

Michigan Credits Starter Exercises

Over 20% of VITA Clients in our three counties will not file a Federal or a full State of Michigan tax return.

Michigan Credit Clients usually have only non-taxable income. The key factor is if the client is responsible for Property Taxes on a home they own **OR** if they are contracted to pay rent and in fact have paid rent during the tax year.

See Red Handbook page 15 for instructions on creating a tax return using the following:

Use 2014 MI Tax Forms to practice: <https://twonline.taxwise.com/training14>.

When 2015 MI Tax forms are available, then use: <https://twonline.taxwise.com/training>.

Things You Need to Know About Michigan Credits Only for doing these three starter exercises

1.	<p>Determine the following to be true:</p> <ul style="list-style-type: none"> • The client does not have taxable income requiring a Federal Tax Return – Refer to Pub 4012, Page A-1) • The client has no taxable income - Refer to Pub 4012, Page D-1 to see the Examples of Taxable Income. • The client is a renter and paid rent during the tax year to a non-relative. <p>Then the client is in fact a “Michigan Credits Only”</p>
2	<p>Filing Status</p> <ul style="list-style-type: none"> • Michigan does not have Head of Household • Filing status is not a factor for “Credits Only” clients • However, a Filing Status must be marked for every client, but it is not necessary to labor long or hard to get the correct status.
3	<p>Income</p> <ul style="list-style-type: none"> • All taxable income is entered on the Federal Tax Return. • Social Security (SS) is not taxable until income exceeds \$25,000. • Social Security (SS) is always entered on Federal Worksheet 1040 Wkt 1 in your forms tree. • Any non-taxable income is entered directly on the MI 1040 CR form. Study this form so you are familiar with all the non-taxable types of income to be entered there. These non-taxable types of income will be shown on the State Intake Sheet, page 2. Also, refer to Red Handbook, page 31.

Things You Need to Know About Michigan Credits Only for doing these three starter exercises (cont'd)

MI 1040 Page 1 enter the School District Code

_____ School district codes: _____
 See F1 help for school district codes.

If the taxpayer and / or spouse is deceased, is there a personal representative? Yes No
 If yes, enter the representative's name _____
 If no, enter the claimant's name _____

Credit-only e-filing - check here if the taxpayer is not required to file a Michigan return and you want to file the credit forms (MI 1040CR, MI 1040CR-2 or MI 1040CR-7 only) in this return electronically to Michigan. If you check this box, all fields on the MI 1040 will be set to zero and only the credit form information will be included in the electronic file. If the taxpayer is required to file a Federal or Michigan tax return, DO NOT check this box

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Then go to this section and check the box, which is referred to as the "Magic Box".
 Checking the "Magic Box" blanks page 1 and 2 of the MI 1040 and tells the software – "Do not e-file the Federal 1040 or Michigan 1040 returns, ONLY file the 2 (two) Michigan Credit Forms (MI 1040 CR and MI 1040 CR-7)

Then go to MI 1040 page 2 to the following section and click the "unlinked" box.

Do you want to electronically file this return? Yes No
 Check here if you want to file this return as unlinked:

MI CR Pg 1 Property Tax Credit (PTC)
 Homeowners/Mobile Home Owners PTC is calculated on "assessed" not "paid" summer, winter and/or city for the tax year.

Taxable Value entered here _____
 Summer, Winter and/or city taxes are totaled and entered here. _____

9 **Homeowners:** Enter the 2014 taxable value of your homestead. If you did not check box 8 above and your taxable value is greater than \$135,000, stop; you are not eligible. _____

10 **Farmers:** Enter the taxable value of your homestead including unoccupied farmland _____

10 Property taxes levied on your home in 2014 or amount from line 51, 56 and 57
 Enter amount of property taxes levied _____

11 **Renters:** Rent paid in 2014 from line 53 and 55 _____

12 Multiply line 11 by 20% _____

13 **Total** _____

0
0
0
0
0

5a

Things You Need to Know About Michigan Credits Only for doing these three starter exercises (cont'd)

MI CR Pg 3, Line 52 - Renters/Mobile Home Owners PTC is based on rent or lot rent paid for the tax year. Refer to Red Handbook, page 32 regarding mobile home lots rent. When the Mobile Home Lot box is checked it places \$36 on Line 10 above.

Part 4: Renters

In the mobile home lot column, check the box if the \$3 per month specific tax should be included on page 1, line 10. Do not include the monthly specific tax in the monthly rent amount. Only the first two will print

5b

52	Address, city, state and zip code of homestead you rented	Landowner's name and address	Number of months rented	Monthly rent without specific tax	Mobile home lot	Total rent paid	
A							
B			0	0	<input type="checkbox"/>	0	
C			0	0	<input type="checkbox"/>	0	
D			0	0	<input type="checkbox"/>	0	
E			0	0	<input type="checkbox"/>	0	
			0	0	<input type="checkbox"/>	0	
53	Total rent paid						0

MI CR-7 Pg 1 - Heat Credit

All questions need to be answered.

Always complete the Heat Credit form even though there was no Property Tax Credit.

6

6 Residency status in 2014

- a Resident
- b Nonresident
- c Part-year resident

Part-year residents, complete dates of residency in 2014.

You From _____ to _____
 Spouse From _____ to _____

Do you own or rent your home?

7 Are your heating costs currently included in your rent or in someone else's name?

8 Do you want your name and address referred to other government assistance programs for which you may qualify?

9 Do you or your spouse now receive Supplemental Security Income (SSI)?

10 Age, if you are age 60 or older

11 How much were you billed for heat between 11/01/2013 and 10/31/2014?

Yes No
 Yes No
 Yes No
 Yes No

You: 0
 Spouse: 0

MI 1040 Pg 2 - Bank Information

IF A CREDIT'S ONLY CLIENT IS HAVING DIRECT DEPOSIT - Enter the bank information ONLY on MI 1040 Pg 2. The information will have to be entered twice for the Routing Number and Account Number.

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True: MI 1040 pg 2 is NOT being e-filed, however, that is the place in the software where credits only clients have their Direct Deposit information entered.

DO NOT enter any bank information on the Main Info Sheet for "Credit Only" Clients.

Things You Need to Know About Michigan Credits Only for doing these three starter exercises (cont'd)

FINAL	<p>FOR EVERY RETURN: Run Diagnostics checking for any errors. Request a Quality Review Then , refer to Red Handbook, Office Procedures, pages 34, 37, 39-40.</p>
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CLIENT ONE

Harvey Johnson Single Birthdate 6/6/1950 Phone # 517-888-0123 Social Security # 551-xx-xxxx Address: 221 Fourth Street, Your City	Receives Social Security of \$875 per month. Harvey did not own a car. Refunds to be mailed to him.	Landlord: Harry James, who is not related to Harvey. 452 Forest St, Your City Rent is \$475 per month and lived there all 12 months of the year Heat is included in the rent																				
STEP ONE	Complete the Main Info Page with Client's Personal Information along with Filing Status																					
STEP TWO	Enter all income on the tax return as mentioned in "The Things You Should Know about Michigan Credits Only"																					
STEP THREE	Complete MI 1040 Pg 1, shown in 'The Things You Should Know About Michigan Credits Only'																					
STEP FOUR	Go to MI CR Pg 3 and enter rent information on Line 52 A. Go to MI CR Pg 2, Line 44 and see if there is a Property Tax Credit.																					
STEP FIVE	Go to MI CR-7 Pg 1 and answer the questions as shown below for Harvey: <table style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 60%;">7 Do you own or rent your home?</td> <td style="width: 10%;"><input checked="" type="radio"/> Yes</td> <td style="width: 10%;"><input type="radio"/> No</td> <td style="width: 10%;"></td> </tr> <tr> <td>8 Are your heating costs currently included in your rent or in someone else's name?</td> <td><input checked="" type="radio"/> Yes</td> <td><input type="radio"/> No</td> <td></td> </tr> <tr> <td>9 Do you want your name and address referred to other government assistance programs for which you may qualify?</td> <td><input type="radio"/> Yes</td> <td><input checked="" type="radio"/> No</td> <td></td> </tr> <tr> <td>10 Do you or your spouse now receive Supplemental Security Income (SSI)?</td> <td><input type="radio"/> Yes</td> <td><input checked="" type="radio"/> No</td> <td></td> </tr> <tr> <td>11 Age, if you are age 60 or older</td> <td>You: <input type="text" value="0"/></td> <td>Spouse: <input type="text" value="0"/></td> <td></td> </tr> </table> <p>Harvey's Heat Credit will appear on MI CR-7 Pg 2, Line 44 and will also appear on MI 8453 located in the forms tree.</p>		7 Do you own or rent your home?	<input checked="" type="radio"/> Yes	<input type="radio"/> No		8 Are your heating costs currently included in your rent or in someone else's name?	<input checked="" type="radio"/> Yes	<input type="radio"/> No		9 Do you want your name and address referred to other government assistance programs for which you may qualify?	<input type="radio"/> Yes	<input checked="" type="radio"/> No		10 Do you or your spouse now receive Supplemental Security Income (SSI)?	<input type="radio"/> Yes	<input checked="" type="radio"/> No		11 Age, if you are age 60 or older	You: <input type="text" value="0"/>	Spouse: <input type="text" value="0"/>	
7 Do you own or rent your home?	<input checked="" type="radio"/> Yes	<input type="radio"/> No																				
8 Are your heating costs currently included in your rent or in someone else's name?	<input checked="" type="radio"/> Yes	<input type="radio"/> No																				
9 Do you want your name and address referred to other government assistance programs for which you may qualify?	<input type="radio"/> Yes	<input checked="" type="radio"/> No																				
10 Do you or your spouse now receive Supplemental Security Income (SSI)?	<input type="radio"/> Yes	<input checked="" type="radio"/> No																				
11 Age, if you are age 60 or older	You: <input type="text" value="0"/>	Spouse: <input type="text" value="0"/>																				
STEP SIX	Harvey is not doing direct deposit, therefore check the third item. <p>Direct Deposit</p> <p><input type="radio"/> Check here if you had a Federal refund and want the state refund deposited to the same bank as listed on the Federal return, including Money Clip. This information will not appear below, but will be transmitted to Michigan if electronically filing this return and will appear on the printed return.</p> <p><input type="radio"/> Check here if you want the state refund deposited into a different account.</p> <p><input checked="" type="radio"/> Check here if you do not want direct deposit. You will receive a check by mail.</p> <p>Routing number <input type="text"/></p> <p>Account number <input type="text"/></p> <p>Account type: <input type="radio"/> Checking <input type="radio"/> Savings</p>																					
FINAL STEP	Go to Final in 'The Things You Should Know About Michigan Credits Only'																					

CLIENT TWO

Helen Lane Divorced Birthdate 2/14/1981 Phone # 517-888-3210 Social Security # 552-xx-xxxx Address: 55498 Old Country Road, Your City	Receives Supplemental Security Income (SSI) of \$748 per month. Plus \$42 every 3 months of State SSI Helen owns a car insured in MI. Refunds to be mailed to her.	Owns her home Taxable Value \$55,075 Summer Taxes \$342 Winter Taxes \$690 Her Heat Credit amount is \$992
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STEP ONE

Complete the Main Info Page with Client's Personal Information along with Filing Status

All SSI clients are considered Disabled until the age of 66.

List her occupation as "Disabled", then check the Disabled Box

Check if blind
 Check if totally and permanently disabled
 Date of death, ONLY if in 2014 or 2015
 This tax return is being filed by the surviving spouse or someone else.

Taxpayer
 Yes
 Yes

Spouse
 Yes
 Yes

STEP TWO

Enter all income on the tax return as mentioned in "The Things You Should Know about Michigan Credits Only"

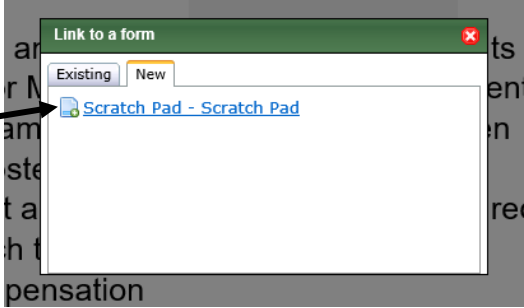
Refer to Red Handbook, page 31. The State Intake Sheet Page 2 should reflect the client is receiving SSI and the \$42 per quarter.

SSI goes on MI CR Pg 1, Line 21 along with the \$42 every 3 months or \$168 per year by attaching a scratch pad.

To attach a scratch pad be on Line 21 and press the F9 key then select 'New' Scratch Pad.

Below is the scratch pad, complete it with the type of income and amount.

Type	Amount
SSI	8976
State SSI	168
	0
	0



- STEP THREE** Complete MI 1040 Pg 1, shown in 'The Things You Should Know About Michigan Credits Only'
- STEP FOUR** Go to MI CR pg 1, Line 9 and Line 10. Then go to Line 10 and enter the total of the summer and winter taxes. Refer to Red Handbook, page 31 regarding Line 10.
- STEP FIVE** Go to MI CR Pg 1, Line 31 – F9 to a scratch pad. Type "Medical portion of Auto Ins" and fill in amount. (Refer to Red Handbook page 31, line 31).

CLIENT TWO (cont'd)

STEP SIX	<p>Go to MI CR-7 Pg 1 and answer the questions as shown below for Helen:</p> <p>Do you own or rent your home? <input checked="" type="radio"/> Yes <input type="radio"/> No</p> <p>7 Are your heating costs currently included in your rent or in someone else's name? <input type="radio"/> Yes <input checked="" type="radio"/> No</p> <p>8 Do you want your name and address referred to other government assistance programs for which you may qualify? <input type="radio"/> Yes <input checked="" type="radio"/> No</p> <p>9 Do you or your spouse now receive Supplemental Security Income (SSI)? <input checked="" type="radio"/> Yes <input type="radio"/> No</p> <p>10 Age, if you are age 60 or older You: <input type="text" value="0"/> Spouse: <input type="text" value="0"/></p> <p>11 How much were you billed for heat between 11/01/2013 and 10/31/2014? <input type="text" value="992"/></p>
STEP SEVEN	<p>Helen is not doing direct deposit, therefore check the third item.</p> <p>Direct Deposit</p> <p><input type="radio"/> Check here if you had a Federal refund and want the state refund deposited to the same bank as listed on the Federal return, including Money Clip. This information will not appear below, but will be transmitted to Michigan if electronically filing this return and will appear on the printed return.</p> <p><input type="radio"/> Check here if you want the state refund deposited into a different account.</p> <p><input checked="" type="radio"/> Check here if you do not want direct deposit. You will receive a check by mail.</p> <p>Routing number <input type="text"/> Account number <input type="text"/> Account type: <input type="radio"/> Checking <input type="radio"/> Savings</p>
FINAL STEP	Go to Final in 'The Things You Should Know About Michigan Credits Only'

CLIENT THREE

<p>Bob Evans Single and Retired Birthdate 4/1/1950 Phone # 517-333-3210 Social Security # 553-xx-xxxx Address: 436 Farming Lane, Your City</p>	<p>Receives Social Security of \$13,520 with Deduction of \$1,259 for Medicare Premiums</p> <p>Bob owns a car and a truck, they are both insured in MI.</p> <p>He also purchases Blue Cross Medicare Supplement insurance for \$125 per month</p> <p>Refunds to be Direct Deposit into his savings account.</p>	<p>Owens his home Taxable Value \$32,500 Summer Taxes \$445 Winter Taxes \$897</p> <p>Forgot his Heat Bill – His highest winter bill is \$350.</p>
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STEP ONE Complete the Main Info Page with Client’s Personal Information along with Filing Status

STEP TWO Enter all income on the tax return.
Refer to Red Handbook, page 27, #13.
All Social Security is to be entered on 1040 wkt 1, along with the Medicare Parts B, C and D if shown on the SSA-1099, as follows:

	Taxpayer	Spouse	Total
Social Security and Railroad Tier 1 Benefits			
Social security received this year	13520	0	
Railroad tier 1 received this year	0	0	
Total before Medicare or Federal tax withheld	13520	0	13520
Medicare Parts B, C, and D to Schedule A (only if you are not deducting this amount as self-employed health insurance)			
Federal tax withheld	1259	0	

NOTE: If clients are under 66 ask them if they are Disabled or Retired or they could be drawing death benefits.

STEP THREE Complete MI 1040 Pg 1, shown in ‘The Things You Should Know About Michigan Credits Only’

STEP FOUR Go to MI CR pg 1, Line 9 and Line 10.
Then go to Line 10 and enter the total of the summer and winter taxes.
Refer to Red Handbook, page 31 regarding Line 10.

STEP FIVE Go to MI CR Pg 1, Line 31 – F9 to a scratch pad.
Type “Medical portion of Auto Ins” and fill in amount. (Refer to Red Handbook page 31, line 31).
Don’t forget about his Blue Cross Medicare Supplement insurance.

STEP SIX Go to MI CR-7 Pg 1 and answer the questions as shown below for Bob.

Do you own or rent your home?	<input checked="" type="radio"/> Yes	<input type="radio"/> No
7 Are your heating costs currently included in your rent or in someone else's name?	<input type="radio"/> Yes	<input checked="" type="radio"/> No
8 Do you want your name and address referred to other government assistance programs for which you may qualify?	<input type="radio"/> Yes	<input checked="" type="radio"/> No
9 Do you or your spouse now receive Supplemental Security Income (SSI)?	<input type="radio"/> Yes	<input checked="" type="radio"/> No
10 Age, if you are age 60 or older	You: <input type="text" value="0"/>	
	Spouse: <input type="text" value="0"/>	
11 How much were you billed for heat between 11/01/2013 and 10/31/2014?	<input type="text" value="0"/>	

Since Bob forgot his heat bill, ask Bob what was his highest bill during the winter. Take that amount times 75% times 6 months and enter the amount on Line 11.

CLIENT THREE (cont'd)	
STEP SEVEN	<p>Bob is having direct deposit into his savings account, therefore check the second item and you have to enter the <u>Routing number and Account number twice</u> as shown below and indicate whether <u>Checking or Savings</u>.</p> <p>Direct Deposit</p> <p><input type="radio"/> Check here if you had a Federal refund and want the state refund deposited to the same bank as listed on the Federal return, including Money Clip. This information will not appear below, but will be transmitted to Michigan if electronically filing this return and will appear on the printed return.</p> <p><input checked="" type="radio"/> Check here if you want the state refund deposited into a different account.</p> <p><input type="radio"/> Check here if you do not want direct deposit. You will receive a check by mail.</p> <p>Routing number <input type="text" value="123321555"/></p> <p>Account number <input type="text" value="555123321"/></p> <p>Account type: <input type="radio"/> Checking <input checked="" type="radio"/> Savings</p> <p>Is this account located outside the U.S.? <input type="radio"/> Yes <input checked="" type="radio"/> No</p> <p>E-filing only. If you used a different account for direct deposit of your state tax refund, rekey the account information below from the check or other document for verification.</p> <p>RTN: <input type="text" value="123321555"/> Account: <input type="text" value="555123321"/></p>
FINAL STEP	Go to Final in 'The Things You Should Know About Michigan Credits Only'

TY2014 Answers

Client	Property Tax Credit	Home Heating Credit
Harvey Johnson	\$463	\$21
Helen Lane	\$719	\$147
Bob Evans	\$587	\$153

TY2015 Answers

Client	Property Tax Credit	Home Heating Credit
Harvey Johnson	\$1,200	\$22
Helen Lane	\$719	\$151
Bob Evans	\$979	\$153