

# MEIC State & Local Tax Training

Total Household Resources &  
Common Michigan Issues

Various Living Situations

TaxSlayer & The Michigan Return

November 18, 2016

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## Contents

- ◆ Common Michigan THR Issues at VITA/TCE Sites:
  - Supplemental Security Income (SSI)
  - State SSI
  - Dependent's Social Security Benefits and SSI
  - Cash assistance from the Michigan Department of Education for the payment of child care
  - 1099-R, Code Q – Qualified distribution from a Roth IRA
  - Capital gains less capital losses (including nontaxable gain from the sale of a home)
- ◆ Subtraction from Income for Retirement Benefits
- ◆ Michigan Form 5049, Married Filing Separately and Divorced or Separated Claimants Schedule
- ◆ Various Living Situations
- ◆ TaxSlayer & the Michigan Return

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- ◆ References to tax law and forms are for tax year 2015. Updates for 2016 will be provided if known.
- ◆ TaxSlayer screenshots are from the Practice Lab 2015 as of 11/14/2016.

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## Total Household Resources Defined

- ◆ Total household resources (THR) are defined as all *income* received by all persons of a *household* in a tax year while members of a household, increased by the following deductions from federal gross income:
  - Any net business loss after netting all business income and loss
  - Any net rental or royalty loss
  - Any carryback or carryforward of a net operating loss
- ◆ Refer to Revenue Administrative Bulletin (RAB) 2015-18, Income Tax – Total Household Resources Defined

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## Total Household Resources "Income" and "Household"

- ◆ "Income" includes both taxable and nontaxable income. Technically: Federal adjusted gross income (AGI) plus all income specifically excluded or exempt from the computation of federal AGI.
- ◆ "Household" is statutorily defined as a *claimant* and spouse.
  - A claimant is a person who files a property tax or home heating credit. It includes a husband and wife if they are required to file a joint Michigan tax return.

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## Total Household Resources "Income"

- ◆ The income of both husband and wife must be included in THR if:
  - 1) They are required to file a joint state tax return, even if the husband and wife do not reside together, or
  - 2) They share a home, regardless of their filing status.

(Details are discussed on later slides.)

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## Total Household Resources "Income"

- ◆ In RAB 2015-18, there is a nonexclusive list of income to include in total household resources (THR), as well as a list of items not to include in THR.
- ◆ Other sources also contain similar lists, including the:
  - ❑ Michigan MI-1040 Instructions
  - ❑ Michigan Taxpayer Assistance Manual (TAM)
  - ❑ *Income and Deductible Items, Summary Chart*, located in Chapter 5 of the TAM. The chart is included in the handouts today.
  - ❑ Michigan Tax Text Manual
- ◆ Note that the lists in these various sources are not necessarily the same. An item may be on one list, but not on another.

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## Items Not Included in Total Household Resources

- ◆ **Some items not included in THR include:**
  - ❑ Money received from a government unit such as FEMA to repair or improve the homestead
  - ❑ Government payments to a third party (see page 4 of RAB 2015-18 for examples)
  - ❑ Money from loan proceeds and withdrawals from savings
- ◆ **THR does not substantiate rent or property taxes paid plus living expenses**
  - ❑ If the claimant had money that is excludable from THR and it was used to pay rent, property taxes and/or living expenses, a paper return is warranted with an explanation attached.

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## Common Michigan Issues

- ◆ Some issues common to Michigan returns prepared at volunteer tax sites include:
  - ❑ Income to include in total household resources:
    - Supplemental Security Income (SSI)
    - State SSI
    - Dependent's Social Security Benefits and SSI
    - Cash assistance from the Department of Education for the payment of child care
    - 1099-R, Code Q – Qualified distribution from a Roth IRA
    - Capital gains less capital losses (including nontaxable gain from the sale of a home)
  - ❑ Subtraction from Income for Retirement Benefits
  - ❑ Michigan Form 5049

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## Supplemental Security Income

- ◆ Supplemental Security Income (SSI) is administered by the Social Security Administration and is cash assistance for people with limited income and resources who are:
  - Age 65 or older, or
  - Blind, or
  - Disabled
- ◆ SSI is paid on the first of the month
- ◆ Social Security benefits are typically paid on the third of the month, or on the first or third Wednesday of the month
- ◆ Maximum SSI for an individual in 2016 is \$733 per month (Note: Maximum SSI in 2017 is \$735 per month.)
- ◆ SSI is reported on the same line as Social Security benefits on the Michigan credit claim forms

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## Supplemental Security Income (Continued)

If someone received both SSI and Social Security benefits, and that is their only source of income (other than State SSI):

- ◆ The total of these two sources of income is typically \$20 per month more than the maximum SSI an eligible individual would receive. In 2016, this would be \$753 per month (\$733 + \$20).
- ◆ **Example:** A client brings in their 2016 Form SSA-1099, Social Security Benefits Statement, but isn't sure of the amount of their SSI for the year. Box 5 of the SSA-1099 shows \$7,452. To determine their SSI:
  - $\$753 \times 12 \text{ months} = \$9,036$
  - $\$9,036 - 7,452 = \$1,584$ , SSI for the year, or \$132 per month
  - A discussion with the client is warranted to verify that this was the amount they received on the 1<sup>st</sup> of each and every month in 2016.
  - If uncertain, ask the client to get a letter from the Social Security Administration stating the total SSI paid to them in the tax year.

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## State SSI

- ◆ Individuals receiving Supplemental Security Income (SSI) usually also receive State SSI.
- ◆ State SSI is administered by the Michigan Department of Health and Human Services (DHHS).
- ◆ Individuals typically get \$14 per month, which is paid quarterly in the amount of \$42 each March, June, September and December. The total for the year is \$168.
- ◆ State SSI is included in Total Household Resources and should be reported on the *Other nontaxable income* line.

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## Dependent's Social Security Benefits and SSI

- ◆ Include in total household resources any Social Security benefits and/or Supplemental Security Income received **for** a minor child or dependent adult who lived with the taxpayer.
  - ❑ This is where the taxpayer (or spouse) is the payee.
  - ❑ The entire amount is included in THR on the same line for Social Security benefits and SSI.
- ◆ State SSI received *for* a dependent is included on the line for Other nontaxable income.
- ◆ If Social Security benefits and/or SSI is paid directly to the dependent, it is not necessarily included in THR.
  - ❑ Only include any amount that the dependent contributed to household expenses.

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## TaxSlayer Entries for SSI and for Dependent's Benefits

- ◆ Supplemental Security Income received by the taxpayer/spouse, Social Security benefits received for a dependent, and SSI received for a dependent are all entered in one entry box on the Homestead Property Tax and Home Heating Credit page in TaxSlayer.
- ◆ There is not a feature available that would allow entering amounts separately so that they would all flow through to the line for *Social Security, SSI, and/or railroad retirement benefits*.
- ◆ An option would be to use the Notes feature in TaxSlayer to identify the amount(s) and type(s) of benefit that were entered in the box.

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## TaxSlayer Entries for SSI and for Dependent's Benefits

Michigan State Return  
Homestead Property Tax and Home Heating Credit (MI-1040CR, MI-1040CR2 and MI-1040CR7)

Enter the amount of FIP and other DHS benefits you received. DO NOT INCLUDE food Assistance Program benefits. \$

Enter any additional Social Security Benefits that you did NOT report on your federal tax return \$

Enter the amount of gifts or expenses paid spouse/child \$

Enter any other nontaxable income \$

Enter the description of other nontaxable income from above

- ◆ The total of the following benefits are entered in this entry box:
  - ❑ Supplemental Security Income (SSI) received by the taxpayer/spouse
  - ❑ Social Security benefits received for a dependent
  - ❑ Supplemental Security Income (SSI) received for a dependent
- ◆ State SSI is entered in the box for other nontaxable income

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### **Cash Assistance from the Department of Education for the Payment of Child Care**

- ◆ Parents who receive cash assistance from the Department of Education for the payment of child care must include the total for the tax year in total household resources.
- ◆ It is included in THR regardless of any payments made to the child caregiver.
- ◆ **TaxSlayer Entry:** Payments made to parents from the Department of Education for child care should be reported on the line for Other nontaxable income on the Homestead Property Tax and Home Heating Credit page on the parent's return.

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### **Roth IRA – Qualified Distribution**

- ◆ Qualified distributions from a Roth IRA (Code Q in Box 7 of Form 1099-R) are *not* taxable
- ◆ However, the amount of a qualified distribution from a Roth IRA that exceeds a taxpayer's total contributions to the Roth IRA *must* be included in total household resources
- ◆ This is regardless of whether this amount is included in AGI
- ◆ Assume that all contributions to the Roth IRA are withdrawn first

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### **Roth IRA – Qualified Distribution (Cont.)**

- ◆ **TaxSlayer Entry:** If the amount of the distribution that exceeds a taxpayer's total contributions was not included in AGI:
  - ☐ The excess amount should be reported on the line for Retirement pension, annuity, and IRA benefits on the Michigan credit claims.
  - ☐ An enhancement request was submitted by the TaxSlayer Support Squad to add an entry box to capture this amount.

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### Capital gains less capital losses (including nontaxable gain from the sale of a home)

- ◆ Net capital gains and losses is included in total household resources. The amount reported is the total from the federal Schedule D of both short- and long-term net gains and losses.
- ◆ Gains realized from the sale of a residence must also be included even if the gain is exempt from federal income tax.
- ◆ **TaxSlayer Entry:** The net capital gain or loss from Schedule D carries forward to the Michigan credit claims.
  - ☐ An enhancement request was submitted by the TaxSlayer Support Squad to add an entry box to capture the amount of any nontaxable gain from the sale of a main residence.

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### Subtraction from Income for Retirement Benefits

- ◆ The next few slides will discuss the subtraction from income on the Michigan return for the various types of retirement income and the associated TaxSlayer entries.
- ◆ We won't discuss tax law in detail.
- ◆ Topics of discussion include:
  - ☐ Military and Michigan National Guard retirement benefits
  - ☐ Railroad Retirement Board benefits
  - ☐ Social Security benefits
  - ☐ Other public or private retirement benefits reported on Form 1099-R, Box 7, Distribution codes 1 through 7
  - ☐ Retirement income from employment not covered by the Social Security Act
  - ☐ For tax year 2016, taxpayers born January 1, 1950 and taxpayers born January 1, 1955

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### Military and Michigan National Guard Retirement Benefits and Railroad Retirement Benefits

- ◆ Military and Michigan National Guard retirement benefits are subtracted on line 11 of Michigan Schedule 1, Additions and Subtractions.
  - ◆ Any taxable Railroad Retirement Board benefits, both Tier 1 and Tier 2, are also subtracted on line 11 of Schedule 1.
  - ◆ These amounts should also be included on Michigan's Schedule W in Table 2 regardless of any state tax withholding.
- TaxSlayer entries for Military and Michigan National Guard benefits**
- ◆ Click on the tab for **Subtractions from Income**.
  - ◆ Then click on the first item listed on the next screen for **Amount included in MI-1040, line 10, from military retirement benefits ...** and then enter the amount included in AGI.
- TaxSlayer entries for Railroad Retirement Board benefits**
- ◆ Entries made on TaxSlayer's RRB-1099-R page will carryforward to line 11 of Michigan Schedule 1

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## Military and Michigan National Guard Retirement Benefits

### Michigan State Return

#### Subtractions from Income

We have automatically carried over certain subtractions from income to your Michigan return; however, Michigan does not tax certain items of income that are taxed by the Federal Government. Enter the amounts to be subtracted, as allowable, to the extent they are included in your Federal Adjusted Gross Income.

Amount included in MS-1040, line 10, from military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard. Benefits entered in 1099RRB will automatically carry forward.

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- ◆ On the Subtractions from Income page in TaxSlayer, click on the tab for military retirement benefits to subtract any military or Michigan National Guard retirement benefits included in AGI for taxpayers born in 1946 or later.

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## Social Security Benefits

- ◆ Any taxable Social Security benefits included in AGI are subtracted on line 14 of Michigan Schedule 1, Additions and Subtractions.
- ◆ **TaxSlayer entry:** This amount carries forward from the federal return; no additional entries needed. (Note: Social Security benefits are entered on the SSA-1099 page in TaxSlayer.)
- ◆ (Note: Line 14 of Michigan Schedule 1 is also used to subtract military pay (compensation received for active duty in the U.S. Armed Forces) included in AGI. There is a tab on the Subtractions from Income page to select and then enter any military pay eligible for subtraction on the Michigan return.)

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## Other Public or Private Retirement Benefits

- ◆ Qualified pension and retirement benefits eligible for subtraction on the Michigan return are reported on Michigan Form 4884, Michigan Pension Schedule, and on line 25 of Michigan Schedule 1, Additions and Subtractions.
- ◆ Eligibility for subtraction is in large part based on the distribution code shown in Box 7 of Form 1099-R.
- ◆ However, the codes are only one part in determining if a qualified distribution is eligible for subtraction. The age of the taxpayer or spouse is another factor; that is, whether they fall into Tier 1, Tier 2 or Tier 3.
- ◆ **TaxSlayer entries:** Information for these retirement benefits does not carry forward to Form 4884 and has to be entered again in the Michigan State Return section. These entries will be shown on a later slide.

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### Form 1099-R, Box 7, Distribution Code Distribution Codes 1 through 7

Below and on the next slide are eligibility descriptions for distribution codes 1 through 7 shown in Box 7 of Form 1099-R:

- ◆ Code 1, Early distribution, no known exception – Not eligible for subtraction
- ◆ Code 2, Early distribution, exception applies – Not eligible for subtraction unless part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary; or unless early retirement under the terms of the plan.

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### Form 1099-R, Box 7, Distribution Code Distribution Codes 1 through 7 (Cont.)

- ◆ Code 3, Disability – Eligible for subtraction (even if distribution is reported as wages)
- ◆ Code 4, Death – Eligible for subtraction for surviving spouse only and only if decedent would have qualified for a normal distribution, Code 7, at the time of death
- ◆ Code 7, Normal distribution – Eligible for subtraction
- ◆ Codes 5, 6, 8 and 9 – Not eligible for subtraction.  
Note: Codes 5, 6, 8 & 9 are out of scope for VITA/TCE.

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### TaxSlayer Entries for Public or Private Retirement Benefits

- ◆ On the **Subtractions from Income** page in the State section of TaxSlayer, scroll down to the bottom and click on **Deductions for Taxpayers Born before 1953**.
- ◆ On the **Deductions for Taxpayers Born before 1953** page, scroll up and click on **Retirement Benefits that are Exempt from Michigan Income Tax**.
- ◆ On the **Retirement Benefits that are Exempt from Michigan Income Tax** page:
  - Answer Yes to the question, **Do you have Retirement Benefits that are Exempt from Michigan Income Tax?**
  - If benefits were received for a deceased spouse, enter the applicable information.
  - Then click on the Begin tab at the bottom for **Retirement and Pension Benefits**.

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**TaxSlayer page:  
Retirement Benefits that are Exempt from  
Michigan Income Tax**

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**Michigan State Return**  
Retirement Benefits that are Exempt from Michigan Income Tax

Michigan offers qualifying taxpayers a subtraction from their state income for *Retirement Benefits that are Exempt from Michigan Income Tax*. For more information regarding this deduction, click [here](#).

Do you have Retirement Benefits that are Exempt from Michigan Income Tax?

Deceased Spouse Name

Deceased Spouse SSN

Deceased Spouse Year of Birth

Retirement and Pension Benefits BEGIN

◆ Answer Yes to the first question, enter information if the benefit was received for a deceased spouse, and then click on Begin at the bottom right of the page.

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**TaxSlayer page:  
Retirement and Pension Benefits**

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**Michigan State Return**  
Retirement and Pension Benefits

1) Payer from 1099-R BEGIN

2) Payer from 1099-R BEGIN

3) Payer from 1099-R BEGIN

◆ This page lists up to eight payers. Click on the Begin tab to pull up the **Payer from 1099-R** page where payer information and the retirement benefit amount are entered by the preparer.

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**TaxSlayer page:  
Payer from 1099-R**

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**Michigan State Return**  
1) Payer from 1099-R

Payer FEIN

Name of Payer

Distribution Code

Private

Deceased Spouse

Pension Amount \$

◆ Information entered on this page flows through to Form 4884, Michigan Pension Schedule.  
**Note:** In the entry box for Payer FEIN, do not type the hyphen.

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**Retirement Benefits from Employment not Covered by the Social Security Act**

- ◆ Pensions from employment not covered by the federal Social Security Act increase the pension and retirement subtraction or the Michigan standard deduction for certain taxpayers.
- ◆ Almost all employment is covered by the Social Security Act.
- ◆ Some common instances of pension and retirement benefits from employment not covered by the Act are:
  - Police and firefighter retirees
  - Some federal retirees covered under the Civil Service Retirement System and hired prior to 1984, and
  - A small number of other state and local government retirees
- ◆ Federal retirees hired since 1984 and those covered by the Federal Employees' Retirement System *are* covered under the Social Security Act.

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**TaxSlayer Entries for Retirement Benefits from Employment not Covered by the Social Security Act**

**TaxSlayer entries** for taxpayers born in 1946 or later with pensions not covered by the Social Security Act :

- ◆ On the **Subtractions from Income** page in the State section of TaxSlayer, scroll down to the bottom and click on **Deductions for Taxpayers Born before 1953**.
- ◆ On the **Deductions for Taxpayers Born before 1953** page, select Yes in the entry box for **Check if SSA Exempt**.

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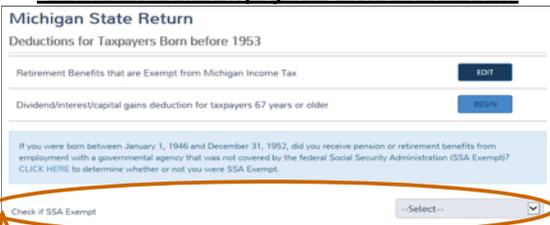
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**TaxSlayer page: Deductions for Taxpayers Born before 1953**



- ◆ In the State return section, click the tab for **Subtractions from Income**
- ◆ Scroll down and select Begin/Edit for **Deductions for Taxpayers Born before 1953**
- ◆ Select or enter Yes in the entry box for **Check if SSA Exempt** for those who have pensions not covered by the Social Security Act and are born 01/01/1946 or later.

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### Tax Year 2016: Taxpayers born on 1/1/1950 and on 1/1/1955

- ◆ Taxpayers born on 1/1/1950 (Tier 2) are deemed age 67 at 12/31/2016 and are eligible for the Michigan standard deduction.
- ◆ Taxpayers born on 1/1/1955 (Tier 3) AND who received a retirement benefit from employment with a government agency not covered by the Social Security Act are deemed age 62 at 12/31/2016 and could get an increased subtraction.
- ◆ Separate instructions for taxpayers born on these dates is available at [www.michigan.gov/iit](http://www.michigan.gov/iit)
- ◆ **TaxSlayer:** It is unclear at the time of this presentation how the software handles these taxpayers. In the past, paper returns had to be filed for these situations.

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### Michigan Form 5049 Married Filing Separately and Divorced or Separated Claimants Schedule

- ◆ **Michigan Form 5049** is completed and attached to the Homestead Property Tax Credit Claim and/or Home Heating Credit Claim in certain situations. It must be used when:
  - ❑ The filing status is Married Filing Separately, regardless of whether the filer and spouse lived together during the tax year.
  - ❑ A married couple divorced during the tax year and lived together at any time during the tax year.

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### Filing Status and Sharing/Not Sharing a Homestead

- ◆ Married Filing Separately but shared a homestead the entire year:
  - ❑ Entitled to one property tax credit and to one home heating credit
  - ❑ Total household resources of both spouses must be included
  - ❑ They may choose how to divide the property tax credit
  - ❑ A spouse claiming the credit(s) must attach Form 5049
- ◆ Married Filing Separately and did not share a homestead during the year:
  - ❑ Each spouse files their own property tax and home heating credits
  - ❑ Each spouse must complete Form 5049 and provide an explanation in Part 3 stating that he or she maintained a separate homestead all year

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### Filing Status and Sharing/Not Sharing a Homestead

- ◆ Married filing separately and shared a homestead for part of the year. (Note: The rules below also apply to spouses who divorced during the year and shared a homestead prior to the divorce.)
  - ❑ The property tax credit for each spouse is based on the property taxes levied before separation plus the taxes after the separation
  - ❑ The home heating credit for each spouse is based on the share of the heating costs or exemptions before separation, plus the exemptions and individual heating costs after separation
  - ❑ Form 5049 must be attached
- ◆ This situation is the one presented in the instructions for the MI-1040CR and in Example 2 of the Michigan Form 5049 instructions

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### Completing Form 5049 for Taxpayer Separated/Divorced During the Year

- ◆ Enter the dates the claimant shared a homestead with his/her spouse during the year.
- ◆ Determine the prorated total household resources for each spouse for the number of days they lived together during the tax year:
  - ❑ Divide each spouse's income by 365 days (366 days for 2016), then multiply that figure by the number of days they lived together.  
This is done for each type of income included in THR and for each adjustment to THR.
- ◆ Enter the prorated total household resources amounts in Columns A and B on Form 5049.

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### Determining Taxes Levied and Determining Heating Costs and Exemptions

- ◆ For a MFS taxpayer who shared a homestead with his/her spouse for part of the year, determining the prorated total household resources for each spouse is just **Step 1** in calculating a property tax credit and/or home heating credit.
  - ◆ **Step 2** – Add both prorated total household resources together to determine the total for the time the spouses lived together. (Form 2105, step A.1-3)
  - ◆ **Step 3** – Divide the taxpayer's prorated share of THR determined in Step 1 by the total from Step 2 to determine the percentage attributable to the taxpayer. (Form 2105, step B.4-6)
- Note:** Michigan Form 2105 contains a *Worksheet for Figuring Taxes Paid by Claimants Who Separated or Were Divorced in Tax Year*. The worksheet begins with the calculation in Step 2 above and through Step 5 on the next few slides.

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### Determining Taxes Levied and Completing Form MI-1040CR

For the Homestead Property Tax Credit Claim:

- ◆ **Step 4** – Calculate the prorated taxes eligible for credit for the time the spouses lived together. (Form 2105, steps C.7-8 & D.9-11)
  - **If they owned the home they shared:** Divide the total tax levied for the year by 365 days (366 days in 2016) and then multiply the result by the number of days the spouses lived together.
  - **If they rented the home they shared:** Multiply the monthly rent by 12 and multiply the result by 20%. (This amount is used as total annual property taxes and entered on line D. 9. of the Worksheet on Form 2105.) Then multiply the result (monthly rent x 12 X 20%) by 365 days (366 days in 2016) and multiply that result by the number of days the spouses lived together.

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### Determining Taxes Levied and Completing Form MI-1040CR

For the Homestead Property Tax Credit Claim:

- ◆ **Step 5** – Calculate the taxpayer’s share of the prorated taxes by multiplying the amount determined in Step 4 by the percentage determined in Step 3. (Form 2105, step D.12) The result is entered on MI-1040CR, Part 3, line 50, Column B.
- ◆ **Step 6** – If the taxpayer owned or rented a homestead after separation:
  - For a homeowner: Lines 47 – 50, Column A, are used to compute the share of taxes for the remaining days of the year.
  - For a renter: Lines 52 and 53 are used to compute the share of rent for the remaining days of the year
- ◆ **Final Step** – The remaining lines of the MI-1040CR are completed according to the form instructions.

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### Determining Heating Costs and Exemptions

For the Home Heating Credit Claim (continued from Slide #39):

- ◆ The instructions for the Home Heating Credit Claim state on page 3 that the “credit must be based on your share of the heating costs or exemptions before separation, plus your exemptions and individual heating costs after separation. A schedule should be attached showing the computation along with attaching Form 5049.”

(Detailed instructions on making the above calculations were not available at the time of this presentation.)

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**Michigan Form 2105,  
Michigan Homestead Property Tax Credits  
for Separated or Divorced Taxpayers**

- ◆ See the handout that includes the:
  - ❑ Fact Sheet for Cathy and Karl,
  - ❑ The completed Form 2105 for Cathy, and
  - ❑ The completed Form 2105 for Karl
- ◆ Form 2105 does not get attached to the Property Tax Credit Claim, but instead contains instructions on how to complete Form MI-1040CR for a separated or divorced taxpayer.

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**TaxSlayer  
and Michigan Form 5049**

- ◆ The next few slides will show some TaxSlayer screenshots and some suggested steps to take in TaxSlayer to complete the Michigan Form 5049.
- ◆ At the time of this presentation, the Practice Lab did not have all of entry boxes necessary for Form 5049, or the worksheet for calculating the property taxes for a separated or divorced claimant who shared a homestead with their spouse for part of the year.

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**TaxSlayer page:  
Married Separate**

**Married Separate**

Check here if the Spouse lived with the Taxpayer at any time during the year:

Check here to claim the exemption for your spouse if he/she has NO Gross Income, is NOT filing a return, and CANNOT be claimed as a dependent on another person's return

- ◆ The page above will display in TaxSlayer at the beginning of the return after Married Filing Separate is selected as the filing status.
- ◆ Michigan Form 5049 will load into the State return section regardless of whether the taxpayer and spouse lived together at any time during the tax year. TaxSlayer handles this properly.

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### Suggested Steps for Completing a Michigan Return with Form 5049

- ◆ Suggested practice for completing a Michigan state return in **TaxSlayer** for a Married Filing Separately taxpayer claiming a property tax credit and/or a home heating credit:
  - 1) Complete the **school district** and **State Campaign Fund** entry boxes.
  - 2) If applicable, make any **Additions to Income, Subtractions from Income**, and other entries necessary to complete the Michigan Income tax return (up to line 23 of the MI-1040).
  - 3) Next, click on the tab for **Credits** and then on the tab for **Homestead Property Tax and Home Heating Credit**.
  - 4) On the **Homestead Property Tax and Home Heating Credit** page, scroll down and enter any nontaxable income and any adjustments to total household resources including medical insurance or HMO premiums paid during the tax year.

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### Suggested Steps for Completing a Michigan Return with Form 5049 (Cont.)

- ◆ (Continued from the previous slide):
  - 5) Do not select the homestead property tax credit claim or home heating credit tabs at this point. Instead:
  - 6) Click **Continue** at the bottom of the page, and on subsequent pages, until you return to the Michigan State Return menu page.
  - 7) On the **Michigan State Return** menu page, select the tab for **Income Subject to Tax**.
  - 8) On the **Income Subject to Tax** page, select the tab for **Married Filing Separately and Divorced or Separated Claimants Schedule (Form 5049)**.
  - 9) On the **Married Filing Separately and Divorced or Separated Claimants Schedule (Form 5049)** page, answer Yes to the first question asking if you want to complete Form 5049.

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### Suggested Steps for Completing a Michigan Return with Form 5049 (Cont.)

- ◆ (Continued from the previous slide):
  - 9) On the **Married Filing Separately and Divorced or Separated Claimants Schedule (Form 5049)** page, for a:
    - a) MFS claimant who did not share a homestead at any time during the year with his or her spouse, complete the last entry box on the page entering the reason why the spouse's income was not included. In this situation, indicating that the filer maintained a separate homestead all year.

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**Suggested Steps for Completing a Michigan Return with Form 5049 (Cont.)**

- 9) On the **Married Filing Separately and Divorced or Separated Claimants Schedule (Form 5049)** page, for a:
  - b) MFS claimant who shared a homestead for all or for part of the tax year,
    - i. Enter the dates the spouses lived together near the bottom of this page.
    - ii. Next, you would click on the Income and Adjustments tab on this page and enter amounts on those pages. (Note: At the time of this presentation these pages were not set up so that the property tax credit claim would calculate properly.)

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**TaxSlayer page:**  
**Married Filing Separately and Divorced or Separated Claimants Schedule (form 5049)**

Michigan State Return  
 Married Filing Separately and Divorced or Separated Claimants Schedule (Form 5049)

Do you want to complete Form 5049 - Married Filing Separately and Divorced or Separated Claimants Schedule? --Select--

Income Go to

Adjustments Go to

Dates you and spouse shared a homestead

Beginning date (Enter as follows: MMddyyyy)

Ending date (Enter as follows: MMddyyyy)

Reason for not including spouse's income

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**Various Living Situations for Homestead Property Tax Credit and Home Heating Credit – Who is Eligible?**

- When presented with a client who has a unique living situation, consider the following when deciding if he or she can claim the property tax and/or home heating credits:
- ◆ Has he or she contracted to pay rent or own the home lived in for the tax year? The answer must be yes in order to claim each of these credits.
  - ◆ For the property tax credit:
    - Was the client a resident of Michigan for at least six months of the tax year?
  - ◆ For the home heating credit, client cannot claim the credit if any of the following apply; the client:
    - Is a full-time student claimed as a dependent on another return.
    - Lived in a licensed care facility for the *entire year*.
    - Lived in college- or university-operated housing.

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**Various Living Situations for  
Homestead Property Tax Credit  
and Home Heating Credit**

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- ◆ Once it's established that the client can claim the credit(s):
  - ❑ Determine total household resources
  - ❑ Determine rent paid or property taxes levied
  - ❑ Assess if the client's THR substantiates the taxes or rent paid plus other living expenses
  - ❑ Determine eligibility for standard and alternate credits for the Home Heating Credit Claim

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**Various Living Situations for  
Homestead Property Tax Credit  
and Home Heating Credit**

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- ◆ If there are multiple persons living in the home,
  - ❑ Are there other claimants in the home?
    - Refer to a previous slide and the Michigan instruction books.
  - ❑ Determine any dependency issues.
  - ❑ Did the other person(s) contribute to paying rent, property taxes, or other household expenses?
  - ❑ If there is more than one claimant in the home, concentrate on one claimant at a time.
    - Determine that claimant's THR without looking at the other claimant's situation other than to determine what the other claimant contributes to the other's THR.

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**Various Living Situations  
TaxSlayer & the Michigan Return**

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- ◆ We'll now discuss some different scenarios for two adults sharing a home
- ◆ We will also present information on working in the Michigan State Return section of TaxSlayer
- ◆ The scenarios and TaxSlayer tips are in separate handouts

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