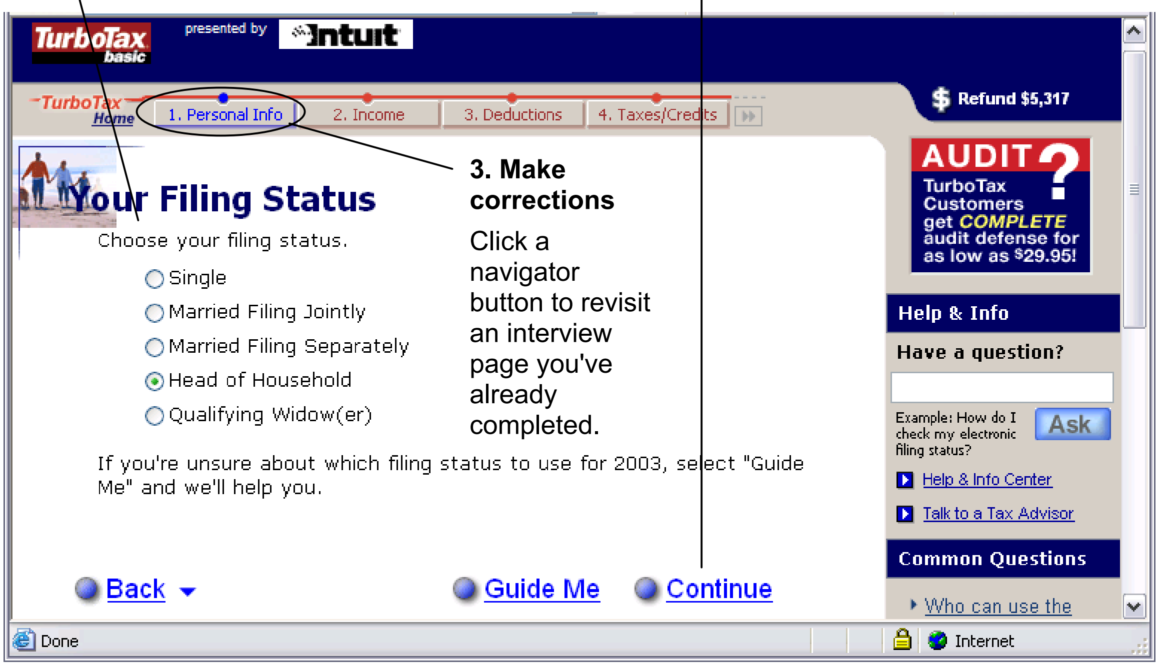
Navigating around TurboTax for the Web

It's easy to get around TurboTax for the Web.

1. Look here first

Read and answer the interview question.

2. Click here to move forward with the interview.



3. Make corrections

Click a navigator button to revisit an interview page you've already completed.

Getting help

If the taxpayer has a question about their tax return, there are many places to look for help.

Getting help while in TurboTax for the Web

Taxpayers can get help in TurboTax from a variety of sources, including:

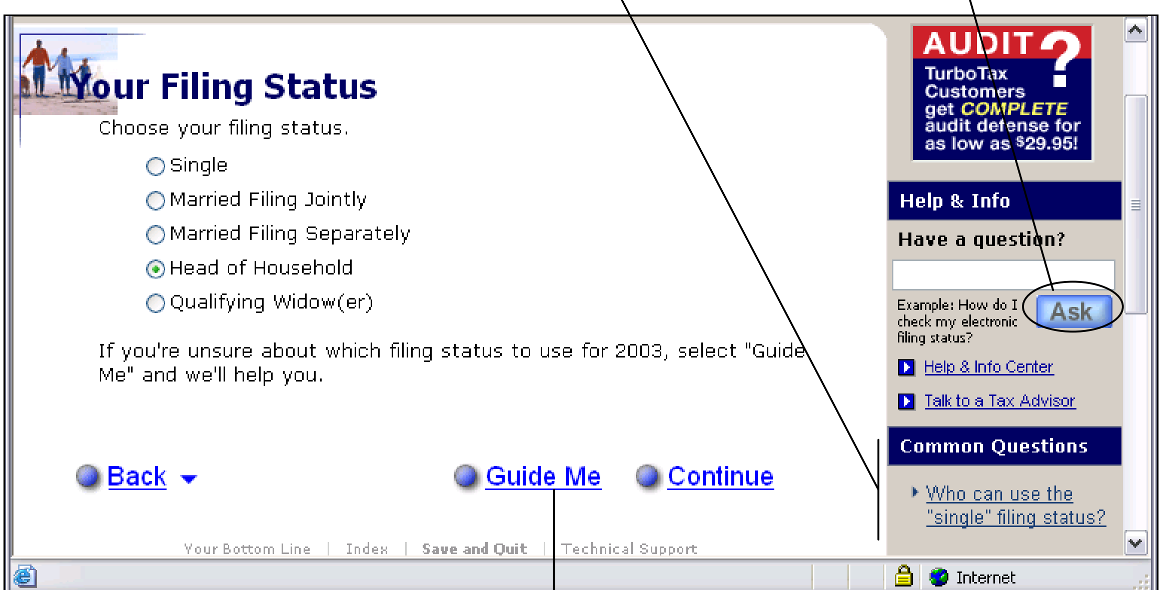
- **Guide Me link.** The **Guide Me** link appears throughout TurboTax to help taxpayers answer the questions on the page. For example, a **Guide Me** link appears in the area about dependents, and helps taxpayers determine whether someone qualifies as their dependent. Urge the taxpayer to use these **Guide Me** links – they provide valuable help.

- **Common Questions.** On the right side of each page in TurboTax are the most commonly asked questions about the information the taxpayer is entering on that page. When the taxpayer clicks a question, the answer is displayed in a Help window. From there, the taxpayer can ask another question, or access additional resources. When they're finished reading the information, they close the window and return to preparing the tax return.

Common Questions

Answer your questions about this page.

Enter a question and click here for even more help.



Guide Me

Use this to make the right decisions.

Other types of help in TurboTax for the Web

From the Common Questions screen, taxpayers can access other types of help.

Enter a question here, then click **Ask.**

Get additional help with TurboTax, learn about new tax laws, and get technical help.

Contact tech support and tax professionals for more help.

Taxpayers can also access technical support by clicking **Technical Support** link at the bottom of each TurboTax page. This sends them to the TurboTax Help Center, where they can search for and get answers to common questions or contact technical support personnel through free live chat.

The following additional help is available for a fee:

Support phone number. If the taxpayer's question is not answered by the searching common questions or the Internet chat, we provide them with a special priority telephone number. When they call this priority number, they are connected to the first available support representative. This service costs **$19.95** per incident.

Getting help from the IRS

If TurboTax for the Web can't answer the taxpayer's questions, the taxpayers can contact the IRS. However, they will be unable to answer TurboTax products-related questions. Have them try these resources:

- **Web site.** You can access official information from the IRS by going to http://www.irs.gov. On the left side of the home page, you will find the handy **Search IRS Site for** and **Search Forms and Publications for** features.

- **Phone number.** The IRS help line number is 1-800-829-1040.

Getting help from the state

To find out whether the taxpayer's state requires local taxes, go to the state's Web site. If they can't find the state's Web site, go to: http://www.turbotax.com/articles/FederalTaxFormLinks.html

TurboTax for the Web Tutorial

Meet John Martin Smith

John Smith works for Citibank as a toll collector. He's divorced and has full custody of his two children, John Jr. and Deidre. His tax situation is pretty simple because he doesn't own property or have any investments, and doesn't participate in any tax-deferred savings programs such as an IRA. He does participate in his company's 401(k), however.

As you work with real taxpayers, you're going to run across people with tax situations very much like Mr. Smith's, and perhaps people with very different tax situations. Don't worry: TurboTax for the Web's interview process helps taxpayers collect all the information they need.

Following are the most common tax forms you'll see. The W-2 form reports Mr. Smith's earnings from Citibank for the year, and the 1099-INT reports Mr. Smith's interest earnings. You'll use these sample forms in the tutorial.

Sample W-2

a Control number		OMB No. 1545-0008
b Employer identification number 13-3753719	1 Wages, tips, other compensation 20,870.00	2 Federal income tax withheld 1,591.00
c Employer's name, address, and ZIP code CITIBANK 101 ROCKEFELLER CENTER NEW YORK, NY 10136	3 Social security wages 20,870.00	4 Social security tax withheld 1,293.94
	5 Medicare wages and tips 20,870.00	6 Medicare tax withheld 302.62
	7 Social security tips	8 Allocated tips
d Employee's social security number 131-23-1231	9 Advance EIC payment	10 Dependent care benefits
e Employee's name, address, and ZIP code JOHN M SMITH 123 West 128th NewYork, NY10026	11 Nonqualified plans	12a See instructions for Box 12
	13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	12b
	14 Other SDI 136.39	12c
		12d

15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
NY	13-32564-7	20,870.00	591.00			

Form **W-2** Wage and Tax Statement **2003**

Department of the treasury - Internal Revenue Service

This information is being furnished to the Internal Revenue Service

Copy B To be filed with Employee's FEDERAL Tax Return

Sample 1099-INT

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. WELLS FARGO PO BOX 30746 LOS ANGELES, CA 90030-0746	Payer's RTN (optional)	OMB No. 1545-0112 2003 Form **1099-INT**	**Interest Income**
PAYER'S Federal identification number 95-3547851 / RECIPIENT'S identification number 131-23-1231	1 Interest income not included in box 3 $ 44.00		**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
RECIPIENT'S name JOHN M SMITH	2 Early withdrawal penalty $	3 Interest on U.S. Savings Bonds and Treas. obligations $	
Street address (including apt. no.) 123 West 128th	4 Federal income tax withheld $	5 Investment expenses $	
City, State, and ZIP code New York, NY 10026	6 Foreign tax paid $	7 Foreign country or U.S. possession	
Account number (optional)			

Form **1099-INT** (Keep for your records) Department of the treasury - Internal Revenue Service

Starting the return through the Intuit Tax Freedom Project

You're ready to start! Make sure you're logged onto the Internet before you begin.

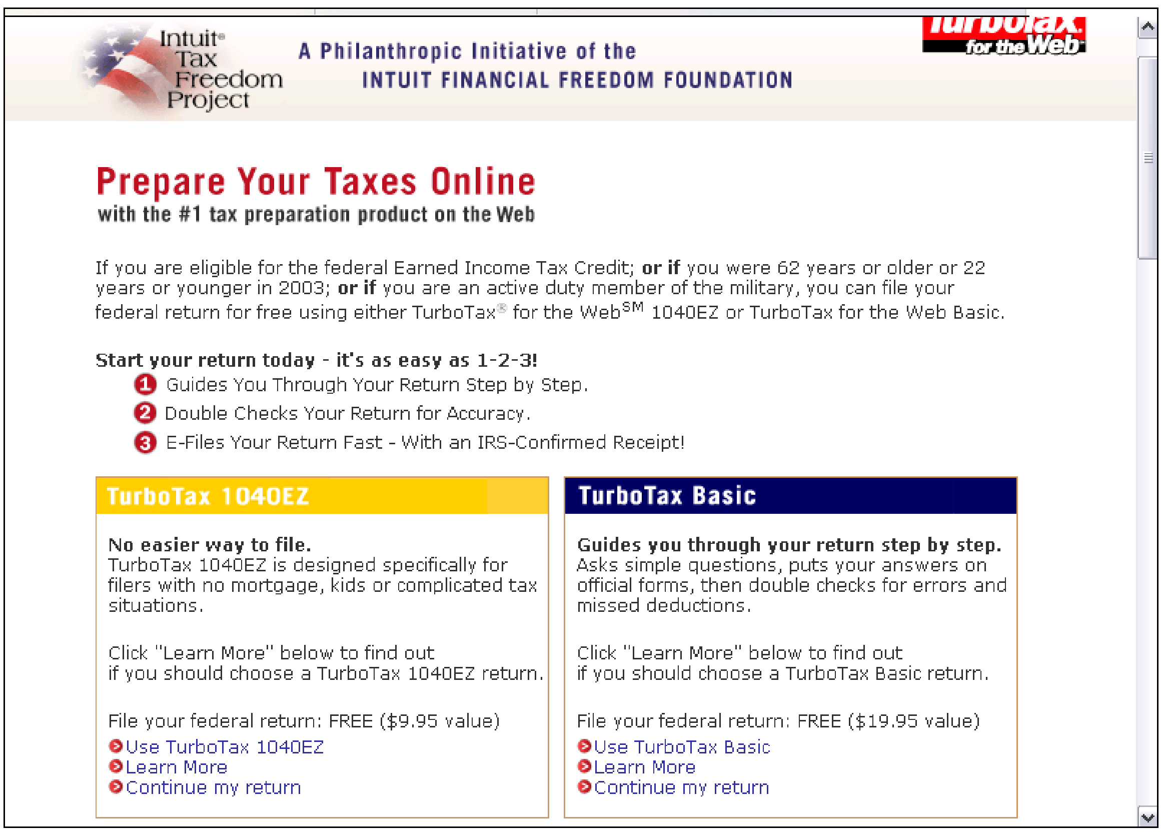
1. In your Web browser (Internet Explorer is preferred), enter the following Internet address:

   http://www.taxfreedom.com

   This displays the Intuit Tax Freedom Project Home Page. It is important that the taxpayers start from this page each time they want to access TurboTax for the Web. Otherwise, they will not qualify to file their returns free of charge.

2. On the top left side of the page, click **Start a Return Now**.

   This takes you to the next page, where taxpayers need to decide between using TurboTax for the Web 1040 EZ to prepare a 1040EZ return, or TurboTax for the Web Basic to prepare a full 1040 return.



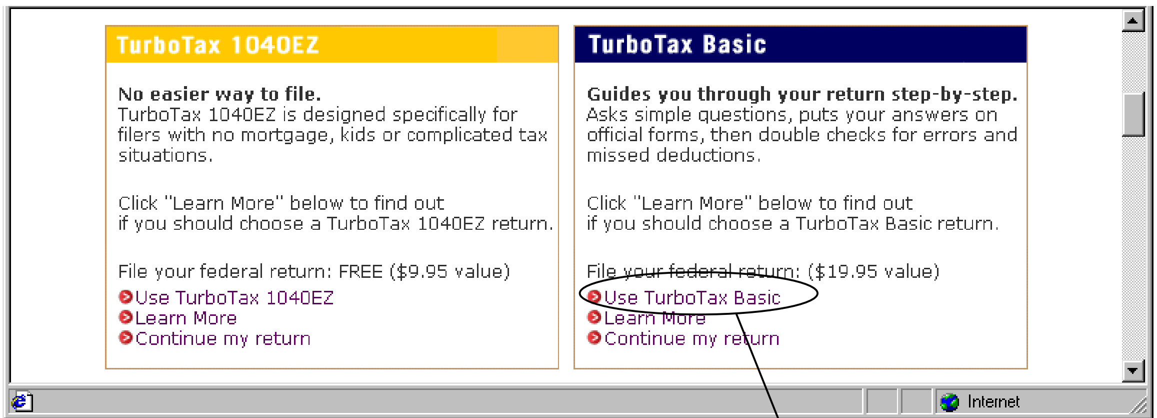
3. Under the **TurboTax 1040EZ** section, click **Learn More**.

4. Look in the TurboTax 1040EZ box at the top right of the page and note that TurboTax 1040EZ is recommended for taxpayers who have no dependents, who are younger than 65, and with taxable income less than $50,000.

5. Scroll down to compare the features of the various TurboTax for the Web products. Note that the 1040EZ feature list is limited, as it is intended for very basic returns.

6. When you finish reviewing the TurboTax 1040EZ requirements, click your browser's **Back** button at the top of the page. This takes you back to the previous page, where the taxpayer decides between using TurboTax 1040EZ or TurboTax Basic (for 1040 returns).

7. Under the **TurboTax Basic** section, click **Use TurboTax Basic**.



Click here.

8. Click **Start a new 2003 tax return**.

   Next, you're going to create a TurboTax member ID for Mr. Smith.

9. On the **Start a new 2003 tax return** page, click **Create a new TurboTax member ID**.

   This displays the **TurboTax Services Agreement and Limited Warranty**.

   Note: When you're working with taxpayers, make sure to give them enough time to read the agreement, if they wish to.

10. Click **I accept**.

    Next, you're going to enter a member ID and password.

11. In the **Create a member ID** box, enter your first and last names followed by **itfp,** all as one word. Don't enter any spaces. For example, if your name is Kathy Johnson, enter **KathyJohnsonitfp**.

    Note: When you're working with actual taxpayers, they must enter a unique member ID. They'll use it every time they log on to TurboTax for the Web.

12. Re-enter your member ID as directed.

13. Enter a password that is at least six characters long, with no spaces, then re-enter your password as directed.

    For extra security, it's best to use a mixture of letters and numbers.

14. Enter your e-mail address.

    Turbo Tax for the Web requires taxpayers to provide an e-mail address. It is used to send taxpayers a friendly reminder as the filing deadline approaches, to inform them of special offers from TurboTax for the Web, and to retrieve lost member IDs. If you do not have an e-mail address, or if a taxpayer you're working with needs one, you can get a free e-mail account through a number of Internet Service Providers. Simply go to a search engine, type in "free email," and determine which e-mail provider best meets you or the taxpayer's needs.

15. Under **6. Choose a security question**, click the arrow on the right side of the box to display the menu.

    This displays a list of questions that you answer if you forget your password.

16. Select one of the questions, and then enter the answer in the box below.

17. Enter a word that will help remind you of your password.

    If you log on to TurboTax for the Web again and forget your password, you can click a link to get your personal password reminder. It asks you the security question you selected, and you must provide the answer. Then it shows you what you entered for your password reminder, which should help you remember your password.

18. Click **Sign In**.

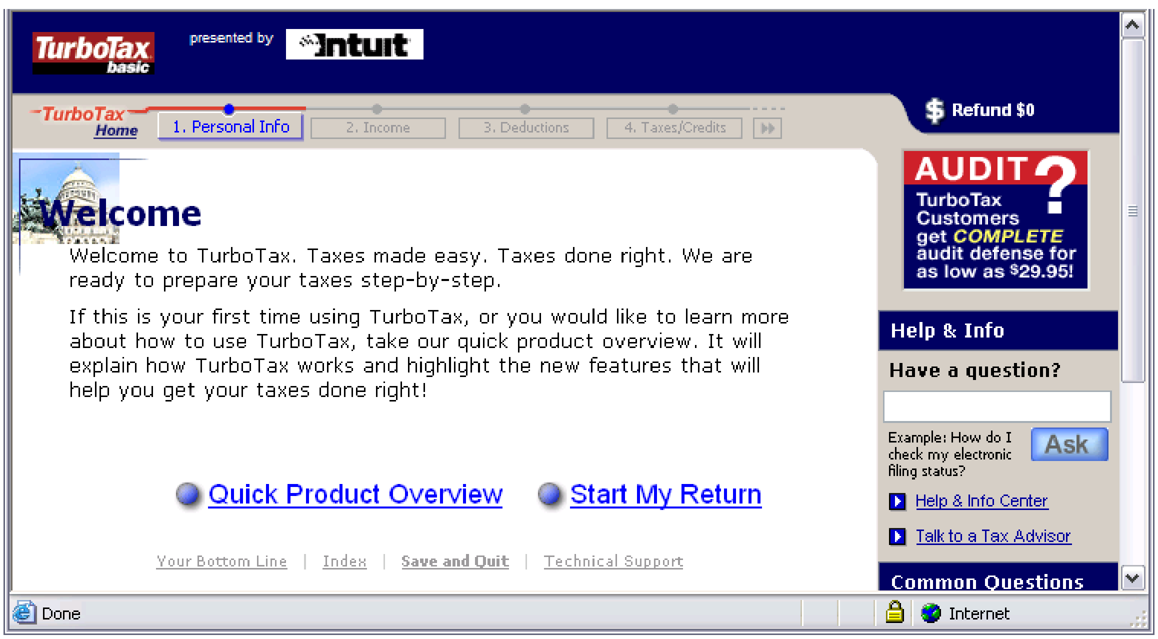
    Note: You're prompted to print the displayed page so you can remember your password and member ID.

    We strongly recommend that you encourage taxpayers to print this page. They must use the same member ID and password to make any changes to their return after logging off, and to check the status of their return if they filed it electronically.

19. Click **Print This Page**, then click **OK** in your printing options sheet.

20. On the printed sheet, write your password under your Member ID.

    After you print the page, the program takes you to the **Welcome** page.

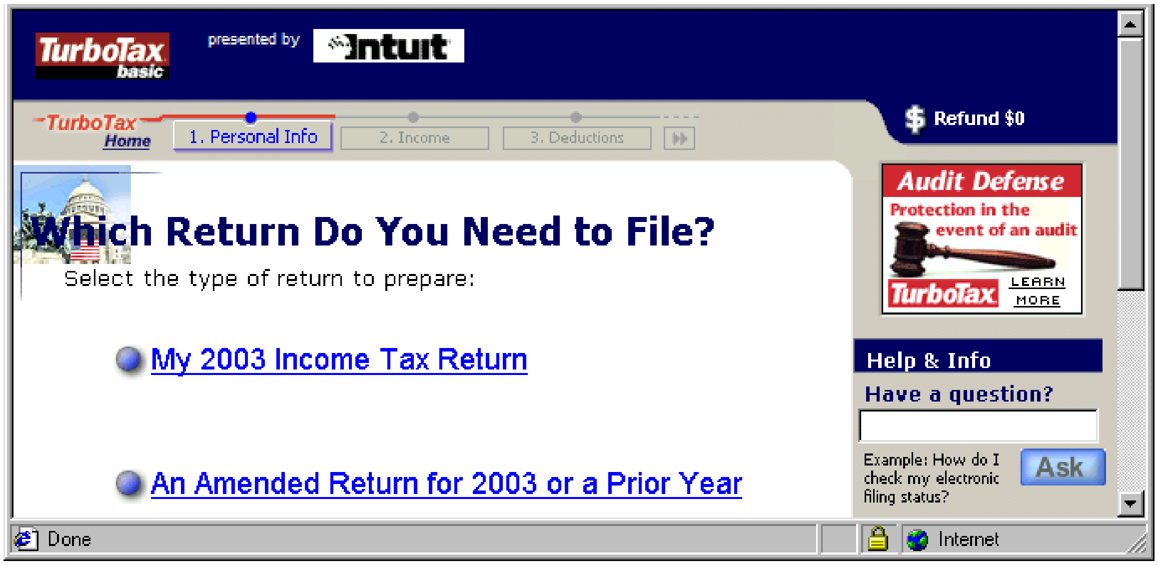


21. Click **Start My Return**.

    This brings you to the **Import From Quicken** page, which prompts you to import your tax information from Quicken.

22. Click **No**.

23. On the next page, you're prompted to file your 2003 income tax return, or an amended return. Click **My 2003 Income Tax Return**.



Entering personal information

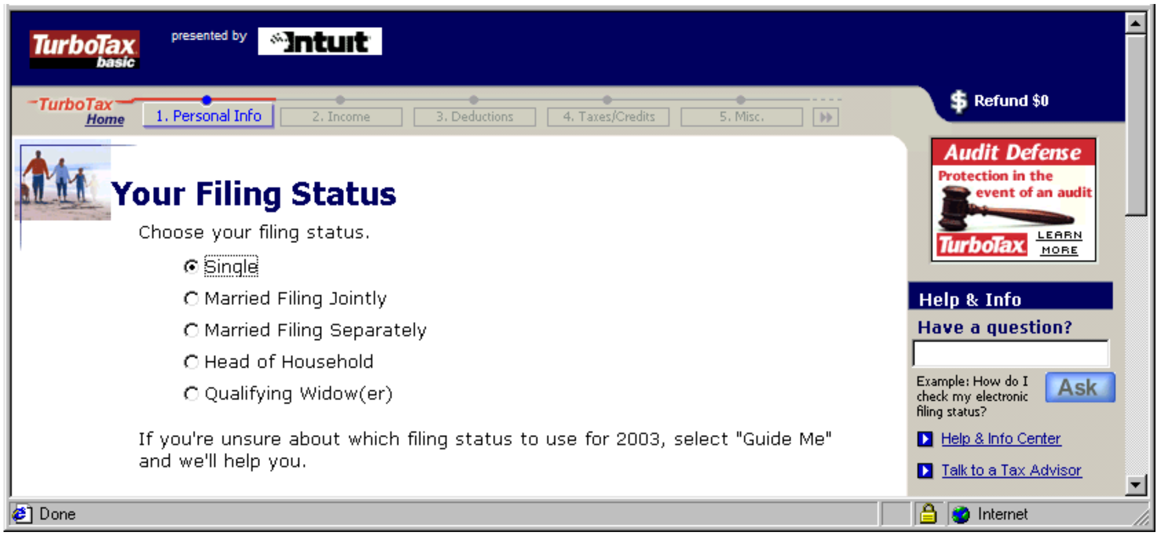
In this section, you will enter Mr. Smith's personal information, such as his social security number and home address. We will provide the information you need. Note the buttons at the top of the **Get Organized – Personal Information** page. These buttons allow you to jump to different sections of the return if needed. In this tutorial, we use these buttons to make the tutorial shorter and easier.

Use these buttons to jump to different sections in the return.

Review the information on the **Get Organized – Personal Information** page, then click **Continue**.

Determining the filing status

You're now ready to enter filing status information for John Martin Smith.



1. Mr. Smith is single, but may qualify to file for head of household status, which is more beneficial for tax purposes. Under **Common Questions**, scroll down until you see the question **Who can use the "head of household" filing status?** Click the question for more information about qualifications for this filing status. When you finish reading about head of household status, close the Help window.

   The filing status can be confusing if a taxpayer is recently divorced or has children who are dependents. Using the **Guide Me** link is a great way for taxpayers to determine their filing status.

2. Click **Guide Me**.

3. On the next page, make sure the **Single** button is selected, then click **Continue**.

4. On the next page, click **Yes** to indicate that Mr. Smith is a U.S. citizen.

5. The next page asks whether dependents lived with the taxpayer during the year. Note that there is a distinction about foster children. Under **Common Questions**, click **Who is considered a "foster child"?** to find out more about claiming foster children as dependents.

6. Close the Help window to return to the interview.

7. Mr. Smith has two children who lived with him during 2003, so click **Yes** on this page.

8. The next page asks about the marital status of the child living with the taxpayer. Click **No**.

9. The next step includes two definitions: "maintain" and "main home." Click the **maintain** link to review the definition for maintaining a home, then close the Help window.

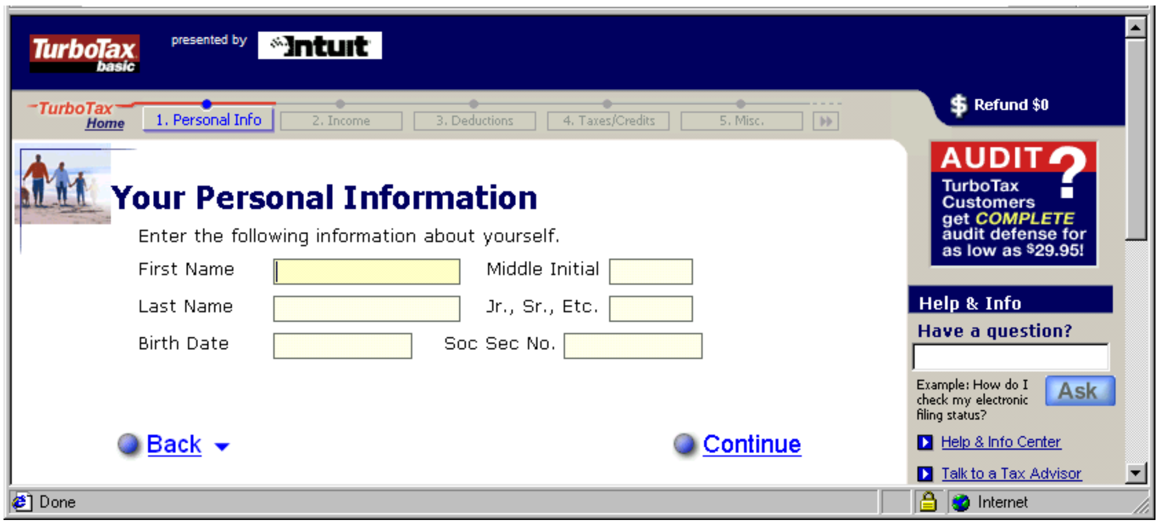
10. Click the **main home** link to see the definition. Whether or not a taxpayer paid over half of the expenses for their main home contributes to their status as a head of household. After reviewing the definition, close the Help window.

11. In response to the question concerning paying maintenance costs for the main home, click **Yes**.

12. You'll see that based on the answers you just provided, TurboTax has determined that Mr. Smith can claim head of household filing status. Click **Continue**.

    Next, you're ready to enter Mr. Smith's background information, such as his name, address, and employment information.

Entering background information



1. Enter the following information for Mr. Smith. Press the TAB key to move from box to box.

   First Name: **John**
   Middle Initial: **M**
   Last Name: **Smith**
   Jr., Sr., Etc. (leave blank)
   Birth Date: **05/19/1972**
   Soc Sec No. **131-23-1231** (you don't have to enter the dashes between the numbers; the program does that automatically for you).

2. Click **Continue**.

3. Verify that you entered Mr. Smith's name, birth date, and social security number correctly, then click **Continue**.

4. Enter the following on the **Your Mailing Address and Home Phone** page:

   Address: **123 West 128th Street**
   Apt. No.: (leave blank)
   City: **New York**
   State: **NY**
   ZIP Code: **10026**
   Location: **USA**
   Home Phone: **(718) 555-1212** (just enter the numbers; the program automatically formats the number for you).

5. Click **Continue**.

6. On the **Information About Your State** page, select **New York** in the menu, and make sure that **Yes** is selected for the question: "Were you a resident of this state for all of 2003?" Click **Continue**.

7. On the **Your Occupation and Work Phone** page, enter the following information:

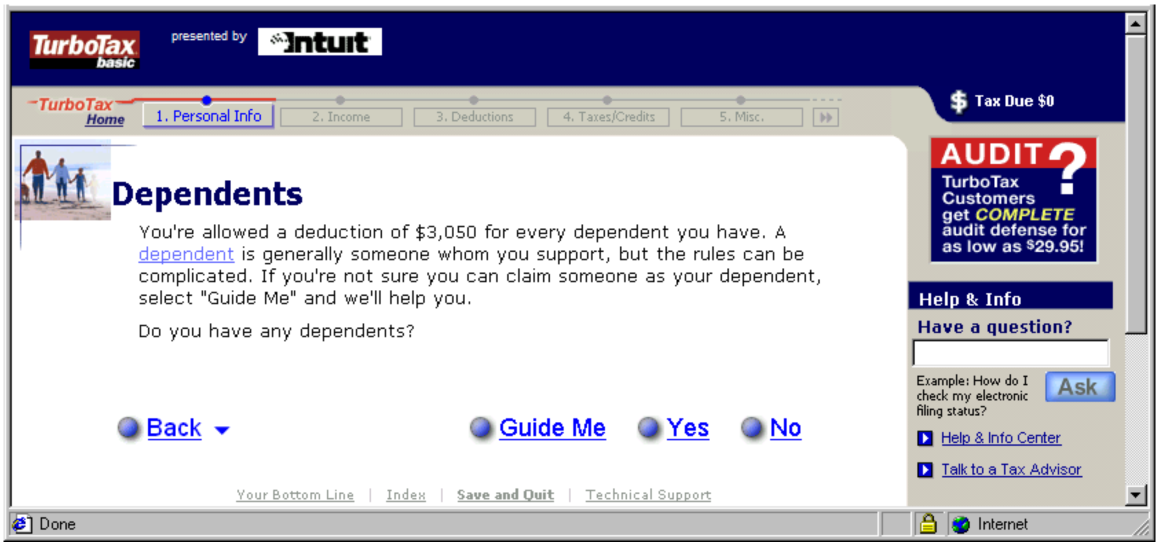
   Occupation: **Toll Collector**
   Work (Daytime Phone): **(718) 555-5555**
   Extension: **5555**

8. Click **Continue**.

9. On the **Special Situations** page, leave all of the check boxes blank, then click **Continue**.

Entering dependent information

Mr. Smith has two children, but do they qualify as his dependents? We've already said that Mr. Smith had children living with him during all of 2003, which most likely qualifies them as dependents. In cases of recent divorce and other situations, it may not be so clear.



1. Click **Guide Me** to go through the requirements for people (children, grandchildren, foster children, parents) to be considered dependents.

2. On the next page, enter the following information:

   First Name: **Deidre**
   Date of Birth: **02/12/1994**
   Relationship: In the menu, select **Daughter, or step-daughter**.
   This person is neither a U.S. Citizen nor a resident alien: Leave the box unchecked.

3. Click **Continue**.

4. On the next page asking if Deidre was a member of the household for all of 2003, click **Yes**.

5. Mr. Smith provided more than half of Deidre's total support in 2003, so click **Yes** on the next page.

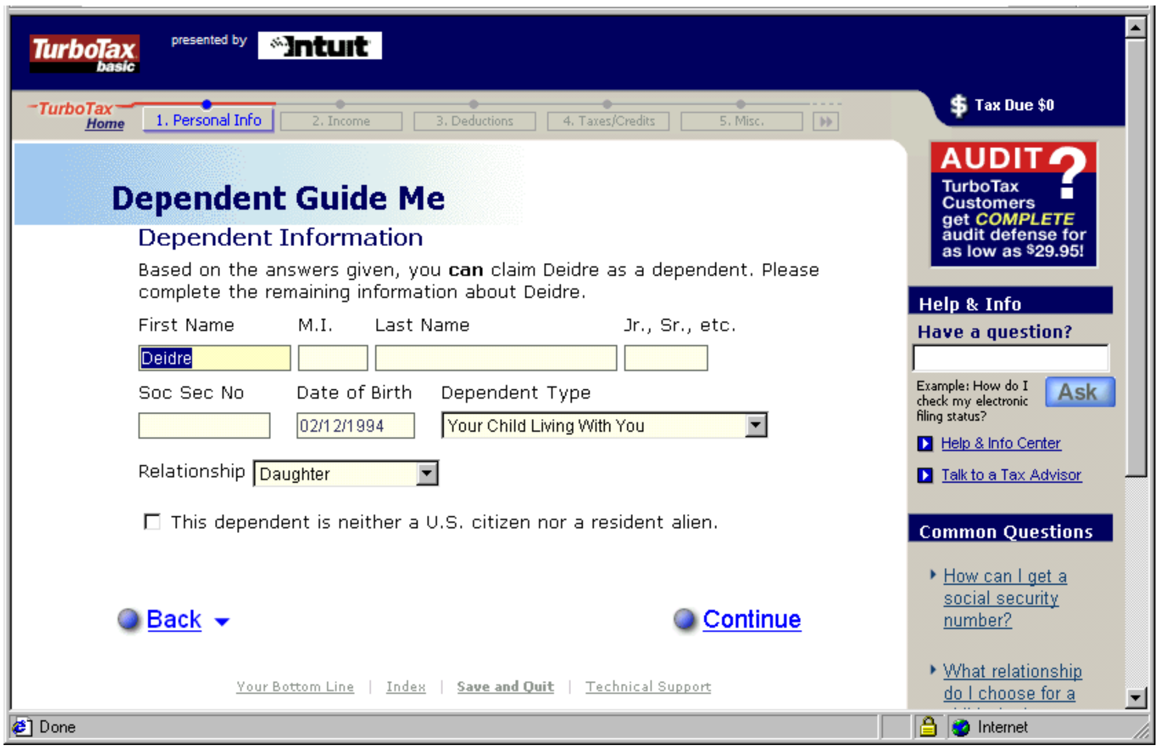
6. In response to the next question about Mr. Smith's relationship with the other parent, click **We're divorced or legally separated**, then click **Continue**.

7. Mr. Smith has an agreement with his ex-wife that he will claim the dependency exemption for both Deidre and John Jr. Click **No** to indicate that Mr. Smith will not give up his claim for his children to be his dependents.

8. In response to the next question regarding a divorce decree or agreement made after 1984, click **No**.

9. In response to the next question regarding a divorce decree or agreement made before 1985, click **No**.

   Based on the information you provided about Deidre, the TurboTax program determines that Mr. Smith can claim her as a dependent on his tax return. You can see that there are many variables involved in determining whether a taxpayer can claim someone as a dependent. When you're working with taxpayers, having them use the Guide Me is a great way to make sure they're entering correct information about their dependents.



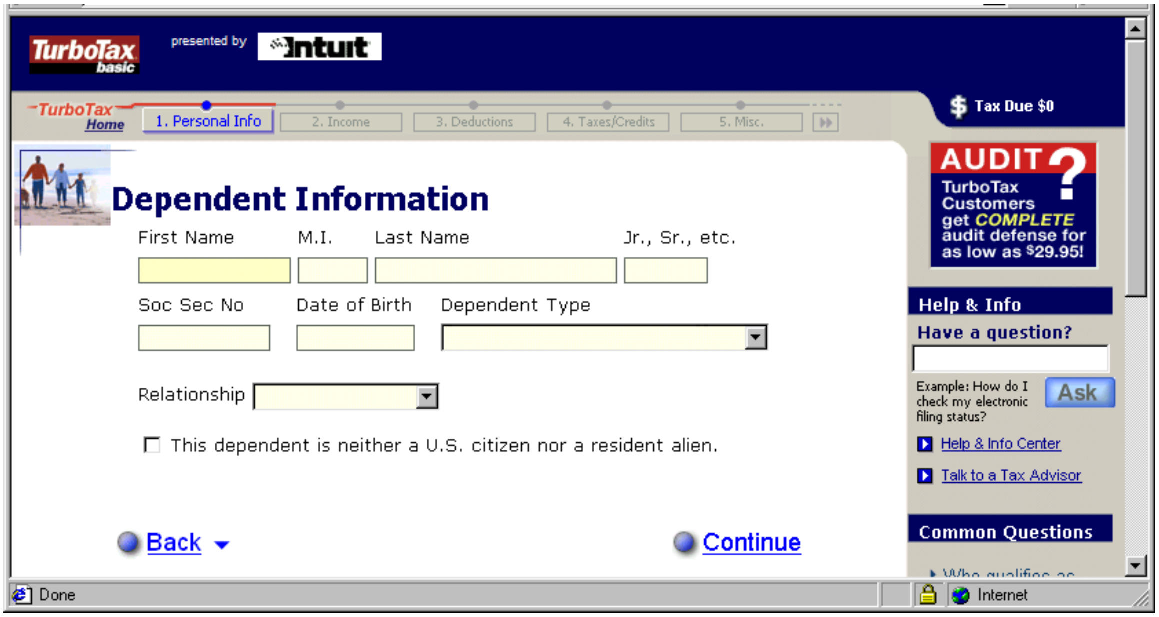
10. Enter the following information to complete Deidre's information:

    M.I.: **F**
    Last Name: **Smith**
    Soc Sec No: **121-32-3233**

11. Click **Continue.**

12. Now that you know that Deidre qualifies as a dependent, you can be pretty sure that Deidre's brother John Jr., who also lives with Mr. Smith, also fits the qualifications for being a dependent. Instead of going through the Guide Me for John Jr., click **No**.

13. On the next page, click **Add a Dependent**.

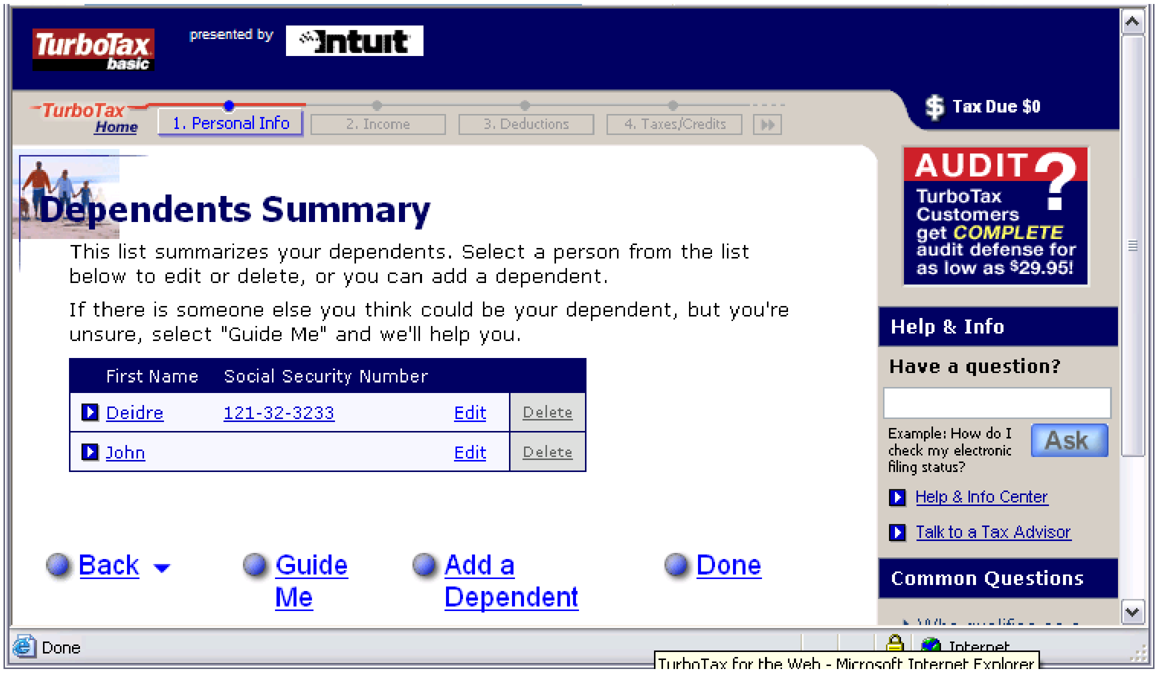


14. Enter the following information for John Jr.:

    First Name: **John**
    M.I.: **M**
    Last Name: **Smith**
    Jr. Sr. etc.: **Jr.**
    Soc Sec No: Leave blank. For the meantime, pretend that you can't find John Jr.'s Social Security number. We'll find it for you later.
    Date of Birth: **01/18/1999**
    Dependent Type: **Your Child Living With You** (click on the arrow button to see the list of options)
    Relationship: **Son**
    This dependent is neither a U.S. citizen nor a resident alien: (leave box unchecked)

15. Click **Continue**.

Your **Dependents Summary** page should look like this:



16. You have finished entering dependent information, so click **Done** on the **Dependents Summary** page.

17. If the taxpayer received an advance child tax credit payment, they have to enter the amount here. If they don't know the amount, they can go to the IRS web site and check the amount by entering their social security number.

    On the **Advance Child Tax Credit Payment** page, enter **500** in the payment amount box, then click **Continue**.

Entering income information

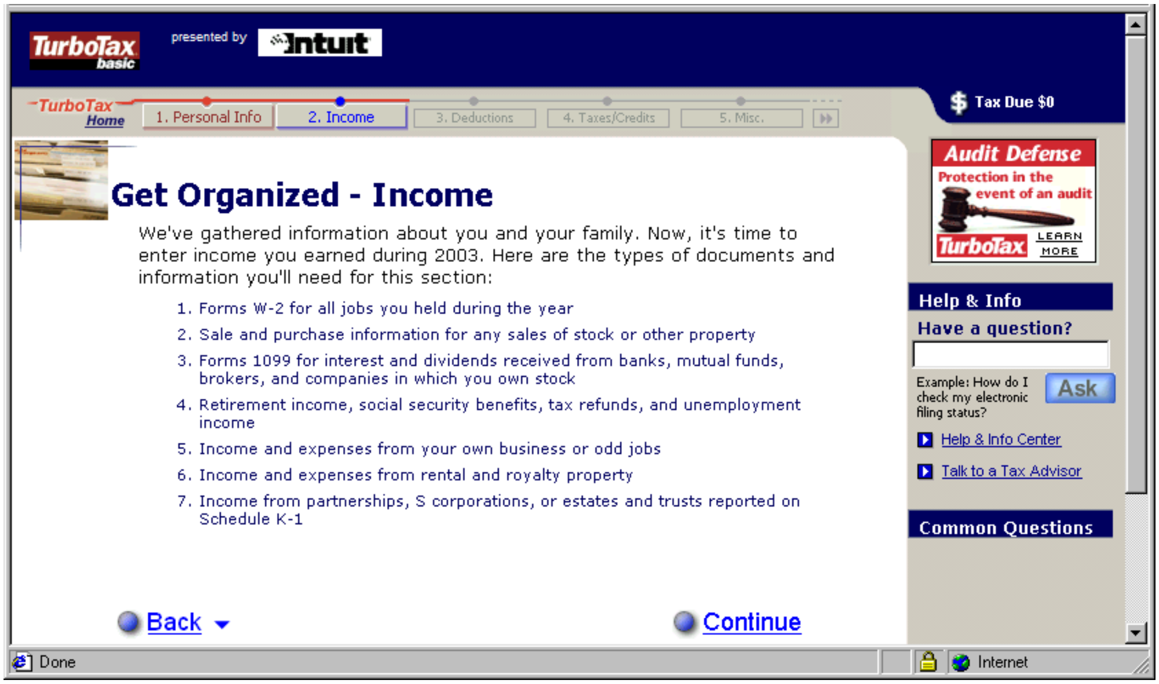
Now that you've entered Mr. Smith's personal information, you're ready to enter his tax information. Before you start, you need to indicate if Mr. Smith's tax situation changed over the past year. While we'd like to say that Mr. Smith got a raise, there were no changes to his tax information this year.

1. On the **Changes for 2003** page, review the tax information, then check the box next to **None of these events occurred** (you may have to scroll down to see this option).

2. Click **Continue**.

3. On the next page, click **Continue**.

Now you're ready to enter Mr. Smith's wages and interest income. Your screen should be displaying the following page, which lists the documents you need to complete Mr. Smith's income information.



Mr. Smith's income is pretty straightforward: he earned wages reported on a W-2, and he earned interest income that is reported on a 1099-INT.

Entering W-2 information

For this section, you'll need the sample W-2 for Mr. Smith on page 22 in this workbook. Remove the sample and keep it handy. You'll need it as you go through the following exercise.

1. On the **Get Organized – Income** page, click **Continue**.

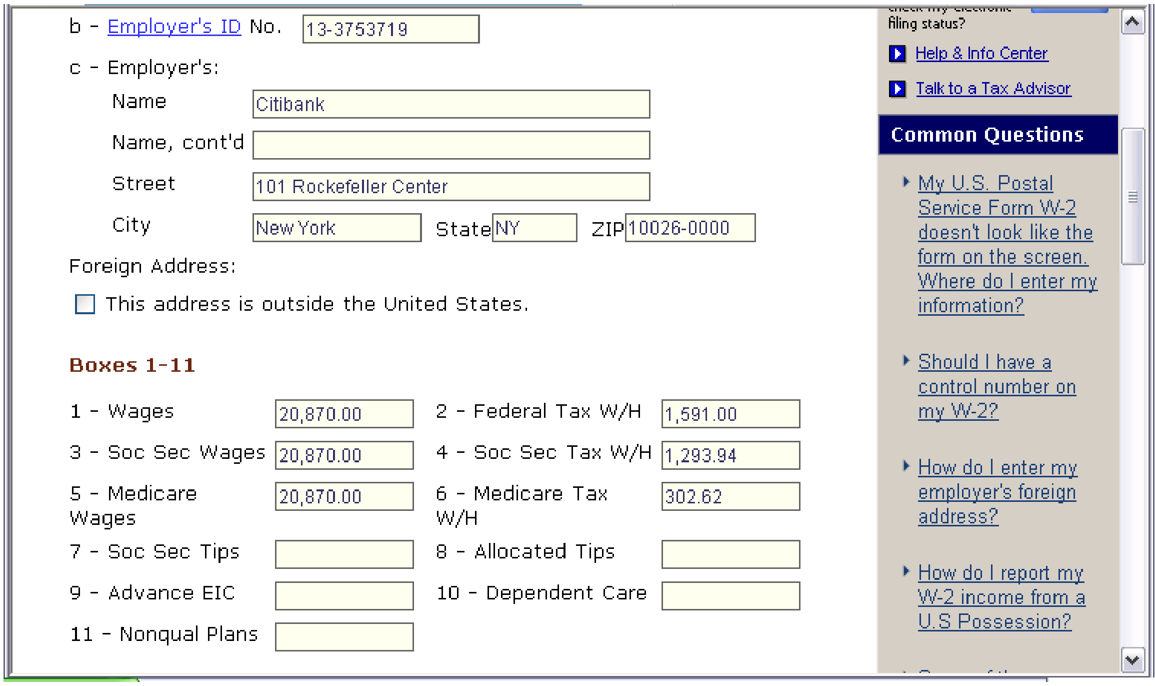
2. On the **Form W-2: Wages and Salaries** page, click **Add a W-2**.

3. Mr. Smith isn't eligible for Instant Data Entry, as his employer's payroll company doesn't participate in the program. On the **Import W-2 From Your Employer** page, click **No**.

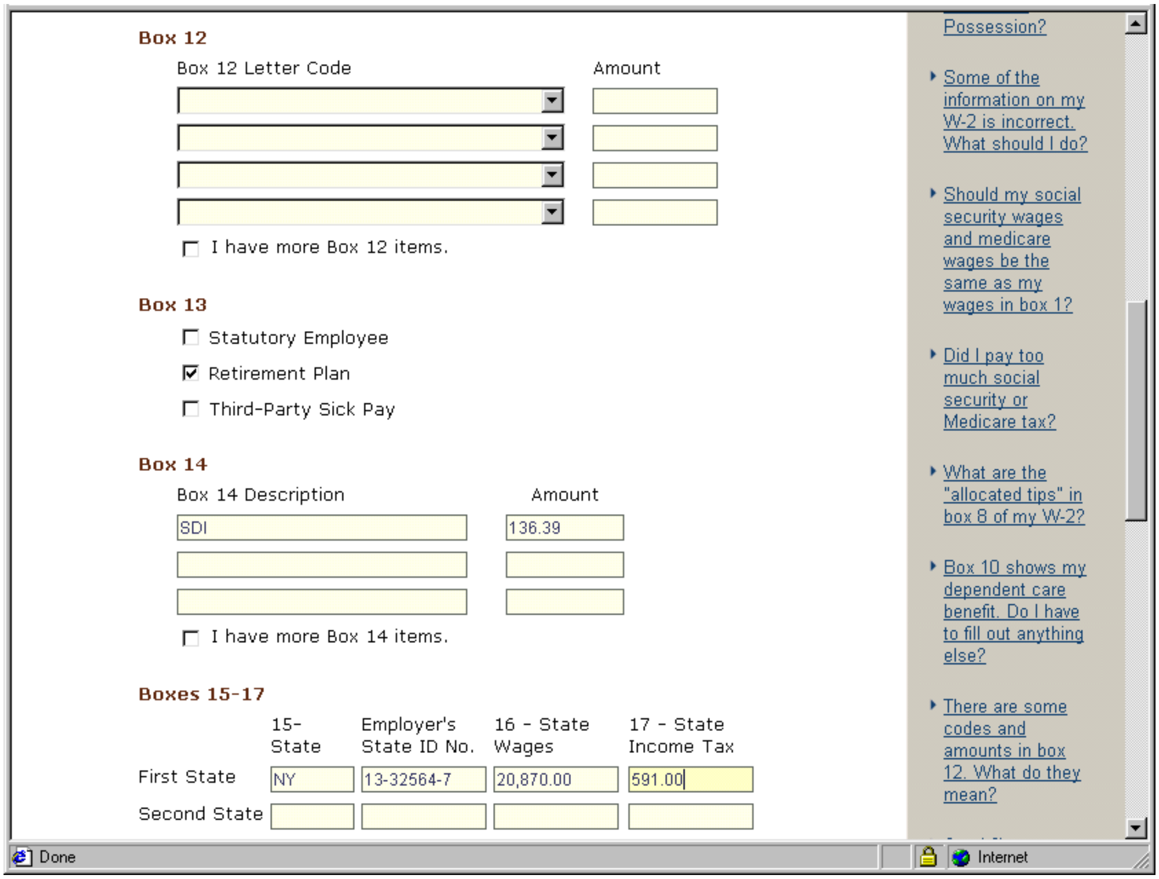
4. Look at Mr. Smith's W-2. Enter Mr. Smith's employer name and address, and his wage information on the **Your W-2** page.

   Note: If any of the boxes on the W-2 are blank, don't enter "0" in TurboTax. Leave the space blank.

Boxes 1-11 on the **Your W-2** page should look like this:



The remaining boxes containing information should look like this:



5. Click **Continue**.

6. On the next page, review the special situations. None of the boxes apply to Mr. Smith, so leave all the boxes unchecked and click **Continue**.

7. Next, TurboTax asks you to verify that the name and address you entered for the return matches the name and address on the W-2. Compare this information with the sample W-2. It should be correct. If it's not, make the corrections, then click **Continue**.

8. The next page asks if the SDI amount you entered is for the New York Nonoccupational Disability Fund. Click **Yes**.

9. The next page should look like this:

Mr. Smith doesn't have another job, so he doesn't have any more W-2s. Click **Done**.

10. The **Employee Stock Purchase Plans** page is for employees who purchased their company's stock, then sold some shares. Mr. Smith doesn't participate in such a plan, so click **No**.

11. Mr. Smith also didn't participate in any employee stock option programs. However, you may want to know about the different types of employee stock option plans available. Review the definitions, then return to the **Employee Stock Option Plans** page and click **No**.

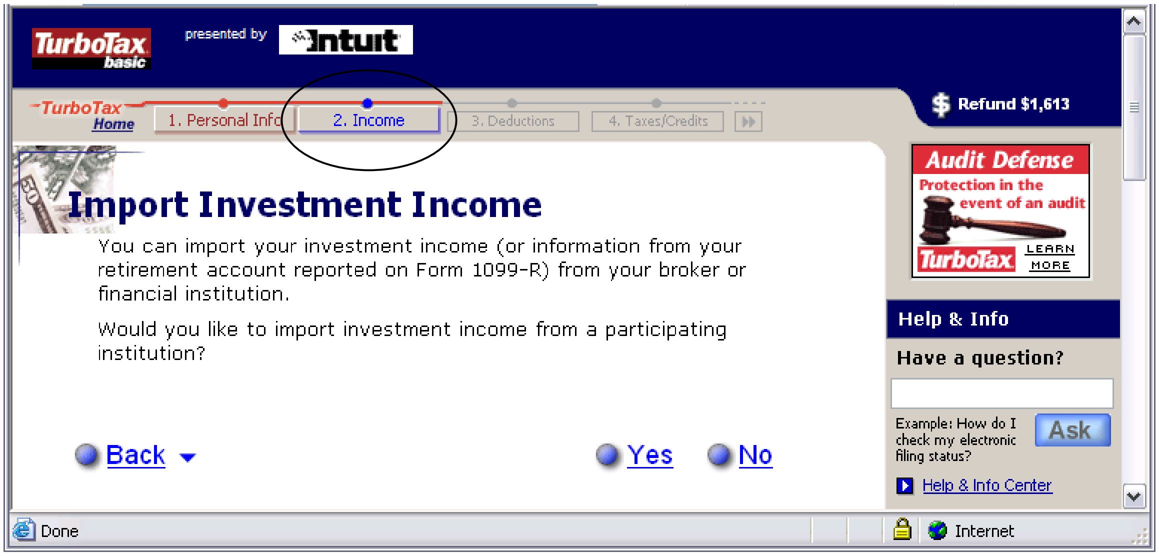
Entering 1099-INT information

The next part of the interview is about income from investments. Mr. Smith doesn't participate in any investment plans, but he did earn some interest income from his Wells Fargo checking account. This income is reported on Mr. Smith's 1099-INT form, which you can find on page 23. Remove the page and keep it handy. You'll need it to complete the exercises in this section.

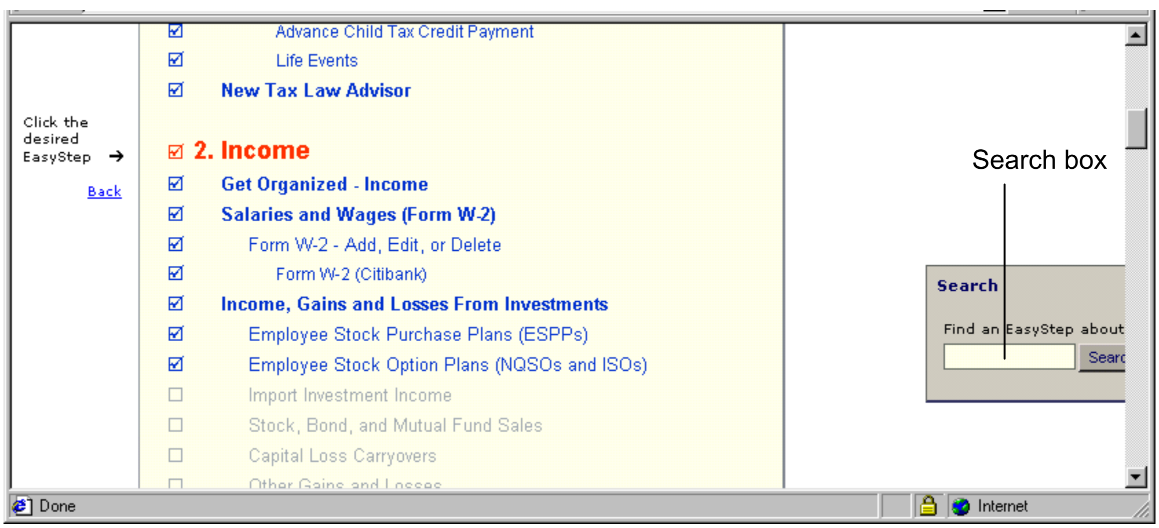
You're going to use the EasyStep Navigator to skip the investment questions that don't apply to Mr. Smith, and go directly to the Interest Income part of the interview. We're doing this to make these sample exercises a little faster and easier.

Note: When you are helping taxpayers, do not have them skip any portion of the interview. Make sure they go through every page of the interview and answer all questions. If they skip sections using EasyStep Navigator, they could miss something that applies to them, and their tax return could be incomplete or inaccurate.

1. On the **Import Investment Income** page, click the **2. Income** button on the EasyStep Progress bar at the top of the page.



This takes you to the EasyStep Navigator.



In the **Search** box, type **1099-INT**, then click **Search**.

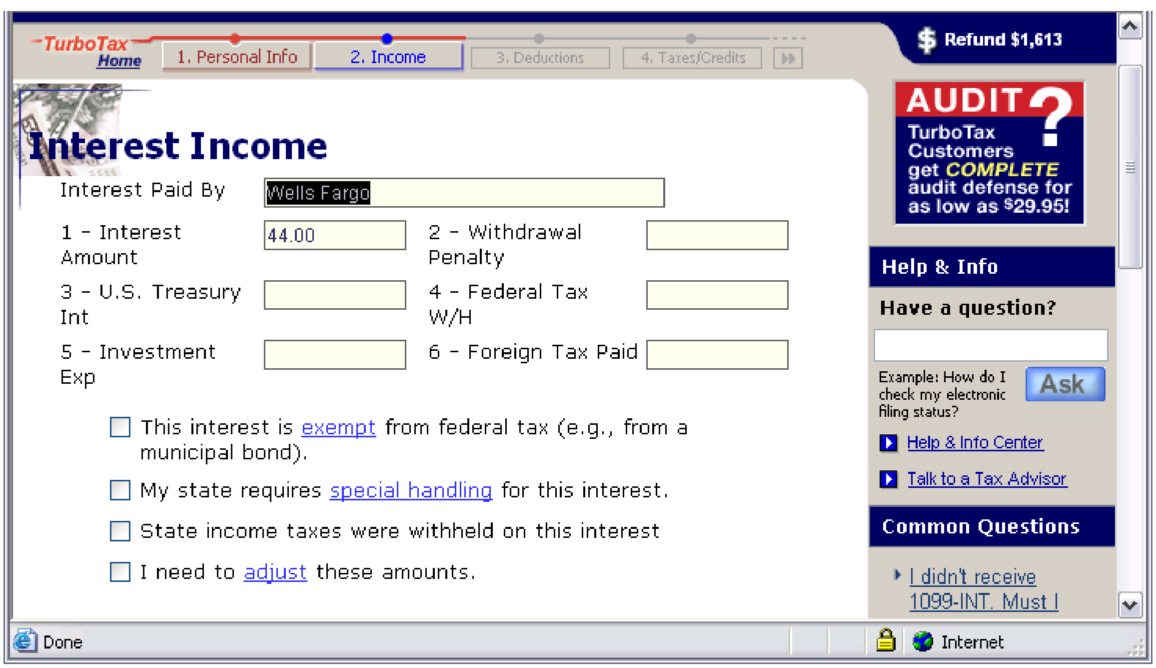
2. TurboTax displays the result of your search:

3. Click **Interest Income (Form 1099-INT)**.

   This takes you directly to the **Interest Income – Form 1099-INT** page in the interview.

4. On the **Interest Income – Form 1099-INT** page, click **Yes**.

5. Using the sample 1099-INT on page 23, complete the **Interest Income** page. The **Interest Income** page should look like this:



6. Click **Continue**.

   The **Interest Income Summary** page should look like this:

7. Click **Done**.

   Mr. Smith didn't earn any other types of income, so you're going to skip the remainder of the Income portion of the interview. Again, we are skipping portions of the interview to accelerate these exercises a bit. Do not have the taxpayer do this when they prepare their return.

8. Click the **2. Income** button on the EasyStep Progress bar. This takes you to the EasyStep Navigator.

9. Scroll down the EasyStep Navigator. Note the variety of income that taxpayers can report.

10. Scroll down until you see **3. Deductions**.

11. Click the checkbox next to **3. Deductions**.

Taking the Child Care Credit

Following is the first page in the Deductions interview. Note the expenses that may be deductible.

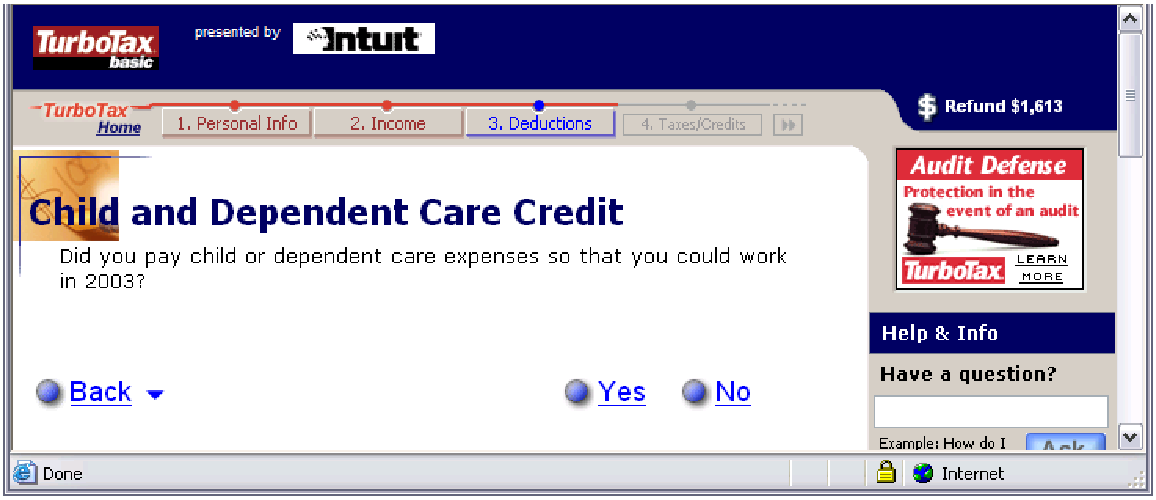
Because Mr. Smith pays for child care for his children, we're going to take you directly to the Child and Dependent Care Credit portion of the interview. Other taxpayers may be able to take advantage of the other deductions listed, so be sure to have them go through each screen and answer all the questions.

Mr. Smith's pays for full-day child care for his son John Jr. at the on-site daycare center at Citibank. He also pays a fee for after-school care for his daughter Deidre. You're going to enter the amount Mr. Smith paid for each child.

1. Click the **3. Deductions** button on the EasyStep Progress bar.

   This takes you directly to the **Deductions** category of the EasyStep Navigator.

2. Under the **Deductions** category, click **Child and Dependent Care Credit** (you may have to scroll down to see it).



3. On the **Child & Dependent Care Credit** page, click **Yes**.

4. On the **Dependent Care Credit** page, click **Yes**.

   Next, you're going to enter the amounts Mr. Smith paid for child care for both children. TurboTax has you start with Deidre.

5. On the **Dependent Care Expenses – Deidre** page, enter **1200** in the **Dependent Care Expenses** box.

6. To find out for sure that Mr. Smith's childcare expenses for Deidre qualify, click **Guide Me**.

7. On the next **Dependent Care Guide Me – Deidre** page, click **Yes**.

8. On the next page asking if Deidre lived with Mr. Smith when he paid the care expenses, click **Yes**.

9. Mr. Smith paid more than half of the home expenses, so on the next **Dependent Care Guide Me – Deidre** page, click **Yes**.

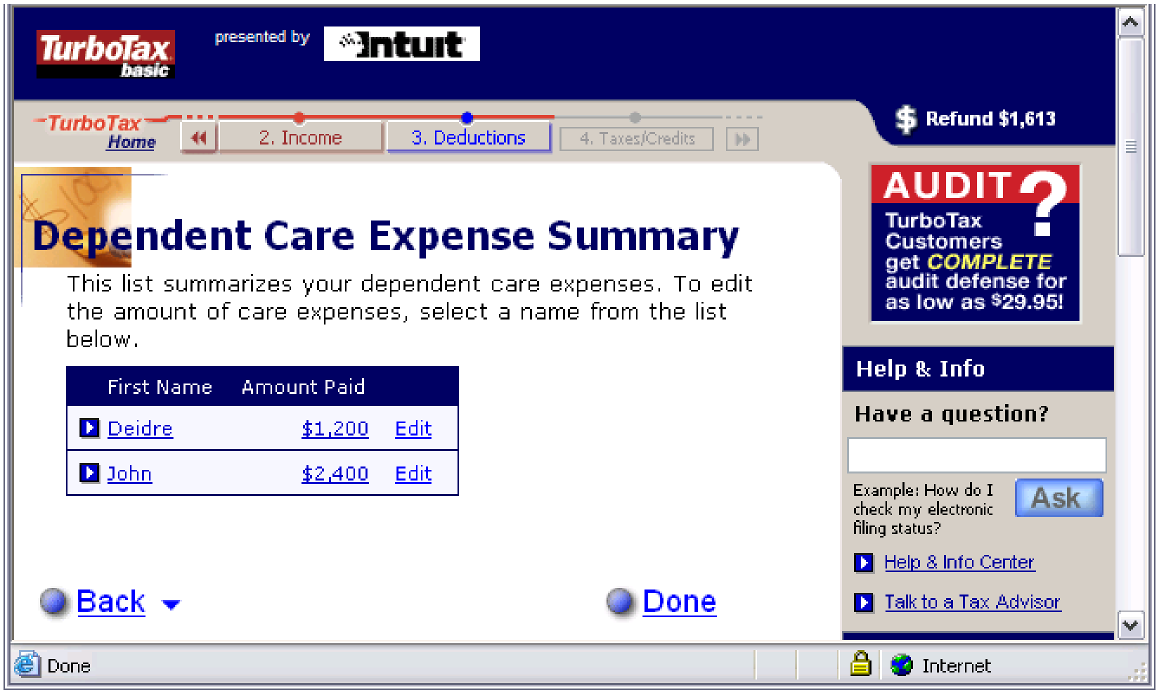
10. On the next **Dependent Care Guide Me – Deidre** page, none of the circumstances listed apply to Deidre's day care provider, so click **No**.

11. TurboTax informs you that the answers you provided qualify Mr. Smith to take the dependent care credit for Deidre. Click **Continue**.

12. You've already entered the childcare expenses for Deidre, so click **Continue**.

13. On the **Dependent Care Expenses – John page,** enter **2400** in the **Dependent Care Expenses** box, then click **Continue**.

The **Dependent Care Expense Summary** page should look like this:



14. Click **Done**.

15. The next page, **Care Expenses for Nondependents**, asks if Mr. Smith paid daycare expenses for someone who isn't his tax dependent. Mr. Smith didn't pay child care expenses for any nondependents, so click **No**.

16. On the **Care Providers** page, enter the following information for Deidre's care provider:

    Name of Provider: **Manhattan Unified**
    Name: **Webster Elementary**
    Address: **127 West 121st St.**
    City, State, ZIP: **New York, NY 10026**
    EIN or SSN: **55-5555555**
    Total paid: **1200**

17. Click **Continue,** then click **Continue** again.

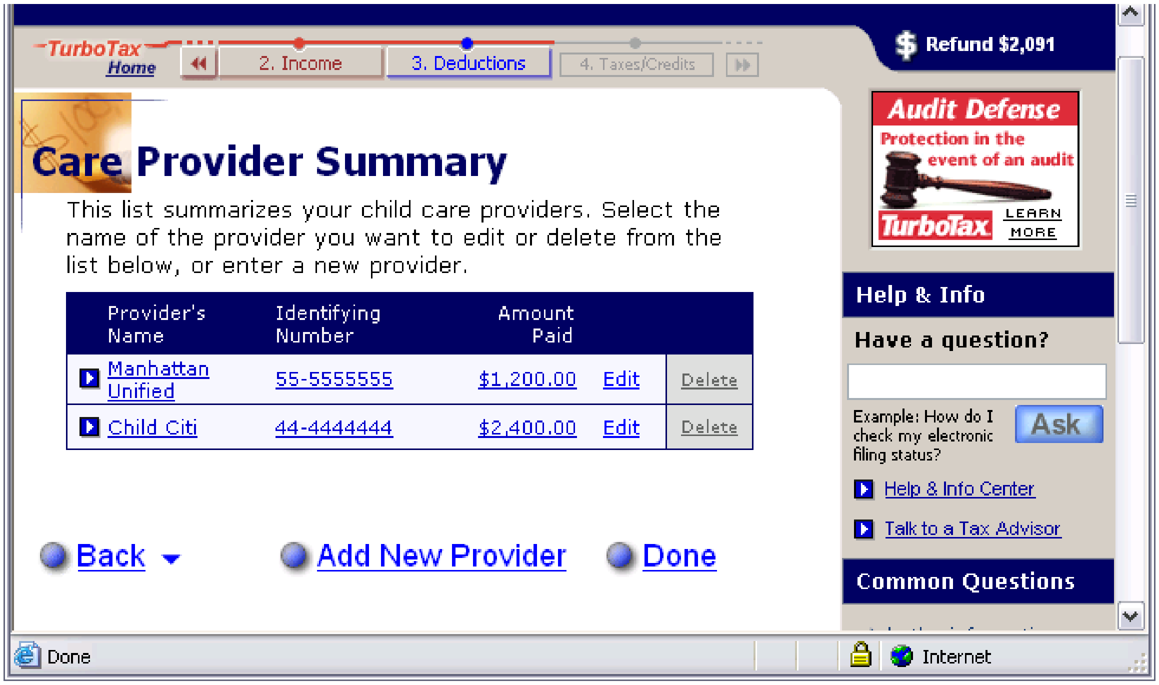
18. On the **Care Provider Summary** page, click **Add New Provider**.

19. On the **Care Providers** page, enter the following information for John's care provider:

    Name of Provider: **Child Citi**
    Name: (leave blank)
    Address: **101 Rockefeller Center**
    City, State, ZIP: **New York, NY 10135**
    EIN or SSN: **44-4444444**
    Total Paid: **2400**

20. Click **Continue**.

The **Care Provider Summary** should look like this:



21. Click **Done**.

22. Based on the information you provided, Mr. Smith qualifies for a $478 dependent care credit this year. Click **Continue**.

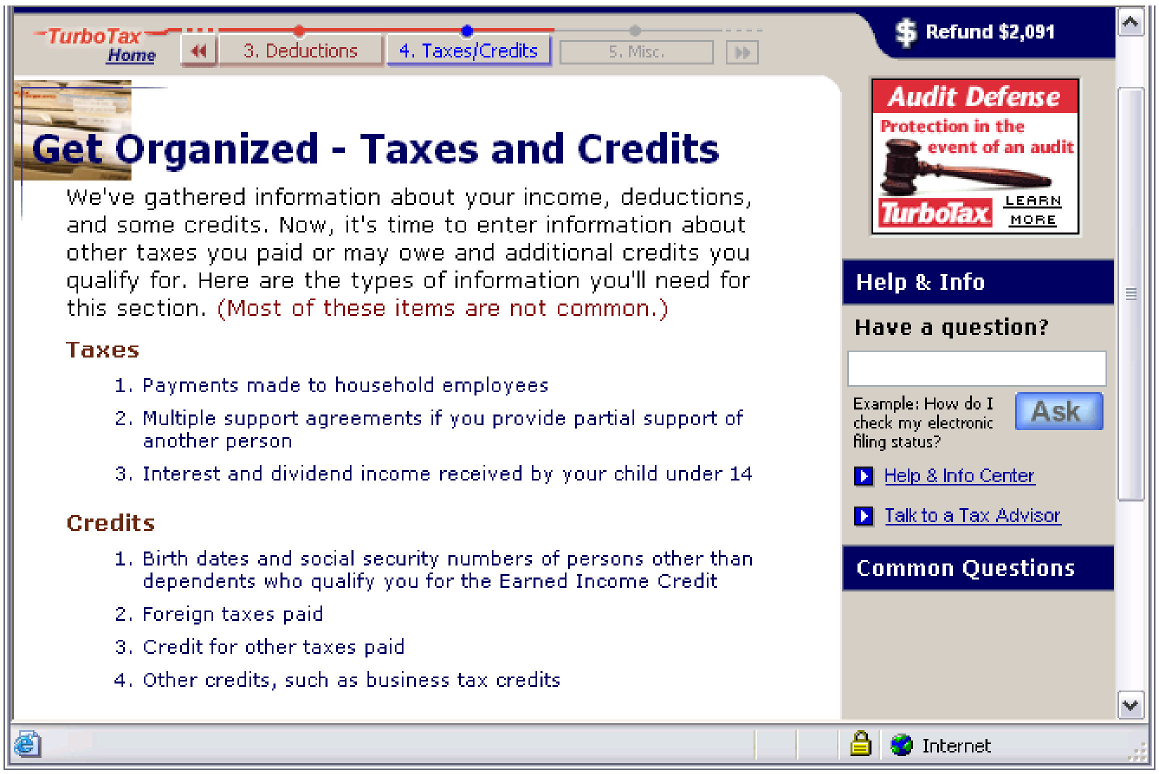
23. The next page asks about adoption expenses. Click **No**.

This takes you to the **Taxes/Credits** portion of the interview.

Taking the Earned Income and Child Tax Credits

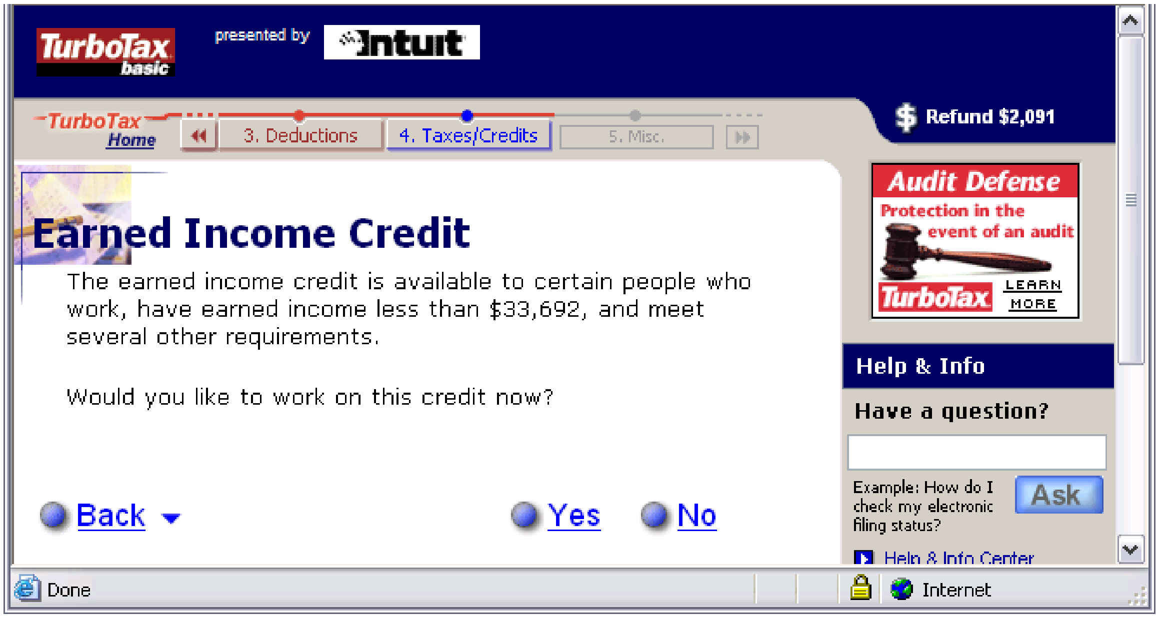
Mr. Smith already qualifies for the dependent care credit, but there may be other credits he can take advantage of. Following is the first page in the Taxes/Credits interview that lists information required for claiming additional tax credits. In this section, we're going to see if Mr. Smith qualifies for the Earned Income Credit and the Child Tax Credit.

Note: In other areas of TurboTax, you may see Earned Income **Tax** Credit, or EITC instead of Earned Income Credit or EIC.



1. Click the **4. Taxes/Credits** button at the top of the page.

2. Under the **Taxes/Credits** category, click **Earned Income Credit**.



You already know that Mr. Smith earned just under $21,000 in 2003, and that he works. Click **Yes** to see if he qualifies for the other Earned Income Credit requirements.

3. On the introductory **Earned Income Credit** page, click **Continue**.

4. On the next **Earned Income Credit** page asking if Mr. Smith has been notified by the IRS that he can't claim the credit, click **No**.

5. Mr. Smith was not married to a nonresident alien in 2003. Click **No**.

6. On the **Qualifying Child** page, click **No**.

7. On the **Home in United States** page, click **Yes**.

8. On the **Months Lived With You – Deidre** page, select **12-12 months** in the box (if you don't see this option in the box, scroll up or down), then click **Continue**.

9. On the **EIC Classification** page, you need to choose Deidre's EIC classification. Under **Common Questions,** click **Is my child a "qualifying child" for the earned income credit (EIC)?** to get more information.

10. Read the three tests for qualifying for the earned income credit.

11. Close the Help window.

12. Deidre fits the description for a qualifying child. In the box on the **EIC Classification** page, select **Qualifying child**, then click **Continue**.

    Next, you will provide the same information for John. Based on your review of the requirements for a qualifying child, you already know that John is a qualifying child.

13. On the **Months Lived With You – John** page, select **12-12 months** in the box, then click **Continue**.

14. In the box on the **EIC Classification** page, select **Qualifying child**, then click **Continue**.

    The **Dependents and Nondependents** page should look like this:

15. Click **Done**.

16. On the **Earned Income Credit Adjustments** page, click **No**.

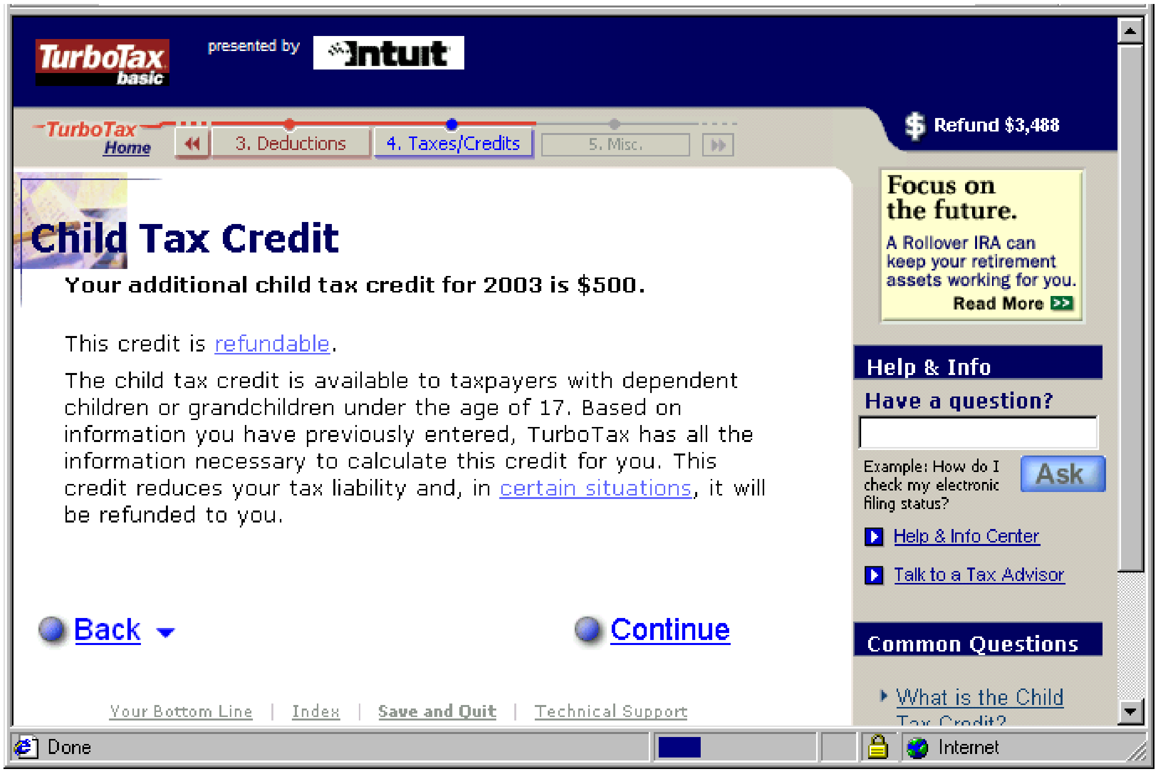
17. On the **Not Valid for Employment** page, click **No**.

    Based on the information you provided, Mr. Smith qualifies for an earned income credit of $1,397.

18. Click **Continue**.

19. On the **Disqualified for EIC in Earlier Year** page, click **No**.

The next page should look like this:



20. On the **Child Tax Credit** page under **Common Questions**, click **What is the Child Tax Credit?**

21. After reading about the Child Tax Credit, close the Help window.

22. On the **Child Tax Credit** page, click **Continue**.

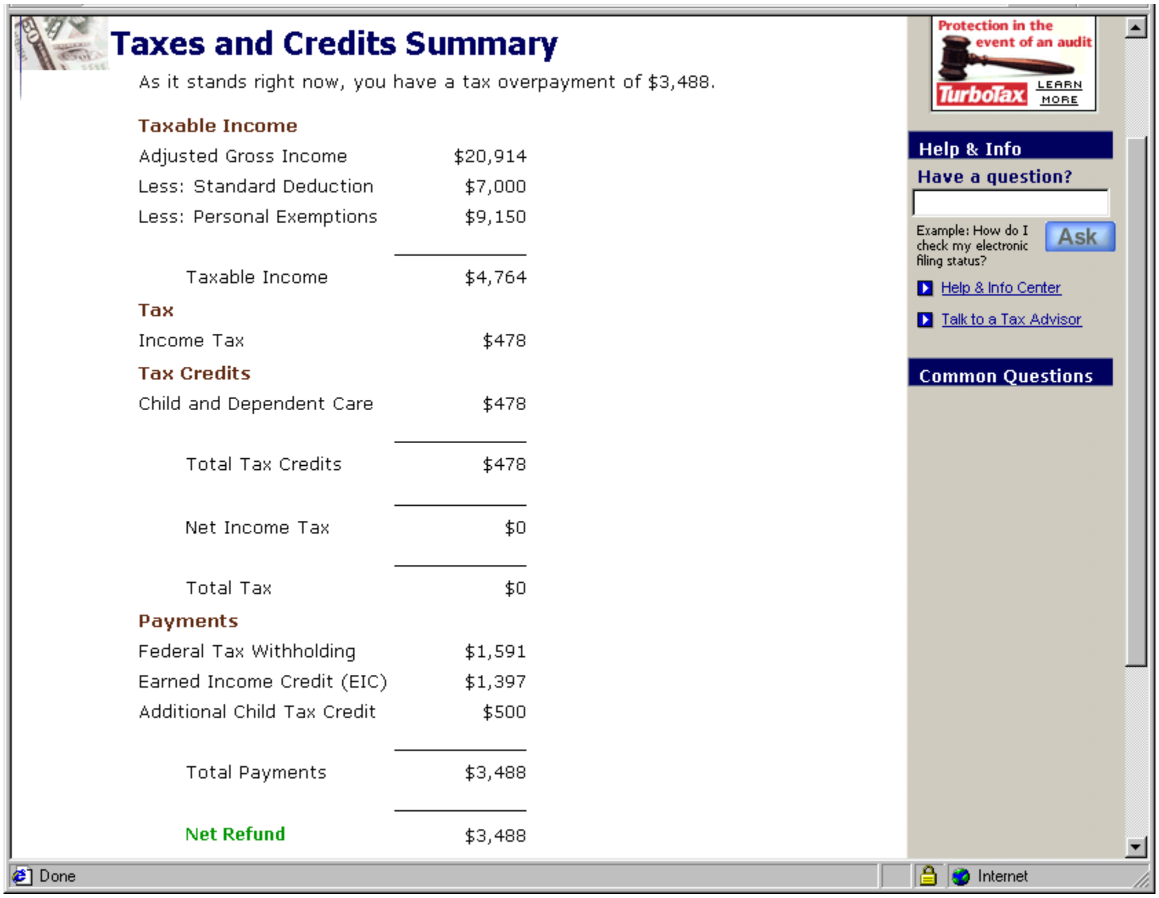
23. On the **Credit for Retirement Savings Contributions** page, click **Continue**.

24. On the next **Credit for Retirement Savings Contributions** page, click **Continue**.

25. Mr. Smith doesn't qualify for the Retirement Savings Contributions Credit. Click **Continue**.

26. On the **Other Credits** page, click **No**.

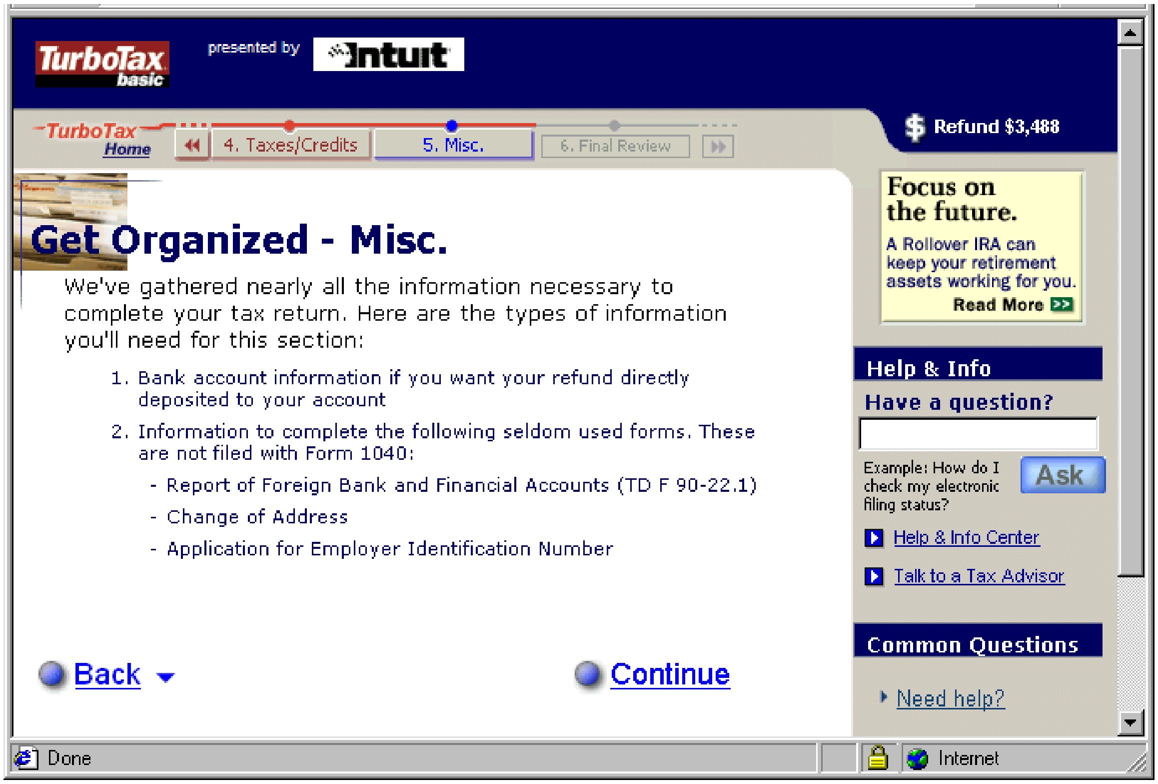
27. The next page, **Taxes and Credits Summary**, should look like this:



28. Click **Continue**.

This takes you to the next section in the interview, Miscellaneous.

Entering Miscellaneous information



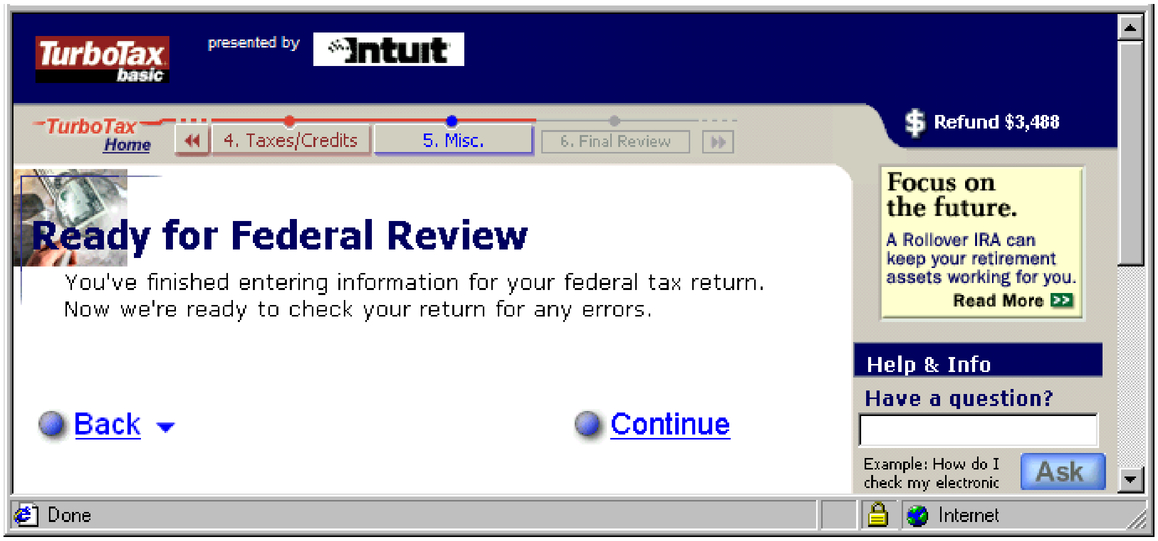
Although Mr. Smith has the option to have his refund deposited directly into his account through the Direct Deposit program, Mr. Smith has declined. He also doesn't have any foreign bank accounts, didn't change his address, and isn't applying for an EIN.

Note: Having the refund directly deposited into a bank account is a very popular option because the refund arrives much faster than with a check. Make sure the taxpayers you assist know about this option.

1. Click **Continue**.
2. The next page asks if Mr. Smith wants to contribute to the Presidential Election Campaign Fund. Mr. Smith agrees, so select **Yes**, then click **Continue**.
3. The next page asks if Mr. Smith wants to apply all or part of his $3,488 refund to next year's estimated tax payments. Leave the box blank, then click **Continue**.
4. On the **Federal Tax Refund** page, click **No**. Make sure the taxpayers know about the Direct Deposit option.
5. On the **Contribute to an IRA** page, click **Continue**.
6. With your help, Mr. Smith is way ahead of schedule in filing a return, and doesn't need to file an extension. Click **No**.
7. None of the situations on the **Special Situations** page apply to Mr. Smith. Leave all boxes unchecked, then click **Continue**.

8. On the **Return Attachment** page, click **No**.

   The next page should look like this:

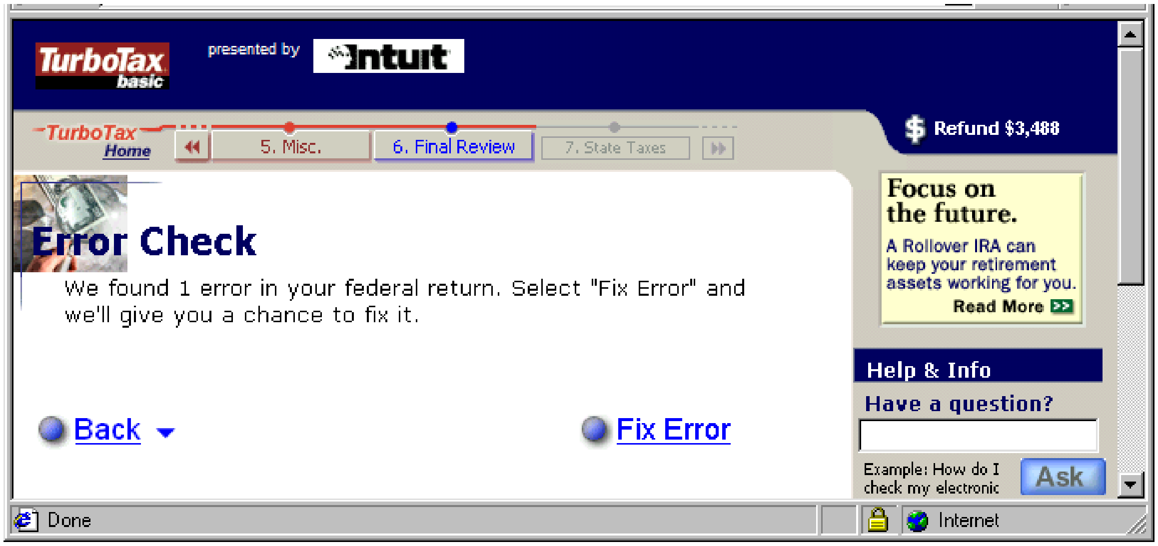


   At this point, you've entered all of the applicable information for Mr. Smith's federal return. Go ahead and put the sample W-2 and 1099-INT back into your workbook. They will be handy if you use this workbook again.

9. You're now ready to run Final Review to check for errors in the return. Click **Continue**.

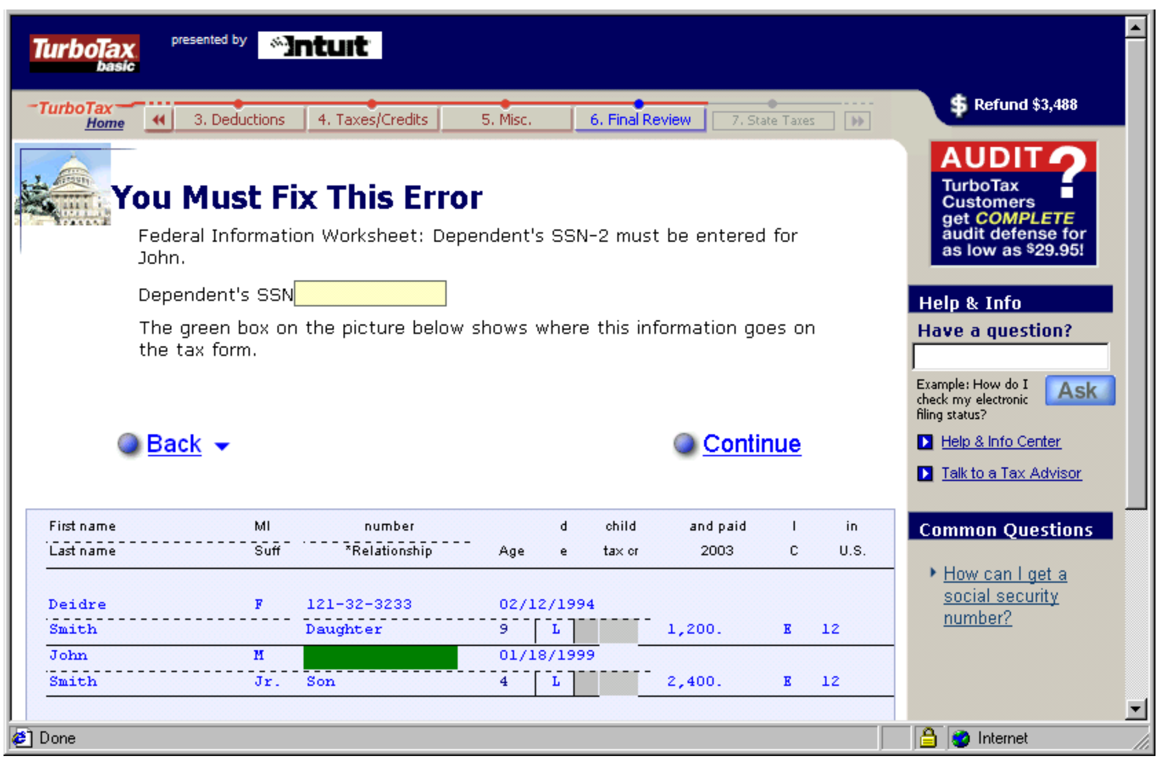
Running Final Review

TurboTax automatically runs Error Check and in Mr. Smith's case, finds one error. Let's see what we missed.



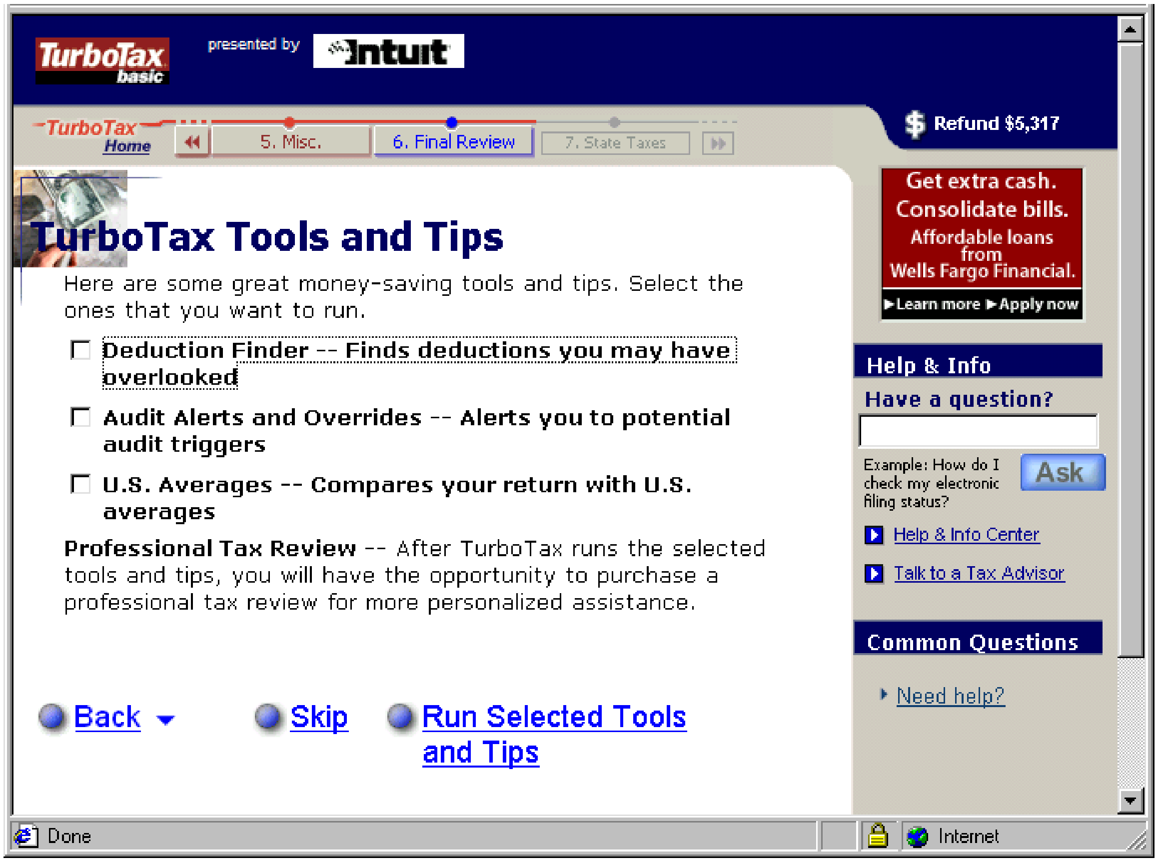
1. Click **Fix Error**.

   TurboTax displays the following page:



Remember when we misplaced John Jr's social security number? That's because we wanted to you experience fixing an error. Scroll down to see the green box showing where the information goes on the tax form.

2. In the **Dependent's SSN** box, enter 555-55-5555, then click **Continue**.



The **TurboTax Tools and Tips** page allows you to look for additional deductions you may have missed, audit triggers, and U.S. averages for returns. Make sure the taxpayers you assist run at least the Deduction Finder. If TurboTax finds something, it can save them money. For the purpose of this exercise, we'll move on.

3. Click **Skip**.

4. On the **Professional Tax Review** page, click **No Thank You**.

5. Read the **Audit Defense** page, then click **No Thank You**.

The state return

Based on the information you entered, including the state where Mr. Smith resides, TurboTax automatically displays the first page of the state interview:

TurboTax copies relevant information from Mr. Smith's federal return to his state return, so preparing state returns goes pretty quickly. If Mr. Smith lived in two states during the year (for example, if he moved), he might have to file a return for more than one state. There are guidelines for determining when to file more than one state return – and the interview helps identify taxpayers who need to do so. Mr. Smith lived in New York the full year, so he only needs to file a New York State return.

Because state returns vary widely from state to state, we're going to skip the state review and move on to filing the return.

On the **Prepare New York Return** page, click **Skip State Return**.

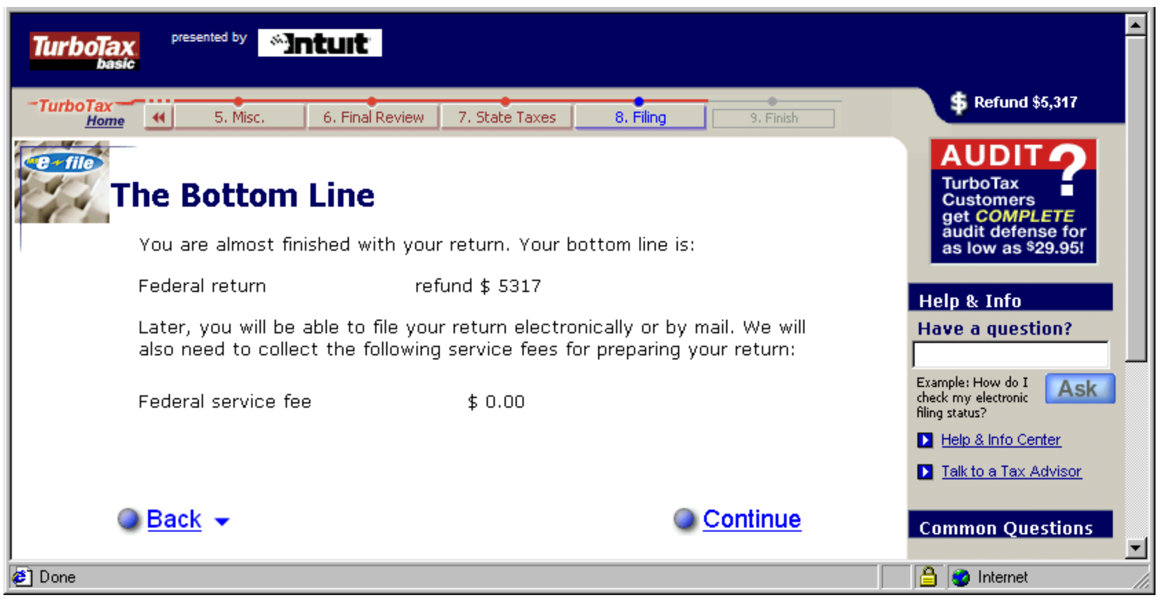
Filing the return

Because this is an exercise and Mr. Smith is not a real taxpayer, we can't file Mr. Smith's return electronically. We can't send the IRS sample tax returns! We'll take you through the steps to print Mr. Smith's return for filing by mail, which you may have to do with some of your taxpayers who can't file electronically due to form requirements or other reasons.

We've included a separate section in this workbook that shows the steps for filing electronically and checking the status of electronically-filed returns. We suggest that you review it after you finish this tutorial.

1. On the **Do You Have Adobe Acrobat Reader?** page, click **Yes, I Already Have Adobe Acrobat Reader**.

   You should see the following page:

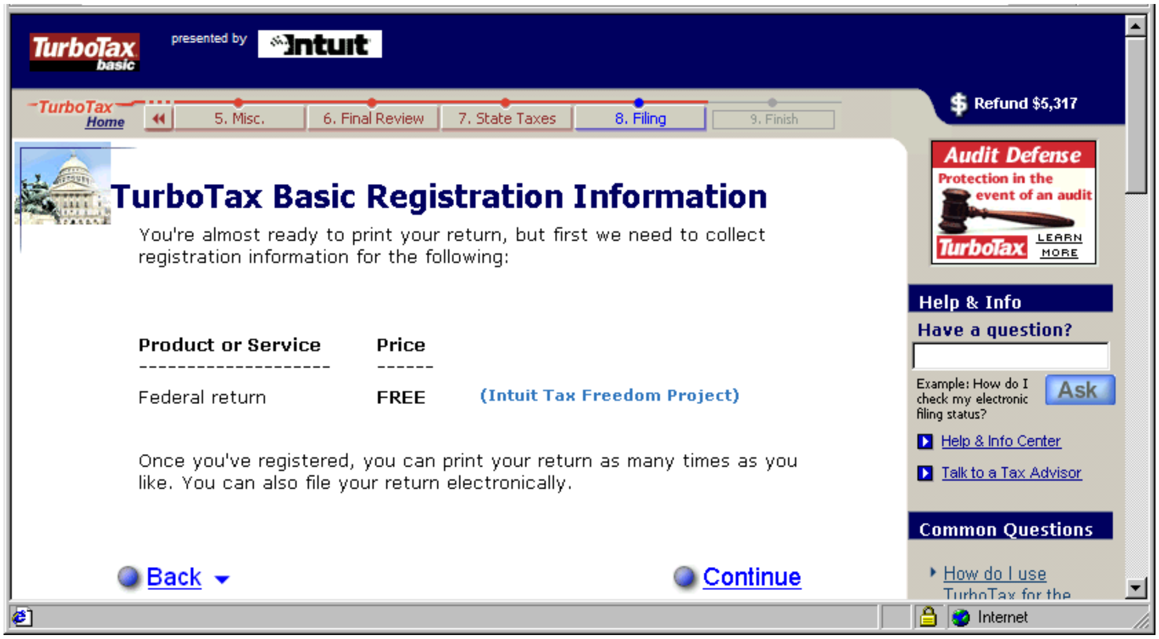


2. Click **Continue**.

3. On the **Filing Your Return** page, click **File by Mail**.

4. You get one more chance to file electronically, but for this exercise, you're going to pass. On the **Printing Overview** page, click **Continue with Printing**.

   Because Mr. Smith qualified for the federal Earned Income Credit, he qualifies to use TurboTax at no cost through the Intuit Tax Freedom Project. You need to provide registration information before you can print his return.



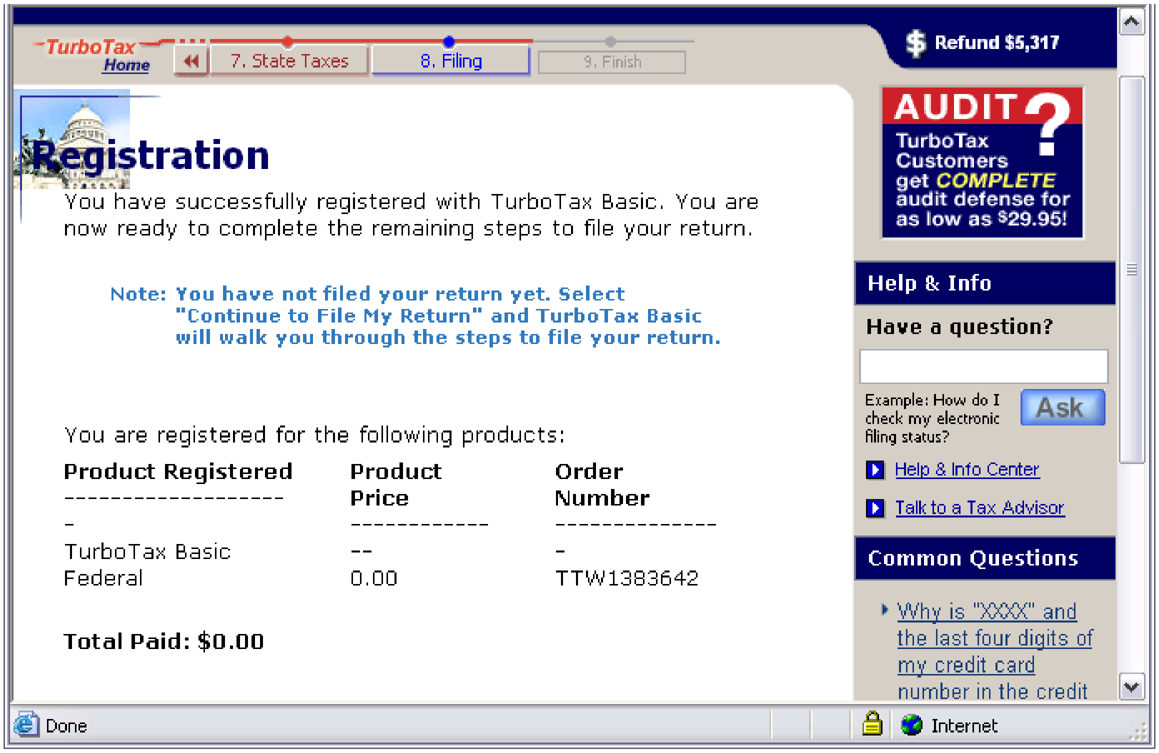
5. Click **Continue**.

6. Using the following information, fill in the registration information.

   First Name: **John**
   Last Name: **Smith**
   Address: **128 West 120th Street**
   City: **New York**
   State: **NY**
   ZIP Code: **10026**
   Daytime Phone Number: **(718) 555-5555**
   Evening Phone Number: **(718) 555-1212**
   E-mail Address: leave blank.

7. Click **Submit My Information**.

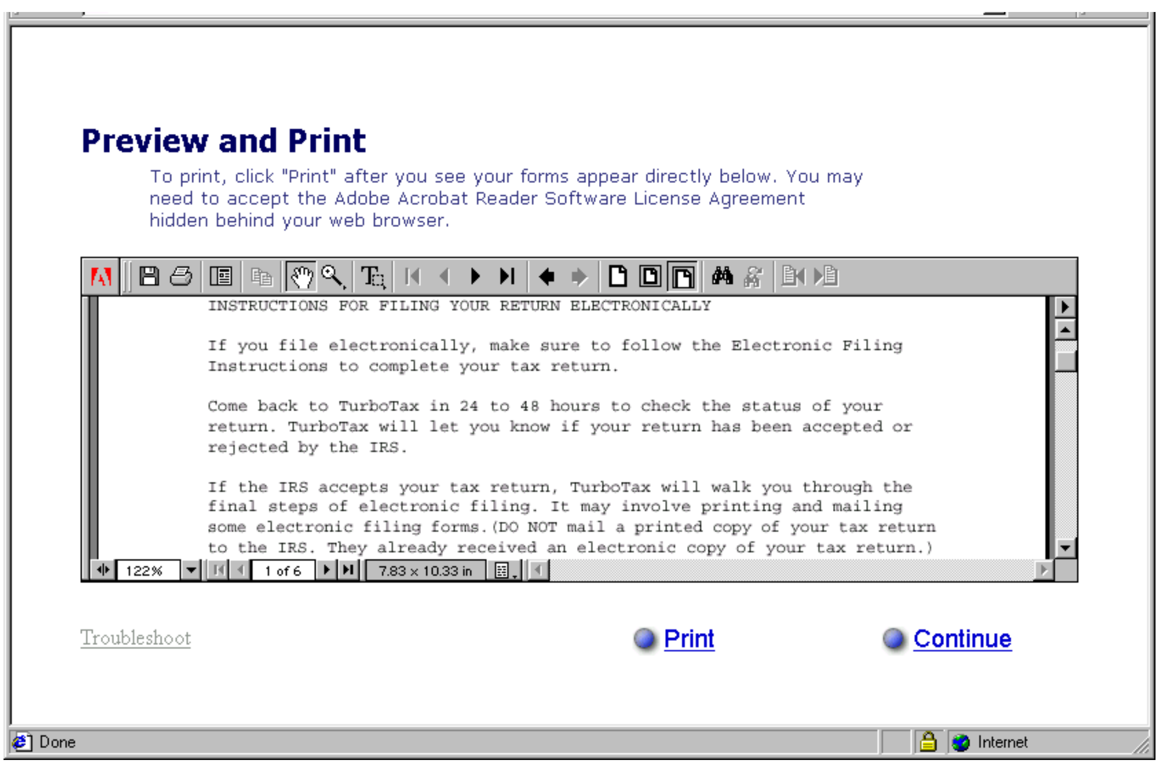
   Mr. Smith's **Registration** page should look like this (except the order numbers will be different:



8. Click **Continue to File My Return**.

9. On the **Print Your Return** page, click **Print My Federal Return**.

   TurboTax displays Mr. Smith's return on the **Preview and Print** page.



10. Click **Print**.

11. Click **OK** in your printing options sheet, if it appears. You should be printing six pages.

12. When all pages have printed, click **Continue**.

    The following forms and instructions should have printed:

    - 2003 U.S. Individual Income Tax Return Summary and instructions for filing electronically or by mail
    - Mr. Smith's Form 1040A (2 pages)
    - Schedule 2, Child and Dependent Care Expenses for Form 1040A Filers
    - Schedule EIC, Earned Income Credit Qualifying Child Information
    - Form 8812, Additional Child Tax Credit

    Check this list of forms and instructions against the ones you printed. Note that Mr. Smith has to sign and date Form 1040A, bottom of Page 2.

    When you're assisting taxpayers, look over their forms carefully for places to sign. Also note that if a taxpayer files their state and federal returns together, they will also print state returns.

    TurboTax returns you to the **Print Your Return** page.

13. Click **Done with Printing**.

While we're not going to print Mr. Smith's worksheets and an extra copy of his return here, we recommend that you strongly encourage the taxpayers to print a copy of their return for their records. Printing from here prints the return and all of the worksheets that were used to prepare the returns (the worksheets were filled out as you went through the interview).

14. On the **Print For Your Records** page under **Common Questions**, click **Why should I print my returns for my records?**
15. Review the information, and then scroll down to **How long do I have to keep my returns?**
16. After you read the requirements for record-keeping, close the Help window.
17. On the **Print For Your Records** page, click **Continue**.
18. On the **Store Your Tax Return Online** page, click **No Thank You**.
19. On the **Thank You** page, click **Exit TurboTax Basic**.

Congratulations! You have completed the TurboTax for the Web Tutorial!

Before the taxpayer leaves . . .

When you're assisting real taxpayers, there are a few things you need to tell them before they leave.

- **Sign forms.** If the taxpayer is filing by mail, make sure that they sign the forms where indicated, and show them the addresses on the filing instructions.

- **Member ID and password.** Make sure they have the printed sheet containing their member ID and password. They will need it if they need to access their return again, and if they file electronically, they need it to get their electronic filing status.

- **Filing electronically.** If they are filing their return electronically, the taxpayer must to come back to TurboTax in 24 to 48 hours to check the status of their return and to find out if it has been accepted. If it is rejected for some reason, they will have to correct the errors and re-file their return. In some cases, they may not be able to re-file electronically, and will have to print and mail their return.

To review the steps for checking the status of a return filed electronically, go to "Electronic Filing" in the next section of this workbook.

Electronic Filing

Introduction to Filing Electronically

This section reviews the steps for filing a return electronically. Use this as a guide when you are helping taxpayers file their returns electronically.

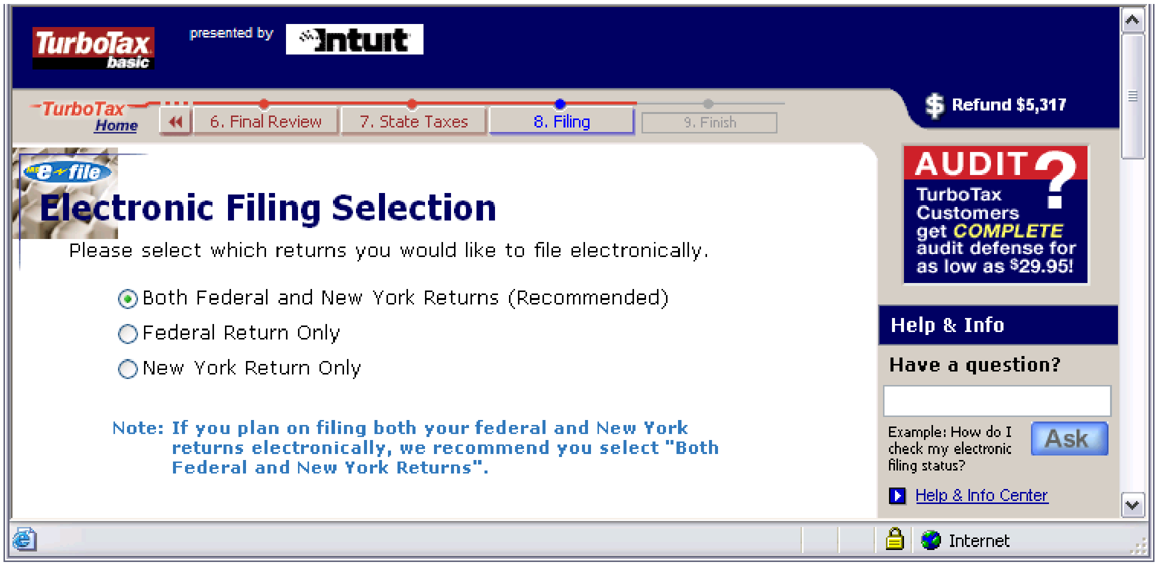
Because there are many different variables when taxpayers file electronically, we're not going to go through each step of the electronic filing process, but give you an overview of the decisions taxpayers need to make, and tell you what information they need to provide.

This overview starts at the point where the taxpayer has just completed the error check for their state return, and the return is error-free. They would be in the **Filing** section of the interview, and the following page would be displayed.

Filing Electronically

1. On the **Filing Your Return** page, the taxpayer should click **File Electronically**.

   TurboTax then displays the following page:



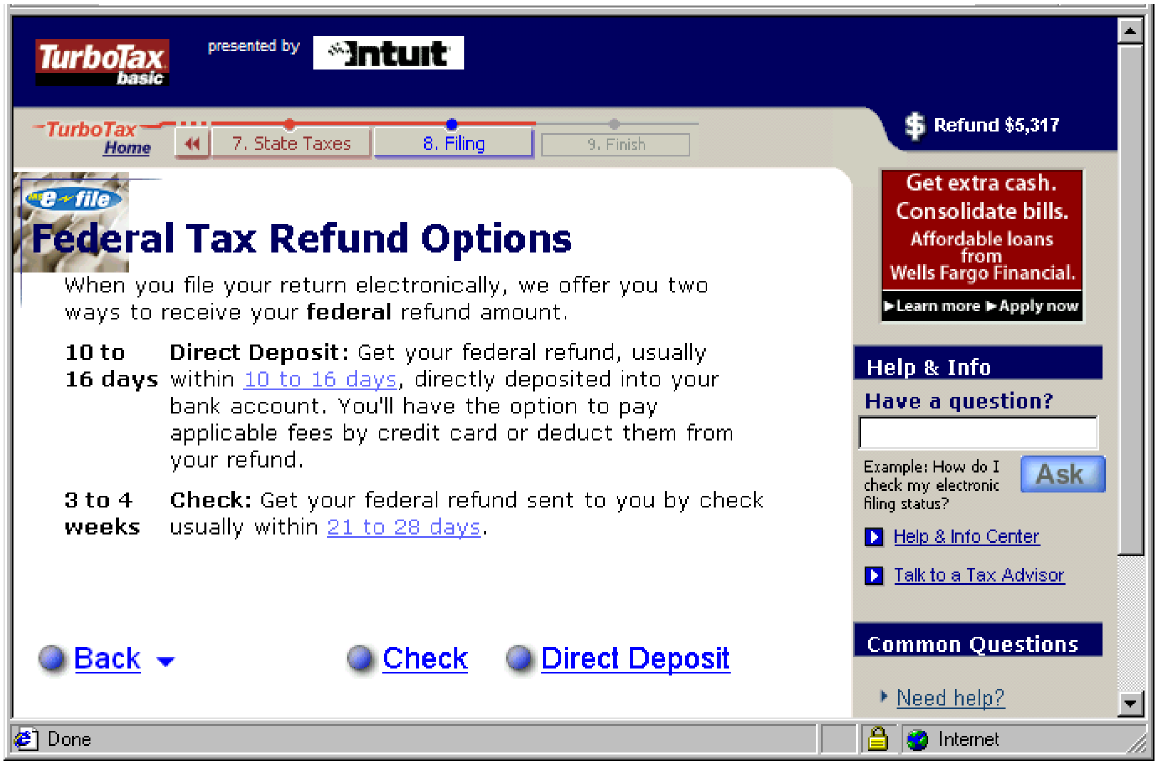
2. On the **Electronic Filing Selection** page, the taxpayer chooses the returns they want to file electronically, then clicks **Continue**.

   Note: We recommend that taxpayers file both the federal and state returns electronically. Most states require the state return and the federal return to be filed at the same time. If they're not, the taxpayer will have to print the state return and send it through the mail.

   If the state allows the federal and state returns to be electronically filed separately, it's important that the taxpayer makes sure both returns are filed.

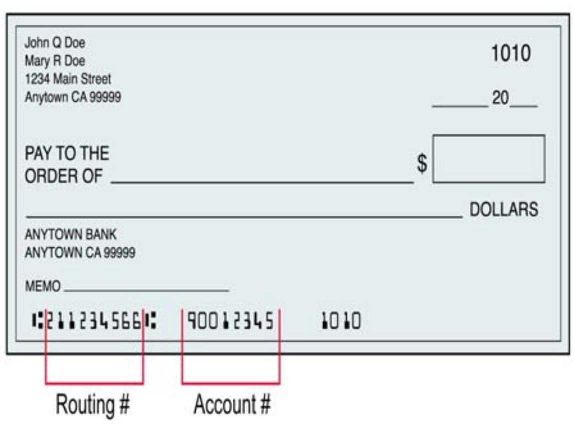
3. The taxpayer then needs to click **Continue** again on the next confirmation page.

4. **Refund.** If the taxpayer is receiving a state and/or federal refund, they see a page similar to the following:



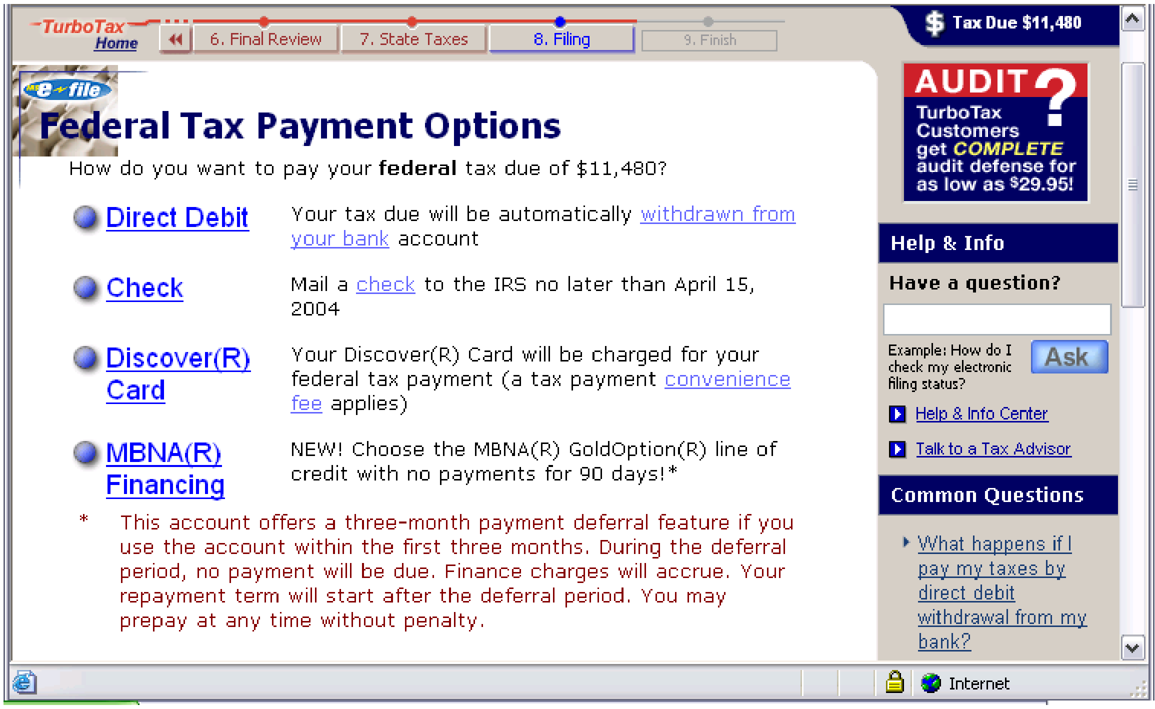
- If they choose to receive their refund via check, they will receive their check within 3 to 4 weeks after the IRS processes their return.
- If they choose **Direct Deposit**, they will need to designate whether the account is a checking or savings account, and provide the routing transit number and bank account number.

  Here is a sample of a check and how to find the account and routing numbers.



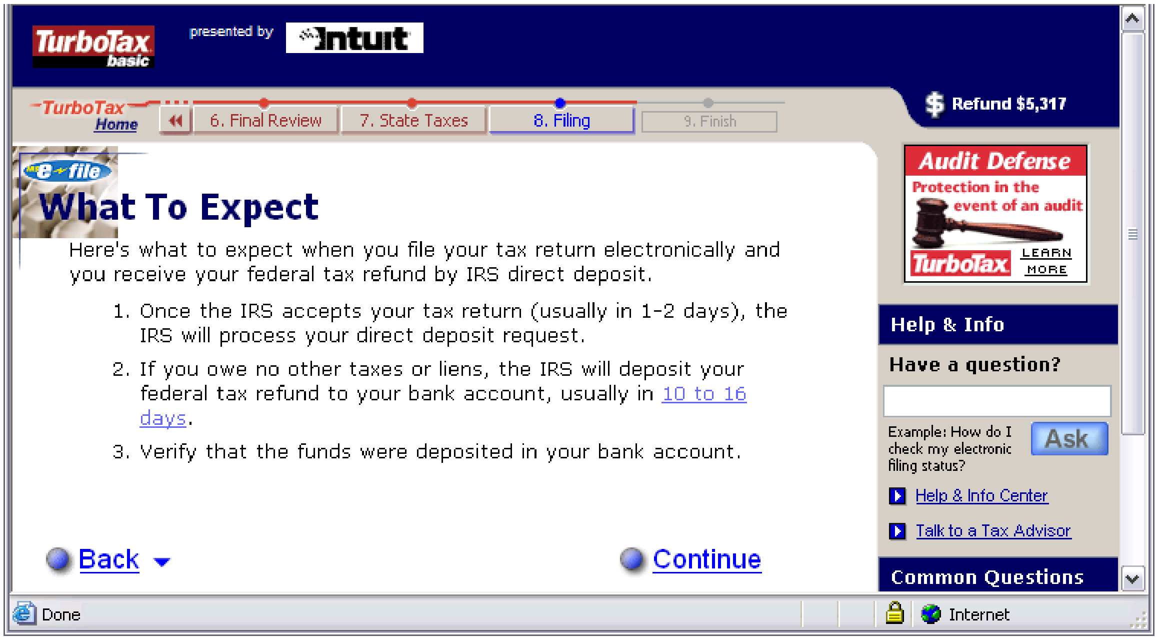
If they previously indicated that they wanted to receive their refund via direct deposit, this information should already be entered. They should receive their direct deposit within 10 to 16 days after the IRS accepts their return. **This is the option we encourage taxpayers to use.**

Owe Taxes. If they owe federal or state taxes, they will see a page similar to the following:

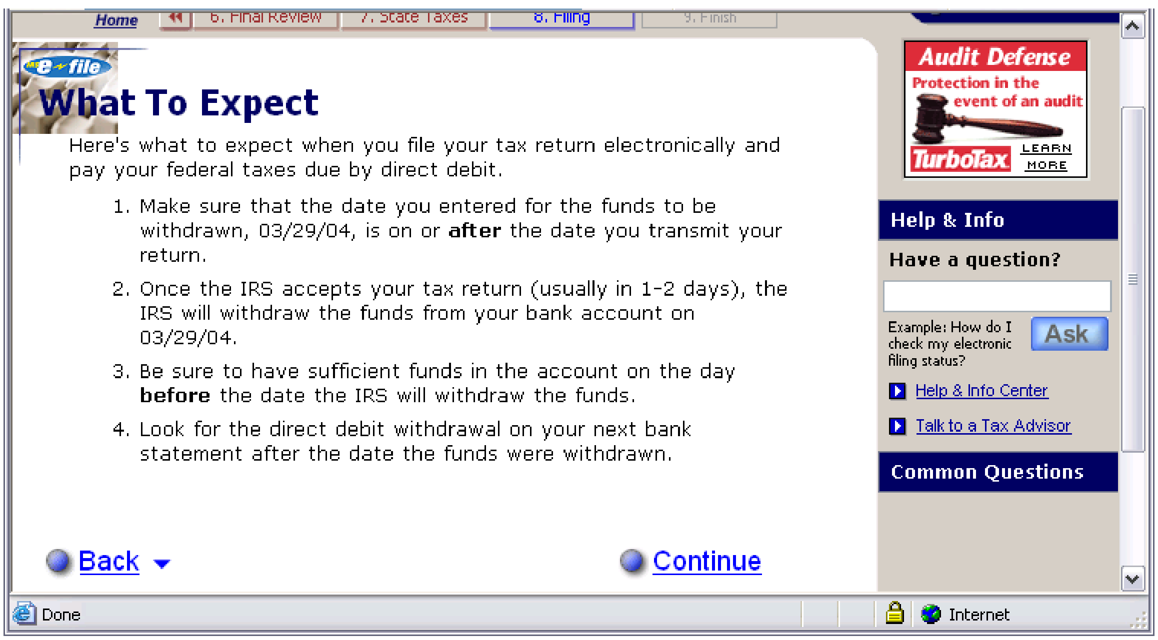


- If they choose **Direct Debit**, they will need to designate whether the account is a checking or savings account, provide the routing transit number and bank account number (see previous page), and enter the date that they want the IRS to withdraw the amount they owe.
- If they choose **Check**, they will need to print a payment voucher (which is printed with the return) and mail their check to the IRS.
- If they choose **Discover Card**, they will be asked to provide their Discover credit card number and expiration date on a subsequent page.
- If they choose **MBNA ® Financing**, they will be asked to complete an online credit application, then return to TurboTax to select the payment option for the balance due. If they select **Direct Debit**, they will need to designate whether the account is a checking or savings account, provide the routing transit number and bank account number (see previous page), and enter the date that they want the IRS to withdraw the amount they owe.

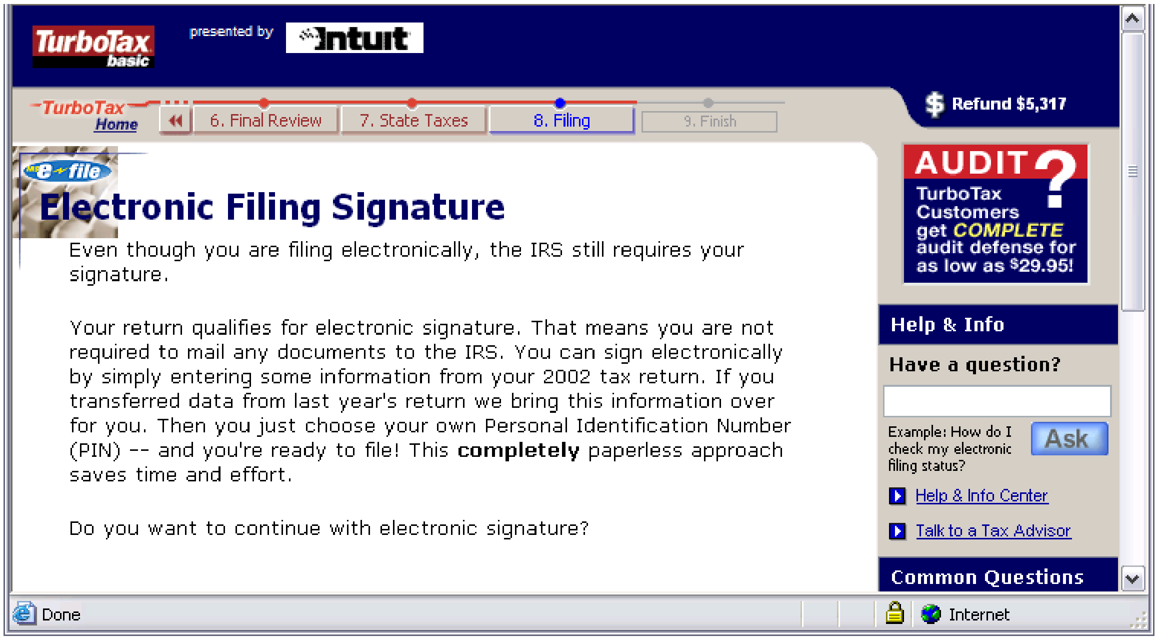
5. **Refund.** Following is an example of a **What To Expect** page for the direct deposit option.



Owe Taxes. If the taxpayer owes taxes, they should see a **What To Expect** page describing what will occur with the payment method they chose. Following is an example of a **What To Expect** page for the direct debit option.



6. Next, they should see a page similar to the following:

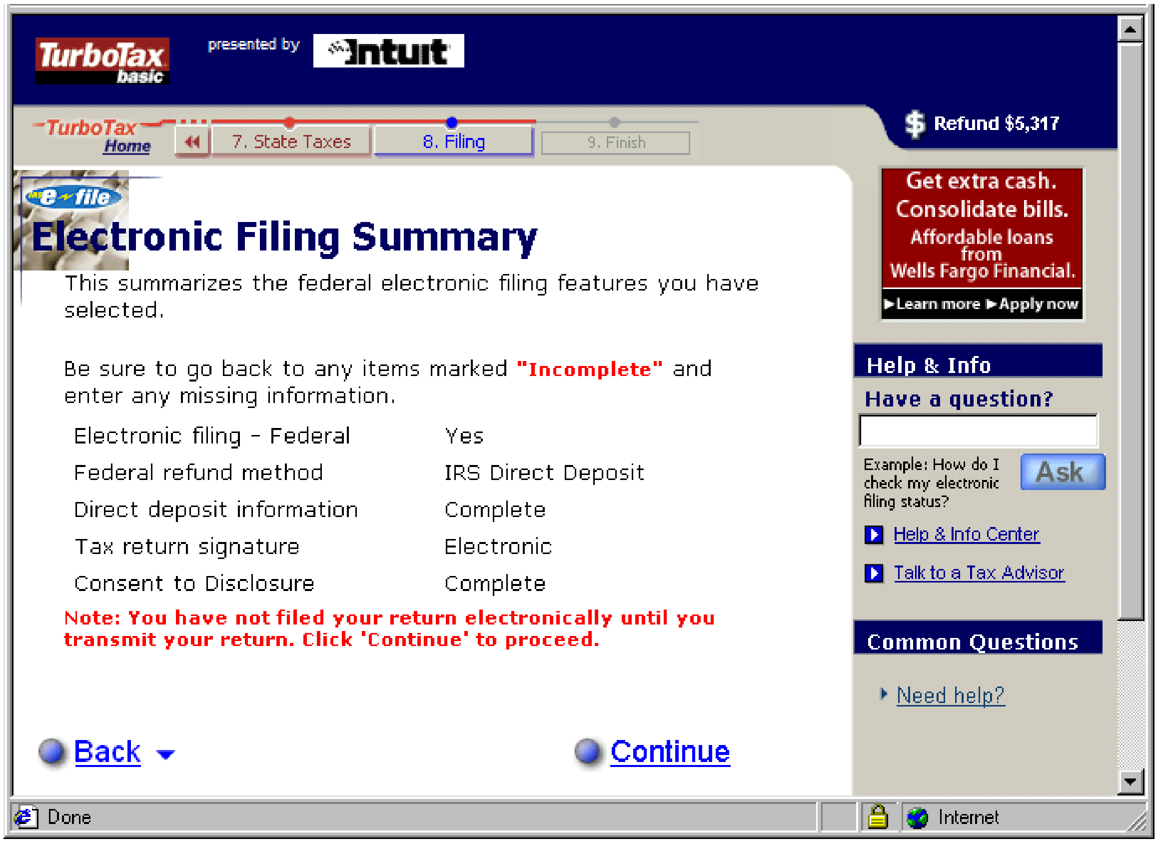


Electronic Signature. If they choose to provide an electronic filing signature for their federal return, they will be asked to agree to a consent to disclosure, for information from last year's return, and will need to choose a personal identification number (PIN).

Paper Signature. If they choose to provide a paper signature, they will be asked to agree to a consent to disclosure, and to provide their date of birth and the current date. TurboTax walks them through the process of printing the signature form after the IRS accepts the return.

7. Next, they will be asked for their e-mail address so that TurboTax can remind them to check the status of their return. It's OK if the taxpayer doesn't have an e-mail address: just have them **leave it blank**.

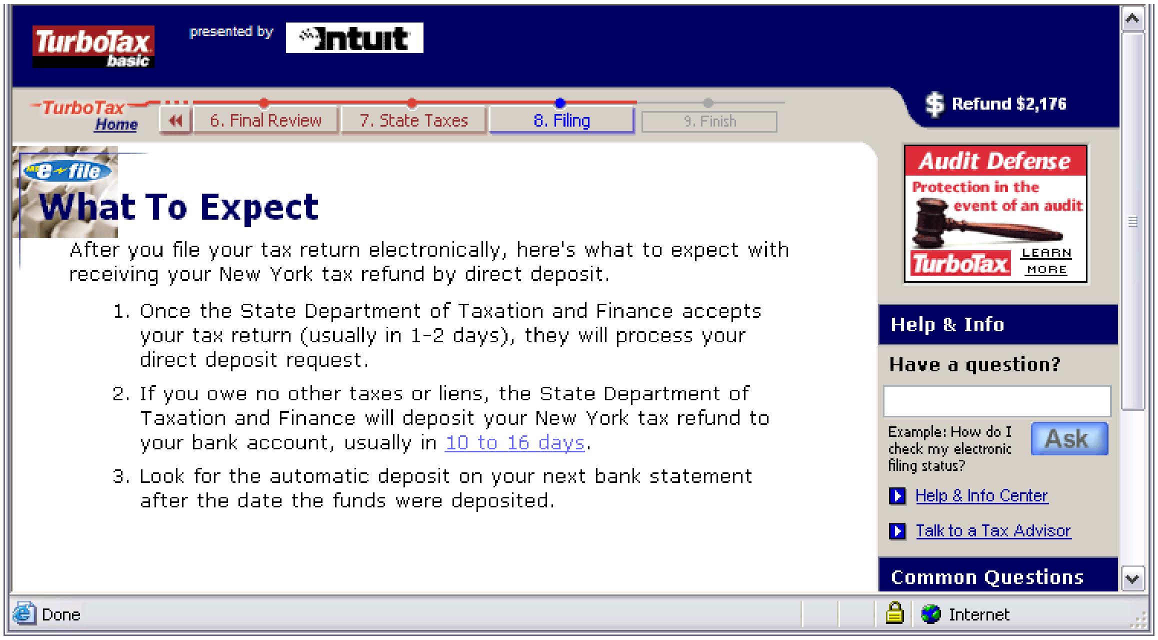
8. Next, they will see an **Electronic Filing Summary**. The following is a sample of someone who elected to receive his or her federal refund via direct deposit and to file an electronic signature.



9. After the taxpayer verifies that their federal electronic filing choices are correct, they will be asked to choose filing options for their state return, which include how they want to receive their refund – or make their payment.

10. TurboTax then verifies their bank account information.

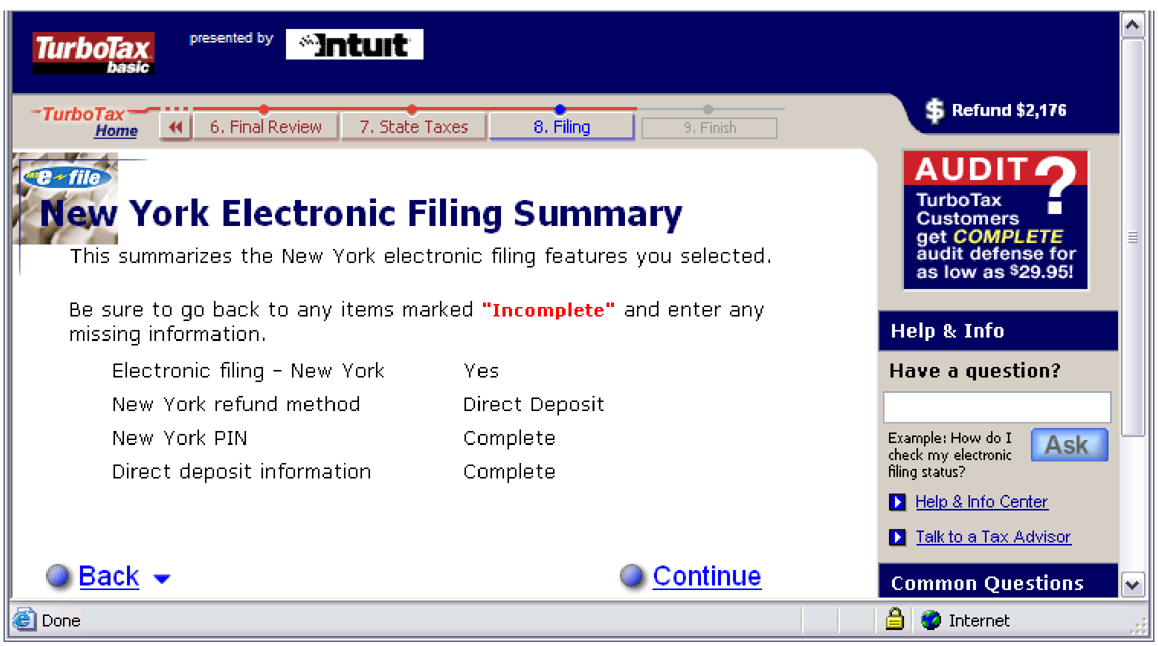
11. Next, they should see a **What to Expect** page for their state similar to this:



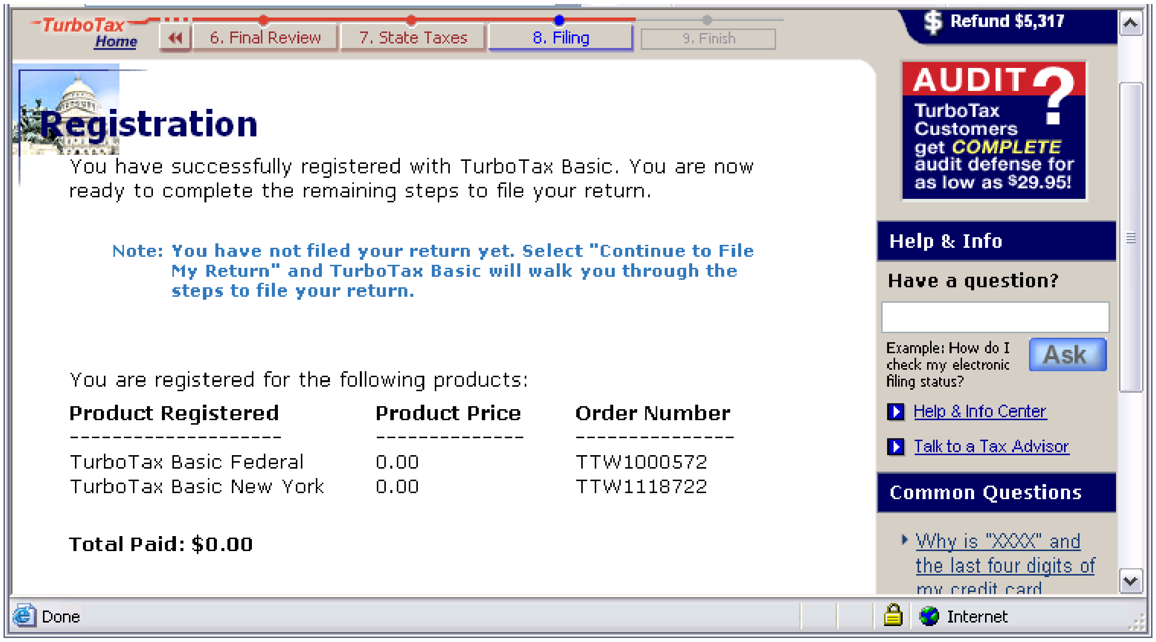
12. Next, the taxpayer is asked to choose between a paper signature or electronic signature.

13. If the taxpayer chooses the electronic signature, TurboTax prompts them for a PIN number and for their adjusted gross wages from last year's return.

    After they enter all the requested information, they should see a page similar to this:

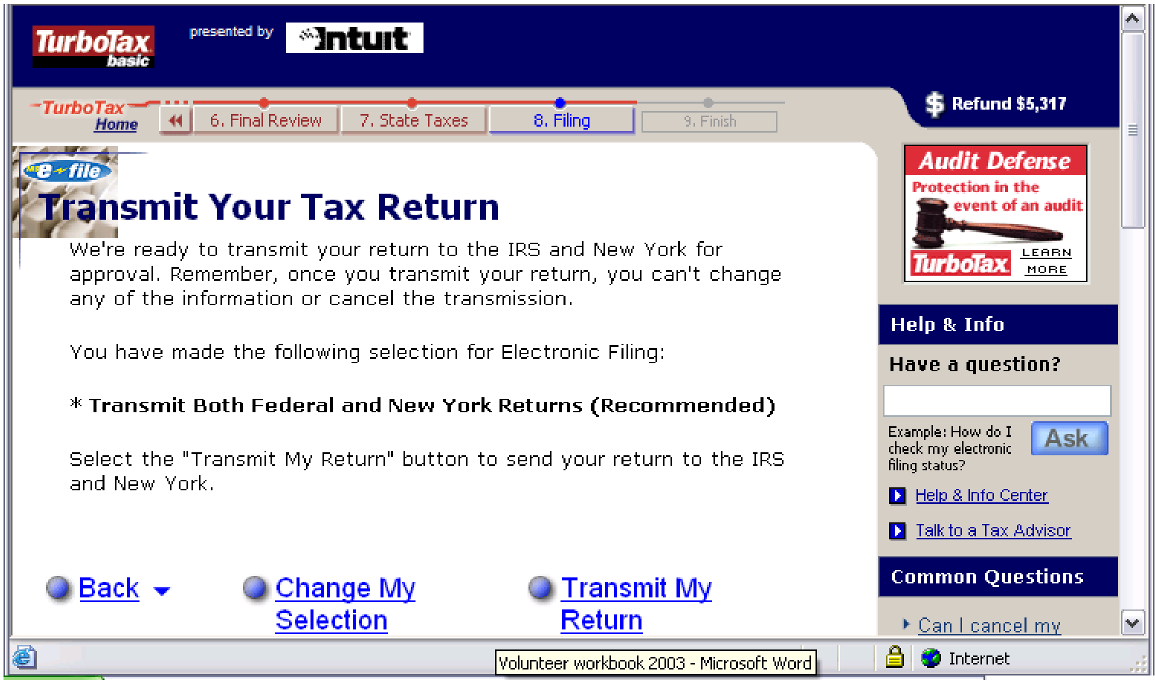


14. If the taxpayer qualifies for the Intuit Tax Freedom Project, they are asked for registration information, and then TurboTax displays an order summary.



15. Next, they are asked if they want to print a copy of their return before filing it electronically. Make sure the taxpayers do this: they will need it in case they are audited, and it can make filling out their next year's return much easier.

Now they're ready to transmit their return.



16. After the taxpayer clicks **Transmit My Return**, TurboTax sends their return to the IRS and their state taxing authority.

    Note: Don't do this with a sample return. The IRS will assume it is a real return.

17. The taxpayer must come back to TurboTax in 24 to 48 hours to check the status of their return and make sure that it has been accepted.

    If it is rejected for some reason, they will have to correct the errors and re-file their return. In some cases, they may not be able to re-file electronically, and will have to print and mail their return.

    Following are the steps for checking the status of an electronically-filed return, and some sample screens the taxpayer may see.

To check the status of an electronically-filed return:

Here are the steps to check the status of a return that was filed electronically, and any necessary follow-up steps.

1. Enter the following Internet address:

   http://www.taxfreedom.com

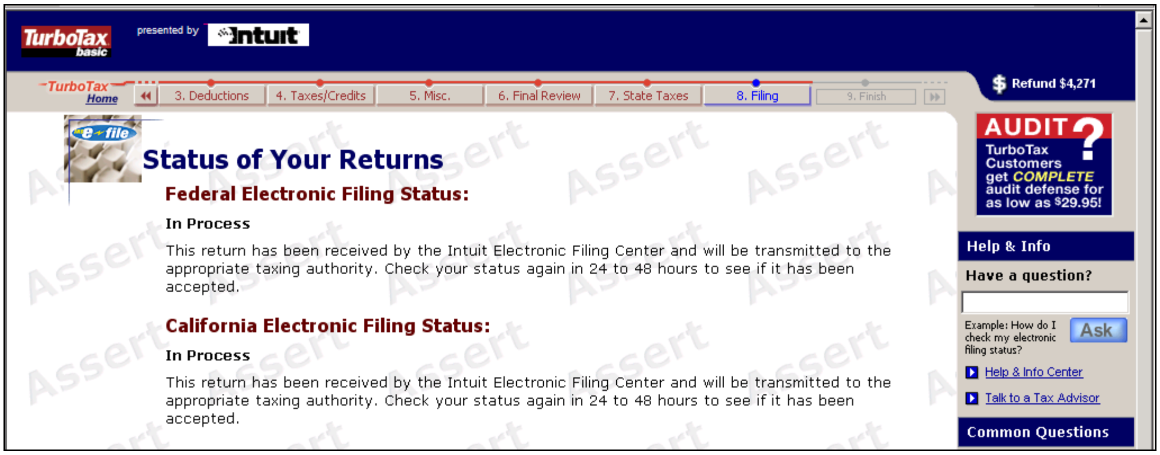
   This displays the Intuit Tax Freedom Project Home Page.

2. On the top left side of the page, click **Check e-file status**.

3. Enter the member ID and password used for the return you want to check.

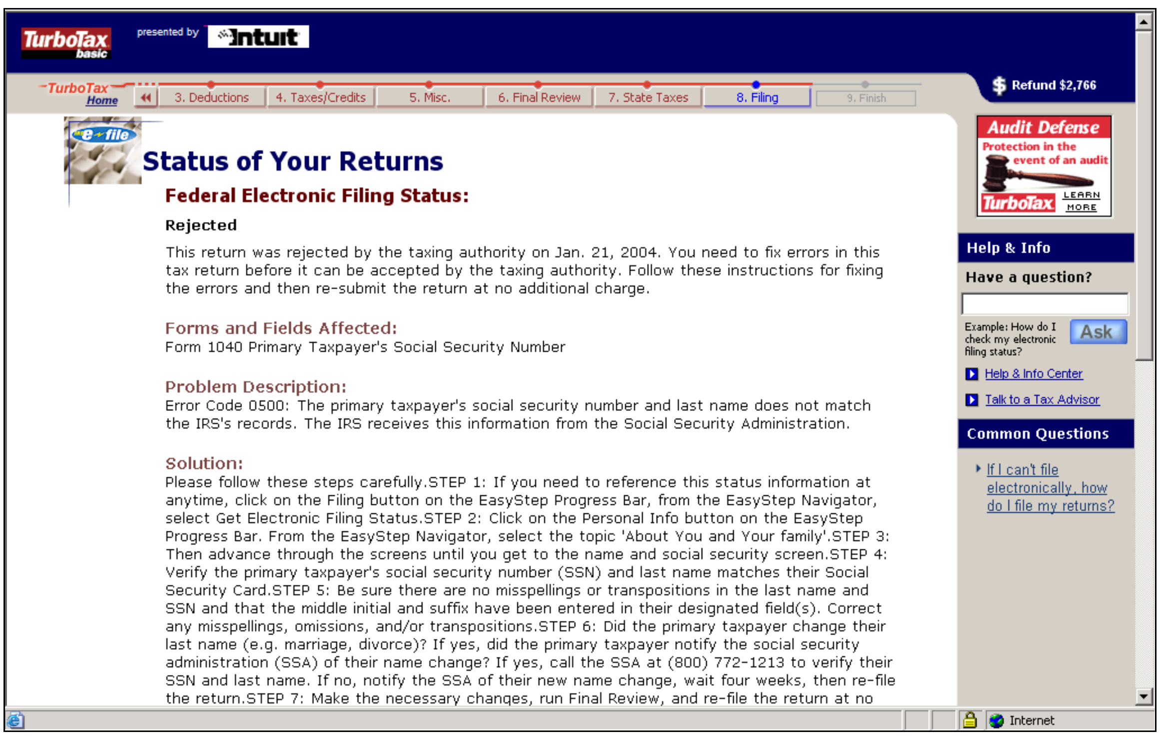
4. TurboTax lets you know if the return has been accepted or rejected by the IRS and the state taxing authority.

   If the return is still in process, you will see something similar to this. (Please note: the background you see here does not appear in the product.)



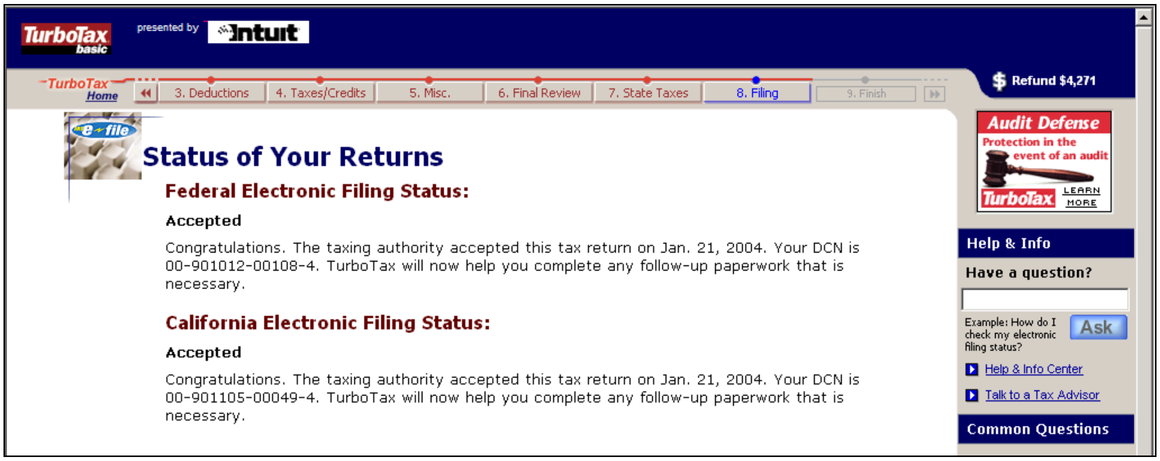
   If that's the case, log out and return to TurboTax for the Web later.

   Here is an example of a page that displays if the return is rejected:



   If the return is rejected due to an error, fix the error and retransmit the return electronically, or mail a printed copy of the return to the IRS or the state, depending on which return has the error.

Next is an example of a page that appears when a return is accepted:



When the return is accepted, you're not quite done yet. Be sure to continue with the rest of the TurboTax interview.

The rest of the TurboTax interview helps you with:

- **DCNs**. Get and print the federal and state Declaration Control Numbers (DCNs) on the signature forms, which the taxpayer must send to the IRS and state to confirm that they filed electronically.

- **Filing instructions**. Print the instructions for the rest of the steps for filing the return electronically.

- **Electronic filing forms**. Print the federal and state electronic filing forms (also called the electronic filing paperwork or signature forms). The taxpayer signs these forms, if required, then sends them to the addresses in the printed filing instructions within three working days. If they don't, they might not be able to file electronically in the future.

- **Vouchers**. Print payment vouchers if the taxpayer owes taxes and is paying by check.

Make sure to carefully follow the TurboTax interview and the instructions that print.