


Preparing Form 1040X
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**What is New with the Form1040X?
 December 2014**

- Line 6 has been to allow a list of multiple methods to figure tax liability
- Check a Boxes have been added due to ACA issues
- Line 9 has been retitled "Health Care: Individual Responsibility"
- Line 15 Form 8962, Premium Tax Credit has been added to the check a box list

Form 1040X

- Will become your new return
- Generally the process will be easier if a new original return is prepared with the correct amounts
- If a notice or previous adjustment has been made you must have that knowledge to change the return
- The three columns can then be filled out, Column A: MUST show the original return amounts

<h3>Changes</h3>
<ul style="list-style-type: none">• The changes will appear as an adjustment on the IRS records – example<ul style="list-style-type: none">– Filed the original return – most entries shown– Amended return will only show the “adjustment to tax”

<h3>Recent Clarification</h3>
<ul style="list-style-type: none">• The line instructions for Form 1040X contain charts that identify the relationship between lines on Form 1040X and lines on Forms 1040, 1040A, and 1040EZ• The chart under "Line 10—Other Taxes" indicates that line 10 of Form 1040X corresponds to lines 57-62 of Form 1040;• Changes to line 61 of Form 1040 should be reflected on line 9 of Form 1040X, not line 10 of Form 1040X• The chart under "Line 10--Other Taxes" should indicate that line 10 of Form 1040X corresponds to lines 57-60 and 62 of Form 1040.

<h3>Do I have to Amend?</h3>
<ul style="list-style-type: none">• File an amended return if there's a change in:<ul style="list-style-type: none">– Filing status– Income– Deductions– Credits– Number of Dependents

Filing Amended Return Due to Form Issues
<ul style="list-style-type: none">• IRS when processing the return will generally issue a notice if a form or schedule is missing• Generally, you should wait until the letter is issued• Concerns about the return being a complete return – file an amendment

What about Substitutes for Returns (SFR)?
<ul style="list-style-type: none">• File an original in most all cases<ul style="list-style-type: none">– Generally you will not have access to the SFR– Column A cannot be completed accurately

What about Substitutes for Returns (SFR)?
<ul style="list-style-type: none">• Substitute for Returns are returns filed by IRS on a non filing taxpayer• Generally, single with 1 dependent and standard deduction• Least favorable filing• W-2 and 1099 income from information documents• No expenses have been allowed

Why Should Your Client File an Original Return if an SFR is on IRS records?

- Expenses can be taken against self-employment Income – must have documentation
 - This can be a highly audited return
 - Reconstruct records as needed
- Correct filing status can be claimed
- Qualified dependent may be claimed and qualify the taxpayer for various other credits
 - Form 8332 may be an issue
- Filing could reduce tax debt

Earned Income Tax Credit

- If a taxpayer filed a return using an ITIN and later receives a Social Security number (SSN), can that person file an amended return to claim EITC?
- Also, is it true that someone who filed a tax return using an ITIN or an ATIN for a child and the child later gets a SSN; can that person amend the return and claim EITC?
- <http://www.eitc.irs.gov/Tax-Preparer-Toolkit/faqs/basicquals>

EITC and an ITIN/ATIN

- This is true. After, the SSN is issued and all other EITC requirements are met, the taxpayer can file an amended return claiming EITC for any year the statute of limitations is open.

Be Aware

- Statute Issues
- Refunds can be barred by statutes
- FASFA – 1040X is not available using the IRS Data Retrieval Tool
- Explanations are needed to process the return correctly
- Processing time are generally longer than a paper filed original 1040
- Old tax software programs may show the wrong address of “Where to File?”

Where To File?

IF you are filing Form 1040X:	THEN mail Form 1040X and attachments to:
In response to a notice you received from the IRS	The address shown in the notice
Because you received reimbursement for a hurricane-related loss	Department of the Treasury Internal Revenue Service Austin, TX 73301-0255
With Form 1040NR or 1040NR-EZ	Department of the Treasury Internal Revenue Service Austin, TX 73301-0215

IF you live in:	THEN mail Form 1040X and attachments to:
Florida, Louisiana, Mississippi, Texas	Department of the Treasury Internal Revenue Service Austin, TX 73301-0052
Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Fresno, CA 93888-0422
Alabama, Connecticut, Delaware, District of Columbia, Georgia, Kentucky, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia	Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0052
A foreign country, U.S. possession or territory; or use an APO or FPO address, or file Form 2555, 2555-EZ, or 4563; or are a dual-status alien	Department of the Treasury Internal Revenue Service Austin, TX 73301-0215

Special Situations

- Additional Medicare Tax – attach Form 8959
- Airline Payments – reason must be identified in the explanation Part III – timeframe has passed to file (April 15, 2015).
- Carryback claim—net operating loss - Enter “Carryback Claim” at the top of page 1 of Form 1040X
 - Attach a computation of your NOL using Schedule A (Form 1045) and a computation of any NOL carryover using Schedule B (Form 1045). A refund based on an NOL does not include a refund of self-employment tax reported on Form 1040X, line 10.

Special Situations

- **Carryback claim—credits and other losses**
 - Enter “Carryback Claim” at the top of page 1 of Form 1040X. Attach copies of :
 - Both pages of Form 1040 and Schedules A and D, if applicable, for the year in which the loss or credit originated. Enter “Attachment to Form 1040X—Copy Only—Do Not Process” at the top of these forms.
 - Any Schedules K-1 you received from any partnership, S corporation, estate, or trust for the year of the loss or credit that contributed to the loss or credit carryback.
 - Any form or schedule from which the carryback results, such as Form 3800, General Business Credit; Form 1116, Foreign Tax Credit (Individual, Estate, or Trust); Form 6781, Gains and Losses From Section 1256 Contracts and Straddles; Form 4684, Casualties and Thefts; or Schedule C or F (Form 1040).
 - Forms or schedules for items refigured in the carryback year, such as Form 6251, Alternative Minimum Tax—Individuals; Form 3800; or Schedule A (Form 1040).

Special Situations

- If you were married and you did not have the same filing status (married filing jointly or married filing separately) for all of the years involved in figuring the loss or credit carryback, you may have to allocate income, deductions, and credits.

Special Situations

- **Deceased taxpayer**
 - If filing Form 1040X for a deceased taxpayer, enter “Deceased,” the deceased taxpayer’s name, and the date of death across the top of Form 1040X, page 1.
 - If you are filing a joint return as a surviving spouse, enter “Filing as surviving spouse” in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

Special Situations

- ***Claiming a refund for a deceased taxpayer***
 - If you are filing a joint return as a surviving spouse, you only need to file Form 1040X to claim the refund. If you are a court-appointed personal representative or any other person claiming the refund, file Form 1040X and attach Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, and any other information required based on the instructions

Special Situations

- **Household employment taxes**
 - If you are correcting the amount of employment taxes you paid to household employees, attach Schedule H (Form 1040) and include in Part III of Form 1040X the date the error was discovered
 - If tax is owed, pay in full with this return
 - If changing the wages paid to an employee for whom you filed Form W-2, you must also file Form W-2c, Corrected Wage and Tax Statement, and Form W-3c, Transmittal of Corrected Wage and Tax Statements, with the Social Security Administration

Special Situations

- **Injured spouse claim.** If you file Form 1040X to request an additional refund and you do not want your portion of the overpayment to be applied (offset) against your spouse's past-due obligation(s), complete and attach another Form 8379 to allocate the additional refund

Special Situations

- **Qualified reservist distributions**
- Reservists called to active duty after September 11, 2001, can claim a refund of any 10% additional tax paid on an early distribution from a qualified retirement plan
- Certain requirements apply
- Eligible reservists should enter "Active Duty Reservist" at the top of page 1 of Form 1040X
 - In Part III, include the date called to active duty, the amount of the retirement distribution, and the amount of the early distribution tax paid.

Special Situations

- **Changing to head of household filing status**
 - If the qualifying person is a child but not your dependent, enter the child's name and "QND" in Part III.

Special Situations
<ul style="list-style-type: none">• Changing from separate to a joint return<ul style="list-style-type: none">– Generally, if you file a joint return, both you and your spouse (or former spouse) have joint and several liability– This means both of you are responsible for the tax and any interest or penalties due on the return, as well as any understatement of tax that may become due later– If one spouse does not pay the tax due, the other may have to– However, you may qualify for innocent spouse relief.

Special Situations
<ul style="list-style-type: none">• Same-sex spouses• You may amend a return filed before September 16, 2013, to change your filing status to married filing separately or married filing jointly• But you are not required to change your filing status on a prior return, even if you amend that return for another reason• In either case, your amended return must be consistent with the filing status you choose

Special Situations
<ul style="list-style-type: none">• Full-year coverage status<ul style="list-style-type: none">– Beginning in 2014, individuals must have health care coverage, qualify for an exemption, or make a shared responsibility payment with their tax return– If all members of your household (you, your spouse (if filing jointly), and your dependents) had health care coverage for every month of the year, check “Yes.”– Otherwise, check “No”– If you are amending your return for a year prior to 2014, leave both checkboxes blank.

Special Situations

- **Waiver of penalties and interest**
 - If you pay the entire balance due on your amended return within 1 year of timely filing your amended return, no interest or penalties will be charged on the balance due
 - Payments made after you file Form 1040X should clearly designate that the payment is to be applied to reduce the balance due shown on the Form 1040X per IRS Notice 2008-95.

Special Situations

- **Signing your child's return**
 - If your child cannot sign the return, either parent can sign the child's name in the space provided. Then, enter "By (your signature), parent for minor child."

Special Situations

- **Resident and nonresident aliens**
 - Use Form 1040X to amend Form 1040NR or Form 1040NR-EZ. Also, use Form 1040X if you should have filed Form 1040, 1040A, or 1040EZ instead of Form 1040NR or 1040NR-EZ, or vice versa.
 - To amend Form 1040NR or 1040NR-EZ, or to file the correct return, do the following:
 - Enter your name, current address, and social security number (SSN) or IRS individual taxpayer identification number (ITIN) on the front of Form 1040X.
 - Do not enter any other information on page 1. Also, do not complete Parts I or II on page 2 of Form 1040X.
 - Enter in Part III the reason why you are filing Form 1040X.
 - Complete a new or corrected return (Form 1040, Form 1040NR, etc.).
 - Across the top of the new or corrected return, write "Amended."
 - Attach the new or corrected return to the back of Form 1040X

Where's My Amended Return?

- [http://www.irs.gov/Filing/Individuals/Amended>Returns-\(Form-1040-X\)/Wheres-My-Amended-Return-1](http://www.irs.gov/Filing/Individuals/Amended>Returns-(Form-1040-X)/Wheres-My-Amended-Return-1)
- Check 3 weeks after the amended return is mailed
- Need
 - SSN
 - Date of Birth
 - Zipcode

Bad debt or Worthless security.

- A Form 1040X based on a bad debt or worthless security generally must be filed within 7 years after the due date of the return for the tax year in which the debt or security became worthless IRC 6511.

Retroactive determination of nontaxable disability pay.

- Retired members of the uniformed services whose retirement pay, in whole or in part, is retroactively determined by the Department of Veterans Affairs (VA) to be nontaxable disability pay can file claims for credits or refunds using Form 1040X
- You have until the **later** of :
 - (a) 1 year after the determination date, if the year at issue is no more than 5 years before the determination date, or
 - (b) the normal deadline for filing a claim for refund or credit. The normal deadline is the later of 3 years after filing the original return or 2 years after paying the tax. Attach a copy of an official letter from the VA granting the retroactive determination of nontaxable disability pay.

Tips
<ul style="list-style-type: none">• Accuracy is important as this will change the record of your tax filing• Watch the statutes• Explain the changes, attach an additional statement if needed• DO NOT forget to amend the State Return• Remember to enter the year you are amending• Each year will require an amendment, do not group years together• Send each 1040X in a separate envelope

Tips
<ul style="list-style-type: none">• Make sure if a schedule or form is changed to include that with the amended return• If you are filing to claim an additional refund, wait until you have received your original refund before filing Form 1040X<ul style="list-style-type: none">– Exception would be a statute that is about to expire

More Tips
<ul style="list-style-type: none">• If you owe a balance due try to pay with the amended return• Amended returns have a greater likelihood of being audited• Refunds can be applied to estimated taxes• Current Form 1040X cannot be e-filed• Generally 16 week processing time frame

Final Tip
<ul style="list-style-type: none">• Prior year software generally has a program to assist with the amended return• Personally, I prepare a full 1040 for the year and print, then print out the original return filed• Easier to fill out Form 1040X due to the many line number changes that have occurred over the years

CCA 201520010
<ul style="list-style-type: none">• Example:<ul style="list-style-type: none">– Client files return late, interest and penalties are assessed on the balance due– The client pays the tax due– Later after the statute has expired and the refund has been barred taxpayer discovers an error on the return– An amended return is filed reducing the balance due on the original return and generating a barred refund

IRC 6404(a)(1)
<ul style="list-style-type: none">• IRC section 6404(a)(1) authorizes the IRS to abate the unpaid portion of an assessment that is excessive in amount.• Advocate requested a CCA for the taxpayer• Since the refund has been barred and the tax balance due was reduced, an abatement of interest and penalties would result in an overpayment of the interest and penalties originally charged

CCA 201520010 Why is this Important?
<ul style="list-style-type: none">• While the statute specifies “unpaid” assessments, Counsel’s view is that IRC section 6404(a)(1) is permissive and that the IRS is not prohibited from abating the paid portion of assessments• The timing of a claim for credit or refund has no effect on the IRS’s authority to abate an assessment• The IRS may still abate the penalties and interest that exceed the true amount of penalties and interest the taxpayer owes•

CCA 201520010 Why is this Important?
<ul style="list-style-type: none">• The amended return should be treated as a claim for refund for the penalties and interest paid in the two years prior to the date the amended return was filed, to the extent those amounts exceed what the taxpayer actually owed

Will IRS Do This Automatically?
<ul style="list-style-type: none">• Probably not• You will need to fight for the abatement• The letter states : “The Counsel subject matter experts in CC:--- have seen this e-mail and concur that the taxpayer is entitled to a refund of penalties and interest as described above• The specifics of whether IRS followed through are not disclosed, we can assume they did but I believe as a tax advocate for your client you will need to reference this CCA

CALT RESOURCES

Scoop Dates for Post Filing Season
<ul style="list-style-type: none">• June 9, 2015• June 24, 2015• July 1, 2015• July 15, 2015

CALT Website

<http://www.calt.iastate.edu/>

Tour of the CALT Website



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Thank You!

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