# Tax Year 2020 ProConnect Tax Preparation Guide, Whittenburg, Gill

## Chapter 3

You will be using Intuit’s ProConnect Tax online software to prepare federal income tax returns. You will not be e-filing the tax returns though! To create an Intuit ProConnect Tax account, go to:

[https://taxeducation.intuit.com](https://taxeducation.intuit.com/) [Intuit Tax](https://taxeducation.intuit.com/)

Note: do **not** use the typical ProConnect commercial site (proconnect.intuit.com) as that site will require payment to print or download the returns.

Google Chrome and Mozilla Firefox browsers best support ProConnect Tax. At the bottom of the educational site, click on *Create an account.* Enter your email address and create a password. Enter your first and last names, your phone number, and for Firm name, enter a company name of your choosing. Each time you log into the software, you will receive a *Welcome* screen with various information that you may browse to learn more about ProConnect Tax. When you are ready to begin completing the federal tax returns for the Group 4 and 5 comprehensive problems in the textbook, select *Tax Returns* in the left margin. Please note that the information you enter into the ProConnect Tax software is saved automatically as you go but is also easily edited as needed.

## Group 4, Problem 1: Booth, Ken and Amy

Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2020* page. Select *Create tax return* in the upper right corner.

From the *Create tax return* screen, click the [+] for *Add new* and select the *Individual (1040, 709)* button (it is selected as the default). Fill out the information for Ken. Note that ProConnect Tax tracks a married filing jointly client by one taxpayer and so often the primary income earning taxpayer is entered as the default since many of the input fields will default to that taxpayer. Email and phone numbers are not required but you may enter assumed data if you wish. Click on *Save* at the lower right. On the next screen *Client*, you may review the information you input, make any corrections necessary through the *Edit* button in the upper right, and once satisfied, click on *Save* at the lower right.

You have now landed on Ken’s 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line and the *Wisconsin* line under *General* since you will not actually be filing the tax return, but it is not required to do so. To avoid confusion related to the state income tax return, you may delete the *Wisconsin* state income tax return by clicking the *garbage can* icon under the *Actions* column and selecting *continue* to confirm the deletion. From the tabs near the top, select *Input Return*. Under *Views* from the top left, click on *All*. You will now see *Details: Client Information.* The *Filing Status* will appear in the main window. Change filing status to *2 =*

*Married filing jointly*. Check the *Live With Spouse?* box. Scroll down this page and enter the *Occupation* for Ken and the Spouse Information for Amy (first name, Social Security number, occupation, and birthdate). Continue to scroll down this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select *3 = Self-Prepared*.

From the menu at the left, select *General; Dependents.* You will now see the *General Information* tab on the right*.* Enter the information you have for Rod. Enter a birth date appropriate for Ken’s father. Select *3 = Dependent other than child* for *Type*. You may leave *Earned Income Credit* and *Child Tax Credit* at *1 = When applicable*.

To add Mary as an additional dependent, click the *[+]* tab next to Rod near the top of the page. Enter Mary’s information similarly to Rod.

From the menu at the left, select *Income; Wages, Salaries, Tips (W-2).* See the *New Tab* to the right and click on the icon that looks like a sheet of paper, to the left of *New Tab*. This action takes you to the *Quick Entry: Wages, Salaries, Tips* screen. Enter the amounts for Ken’s *wages* and *federal income tax withheld*. On the next line, enter the amounts for Amy’s *wages* and *federal income tax withheld*. Also check box in the *Spouse* column for Amy. You will need to create fake company names (and addresses too if not using the *Quick Entry* screen) for Ken and Amy since the problem does not include copies of the Booths’ Forms W-2.

To enter the interest income, from the menu at the left, select *Income; Interest Income (1099-INT, 1099-OID).* From the *Quick Entry: Interest Income* screen, enter the *name of payer* and enter the amount for *Banks, S&L, etc.*

To enter the financial information for Amy’s bookstore, from the menu at the left, select *Income; Business Income (Sch C),* which will land you on the *Details: Business Income (Sch C)* screen*.* Enter the information provided. Enter the *Business name, Business address, city, State and Zip*. Scroll down to *General Information* and for *Accounting method,* enter *1* for *cash*. For *Inventory method,* enter *1* for *cost*. Click on the radio button for *Spouse*.

From the tabs at the top select *Income Statement* and enter the sales amount as *Gross receipts or sales* in the *Federal* column. Enter other deductions in the *Federal* column as you scroll down the page (expenses are listed in alphabetical order). To enter the *Other expenses*, click in the *Federal* column for *Other expenses* and enter a *Description* and the *Amount* for each. Select *OK*.

For Amy’s bad debt, from the menu at the left, select *Income; Dispositions (Schedule D, etc.) Schedule D/4797/etc.* From the *Quick Entry: Dispositions (Schedule D, 4797 etc.)* screen, on *line No. 1*, enter *Non-Business Bad Debt* for the *Description of Property*. For the *Date Acquired* enter *01/01/2020* and for the *Date Sold* enter *12/31/2020*. For *Sales Price* enter *0* and for *Cost or Basis* enter the amount of the loan. For *Basis Rptd: Blank=To IRS, 1=Not To IRS, 2=Not On 1099-B*, enter *2* to indicate basis not reported on Form 1099-B.

To report Ken’s casino winnings, from the menu at the left, select *Income; Gambling Winnings/Losses (W-2G).* The default screen that pops up is typically the *Quick Entry* screen.

Click *Losses/Misc Winnings* in the upper right corner. Enter the amount for *Winnings not reported on Form W-2G.*

Under the *Credits* menu at the left, scroll down to *Recovery Rebate, EIC, Residential Energy, Oth Credits*. The tabs across the top are used to input the different types of credits. Select the *Recovery Rebate Credit* tab (the first tab and the default) and enter the appropriate amount of the Economic Impact Payment (EIP) received by the taxpayer in the *Economic impact payment 1* box under the *Taxpayer* column and the appropriate amount of the EIP received by the spouse under the *Spouse* column. Because an additional EIP was authorized in late 2020, you should ask your instructor whether to enter the additional EIPs of $600 or to enter -1 in the *Economic Impact 2* box. The solutions provided reflect the additional $600 EIPs authorized in late 2020.

From the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *View/Print Return PDF.* Click the blue *Create PDF* button which will result in a *Download Return PDF* blue button that you should click on. The return should open in a new tab. Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return by clicking on the *download icon* in the upper right corner, to the left of the *print icon*. Remember where you save the tax return. Close the PDF.

## Group 4, Problem 2A: Long, Russell and Linda

Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2020* page. Select *Create tax return* in the upper right corner.

From the *Create tax return* screen, click the [+] for *Add new* and select the *Individual (1040, 709)* button (it is selected as the default). Fill out the information for Russell. Note that ProConnect Tax tracks a married filing jointly client by one taxpayer and so often the primary income-earning taxpayer is entered as the default, since many of the input fields will default to that taxpayer. Email and phone numbers are not required but you may enter assumed data if you wish. Click on *Save* at the lower right. On the next screen *Client*, you may review the information you input, make any corrections necessary through the *Edit* button in the upper right, and once satisfied, click on *Save* at the lower right.

You have now landed on Russell’s 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line and the *Idaho* line under *General* since you will not actually be filing the tax return, but it is not required to do so. To avoid confusion related to the state income tax return, you may delete the *Idaho* state income tax return by clicking the *garbage can icon* under the *Actions* column and selecting *continue* to confirm the deletion. From the tabs near the top, select *Input Return*. You will now see *Details: Client Information.* The *Filing Status* will appear in the main window. Change filing status to *2 = Married filing jointly*. Check the *Live With Spouse?* box. Scroll down this page and enter the *Occupation* for Russell and the Spouse Information for Linda (first name, Social Security number, occupation and birthdate). Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select *3 = Self-Prepared*.

From the menu at the left, select *General; Dependents.* You will now see the *General Information* tab on the right*.* Enter the information you have for Bill. Enter a birth date appropriate for Bill. You may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*.

To add Martha as an additional dependent, click the [+] tab next to Bill near the top of the page. Enter Martha’s information similarly to Bill.

From the Menu at the left, select *Payments, Penalties & Extensions; 2020 Estimated Payments.* In the *4th Quarter (due 1/15/21)* payment area, enter the estimated *amount paid* and *date* the payment was made.

To enter the financial information for Russell’s business, from the menu at the left, select *Income; Business Income (Sch C),* which will land you on the *Details: Business Income (Sch C)* screen. Enter the information provided. There is no need to enter the business address because it is the same as their home address. Scroll down to *General Information* and for *Accounting method,* enter *1 for cash*. Select the *Taxpayer* radio button. In the *If required to file Form(s) 1099, did you or will you file all required Form(s) 1099* enter *1 for yes*.

From the tabs at the top select *Income Statement* and enter the 2020 total revenues amount as *Gross receipts or sales* in the *Federal* column. Enter other deductions in the *Federal* column as you scroll down the page (expenses are listed in alphabetical order). To enter the *Other expenses*, click in the *Federal* column for *Other expenses* and enter a *Description* and the *Amount* for each. Select *OK*.

For the home office, from the menu at the left, select *Deductions; Business Use of Home (8829,* which will land you on the *Details: Business Use of Home (8829)* screen*.* For *Form*, under *General Information,* select *3 = Schedule C* and for *Activity name,* use the dropdown arrow to select what you previously entered for the Principal business or profession for Schedule C. Scroll down to *Business Use of Home (8829)* and enter the amount of the *Business use area (sq. ft.)* in the *Federal* column. Enter the amount of the *Total area of home (sq. ft.)* in the *Federal* column. Scroll down the page and under *Indirect Expenses* enter the *rent* and *utilities* amounts.

To enter the qualified dividend income, from the menu at the left, select *Income; Dividend Income (1099-DIV),* landing you on the *Quick Entry: Dividend Income* screen*.* Enter the *name of the payer* and enter the same *amount* for *Total Ordinary Dividends* and *Qualified Dividends.*

Under the *Credits* menu at the left, scroll down to *Recovery Rebate, EIC, Residential Energy, Oth Credits*. The tabs across the top are used to input the different types of credits. Select the *Recovery Rebate Credit* tab (the first tab and the default) and enter the appropriate amount of the EIP received by the taxpayer in the *Economic impact payment 1* box under the *Taxpayer* column and the appropriate amount of the EIP received by the spouse under the *Spouse* column. Because an additional EIP was authorized in late 2020, you should ask your instructor whether to enter the additional EIPs of $600 or to enter -1 in the *Economic Impact 2* box. The solutions provided reflect the additional $600 EIPs authorized in late 2020.

From the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *View/Print Return PDF.* Click the blue *Create PDF* button which will result in a *Download Return PDF* blue button that you should click on. The return should open in a new tab. Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return by clicking on the *download icon* in the upper right corner, to the left of the *print icon*. Remember where you save the tax return. Close the PDF.

## Group 4, Problem 2B: Crosphit, Christopher

Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2020* page. Select *Create tax return* in the upper right corner.

From the Create tax return screen, click the [+] for *Add new* and select the *Individual (1040, 709)* button (it is selected as the default). Fill out the information for Christopher. Email and phone numbers are not required but you may enter assumed data if you wish. Click on *Save* at the lower right. On the next screen *Client*, you may review the information you input, make any corrections necessary through the *Edit* button on the upper right, and once satisfied, click on *Save* at the lower right.

You have now landed on Christopher’s 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line and the *South Carolina* line under *General* since you will not actually be filing the tax return, but it is not required to do so. To avoid confusion on the state income tax return, you may delete the South Carolina state income tax return by clicking the *garbage can icon* under the *Actions* column and selecting *continue* to confirm the deletion. From the tabs near the top, select *Input Return*. You will now see *Details: Client Information. The Filing Status* will appear in the main window. Change filing status to *4 = Head of household*. Scroll down this page and enter the *Occupation* for Chris. Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select *3 = Self-Prepared*.

From the menu at the left, select *General; Dependents.* You will now see the *General Information* tab on the right*.* Enter the information you have for Arnold. You may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*.

To enter the financial information for Christopher’s business, from the menu at the left, select *Income; Business Income (Sch C),* which will land you on the *Details: Business Income (Sch C)* screen. Enter the information provided. The business address is not the same as the home address. Scroll down and under *General Information; Accounting method,* enter *1* for *cash*. Select the *Taxpayer* radio button. In the *If required to file Form(s) 1099, did you or will you file all required Form(s) 1099* enter *1* for *yes*.

From the tabs at the top, select *Income Statement* and enter the 2020 total income amount as *Gross receipts or sales* in the *Federal* column. Continue down the page and enter the expenses in the *Federal* column. To enter the *Other expenses*, click in the *Federal* column for *Other expenses* and enter a *Description* and the *Amount* for each. Select *OK*.

For the home office, from the menu at the left, select *Deductions; Business Use of Home (8829),* which will land you on the *Details: Business Use of Home (8829)* screen*.* For *Form*, under *General Information,* select *3 = Schedule C* and for *Activity name,* use the dropdown arrow to select what you previously entered for the Principal business or profession for Schedule C. Scroll down to *Business Use of Home (8829)* and enter the amount of the *Business use area (sq. ft.)* in the *Federal* column. Enter the amount of the *Total area of home (sq. ft.)* in the *Federal* column. Scroll down the page and under *Indirect Expenses* enter the *rent* and *utilities* amounts.

To enter the interest income, from the menu at the left, select *Income; Interest Income (1099-INT, 1099-OID).* From the *Quick Entry: Interest Income* screen, enter the *name of payer* and enter the amounts for *Banks, S&L, etc.*

Christopher’s hobby generates income of $500 (the sales less then cost of goods sold). Hobby expenses other than cost of goods sold are generally no longer deductible due to the suspension of the miscellaneous expenses subject to 2% deduction. To enter the hobby income, from the menu at the left, select *Income; SS Benefits, Alimony, Misc. Income. Y*ou will land on the *Social Security Benefits* page. Scroll down to *Alimony and Other Income*. Scroll down to *Other income*, enter the amount and click on the button to expand. Enter *Hobby Income* for *Description* and the *Amount* earned.

From the Menu at the left, select *Payments, Penalties & Extensions; 2020 Estimated Payments.* In the *1st Quarter (due 7/15/20)* payment area, enter the estimated *amount paid* and *date* the payment was made.

Under the *Credits* menu at the left, scroll down to *Recovery Rebate, EIC, Residential Energy, Oth Credits*. The tabs across the top are used to input the different types of credits. Select the *Recovery Rebate Credit* tab (the first tab and the default) and enter the appropriate amount of the Economic Impact Payment (EIP) received by the taxpayer in the *Economic impact payment 1* box under the *Taxpayer* column. Because an additional EIP was authorized in late 2020, you should ask your instructor whether to enter the additional EIP of $600 or to enter -1 in the *Economic Impact 2* box. The solutions provided reflect the additional $600 EIP authorized in late 2020.

From the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *View/Print Return PDF.* Click the blue *Create PDF* button which will result in a *Download Return PDF* blue button that you should click on. The return should open in a new tab. Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return by clicking on the *download icon* in the upper right corner, to the left of the *print icon*. Remember where you save the tax return. Close the PDF.