**Tax Year 2021 ProConnect Tax Preparation Guide, Whittenburg, Gill**

**Chapter 5**

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>

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.

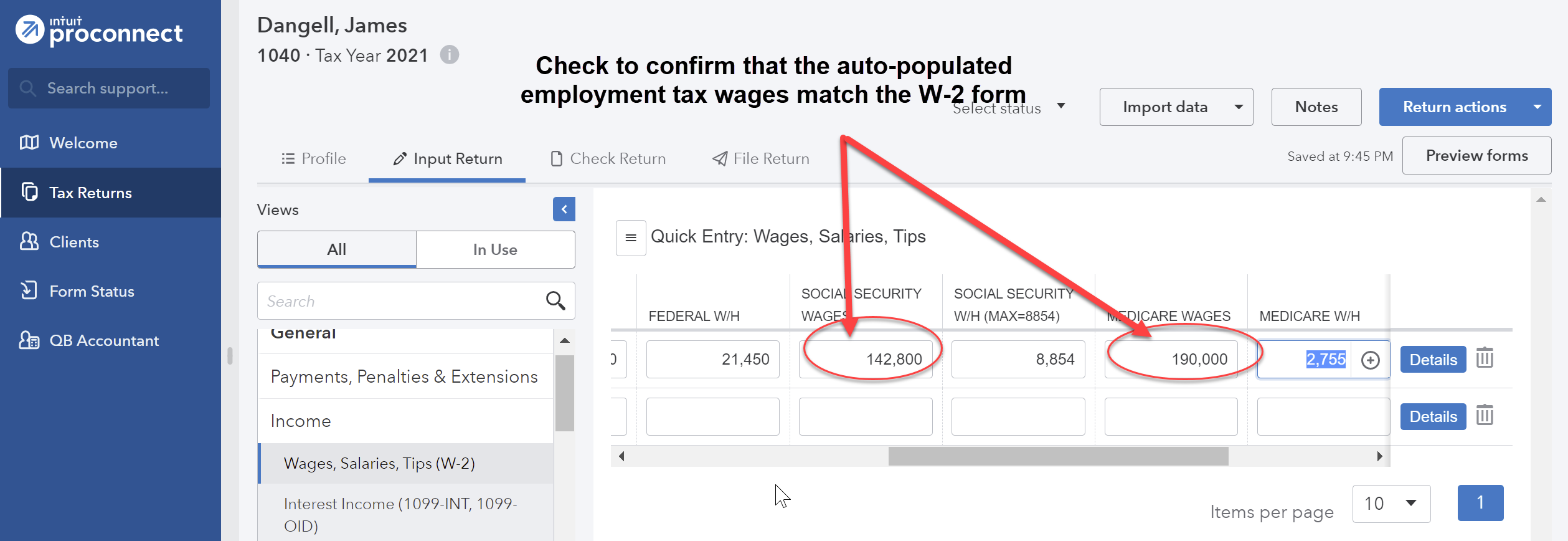
**Group 4, Problem 1: Dangell, James**

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 2021* 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 James. 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 James’ 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but it is not required to do so. From the tabs near the top, select *Input Return*. You will now see *Details: Client Information.* Scroll down this page and enter the *Occupation* for James. Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* andselect *3 =* *Self-Prepared*.

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 James’ *wages* and *federal income tax withheld*. You will need to override the auto-calculated *Medicare Wages* amount to agree to Box 5 of the Form W-2 found in the textbook problem (**Note**: at the time we prepared the tax preparation guides, ProConnect defaulted to $137,700 as the maximum Social Security wage base, which was the 2020 maximum. We expect Intuit will have corrected in early 2022).

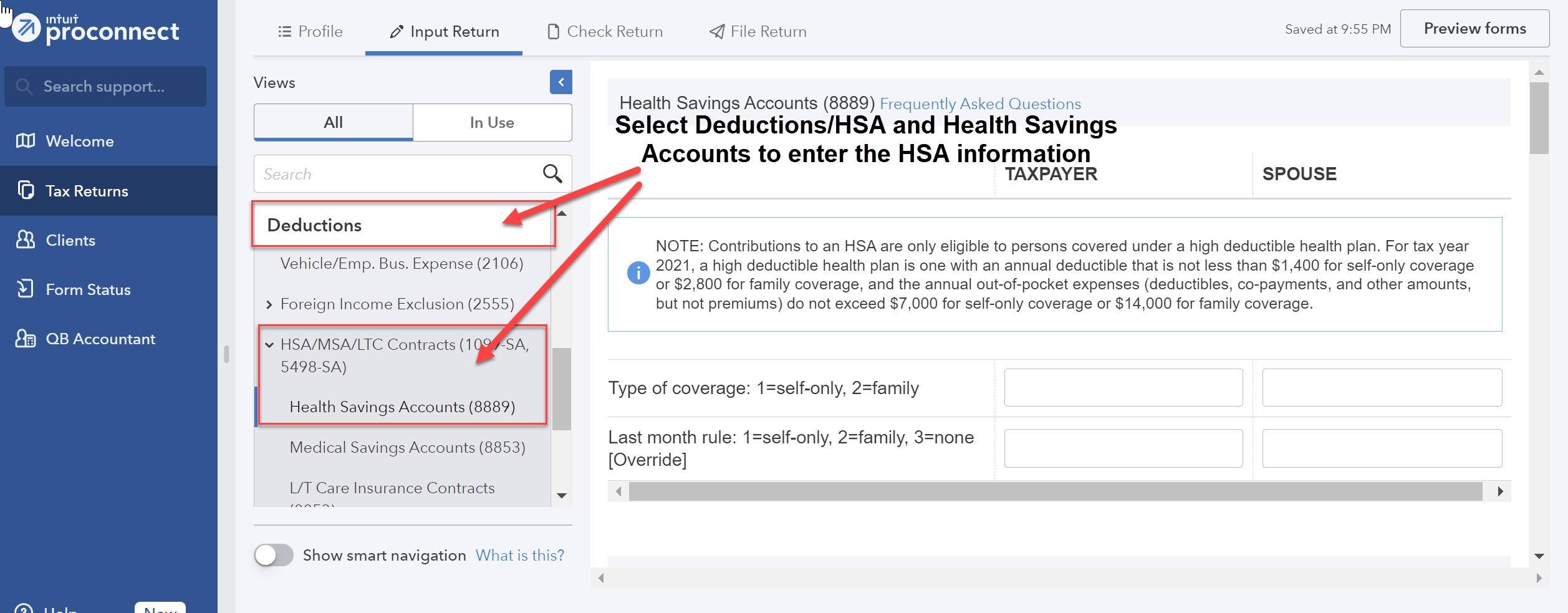


To enter the detail from Boxes 12a, 12b, and 13 of the Form W-2, click the blue *Details* button on the right-hand side and scroll down the page to enter the *amount* in *Box 12a* by using the dropdown box to select *Code D=D-Elective deferrals to 401(k) plan.* For *Box 12b*, use the dropdown box to select *Code W=W-Employer Contributions to HSA* and enter the *amount*. Check the *Retirement plan* box in the *Box 13* section.

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 alimony paid, from the menu at the left, select *Deductions; Adjustments to Income*. Then select the *Less Common Scena*…tab near the top center of the screen. Click on the *Alimony Paid* box under Taxpayer which will expand and enter the ex-spouse’s information and amount paid for the year. Once finished, click on the *OK* box at the bottom. Because the divorce agreement is dated after December 31, 2018, the alimony paid is not deductible and input may also be omitted without changing the result.

To enter the contributions James made to the HSA, from the menu at the left, select *Deductions;* *HSA/MSA/LTC Contracts* (1099-SA, 5498-SA); *Health Savings Accounts (8889)*.



For *Type of Coverage* enter *1=self only*. Scroll down and enter the *HSA contributions that you made (1=maximum)* in the *Taxpayer* column.

To enter James’ deductible expenses to be itemized, from the menu at the left, select *Deductions*; *Itemized Deductions (Sch A)*. Select the appropriate tab across the top and enter the itemized deduction amount for each type (e.g., sales and local taxes and real estate taxes under the *Taxes* tab).



To enter the actual sales tax paid on the new car, input the *amount* under the *Sales and Use Taxes; Actual Taxes Paid; State and local sales taxes (except autos and special items)*. Use information from the Form 1098 to enter in the *Interest* tab.

Note when entering charitable deductions, if an amount is paid to a charity and the taxpayer receives something of value in exchange, the deduction is limited to the amount that the contribution EXCEEDS the fair market value of the benefit received. Ask your instructor if you have questions about this. Also, check out the ebook regarding what types of contributions are NOT tax deductible.

James is not eligible for a 2021 Economic Impact Payment (EIP) due to the income limitation.

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: Jones, Bea**

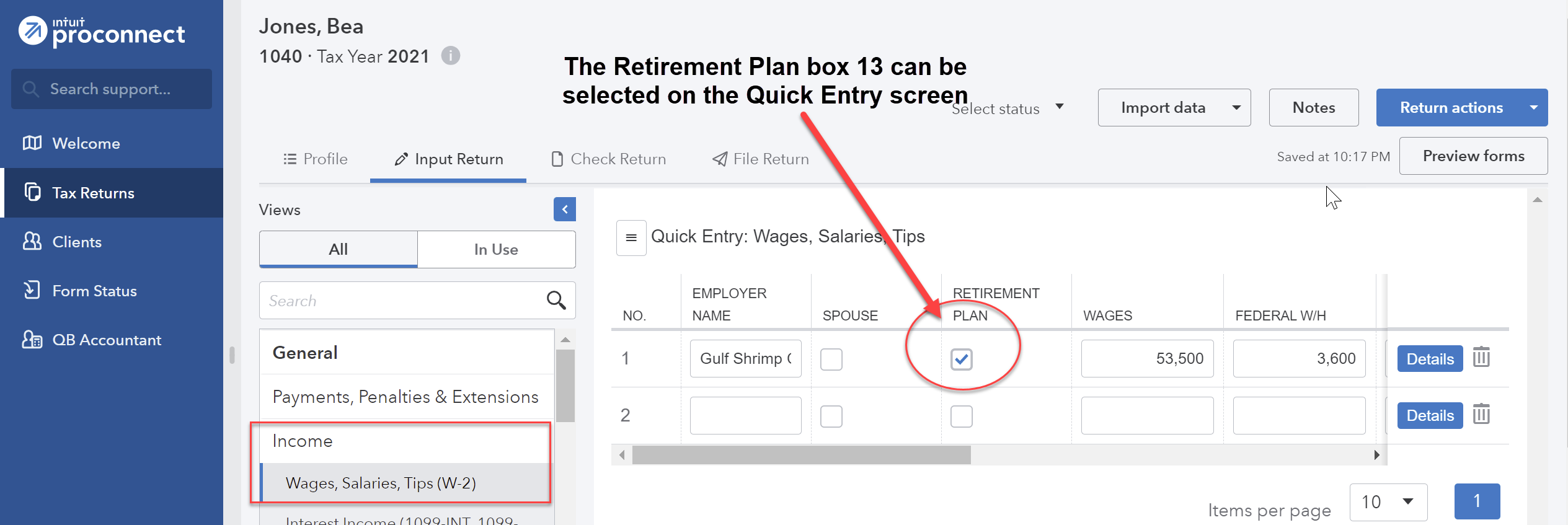
Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2021* page. Select *Create tax return* in the upper right corner.

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 Bea. 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 Bea’s 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but it is not required to do so. 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 Bea. Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* andselect *3 =* *Self-Prepared*.

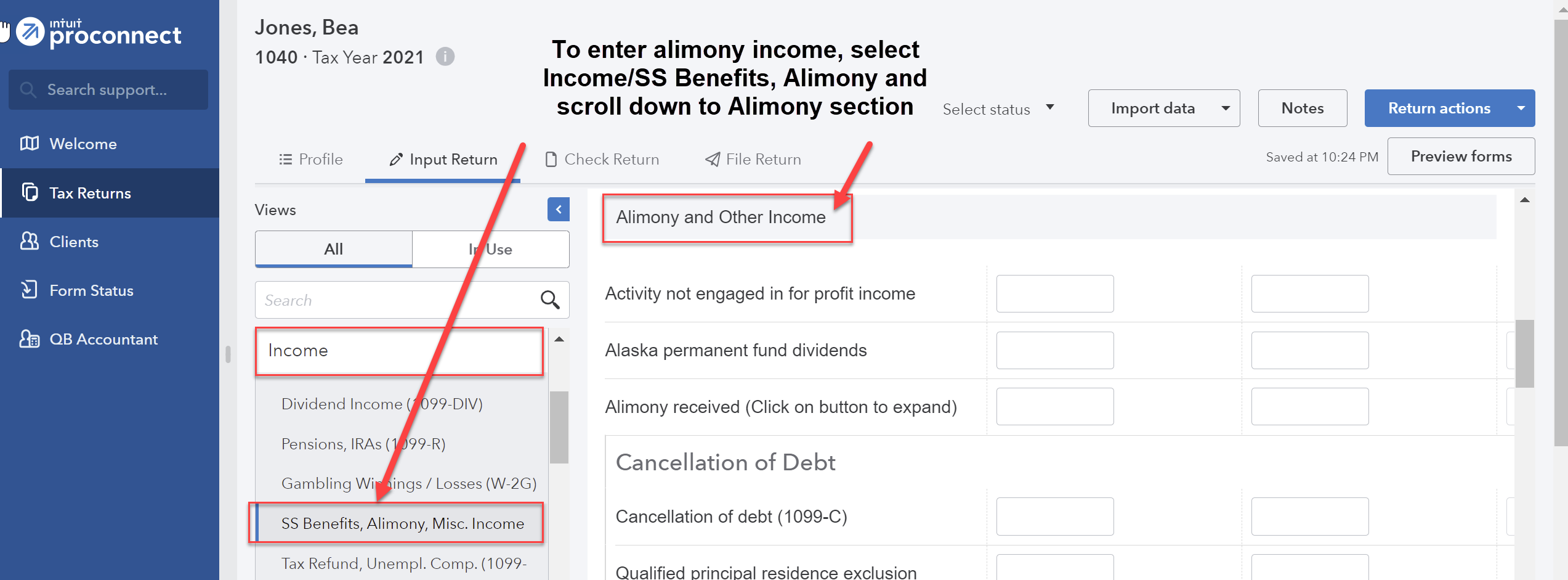
From the menu at the left, select *General; Dependents.* You will now see the *General Information* tab on the right*.* Enter the information you have for Dee. You may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*.

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 Bea’s *wages* and *federal income tax withheld*. The detail from Box 13 of the Form W-2, can be entered on the *Quick Entry* screen by checking the *Retirement Plan* box since Bea is eligible (but does not participate).

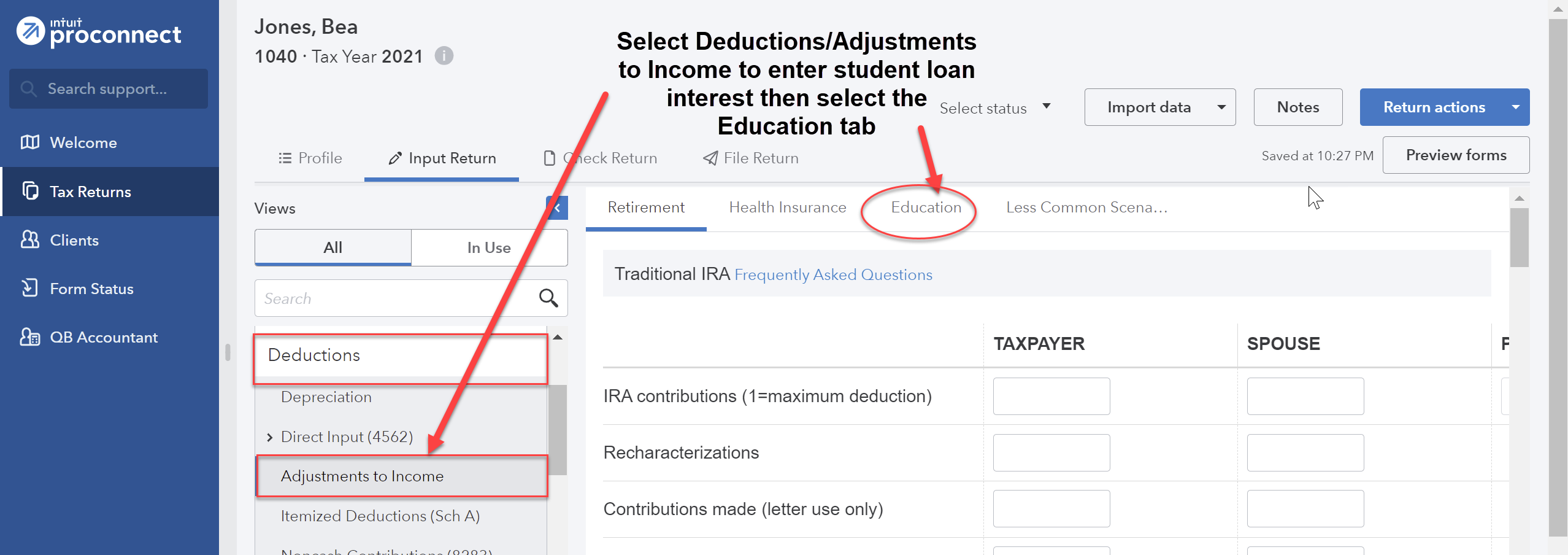


To enter the interest income, from the menu at the left, select *Income; Interest Income (1099-INT, 1099-OID).* From the *Quick Entry: Interest Income* screen, enter the *name of payer* and enter the amount for *Banks, S&L, etc.*

To record the alimony income, from the menu at the left, select *Income*; *SS Benefits, Alimony, Misc. Income*. Scroll down to the *Alimony and Other Income* section and enter the *Alimony Received*. Because the divorce agreement is dated after December 31, 2018, the alimony received is not taxable and need not be entered at all. Once finished, click on the *OK* box at the bottom.



The $750 of student loan interest paid by Bea’s employer ($5,250 - $4,500) is excluded from income and is therefore not deductible. However, the $450 student loan interest that Bea paid herself is a deductible adjustment to income and can be entered from the menu at the left and selecting *Deductions; Adjustments to Income*. You have now landed on the *Retirement* tab. Select the *Education* tab at the top center and enter the amount of *qualified student loan interest paid*.



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 3* box under the *Taxpayer* column.

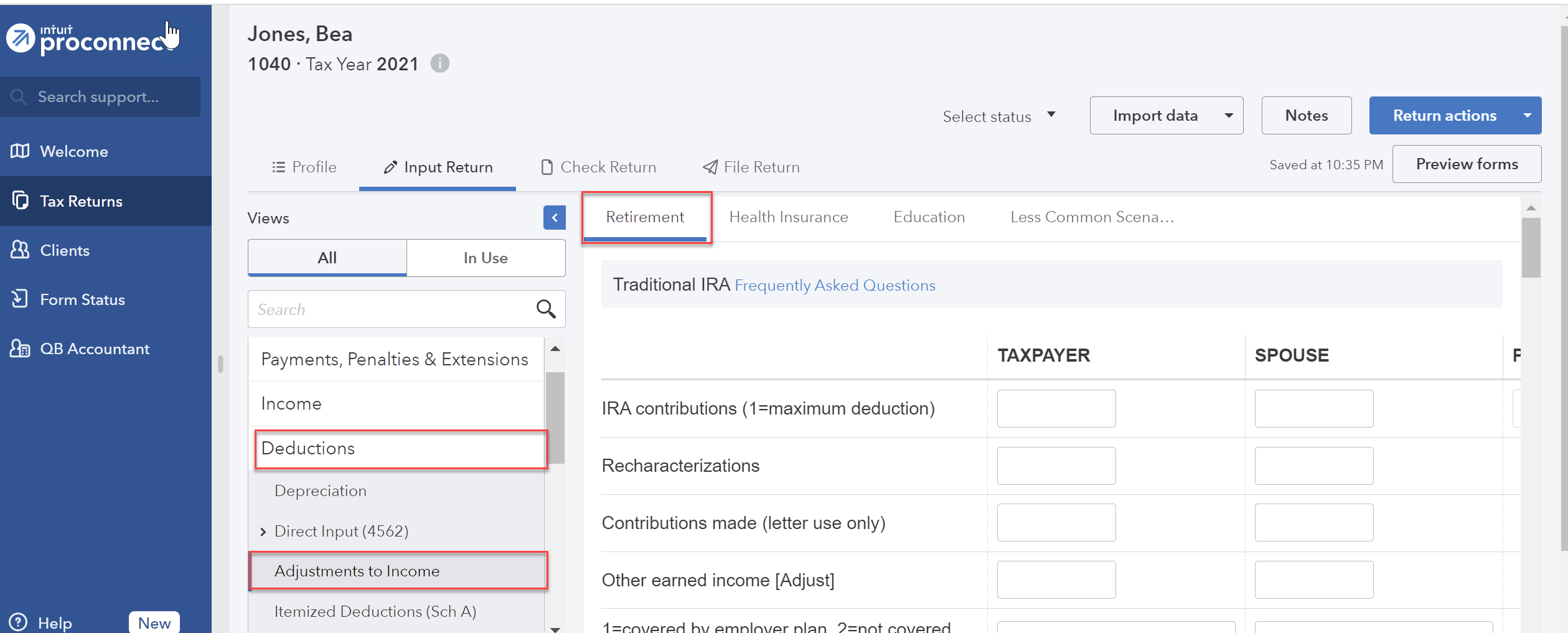
Because Bea is not a member of the Armed Forces, she may not deduct her moving costs.

The distribution from the 529 Plan as shown on Form 1099-Q is excluded from income since it was used to pay for K-12 tuition.

To enter Bea’s deductible expenses to be itemized, from the menu at the left, select *Deductions*; *Itemized Deductions (Sch A)*. Select the appropriate tab across the top and enter the itemized deduction amount for each type (e.g., sales and local taxes and real estate taxes under the *Taxes* tab and home mortgage interest on the *Interest* tab). To enter the actual sales tax paid on the new car, input the *amount* under the *Sales and Use Taxes; Actual Taxes Paid; State and local sales taxes (except autos and special items)*.

Note when entering charitable deductions, check out the ebook regarding what types of contributions are NOT tax deductible.

To enter the IRA contribution, from the menu at the left, select *Deductions;* *Adjustments to Income,* landing you on the *Retirement* tab. Enter the IRA contribution under *IRA contributions*.



To record the casualty loss, from the menu at the left, select *Income; Dispositions (Sch D, etc.); Schedule D/4797/etc.* For the *Description of Property,* enter *Residence,* and enter the *Date Acquired*, and the *Cost or other basis* as $112,000. If in the *Quick Entry* screen, select the blue *Details* button at the right. At the top of the *Details* page, select the *4684, 6781, 8824, 42…* tab. For *Description* enter *Tropical storm.* Enter *1=personal.* For *Disaster loss,* select *7* from the drop-down list*.* Choose a *FEMA Disaster Declaration Code for Georgia since there is not one on the list for FL despite there being a code given in the test.* For the *Fair market value before casualty or theft* enter *112,000* and enter *100,000* for the *Fair market value after casualty or theft*. Enter the *Insurance reimbursement* and the *Street Address,* *City, State,* and *Zip Code.*

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: Fuji, John**

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 2021* 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 John. 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 John’s 1040 *Profile* page. You may unselect the *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but it is not required to do so. From the tabs near the top, select *Input Return*. You will now see *Details: Client Information.* Scroll down this page and enter the *Occupation* for John. Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* andselect *3 =* *Self-Prepared*.

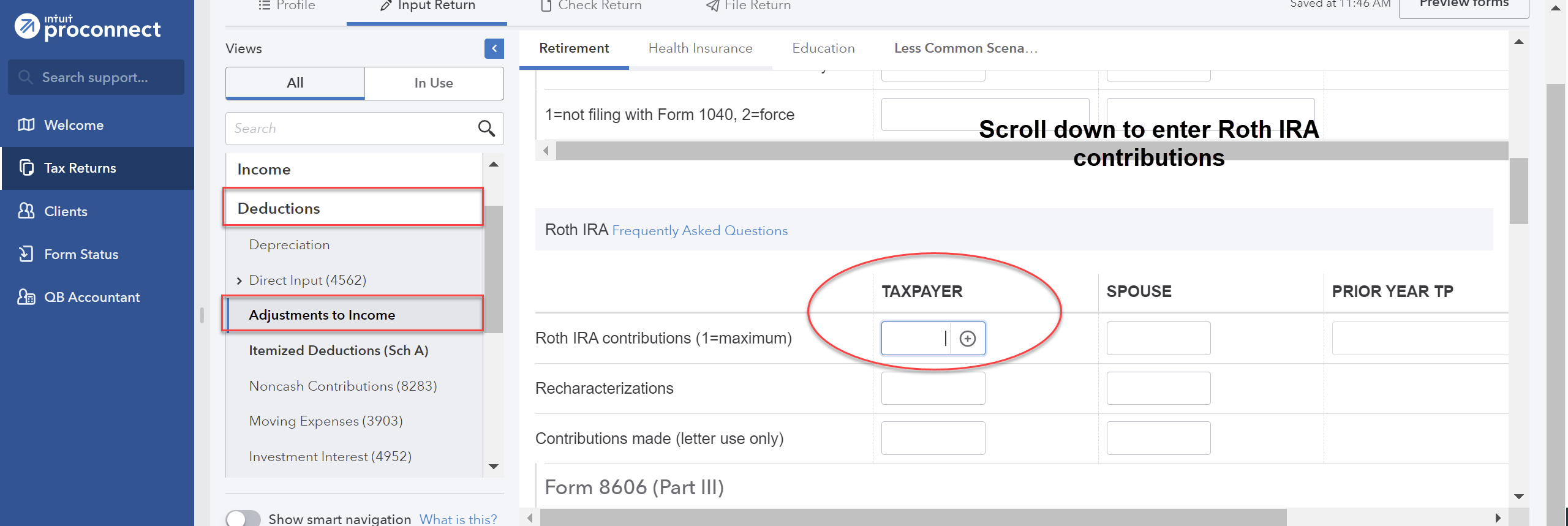
From the menu at the left, select *Income; Wages, Salaries, Tips (W-2).* See the *New Tab* to the right and click on the icon that looks like a sheet of paper, to the left of *New Tab*. This action takes you to the *Quick Entry: Wages, Salaries, Tips* screen. Enter the amounts for John’s *wages* and *federal income tax withheld*. The detail from Box 13 of the Form W-2, can be entered on the *Quick Entry* screen by checking the *Retirement Plan* box since John is eligible (but does not participate).

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 alimony paid, from the menu at the left, select *Deductions; Adjustments to Income*. Then select the *Less Common Scena*…tab near the top center of the screen. Click on the *Alimony Paid* box under *Taxpayer* which will expand and enter the ex-spouse’s information and amount paid for the year. Because the divorce agreement is dated before December 31, 2018, the alimony paid is deductible. Once finished, click on the *OK* box at the bottom.

To enter the trade summary activity from the substitute Form 1099-B, from the menu at the left, select *Income; Dispositions (Sch D, etc.); Schedule D/ 4797/ etc.* Because the necessary information was provided to the IRS by the broker, the detail of each trade need not be entered. Instead, the aggregate data can be entered. Enter the *Description of Property,* the *Date Acquired (use the first purchase date)*, the *Date Sold (use the last sale date),* and the total *Sales Price*. For the *Cost or Basis,* enter the total *original cost basis*.

To enter the Roth IRA contribution, from the menu at the left, select *Deductions;* *Adjustments to Income,* landing you on the *Retirement* tab. Enter the Roth IRA contribution under *Roth IRA contributions*.



To enter John’s deductible expenses to be itemized, from the menu at the left, select *Deductions*; *Itemized Deductions (Sch A)*. Select the appropriate tab across the top and enter the itemized deduction amount for each type (e.g., sales and local taxes and real estate taxes reported on the Form 1098, under the *Taxes* tab and home mortgage interest also reported on the Form 1098 on the *Interest* tab). To enter the state sales tax, input the *amount* under the *Sales and Use Taxes; Actual Taxes Paid; State and local sales taxes (except autos and special items)*. After entering in the information, you shall see that the itemized deductions of $12,369 are less than the $12,550 standard deduction and thus John will take the standard deduction instead of itemizing. ProConnect Tax will automatically generate the maximum $300 charitable contribution deduction on Line 12b of the Form 1040 since John’s charitable contributions exceeded $300 and he is taking the standard deduction. The total itemized deductions can be found on the Federal Tax Summary produced by ProConnect when the return is printed in the final step.

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 3* box under the *Taxpayer* column.

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.