State Income Tax Refunds

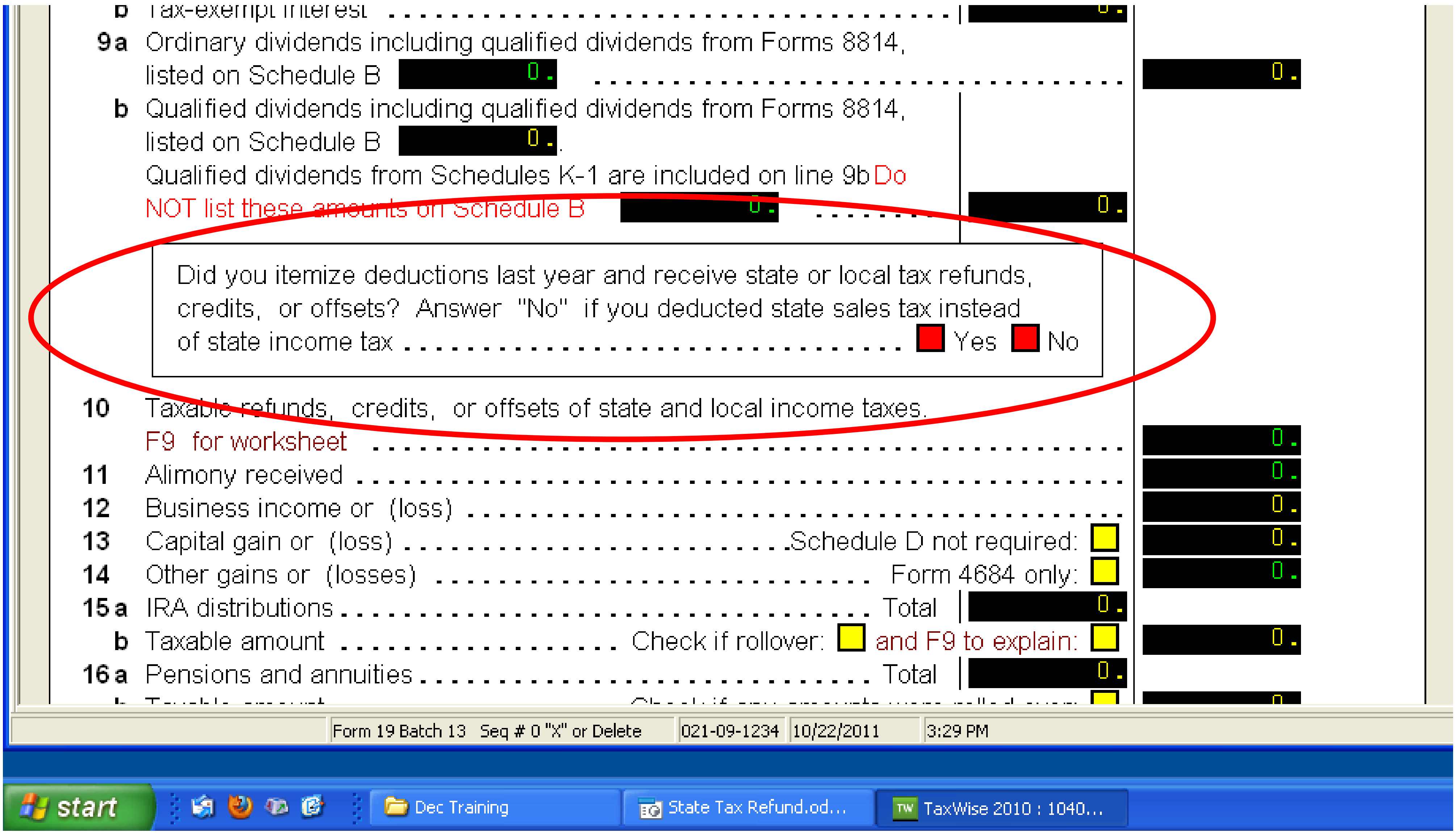
Line 10 of Form 1040

When are they taxable?

How much is taxable?

When are they taxable?

- Generally, they are not taxable



- Generally, they are not taxable

Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Answer "No" if you deducted state sales tax instead of state income tax . . . . Yes No

Usually, you'll mark "NO" and be done with Line 10.

When are they taxable?

However,

- If an amount was deducted in earlier years (thereby reducing the taxable income)
- And then some or all of that amount was later recovered

Then the recovered amount needs to be added back as income.

How much is taxable?

But...only to the extent of prior tax benefit.

Pub. 17, Page 87 (2010 version) clarifies the rule of <u>tax benefit.</u>

2010 Pub 17 Page 87

More information. For more information, see *Life Insurance Proceeds* in Publication 525.

Endowment Contract Proceeds

An endowment contract is a policy under which you are paid a specified amount of money on a certain date unless you die before that date, in which case, the money is paid to your designated beneficiary. Endowment proceeds paid in a lump sum to you at maturity are taxable only if the proceeds are more than the cost of the policy. To determine your cost, subtract any amount that you previously received under the contract and excluded from your income from the total premiums (or other consideration) paid for the contract. Include the part of the lump sum payment that is more than your cost in your income.

Accelerated Death Benefits

Certain amounts paid as accelerated death benefits under a life insurance contract or viatical settlement before the insured's death are excluded from income if the insured is terminally or chronically ill.

Viatical settlement. This is the sale or assignment of any part of the death benefit under a life insurance contract to a viatical settlement provider. A viatical settlement provider is a person who regularly engages in the business of buying or taking assignment of life insurance contracts on the lives of insured individuals who are terminally or chronically ill and who meets the requirements of section 101(g)(2)(B) of the Internal Revenue Code.

Exclusion for terminal illness. Accelerated death benefits are fully excludable if the insured is a terminally ill individual. This is a person who has been certified by a physician as having an illness or physical condition that can reasonably be expected to result in death within 24 months from the date of the certification.

Exclusion for chronic illness. If the insured is a chronically ill individual who is not terminally ill, accelerated death benefits paid on the basis of costs incurred for qualified long-term care services are fully excludable. Accelerated death benefits paid on a *per diem* or other periodic basis are excludable up to a limit. This limit applies to the total of the accelerated death benefits and any periodic payments received from long-term care insurance contracts. For information on the limit and the definitions of chronically ill individual, qualified long-term care services, and long-term care insurance contracts, see *Long-Term Care Insurance Contracts* under *Sickness and Injury Benefits* in Publication 525.

Exception. The exclusion does not apply to any amount paid to a person (other than the insured) who has an insurable interest in the life of the insured because the insured:

- Is a director, officer, or employee of the person, or
- Has a financial interest in the person's business.

Form 8853. To claim an exclusion for accelerated death benefits made on a *per diem* or other periodic basis, you must file Form 8853, Archer MSAs and Long-term Care Insurance Contracts, with your return. You do not have to file Form 8853 to exclude accelerated death benefits paid on the basis of actual expenses incurred.

Public Safety Officer Killed in the Line of Duty

If you are a survivor of a public safety officer who was killed in the line of duty, you may be able to exclude from income certain amounts you receive.

For this purpose, the term public safety officer includes law enforcement officers, firefighters, chaplains, and rescue squad and ambulance crew members. For more information, see Publication 559, Survivors, Executors, and Administrators.

Partnership Income

A partnership generally is not a taxable entity. The income, gains, losses, deductions, and credits of a partnership are passed through to the partners based on each partner's distributive share of these items.

Schedule K-1 (Form 1065). Although a partnership generally pays no tax, it must file an information return on Form 1065, U.S. Return of Partnership Income, and send Schedule K-1 (Form 1065) to each partner. In addition, the partnership will send each partner a copy of the Partner's Instructions for Schedule K-1 (Form 1065) to help each partner report his or her share of the partnership's income, deductions, credits, and tax preference items.

Keep Schedule K-1 (Form 1065) for your records. Do not attach it to your Form 1040.

For more information on partnerships, see Publication 541, Partnerships.

Qualified joint venture. If you and your spouse each materially participate as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be treated as a qualified joint venture instead of a partnership. To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C or Schedule C-EZ (Form 1040).

S Corporation Income

In general, an S corporation does not pay tax on its income. Instead, the income, losses, deductions, and credits of the corporation are passed through to the shareholders based on each shareholder's *pro rata* share.

Schedule K-1 (Form 1120S). An S corporation must file a return on Form 1120S, U.S. Income Tax Return for an S Corporation, and send Schedule K-1 (Form 1120S) to each shareholder. In addition, the S corporation will send each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S) to help each shareholder report his or her share of the S corporation's income, losses, credits, and deductions.

Keep Schedule K-1 (Form 1120S) for your records. Do not attach it to your Form 1040.

For more information on S corporations and their shareholders, see Instructions for Form 1120S.

Recoveries

A recovery is a return of an amount you deducted or took a credit for in an earlier year. The most common recoveries are refunds, reimbursements, and rebates of deductions itemized on Schedule A (Form 1040). You also may have recoveries of non-itemized deductions (such as payments on previously deducted bad debts) and recoveries of items for which you previously claimed a tax credit.

Tax benefit rule. You must include a recovery in your income in the year you receive it up to the amount by which the deduction or credit you took for the recovered amount reduced your tax in the earlier year. For this purpose, any increase to an amount carried over to the current year that resulted from the deduction or credit is considered to have reduced your tax in the earlier year. For more information, see Publication 525.

Federal income tax refund. Refunds of federal income taxes are not included in your income because they are never allowed as a deduction from income.

State tax refund. If you received a state or local income tax refund (or credit or offset) in 2010, you generally must include it in income if you deducted the tax in an earlier year. The payer should send Form 1099-G, Certain Government Payments, to you by January 31, 2011. The IRS also will receive a copy of the Form 1099-G. If you file Form 1040, use the State and Local Income Tax Refund worksheet in the 2010 Form 1040 instructions for line 10 to figure the amount (if any) to include in your income. See Publication 525 for when you must use another worksheet.

If you could choose to deduct for a tax year either:

- State and local income taxes, or
- State and local general sales taxes, then

the maximum refund that you may have to include in income is limited to the excess of the tax you chose to deduct for that year over the tax you did not choose to deduct for that year. For examples, see Publication 525.

Mortgage interest refund. If you received a refund or credit in 2010 of mortgage interest paid in an earlier year, the amount should be shown

Tax Benefit Rule

You must include a recovery in your income in the year you receive it **up to the amount by which the deduction or credit you took for the recovered amount reduced your tax in the earlier year.**

Example A

John and Jane Doe filed their 2009 federal tax return in March of 2010.

They used Schedule A and deducted $1,800 in State income tax withholding.

They then received a State income tax refund.

In January of 2011, they received a 1099-G that showed the refund.

0

☐ VOID ☐ CORRECTED

COMBINED TAX STATEMENT FOR YEAR 2010

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

OMB NO. 1575-0120

2010

Certain Government Payments

Form 1099-G

Copy B

RECIPIENT'S Identification Number 111111120	PAYER'S Federal Identification Number 82-0418478
RECIPIENT'S Name, Street Address (including apartment number), City, State and Zip code JOHN DOE JANE DOE 123 MAIN ST COEUR DALENE ID 83815	PAYER'S Name, Address and Phone Number IDAHO STATE TAX COMMISSION PO BOX 36 BOISE ID 83722-0410 (208) 334-7660 Toll Free: 1-800-972-7660

2 State Refunds	3 Amount in box 2 is for tax year	4 Federal Income Tax Withheld
$ 1,794.00	2009	$ 0.00

Later, we'll talk about why this number is different from the refund that shows on the tax return.

Example A

If we open the original 2009 tax return and reduce the State income tax amount by the amount of the refund, we should be able to determine the tax benefit of the extra deduction.

Example A

You have a copy of the Does' 2009 return and their 2010 1099-G.

I'll open their 2009 return and see how much they benefited from the State income tax deduction.

TaxWise 2009 : 1040 Individual : Guest : 111-11-1120

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US 1040 (2009) Page 2

Name: JOHN & JANE DOE SSN: 111-11-1120

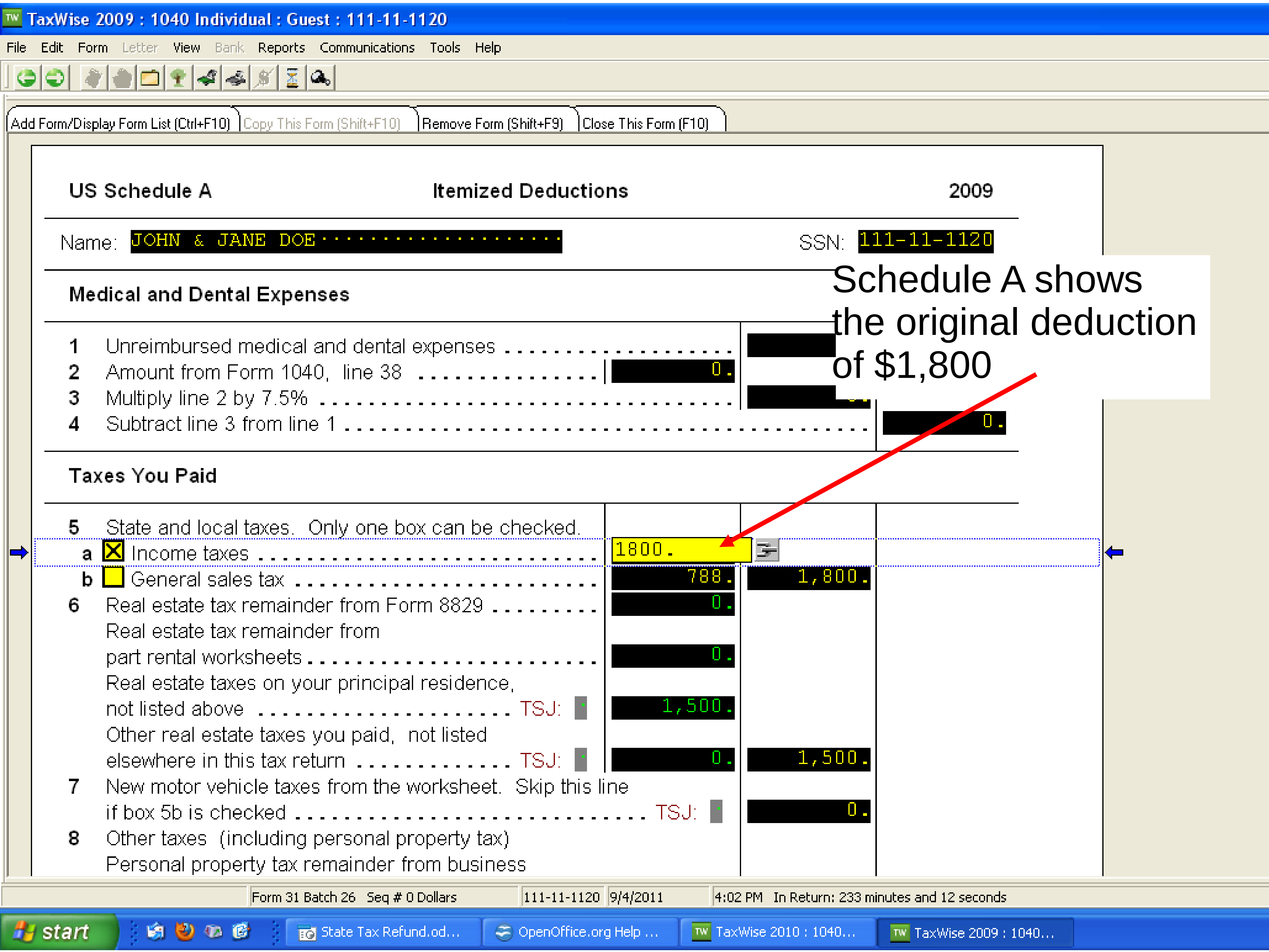
Taxable Income and Tax

38	Amount from line 37 (adjusted gross income)	31,000.
39 a	Taxpayer . . . ☐ 65 or older ☐ Blind; Spouse: ☐ 65 or older ☐ Blind Total boxes checked . . . 0	
b	If you are married filing separately and your spouse itemizes deductions, or you are a dual-status alien, check here or F3 . . . ☐	
40 a	**Itemized deductions or standard deduction.** If you elect to itemize deductions even though the standard deduction is larger, check here . . . ☐ If you were or are a resident of Puerto Rico and are excluding Puerto Rico income, or you are excluding income on Form 4563, check here (section 933) ☐	
b	If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here . . . ☐	12,900.
41	Subtract line 40a from line 38 . . .	18,100.
42	If line 38 is over $125,100, marrie… 208,500, head of household; $250,200, ma…), the exemption amount is reduced. If h… al was provided, see instructions. Otherw… r of exemptions on line 6d . . .	18,250.
43	**Taxable income** . . .	0.
44	**Tax.** From . . ☒ the tax table or schedule ☐ Form 8615 ☐ Schedule D Tax Worksheet ☐ Schedule J ☐ Foreign earned income tax worksheet . . .	0.

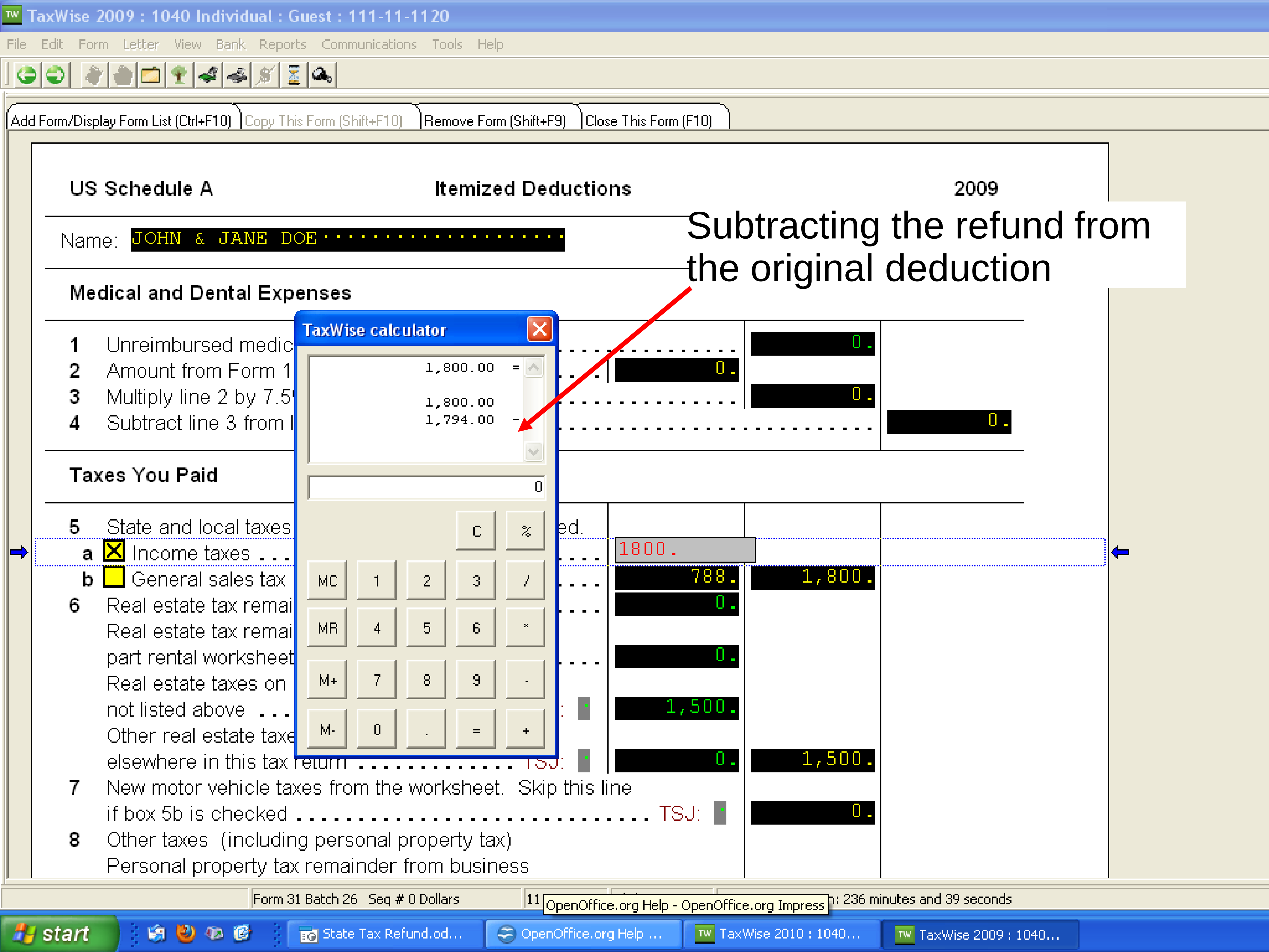
Itemized deduction amount

With the deduction, their taxable income was zero.

Form 20 Batch 260 Seq # 820 Dollars | 111-11-1120 | 9/4/2011 | 3:59 PM In Return: 230 minutes and 2 seconds



Schedule A shows the original deduction of $1,800


Subtracting the refund from the original deduction
TaxWise 2009 : 1040 Individual : Guest : 111-11-1120
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US Schedule A
Itemized Deductions
2009
Name: JOHN & JANE DOE
Medical and Dental Expenses
1 Unreimbursed medic
2 Amount from Form 1
3 Multiply line 2 by 7.5
4 Subtract line 3 from l
Taxes You Paid
5 State and local taxes
a Income taxes
b General sales tax
6 Real estate tax remai
Real estate tax remai
part rental worksheet
Real estate taxes on
not listed above
Other real estate taxe
elsewhere in this tax return
7 New motor vehicle taxes from the worksheet. Skip this line
if box 5b is checked
TSJ:
8 Other taxes (including personal property tax)
Personal property tax remainder from business
TaxWise calculator
1,800.00 =
1,800.00
1,794.00 -
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C
%
MC
MR
M+
M-
1800.
788.
1,800.
1,500.
Form 31 Batch 26 Seq # 0 Dollars
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TaxWise 2009 : 1040 Individual : Guest : 111-11-1120

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US Schedule A **Itemized Deductions** **2009**

Name: JOHN & JANE DOE SSN: 111-11-1120

Medical and Dental Expenses

1	Unreimbursed medical and dental expenses		0.	
2	Amount from Form 1040, line 38	0.		
3	Multiply line 2 by 7.5%		0.	
4	Subtract line 3 from line 1			0.

Taxes You Paid

5	State and local taxes. Only one box can be checked.			
a	☐ Income taxes	6.		
b	☒ General sales tax	788.	788.	
6	Real estate tax remainder from Form 8829	0.		
	Real estate tax remainder from part rental worksheets	0.		
	Real estate taxes on your principal residence, not listed above TSJ:	1,500.		
	Other real estate taxes you paid, not listed elsewhere in this tax return TSJ:	0.	1,500.	
7	New motor vehicle taxes from the worksheet. Skip this line if box 5b is checked TSJ:		0.	
8	Other taxes (including personal property tax)			
	Personal property tax remainder from business			

...leaves $6

Form 31 Batch 26 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 4:08 PM In Return: 239 minutes and 20 seconds

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TaxWise 2009 : 1040 Individual : Guest : 111-11-1120

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US 1040 (2009) **Page 2**

Name: JOHN & JANE DOE SSN: 111-11-1120

Taxable Income and Tax

The change in the Does' taxable income was the difference between zero and $350. According to the tax benefit rule, that is the amount they should include in next year's tax return.

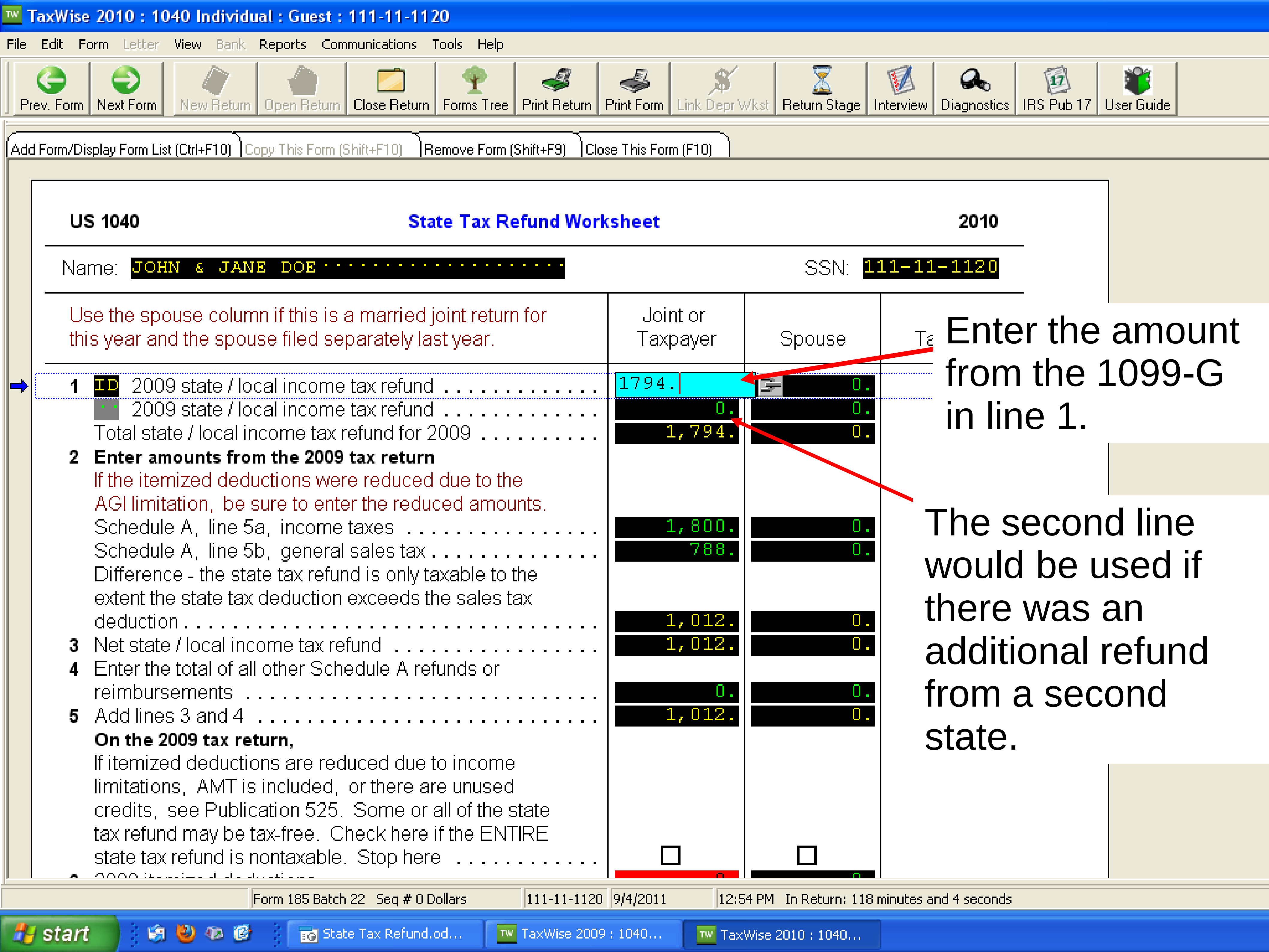
38	Amount from line 37 (adjusted gr ...	31,000.
39 a	Taxpayer . . . 65 or older ... Total boxes checked	0
b	If you are married filing separate ... you are a dual-status alien, chec	
40 a	**Itemized deductions or standa** ... deductions even though the stanc ... If you were or are a resident of F ... income, or you are excluding inc	
b	If you are increasing your standa ... new motor vehicle taxes, or a ne ... check here	12,400.
41	Subtract line 40a from line 38	18,600.
42	If line 38 is over $125,100, married filing separately; $166,800, single; $208,500, head of household; $250,200, married filing jointly or qualifying widow(er), the exemption amount is reduced. If housing to Midwestern displaced individual was provided, see instructions. Otherwise, multiply $3,650 by the total number of exemptions on line 6d	18,250.
43	**Taxable income**	350.
44	**Tax.** From . . ☒ the tax table or schedule ☐ Form 8615 ☐ Schedule D Tax Worksheet ☐ Schedule J ☐ Foreign earned income tax worksheet	36.

Form 20 Batch 260 Seq # 820 Dollars | 111-11-1120 | 9/4/2011 | 4:10 PM In Return: 241 minutes and 17 seconds

start | State Tax Refund.od... | OpenOffice.org Help ... | TaxWise 2010 : 1040... | TaxWise 2009 : 1040...

Example A

Let's use the worksheet
for Line 10 in
2010 Taxwise
to calculate the $350.


TaxWise 2010 : 1040 Individual : Guest : 111-11-1120

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Prev. Form | Next Form | New Return | Open Return | Close Return | Forms Tree | Print Return | Print Form | Link Depr Wkst | Return Stage | Interview | Diagnostics | IRS Pub 17 | User Guide

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US 1040 **State Tax Refund Worksheet** **2010**

Name: JOHN & JANE DOE SSN: 111-11-1120

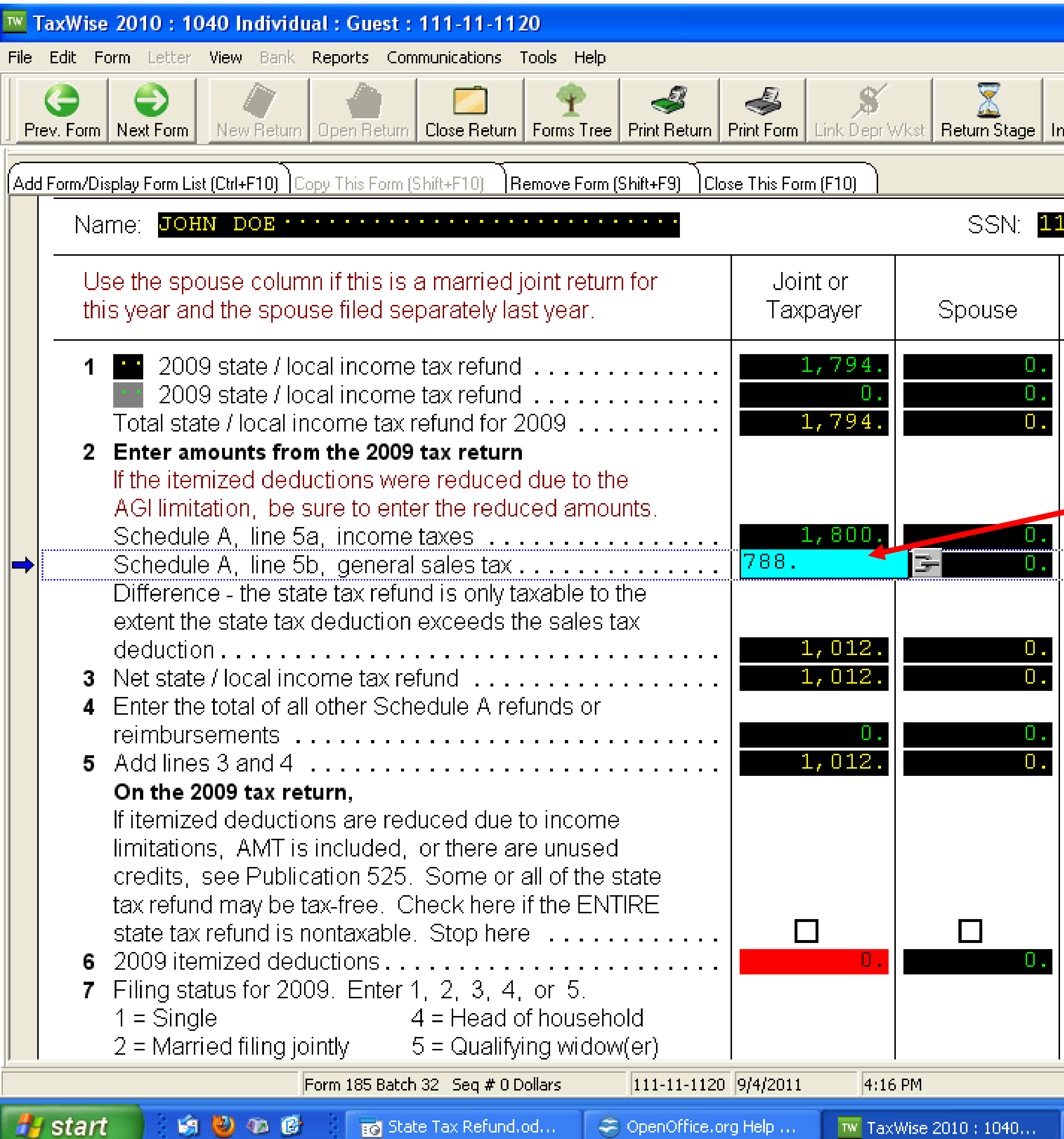
Use the spouse column if this is a married joint return for this year and the spouse filed separately last year.	Joint or Taxpayer	Spouse
1 ID 2009 state / local income tax refund	1794.	0.
2009 state / local income tax refund	0.	0.
Total state / local income tax refund for 2009	1,794.	0.
2 **Enter amounts from the 2009 tax return** If the itemized deductions were reduced due to the AGI limitation, be sure to enter the reduced amounts.		
Schedule A, line 5a, income taxes	1,800.	0.
Schedule A, line 5b, general sales tax	788.	0.
Difference - the state tax refund is only taxable to the extent the state tax deduction exceeds the sales tax deduction	1,012.	0.
3 Net state / local income tax refund	1,012.	0.
4 Enter the total of all other Schedule A refunds or reimbursements	0.	0.
5 Add lines 3 and 4	1,012.	0.
On the 2009 tax return, If itemized deductions are reduced due to income limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	☐	☐

Form 185 Batch 22 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 12:54 PM In Return: 118 minutes and 4 seconds

start | State Tax Refund.od... | TaxWise 2009 : 1040... | TaxWise 2010 : 1040...

Enter the amount from the 1099-G in line 1.

The second line would be used if there was an additional refund from a second state.



If you use data carry-forward, Line 2 is already filled in for you.

If not, enter in Line 2 both the income tax and sales tax from last year's return. You'll have to calculate what the sales tax deduction COULD have been.

We'll talk about how to do that later.

TaxWise 2010 : 1040 Individual : Guest : 111-11-1120

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Prev. Form | Next Form | New Return | Open Return | Close Return | Forms Tree | Print Return | Print Form | Link Depr Wkst | Return Stage | Interview | Diagnostics | IRS Pub 17 | User Guide

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Name: JOHN DOE SSN: 111-11-1120

Use the spouse column if this is a married joint return for this year and the spouse filed separately last year.	Joint or Taxpayer	Spouse
1 2009 state / local income tax refund	1,794.	0.
2009 state / local income tax refund	0.	0.
Total state / local income tax refund for 2009	1,794.	0.
2 Enter amounts from the 2009 tax return		
If the itemized deductions were reduced due to the AGI limitation, be sure to enter the reduced amounts.		
Schedule A, line 5a, income taxes	1,800.	0.
Schedule A, line 5b, general sales tax	788.	0.
Difference - the state tax refund is only taxable to the extent the state tax deduction exceeds the sales tax deduction	1012.	0.
3 Net state / local income tax refund	1,012.	0.
4 Enter the total of all other Schedule A refunds or reimbursements	0.	0.
5 Add lines 3 and 4	1,012.	0.
On the 2009 tax return, If itemized deductions are reduced due to income limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	☐	☐
6 2009 itemized deductions	0.	0.
7 Filing status for 2009. Enter 1, 2, 3, 4, or 5.		
1 = Single 4 = Head of household		
2 = Married filing jointly 5 = Qualifying widow(er)		

Notice that the difference between the income and sales tax deductions is only $1,012. So, the maximum tax benefit they got from deducting income tax instead of sales tax is $1,012.

Form 185 Batch 34 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 4:22 PM In Return: 8 minutes and 55 seconds

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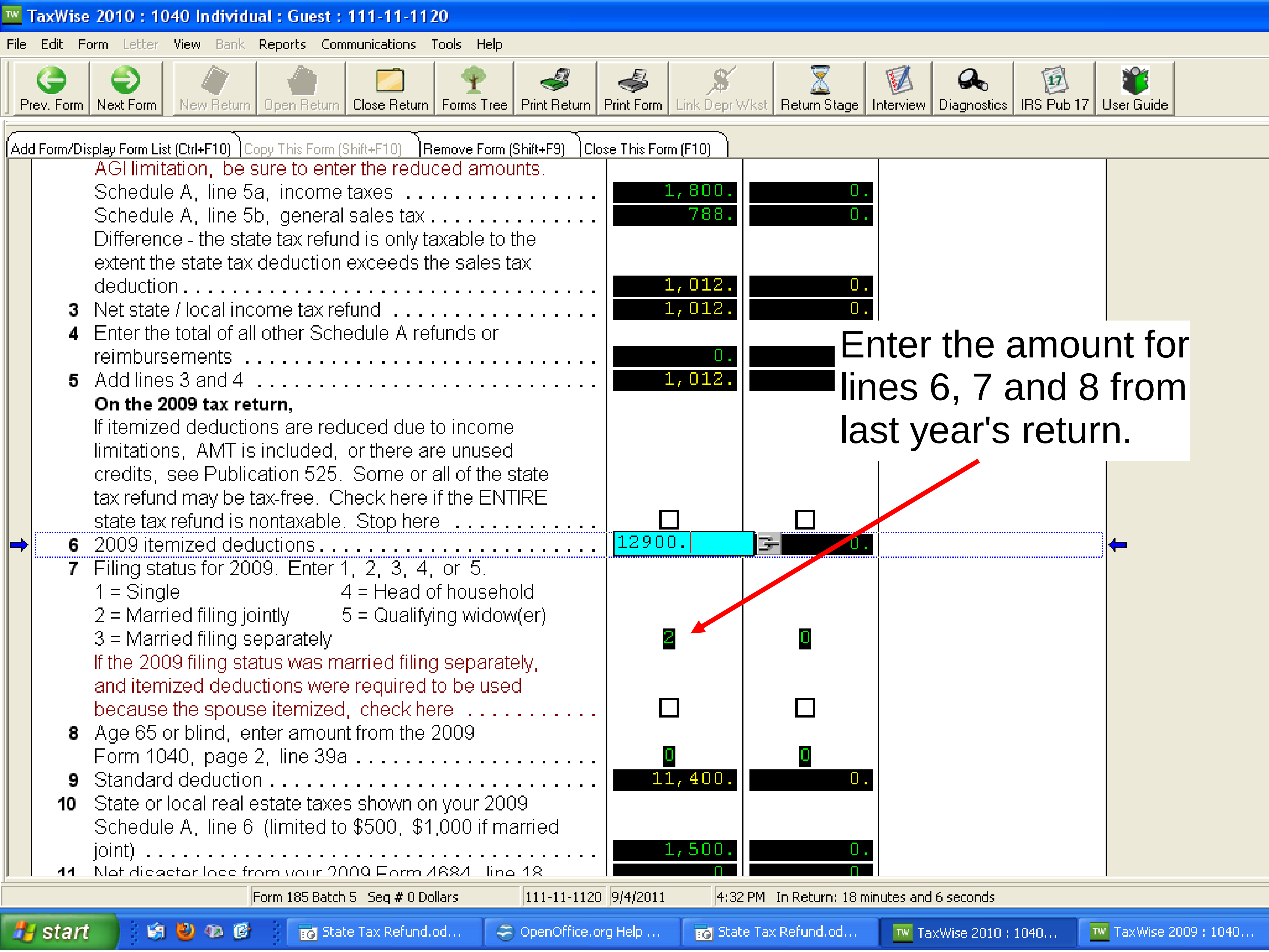
TaxWise 2010 : 1040 Individual : Guest : 111-11-1120
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Prev. Form
Next Form
New Return
Open Return
Close Return
Forms Tree
Print Return
Print Form
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Return Stage
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Diagnostics
IRS Pub 17
User Guide
Add Form/Display Form List (Ctrl+F10)
Copy This Form (Shift+F10)
Remove Form (Shift+F9)
Close This Form (F10)
AGI limitation, be sure to enter the reduced amounts.
Schedule A, line 5a, income taxes 1,800. 0.
Schedule A, line 5b, general sales tax 788. 0.
Difference - the state tax refund is only taxable to the extent the state tax deduction exceeds the sales tax deduction 1,012. 0.
3 Net state / local income tax refund 1,012. 0.
4 Enter the total of all other Schedule A refunds or reimbursements 0.
5 Add lines 3 and 4 1,012.
On the 2009 tax return,
If itemized deductions are reduced due to income limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here
6 2009 itemized deductions 12900. 0.
7 Filing status for 2009. Enter 1, 2, 3, 4, or 5.
1 = Single 4 = Head of household
2 = Married filing jointly 5 = Qualifying widow(er)
3 = Married filing separately 2 0
If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here
8 Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a 0 0
9 Standard deduction 11,400. 0.
10 State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint) 1,500. 0.
Enter the amount for lines 6, 7 and 8 from last year's return.
Form 185 Batch 5 Seq # 0 Dollars
111-11-1120 9/4/2011
4:32 PM In Return: 18 minutes and 6 seconds
start
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State Tax Refund.od...
TaxWise 2010 : 1040...
TaxWise 2009 : 1040...

TaxWise 2010 : 1040 Individual : Guest : 111-11-1120

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Prev. Form | Next Form | New Return | Open Return | Close Return | Forms Tree | Print Return | Print Form | Link Depr Wkst | Return Stage | Interview | Diagnostics | IRS Pub 17 | User Guide

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limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here . . . . ☐ ☐

6 2009 itemized deductions	12,900.	0.	
7 Filing status for 2009. Enter 1, 2, 3, 4, or 5. 1 = Single 4 = Head of household 2 = Married filing jointly 5 = Qualifying widow(er) 3 = Married filing separately	2		
If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	☐		
8 Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a	0		
9 Standard deduction	11,400.		
10 State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint)	1000.		
11 Net disaster loss from your 2009 Form 4684, line 18	0.		
12 New motor vehicle taxes from your 2009 Schedule A, line 7	0.		
13 Total standard deduction	12,400.	0.	
14 Subtract line 13 from line 6	500.	0.	
15 Smaller of line 5 or line 14	500.	0.	
16 Enter the taxable income for 2009, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	0.	0.	
17 Amount to include in income for 2010	500.	0.	
18 **Taxable state / local income tax refund**	500.	0.	500.
19 **Taxable amount of other income**	0.	0.	0.

For 2010, enter the additions to the standard deduction that were allowed in 2009 only.

Form 185 Batch 49 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 1:23 PM In Return: 147 minutes and 20 seconds

start | State Tax Refund.od... | OpenOffice.org Help ... | TaxWise 2009 : 1040... | TaxWise 2010 : 1040...

TaxWise 2010 : 1040 Individual : Guest : 111-11-1120

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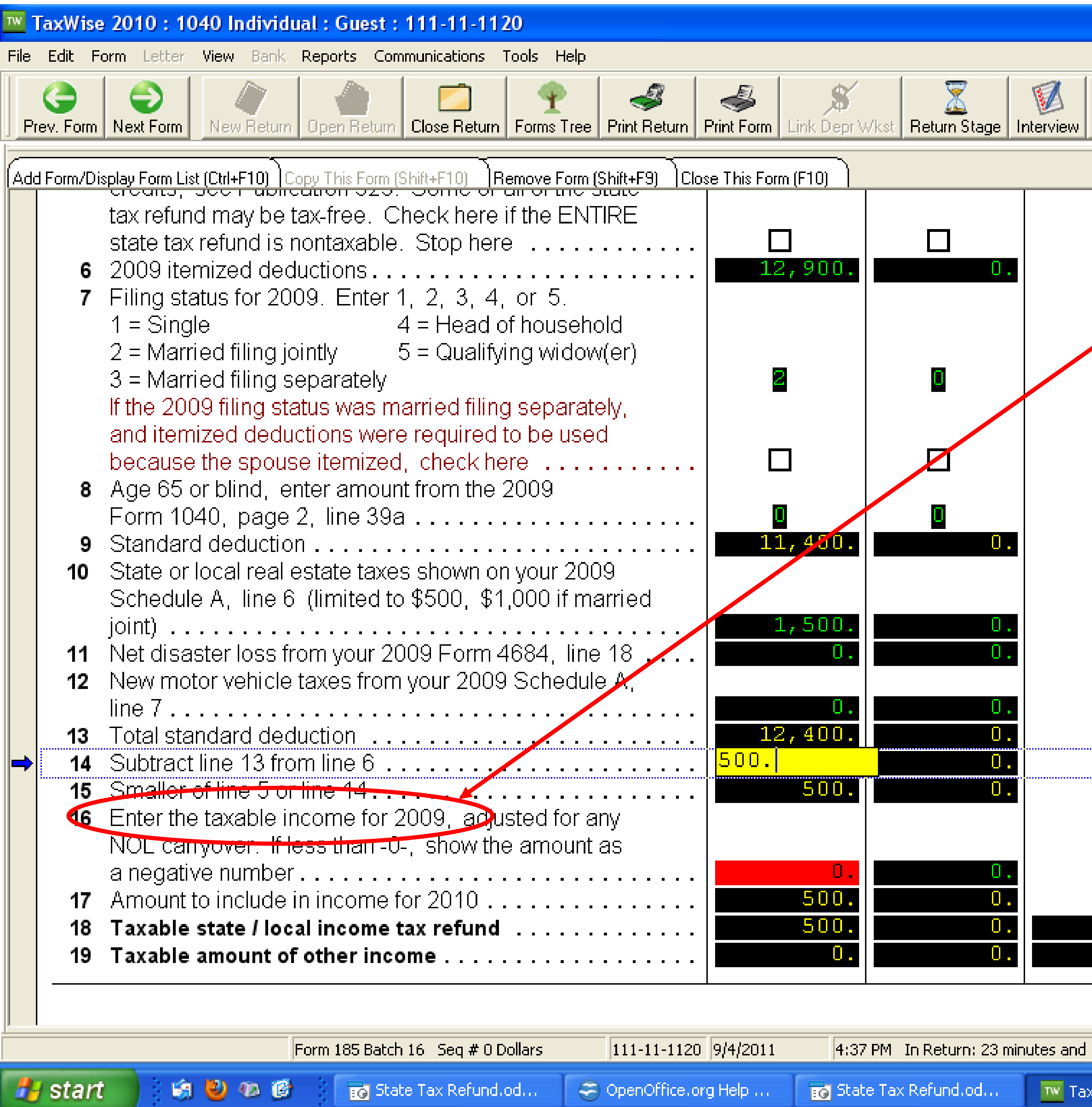
	credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	☐		
6	2009 itemized deductions	12,900.		
7	Filing status for 2009. Enter 1, 2, 3, 4, or 5. 1 = Single 4 = Head of household 2 = Married filing jointly 5 = Qualifying widow(er) 3 = Married filing separately	2		
	If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	☐		
8	Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a	0		
9	Standard deduction	11,400.		
10	State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint)	1,500.		
11	Net disaster loss from your 2009 Form 4684, line 18	0.		
12	New motor vehicle taxes from your 2009 Schedule A, line 7	0.		
13	Total standard deduction	12,400.		
14	Subtract line 13 from line 6	500.		
15	Smaller of line 5 or line 14	500.		
16	Enter the taxable income for 2009, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	0.		
17	Amount to include in income for 2010	500.		
18	**Taxable state / local income tax refund**	500.		
19	**Taxable amount of other income**	0.	0.	0.

Taxwise calculates the difference between their itemized deduction and the standard deduction they COULD have taken. In this case, the difference was only $500, so that is now the maximum tax benefit.

Form 185 Batch 16 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 4:37 PM In Return: 23 minutes and 14 seconds

start | State Tax Refund.od... | OpenOffice.org Help ... | State Tax Refund.od... | TaxWise 2010 : 1040... | TaxWise 2009 : 1040...



Next, we need the taxable income.

That's usually line 43 from the 1040.

But, if line 43 is zero, we need to use line 41 minus line 42 and enter the answer as a negative number.

TaxWise 2009 : 1040 Individual : Guest : 111-11-1120

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US 1040 (2009) **Page 2**

Name: JOHN & JANE DOE SSN: 111-11-1120

Taxable Income and Tax

Taxable income was $18,100 minus exemptions of 18,250, which is -$150.

38 Amount from line 37 (adjusted gross incon ... 31,000.

39 a Taxpayer . . . 65 or older Blind; ... Blind

Total boxes checked ... 0

b If you are married filing separately and yo ... s, or

you are a dual-status alien, check here o ...

40 a **Itemized deductions or standard deduct** ...

deductions even though the standard dedu ...

If you were or are a resident of Puerto Ric ... ico

income, or you are excluding income on F ... tion 933)

b If you are increasing your standard deduct ... es,

new motor vehicle taxes, or a net disaster

check here ... 12,900.

41 Subtract line 40a from line 38 ... 18,100.

42 If line 38 is over $125,100, married filing separately; $166,800, single; $208,500, head of household; $250,200, married filing jointly or qualifying widow(er), the exemption amount is reduced. If housing to Midwestern displaced individual was provided, see instructions. Otherwise, multiply $3,650 by the total number of exemptions on line 6d ... 18250.

43 **Taxable income** ... 0.

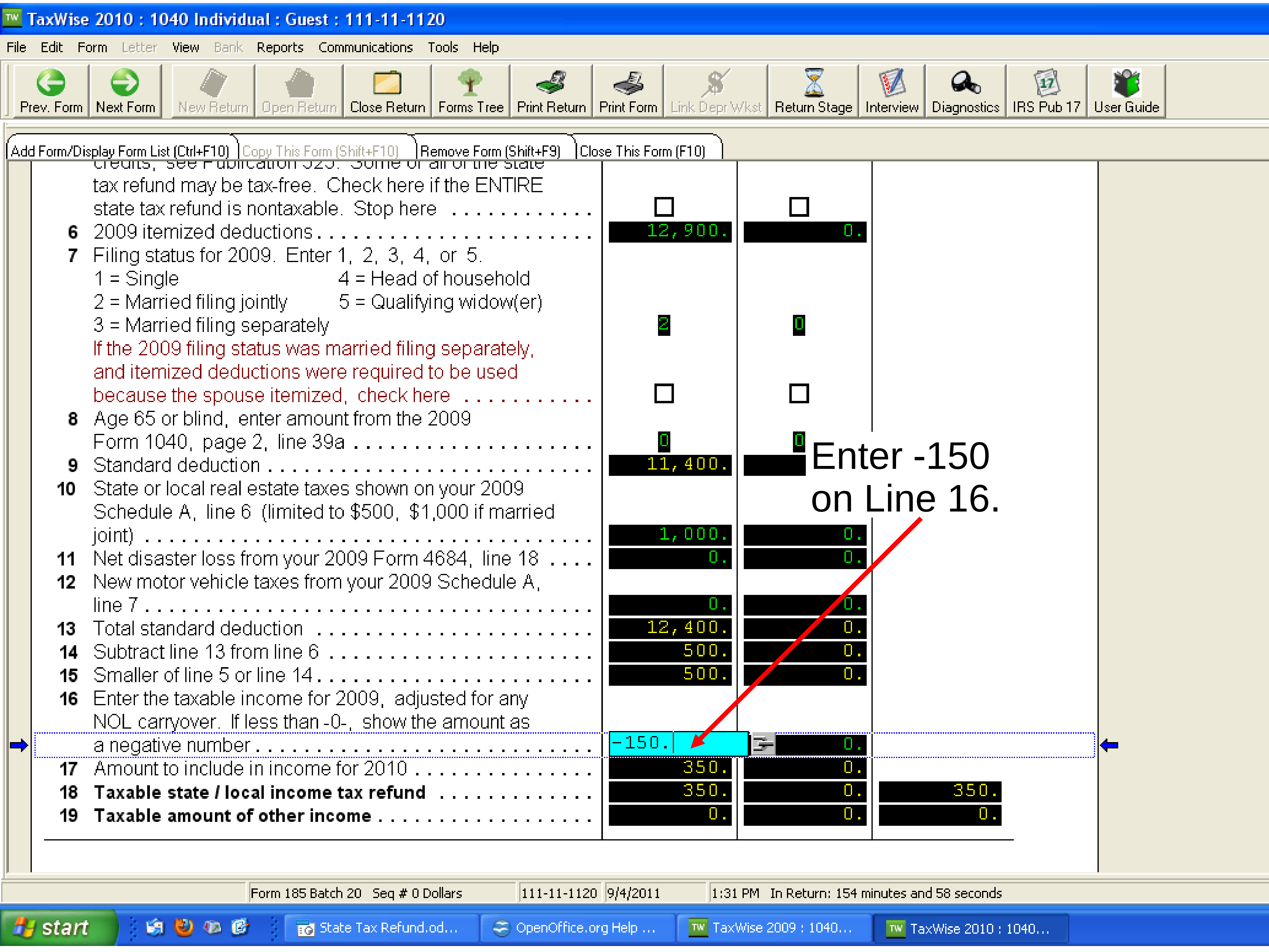
44 **Tax.** From . . ☒ the tax table or schedule ☐ Form 8615

☐ Schedule D Tax Worksheet ☐ Schedule J

☐ Foreign earned income tax worksheet ... 0

Form 20 Batch 258 Seq # 810 Dollars | 111-11-1120 | 9/4/2011 | 5:06 PM In Return: 297 minutes and 30 seconds

start | State Tax Refund.od... | OpenOffice.org Help ... | TaxWise 2010 : 1040... | TaxWise 2009 : 1040...



TaxWise 2010 : 1040 Individual : Guest : 111-11-1120

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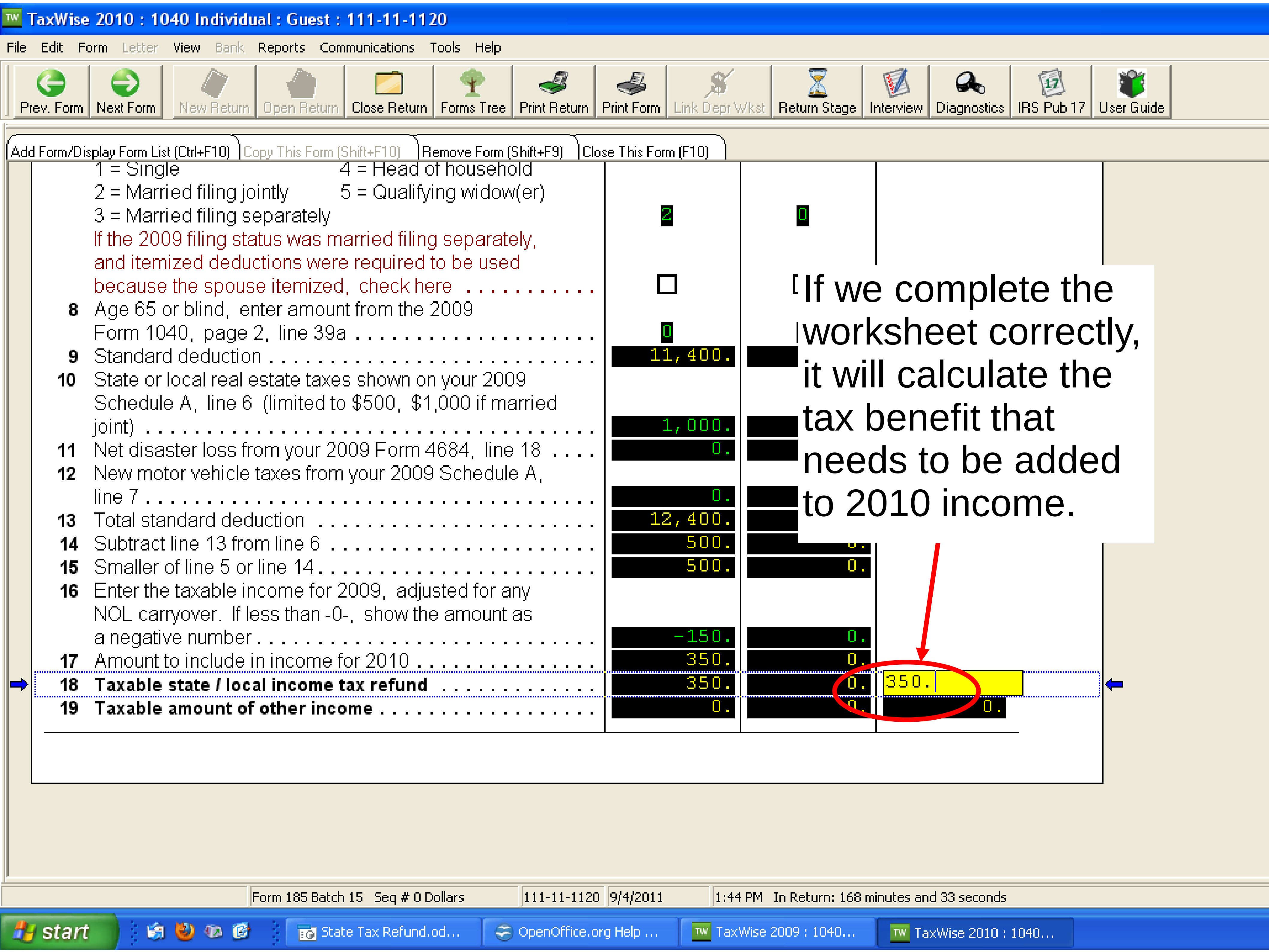
	credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	☐	☐	
6	2009 itemized deductions	12,900.	0.	
7	Filing status for 2009. Enter 1, 2, 3, 4, or 5. 1 = Single 4 = Head of household 2 = Married filing jointly 5 = Qualifying widow(er) 3 = Married filing separately	2	0	
	If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	☐	☐	
8	Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a	0	0	
9	Standard deduction	11,400.		
10	State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint)	1,000.	0.	
11	Net disaster loss from your 2009 Form 4684, line 18	0.	0.	
12	New motor vehicle taxes from your 2009 Schedule A, line 7	0.	0.	
13	Total standard deduction	12,400.	0.	
14	Subtract line 13 from line 6	500.	0.	
15	Smaller of line 5 or line 14	500.	0.	
16	Enter the taxable income for 2009, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	-150.	0.	
17	Amount to include in income for 2010	350.	0.	
18	**Taxable state / local income tax refund**	350.	0.	350.
19	**Taxable amount of other income**	0.	0.	0.

Enter -150 on Line 16.

Form 185 Batch 20 Seq # 0 Dollars | 111-11-1120 | 9/4/2011 | 1:31 PM In Return: 154 minutes and 58 seconds

start | State Tax Refund.od... | OpenOffice.org Help ... | TaxWise 2009 : 1040... | TaxWise 2010 : 1040...



	1 = Single 4 = Head of household 2 = Married filing jointly 5 = Qualifying widow(er) 3 = Married filing separately	2	0	
	If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	☐		
8	Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a	0		
9	Standard deduction	11,400.		
10	State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint)	1,000.		
11	Net disaster loss from your 2009 Form 4684, line 18	0.		
12	New motor vehicle taxes from your 2009 Schedule A, line 7	0.		
13	Total standard deduction	12,400.		
14	Subtract line 13 from line 6	500.	0.	
15	Smaller of line 5 or line 14	500.	0.	
16	Enter the taxable income for 2009, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	-150.	0.	
17	Amount to include in income for 2010	350.	0.	
18	**Taxable state / local income tax refund**	350.	0.	350.
19	**Taxable amount of other income**	0.	0.	0.

Before you leave the prior year return:

- Check carefully for unused credits.
- If there were unused credits that would off-set the additional tax on the recovery, there is no taxable recovery.

To Calculate Last Year's Sales Tax

1. Add up **ALL** income (taxable and non-taxable)

2. Determine number of persons covered by return

3. Look up sales tax amount in table in Appendix A of the 1040 Instructions.

4. Add sales tax on special items (motor vehicles, home bldg mat'ls etc.)

Refunds for More than One Year

- Complete the Line 10 Worksheet for last year and print it.
- Use the extra columns to calculate the taxable refund for prior years.
- Include taxable refunds for the years before last year on Line 21.

A side note:

- The Idaho tax refund often includes amounts that are technically not income tax:
  - Permanent building fund
  - Grocery tax credits
  - Sales tax on out-of-State purchases
- These amounts are not included on the 1099-G, nor should they be included in Line 10 calculations.

US 1040 State Tax Refund Worksheet 2010

Name: JOHN JOHNSON SSN: 111-11-1130

Use the spouse column if this is a married joint return for this year and the spouse filed separately last year.	Joint or Taxpayer	Spouse	Taxable
1 ID 2009 state/local income tax refund	1,879.		
___ 2009 state/local income tax refund			
Total state/local income tax refund for 2009	1,879.		
2 Enter the amounts from the 2009 tax return If the itemized deductions were reduced due to the AGI limitation, be sure to enter the reduced amounts Schedule A, line 5a, income taxes	2,000.		
Schedule A, line 5b, general sales tax	643.		
Difference - the state tax refund is only taxable to the extent the state tax deduction exceeds the sales tax deduction	1,357.		
3 Net state/local income tax refund	1,357.		
4 Enter the total of all other Schedule A refunds or reimbursements			
5 Add lines 3 and 4	1,357.		
On the 2009 tax return, If itemized deductions are reduced due to income limitations, AMT is included, or there are unused credits, see Publication 525. Some or all of the state tax refund may be tax-free. Check here if the ENTIRE state tax refund is nontaxable. Stop here	☐	☐	
6 2009 itemized deductions	8,000.		
7 Filing status for 2009. Enter 1, 2, 3, 4, or 5. 1 = Single 4 = Head of household 2 = Married filing jointly 5 = Qualifying widow(er) 3 = Married filing separately	1	☐	
If the 2009 filing status was married filing separately, and itemized deductions were required to be used because the spouse itemized, check here	☐	☐	
8 Age 65 or blind, enter amount from the 2009 Form 1040, page 2, line 39a	1	☐	
9 Standard deduction	7,100.		
10 State or local real estate taxes shown on your 2009 Schedule A, line 6 (limited to $500, $1,000 if married joint)	1,000.		
11 Net disaster loss from your 2009 Form 4684, line 18			
12 New motor vehicle taxes from your 2009 Schedule A, line 7			
13 Total standard deduction	7,600.		
14 Subtract line 13 from line 6	400.		
15 Smaller of line 5 or line 14	400.		
16 Enter the taxable income for 2009, adjusted for any NOL carryover. If less than -0-, show the amount as a negative number	5,200.		
17 Amount to include in income for 2010	400.		
18 Taxable state/local income tax refund	400.		400.
19 Taxable amount of other income			