Solutions Manual for Income Tax Fundamentals 2026 44th Edition by Whittenburg, Gill

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Tax Year 2025 ProConnect Tax Preparation Guide, Whittenburg, Gill

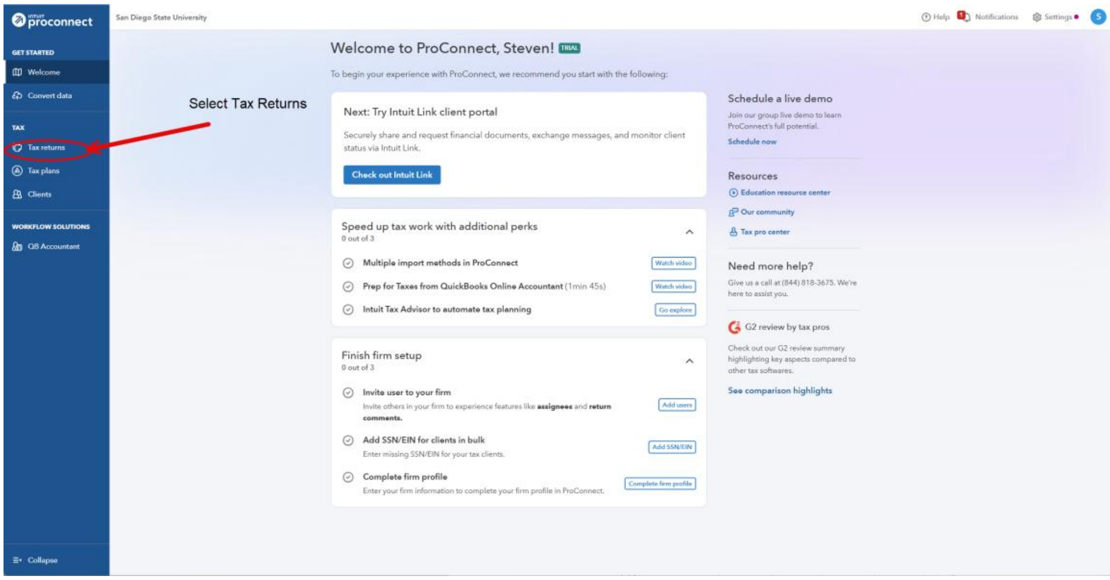
Chapter 1

You will be using Intuit's ProConnect Tax online software to prepare federal income tax returns. You will not be e-filing the tax returns though! You should have already completed your student registration process for ProConnect Education Account (see separate instructions). You can access the software using this link:

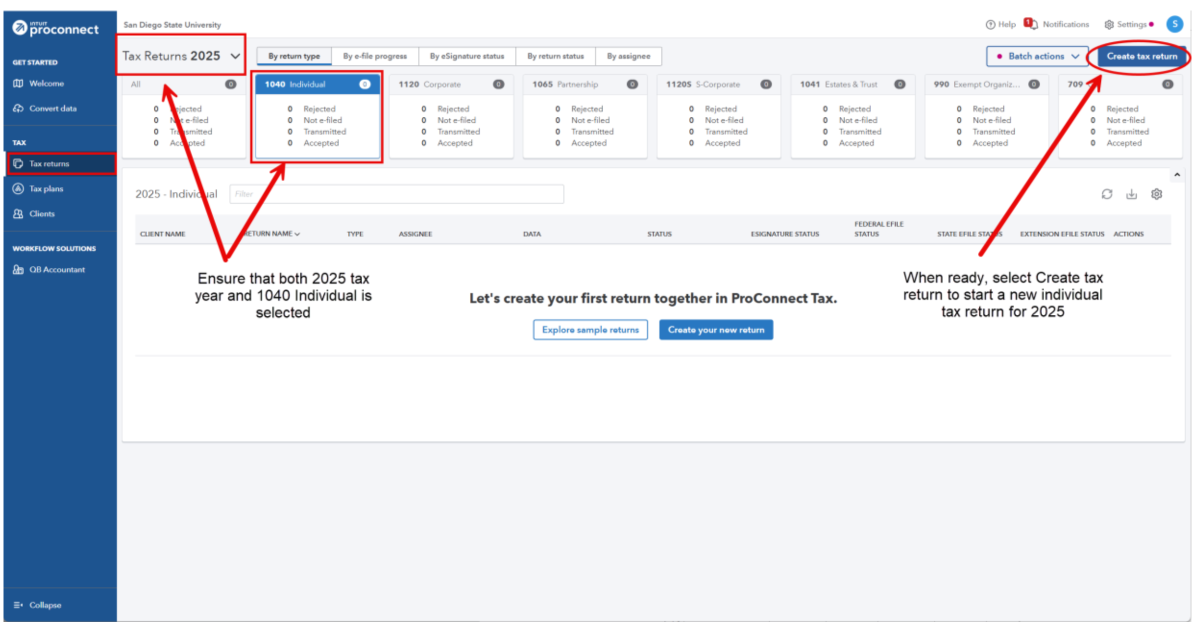
https://taxeducation.intuit.com

CP.01-01A: Tallbear, Amonute

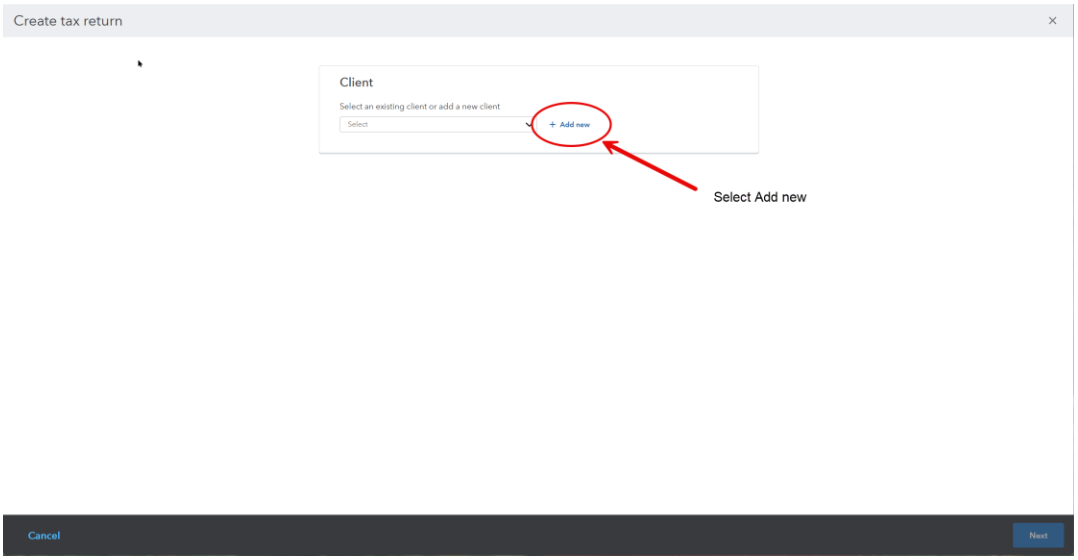
Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin.



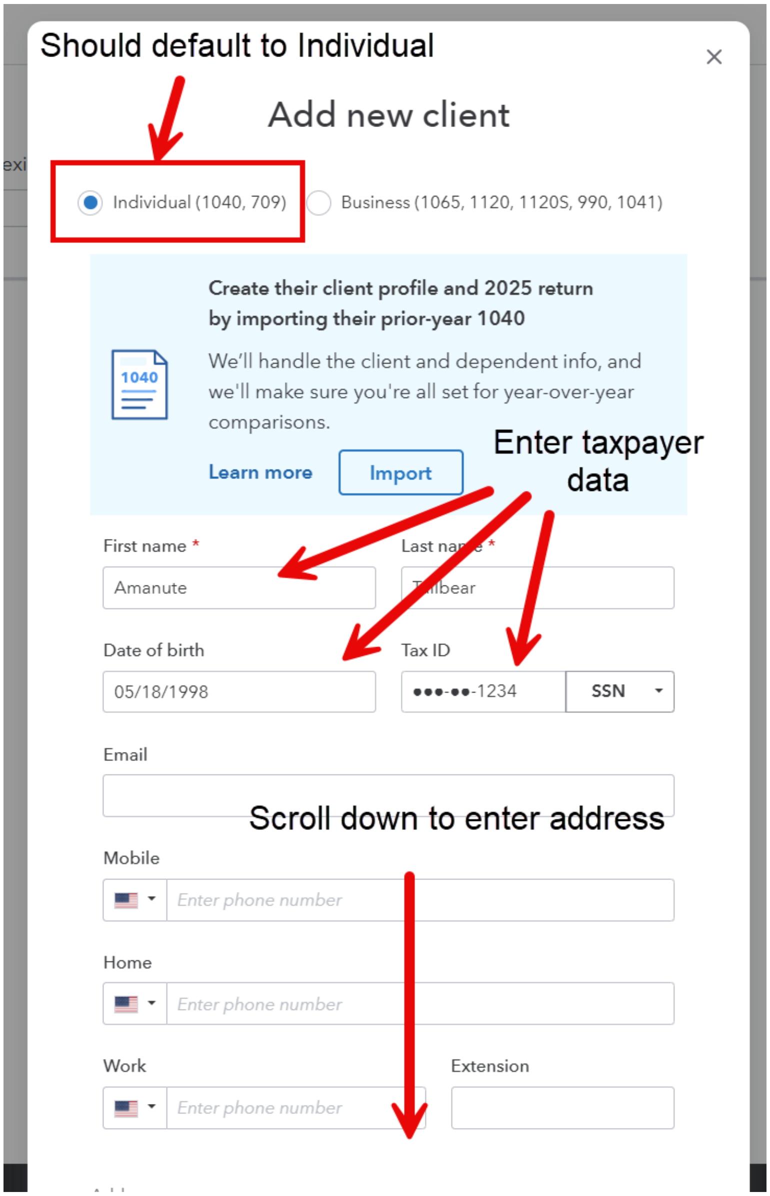
You will land on the *Tax Returns 2025* page (if you are starting in January, you may need to select 2025 as the tax year). Select the box for *1040 Individuals*. Select *Create tax return* in the upper right corner.



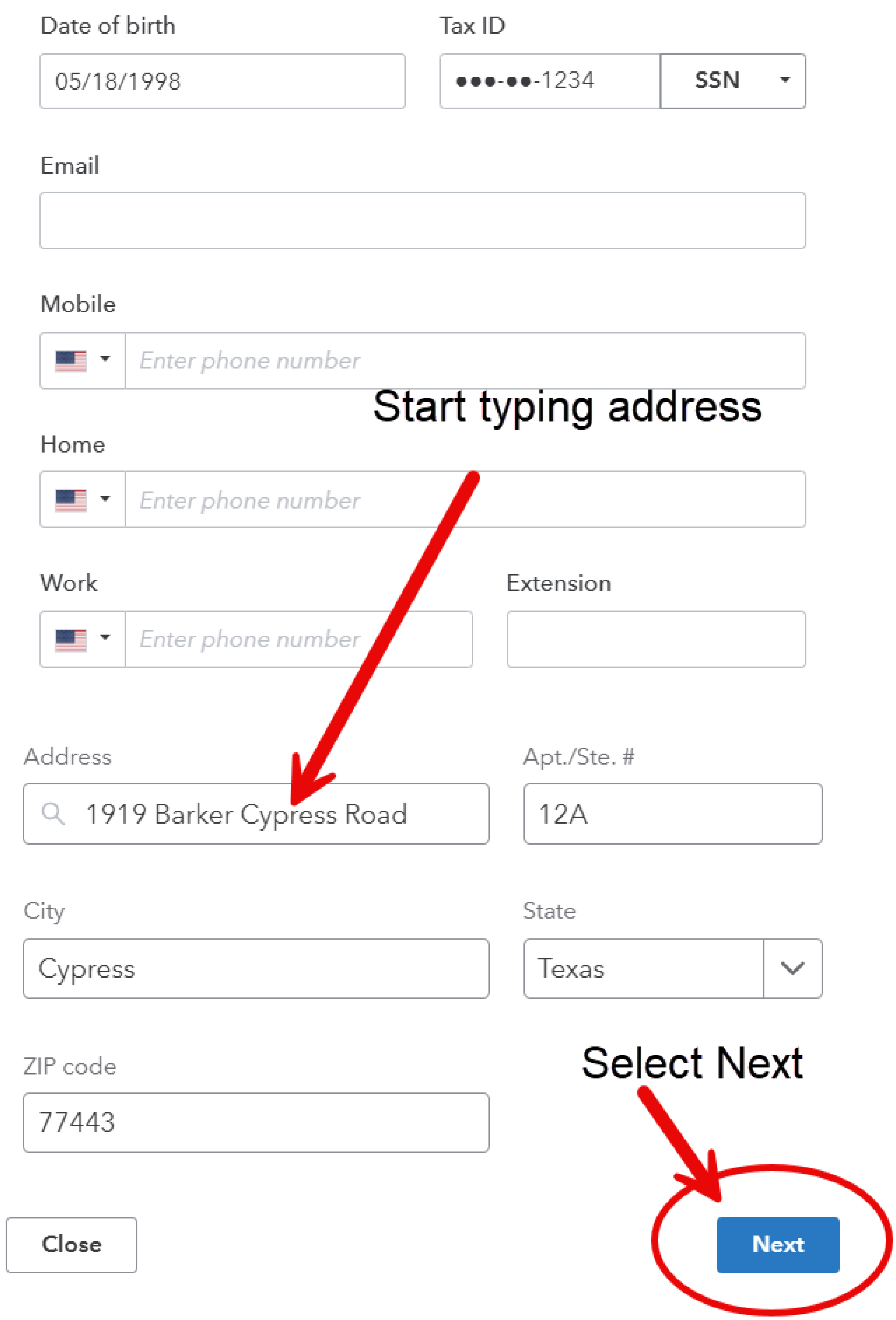
From the *Create tax return* screen, click the [+] for *Add new* and select the *Individual (1040,709)* button (it is selected as the default).



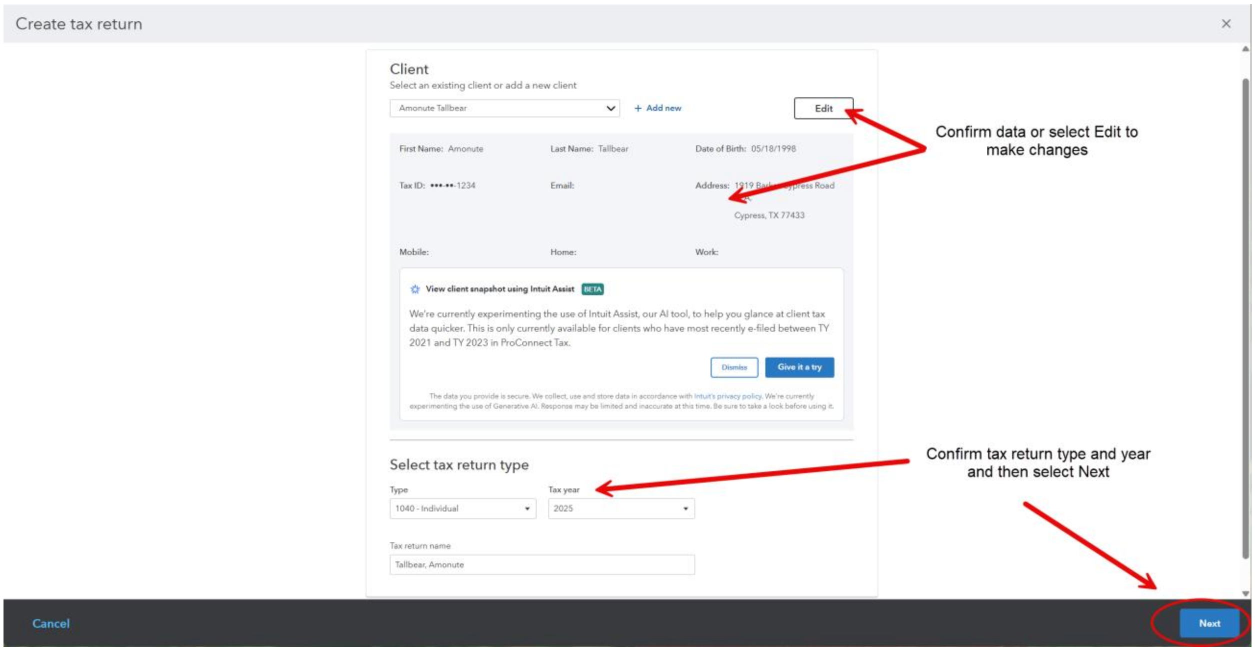
Enter the taxpayer's name, date of birth, and Tax ID. Email and phone numbers are not required but you may enter assumed data if you wish. Scroll down to enter the taxpayer's address.



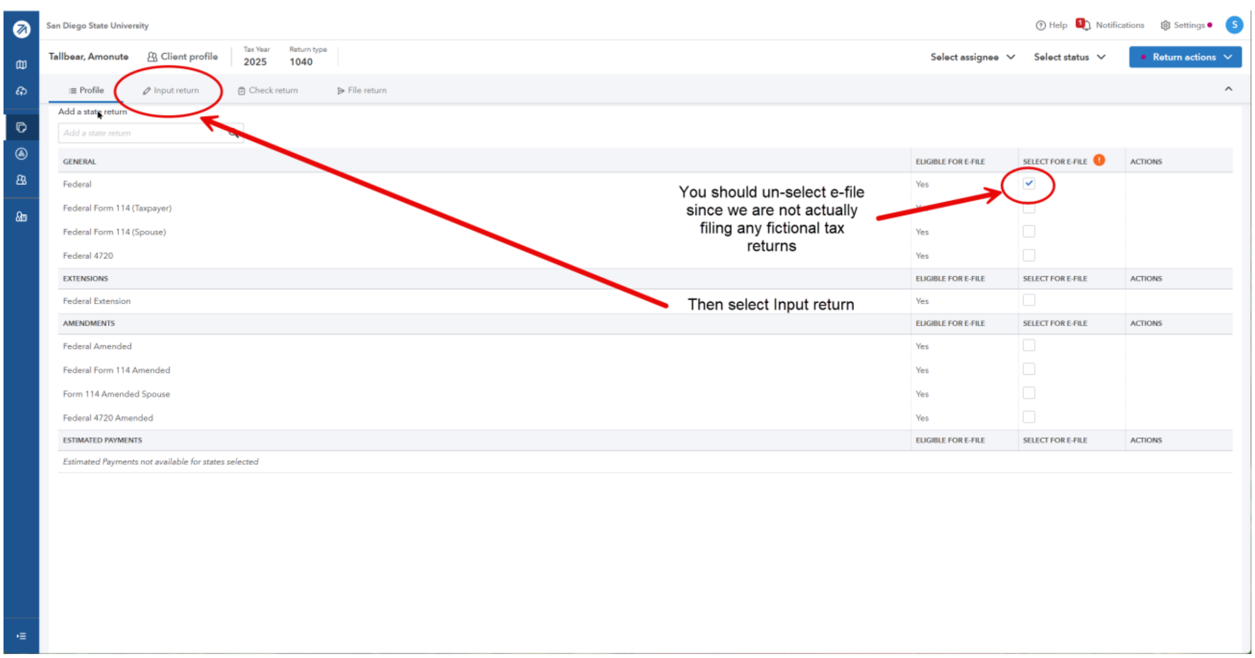
ProConnect has access to a large address database and will search for the address; however, the addresses in the tax return problem are intended to be fictional and will require manual entry. Start typing the address in the Search by address box. The remaining address boxes should open and can be completed. Once the address is entered, select *Next* in the lower right corner.



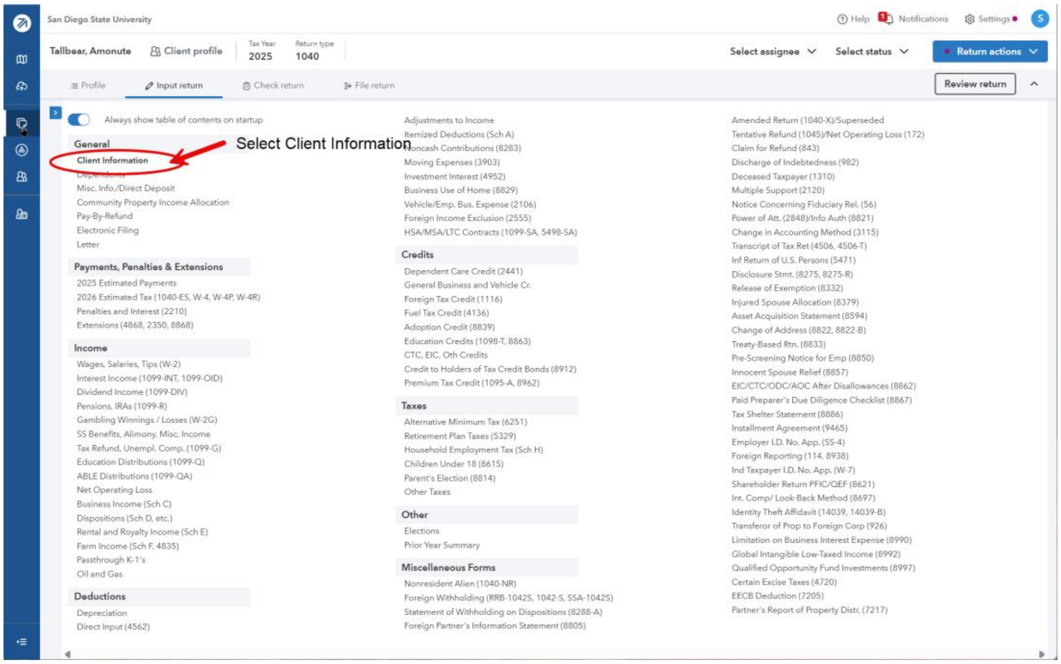
On the next *Client* screen, you may review the information you input, make any corrections necessary through the *Edit* button on the upper right, and once satisfied, click on *Next* at the lower right.



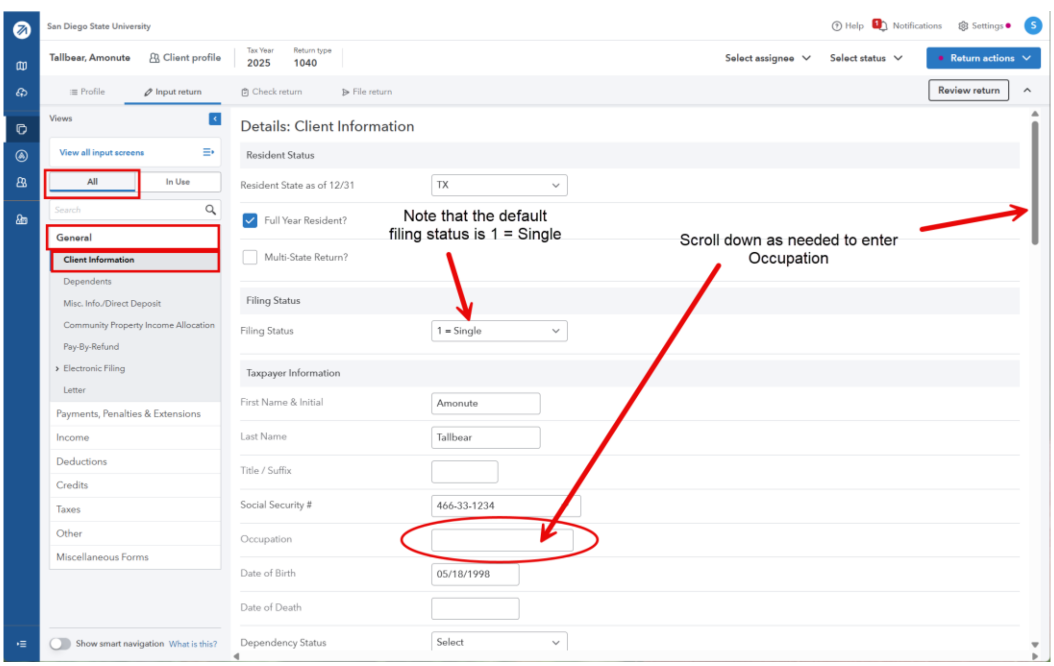
You have now landed on the taxpayer's 1040 *Profile* page. You may unselect *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but doing so is not required. From the tabs near the top, select *Input Return*.



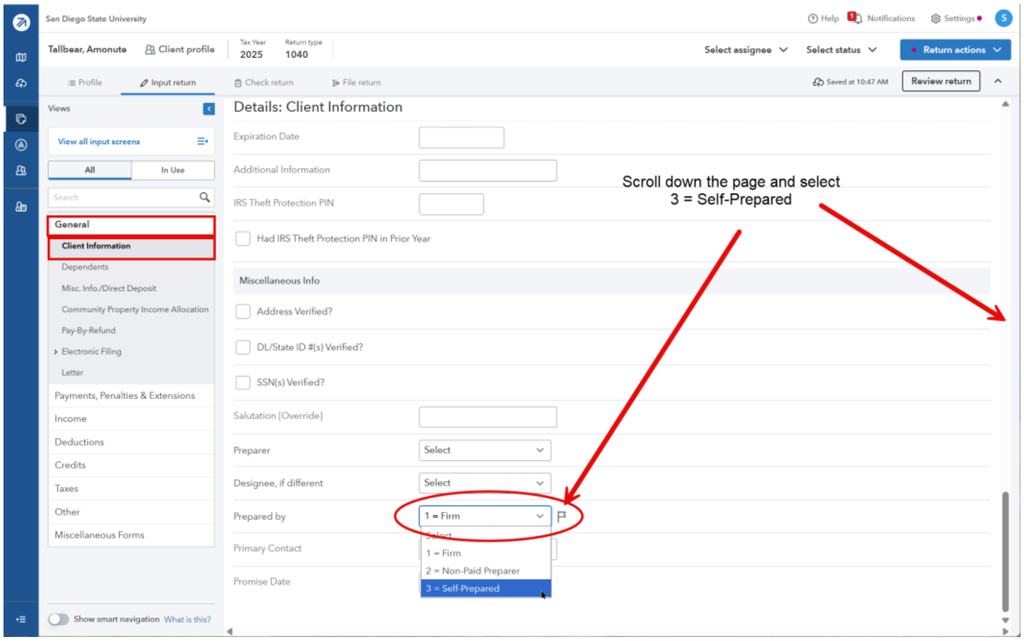
Select *Client Information*



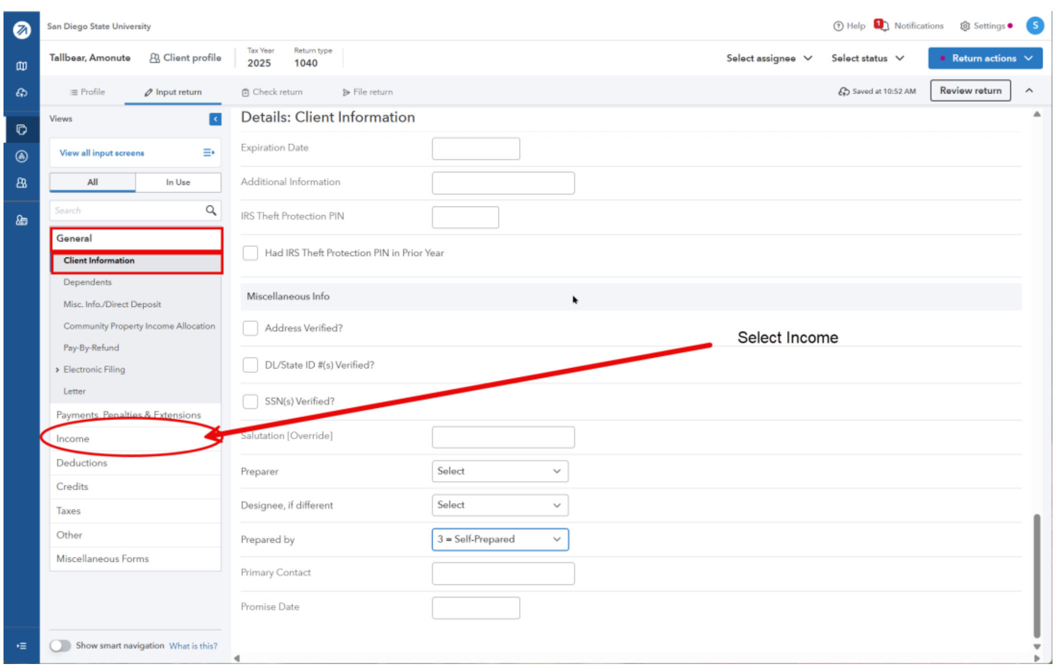
Under *Views* from the top left, click on *All* (default setting). You will now see *Details: Client Information.* The details entered to create the client should have been carried forward to this screen. Note that the filing status defaults to *1 = Single*. This may need to be changed on future tax return problems to match the actual filing status of the client. Scroll down this page and enter the *Occupation* for the taxpayer.



For this client, continue to scroll down this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and use the dropdown to select *3 = Self-Prepared*. Selecting *Self-Prepared* reduces the number of diagnostic errors identified by ProConnect since the software generally expects a paid preparer with a Preparer Tax Identification Number (PTIN) and E-filing Identification Number (EFIN).

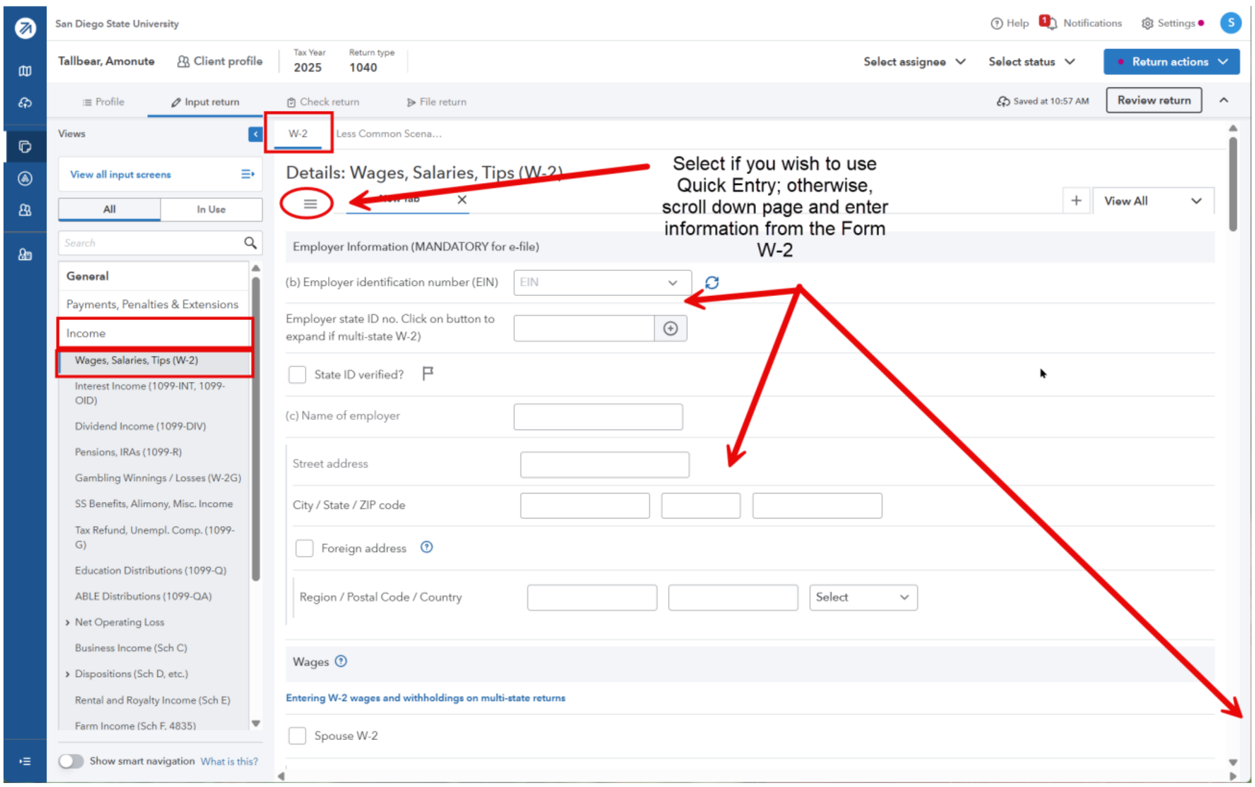


Now that the client information is complete, we can start entering the taxable income and deduction information. As you may have noticed, the primary control of what ProConnect displays comes from the left menu. You have been in the Client Information section under General. From the menu at the left, scroll down to select *Income.*

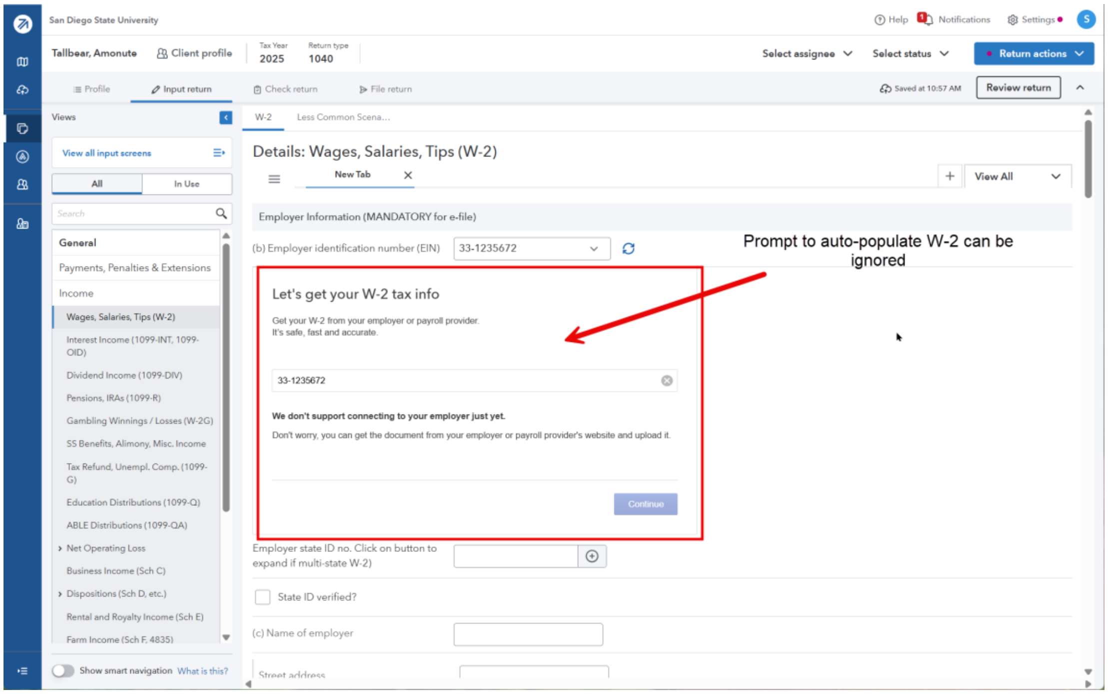


Once the sub-menu on the left opens, select *Wages, Salaries, Tips (W-2)*. At the top of the entry form tabs two options are presented: *W-2* and *Less Common Scenarios*. Be certain you are on the *W-2* tab (the default). This screen is typical of a *Detailed Entry* screen in ProConnect. The information is entered in each field by scrolling down the page. Additional forms can be entered by selecting the Plus [+] symbol on the upper right. However, much of the detail is not necessary (especially when not e-filing) and many ProConnect screens also contain a *Quick Entry* option.

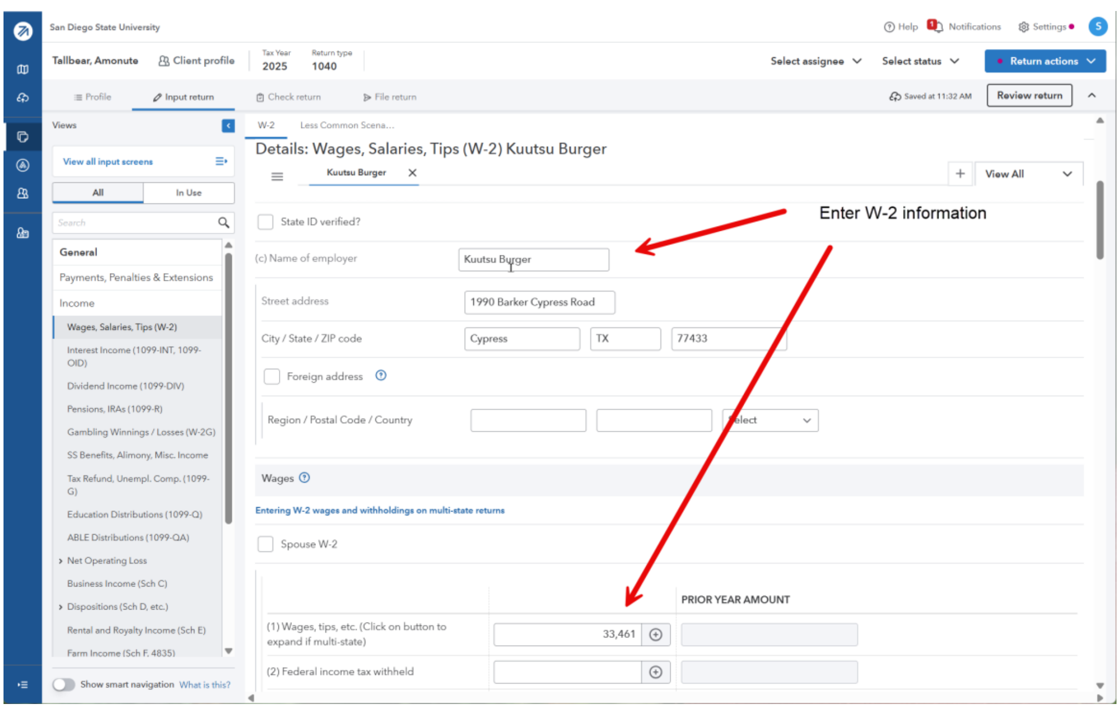
To access Quick Entry, select the icon that looks like a stack of three papers located in the upper left under the *Details: Wages, Salaries, Tips (W-2)* title. For this tax return guide, the detailed entry is shown. Enter the *Employee identification number (EIN)* of the taxpayer's employer.



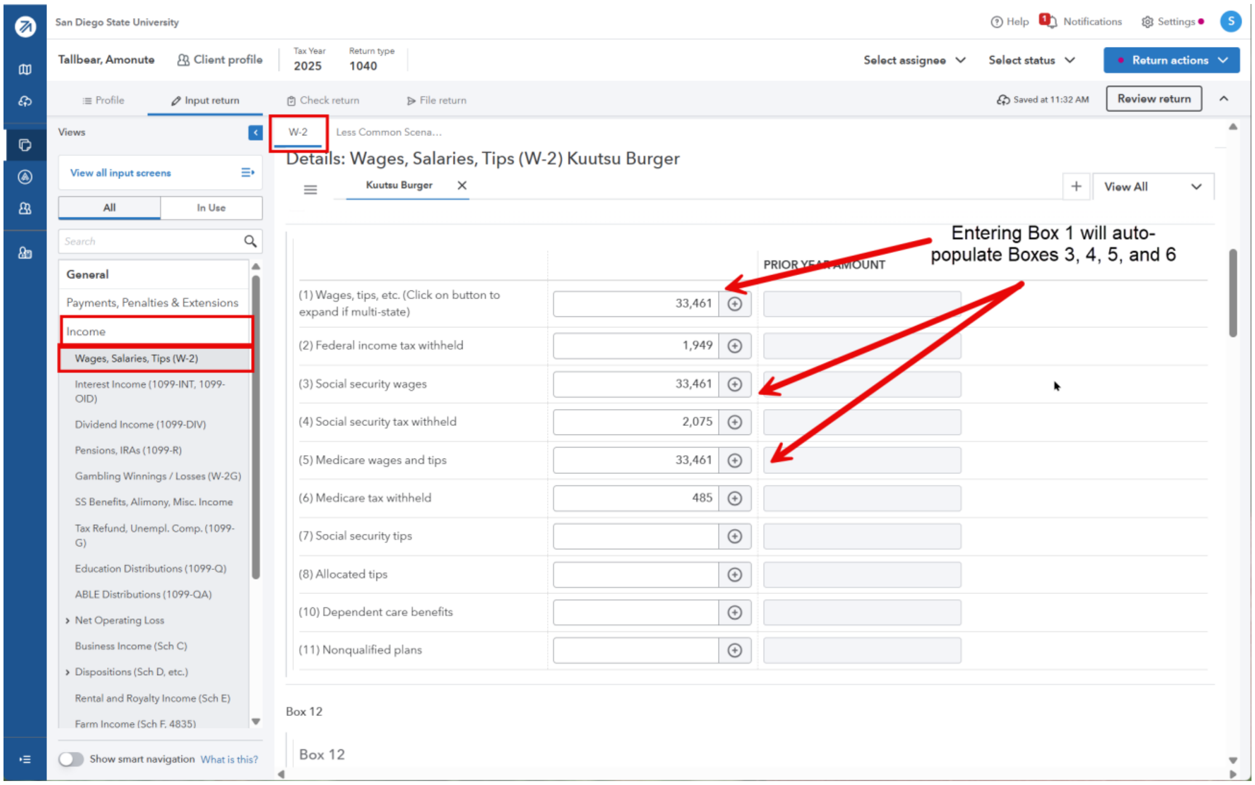
ProConnect is linked to a large number of employers that permit the W-2 information to auto-populate directly into the software; however, because all of the employers in Income Tax Fundamentals are fictional, Intuit ProConnect will not be able to automatically download Form W-2 information.



Scroll down the page and enter the remaining details from the taxpayer's Form W-2 included in the problem.

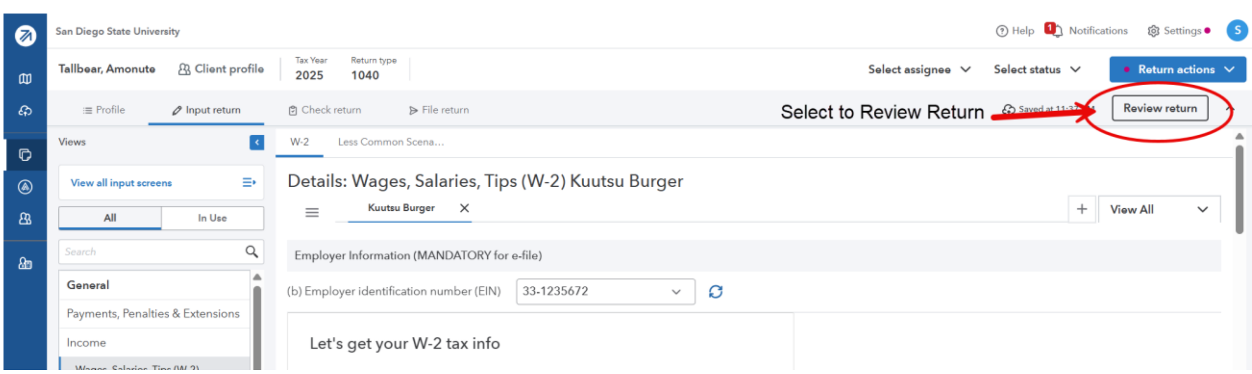


Be sure to input the amounts of the taxpayer's wages and federal income tax withheld. Note that ProConnect Tax automatically enters the Social; Security and Medicare wages and amounts withheld. For most taxpayers, these amounts will match the Form W-2 but the tax preparer should always confirm the amounts are the same as reported.

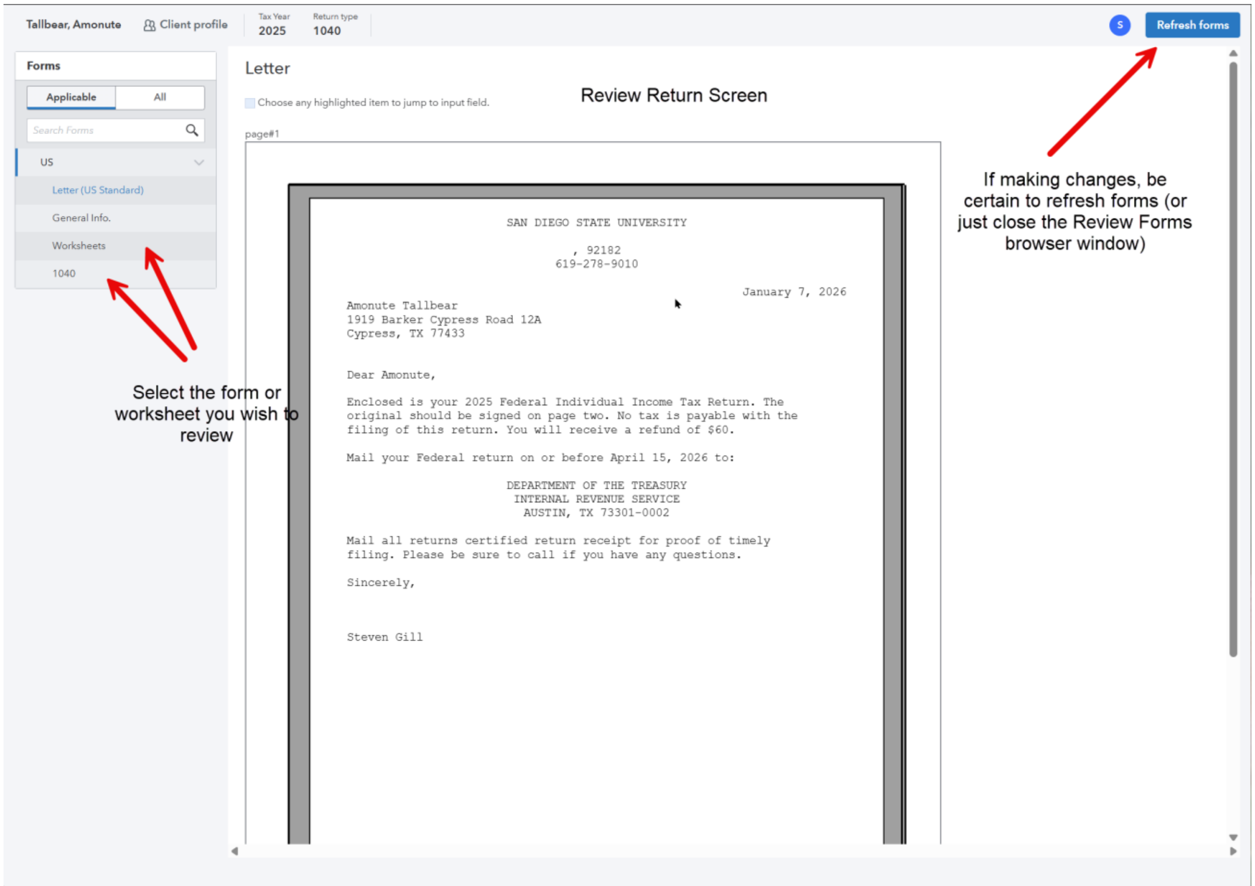


ProConnect also automatically rounds amounts to the nearest $1, which is permitted by the IRS. Because this taxpayer lives in Texas (a non-income tax state), no state input is required but preparers should always be sure and confirm state input from Boxes 15 and higher. The information entered is saved automatically.

There are no other items of income or deductions to enter for this taxpayer. You can review the tax return at any time by selecting *Review return* in the upper right corner.



The graphics displayed in the *Review return* screen will sometimes not match the actual form and should only be used to confirm general accuracy. Additionally, if you make additional changes to the tax return, the Review Return screen does not automatically update. Either select Refresh Forms to update after changes or just close the window and Select Review Return as shown previously.



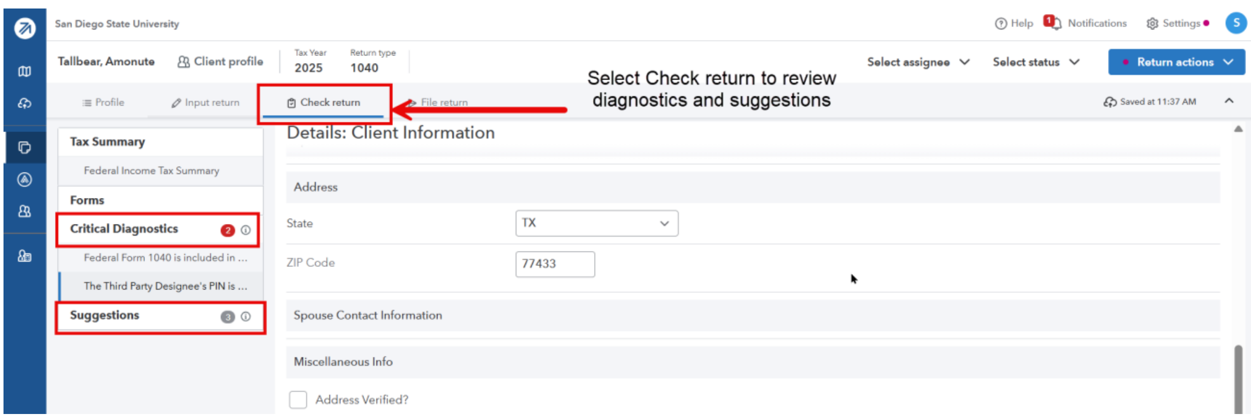
There is no single procedure for reviewing a tax return for accuracy. Different clients will demand different processes for review; however, there are a few rules of thumb that can be used:

- Is (are) the name(s) correct?
- Is the taxpayer's address correct?
- Is (are) the taxpayer's and dependents taxpayer identification numbers (usually SSN) correct?
- Did you confirm the filing status on the return matches that of the information provided?
- Are all qualifying dependents shown on the return (including if the taxpayer can be claimed as a dependent)?
- Confirm the tax return output (the forms) with the related source documents. For example:
    - Confirm that wages equal the totals for all Box 1 of Form W-2s
    - Confirm that federal tax withheld equals the total reported in Box 2 of all Form W-2s

- Confirm that the results of the tax return appear reasonable. For example, a modest income taxpayer would likely expect a refund. Is the refund or payment amount consistent with your understanding of the return?

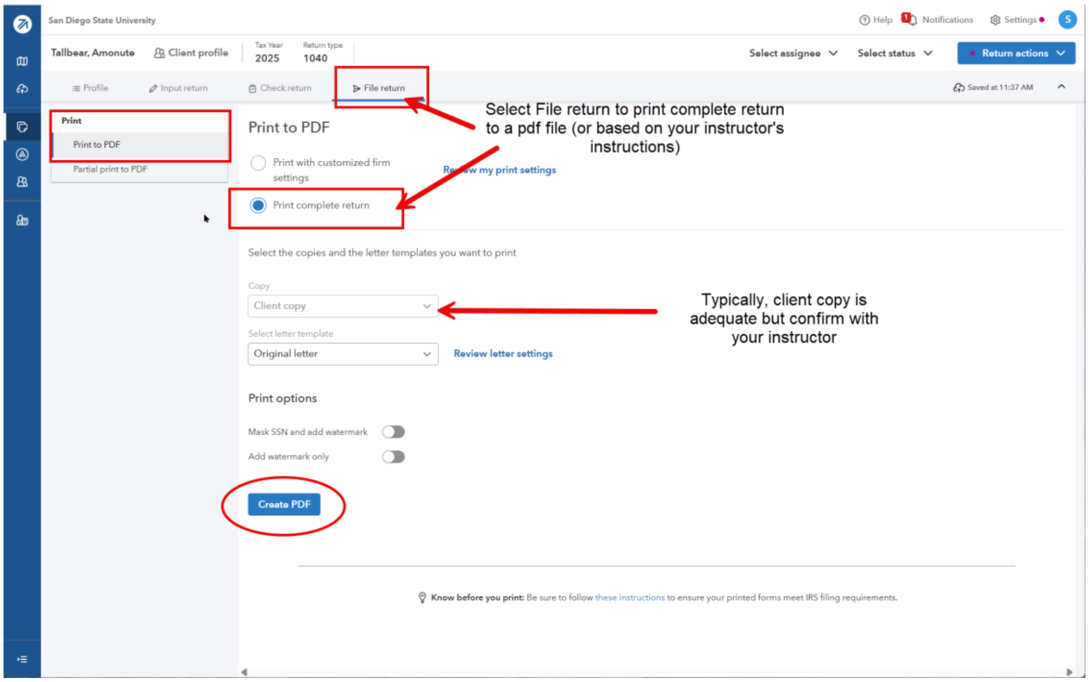
Often, reviewing an income tax return starts with confirming the totals with source documents. If they do not agree, investigate any supplemental forms or schedules that support that total. Tax return review requires some experience that will come with preparing and reviewing additional returns. You may want to use [IRS Form 6729-C](), the VITA Quality Review checklist to assist you.

You can also review the summary of the tax return by selecting the *Check Return* tab near the top of the screen. The *Check Return* screen also includes *Critical Diagnostics* and *Suggestions* for the tax return. In many instances, these will related to electronic filing issues and may be ignored since ITF's hypothetical taxpayers will not be e-filing (or paper filing for that matter). For example, a common Critical Diagnostic is "The third party designee's PIN is missing or invalid." Additional errors or suggestions may need to be considered by the preparer.

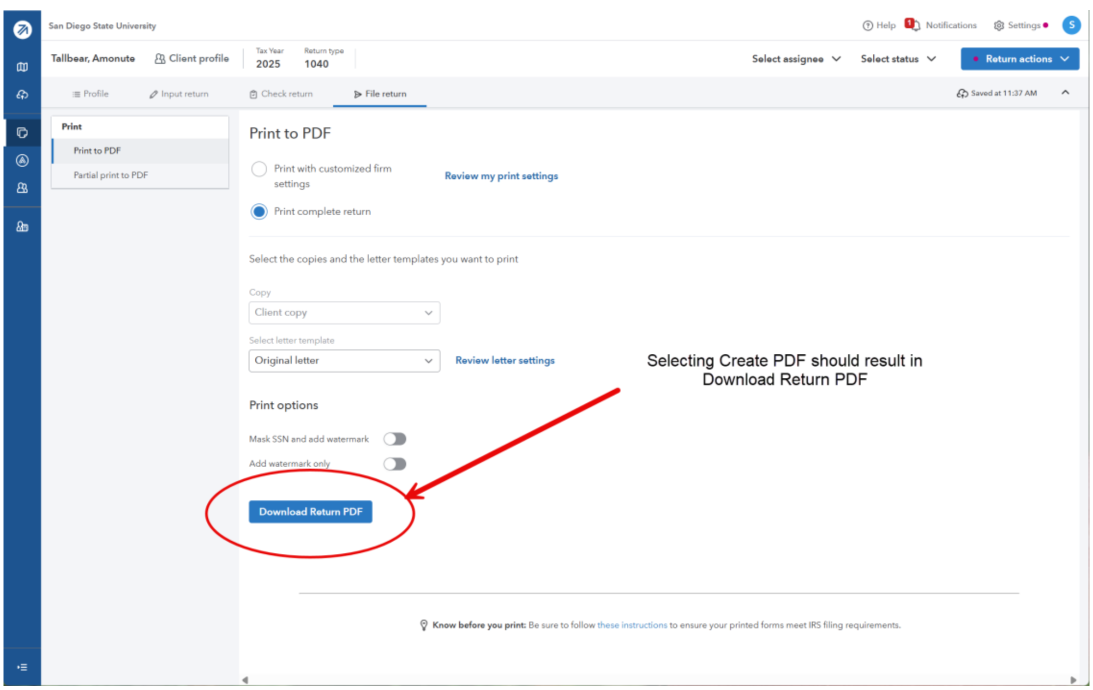


Note that the default setting in ProConnect is for "No" for the digital asset question that appears on Page 1 of the Form 1040.

Once the return is considered complete, from the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *Print to PDF*. Select the *Print complete return* button and then select the blue *Create PDF* box near the bottom left of the screen.



The result will be a *Download Return PDF* blue button that you should click on.



The return should open in a new tab. Note that occasionally, some student users will be affiliated with a commercial account and the software may ask for credits in order to print the return. In this situation, the student should contact the Intuit ProConnect support desk via telephone. ProConnect support can be found under *Help* and *Help portal* and then select *Contact Us* in the far left blue margins. The student should be in ProConnect when they contact support so they can provide the user's Realm Number to the ProConnect support representative.

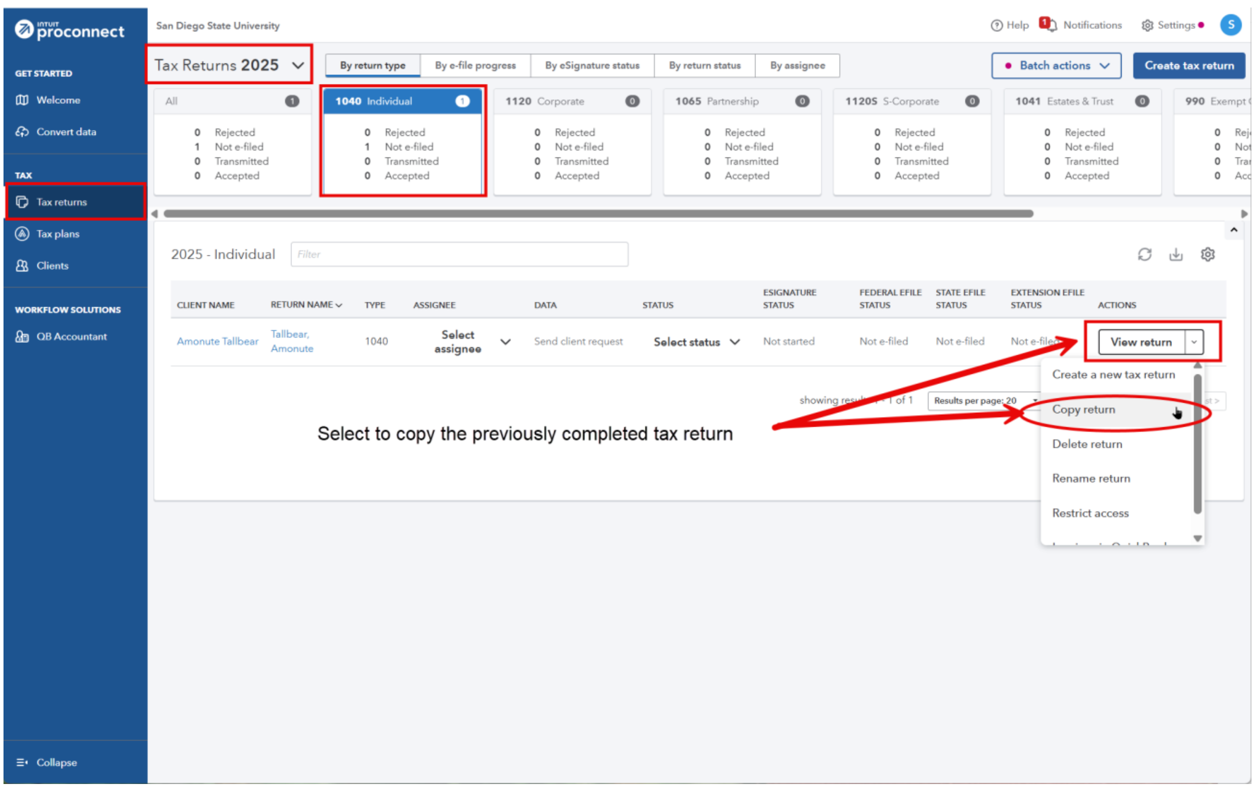
Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return like any other pdf file. Remember where you save the tax return. Close the PDF.

Don't be afraid to explore the ProConnect Tax software - you cannot hurt anything!

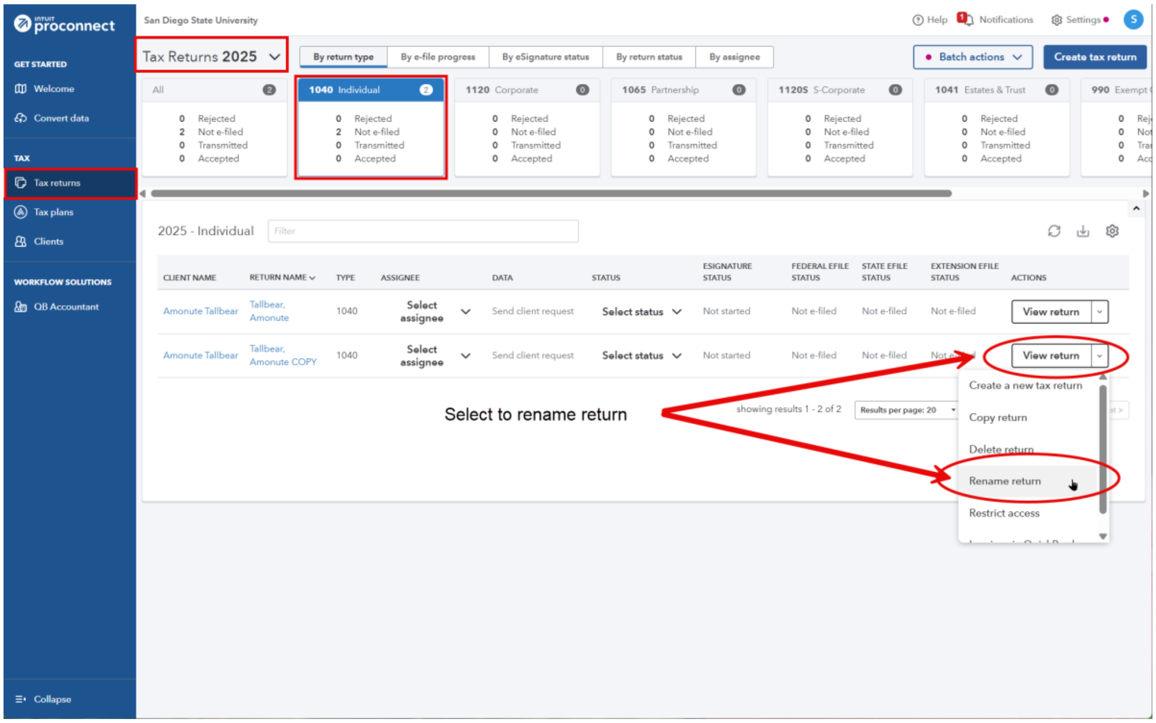
CP.01-01B: Tallbear, Amonute

This guide assumes you have completed CP.01-01A and if so, **you do not need to add a new client**. If you have not completed CP.01-01A, follow the instructions for CP.01-01A above except use the revised birthdate provided in CP.01-01B.

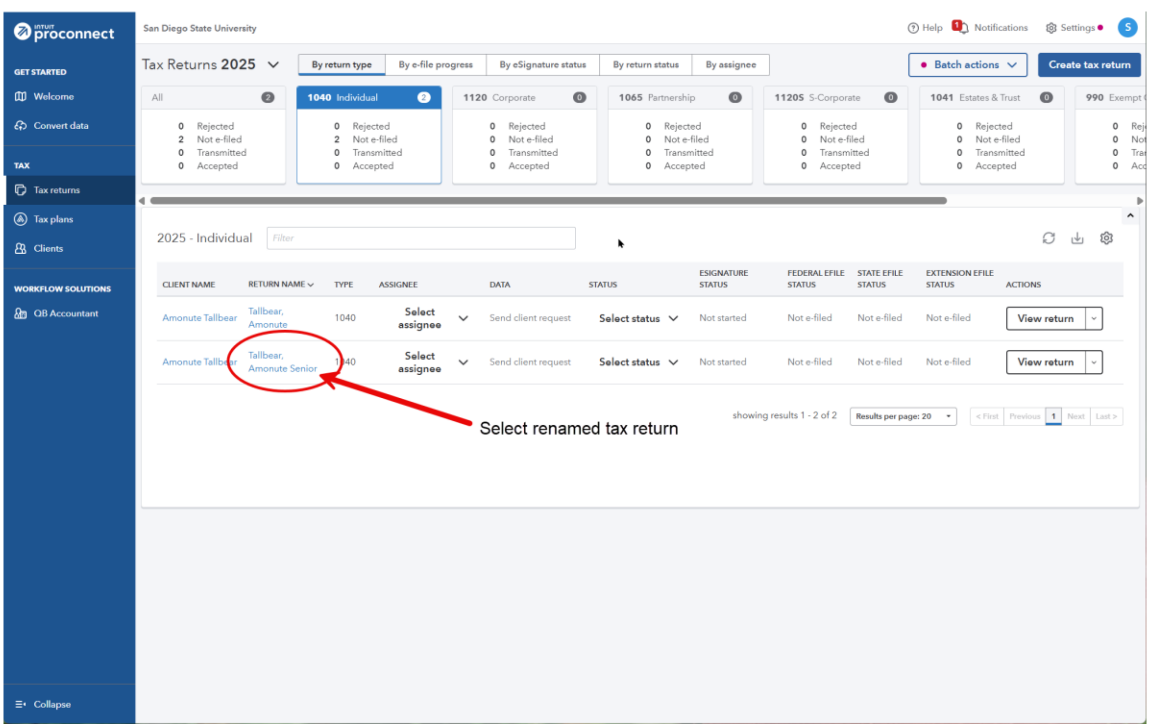
Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2025* page. Find the tax return prepared in CP.01-01A and use the *View return* dropdown arrow under the *Actions* column to select *Copy return* from the dropdown box. This will create a copy of the return with a new name (the default is the previous name with COPY attached).



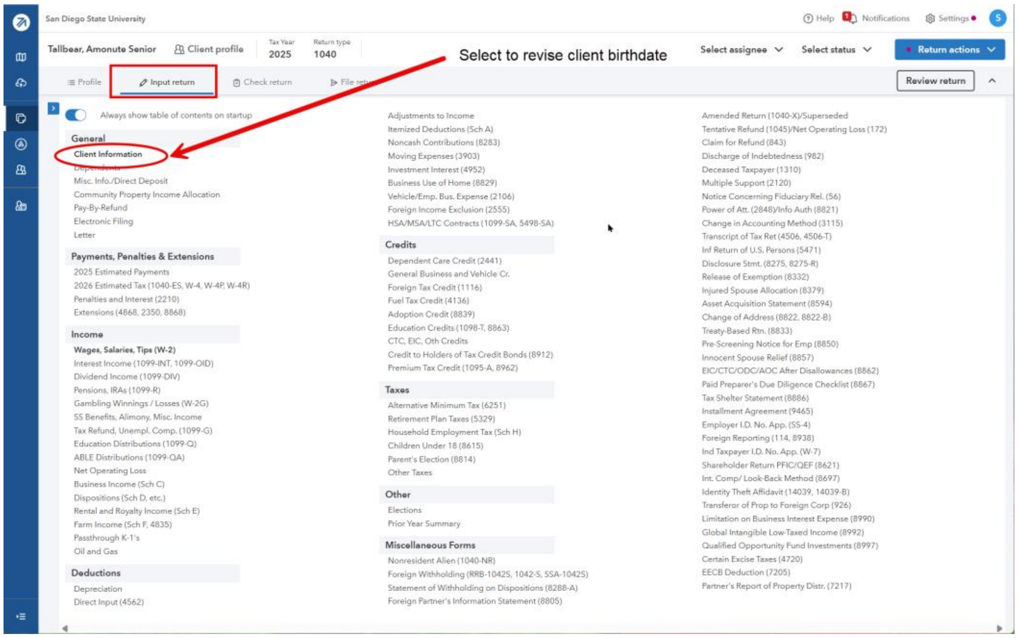
You may now select the copied tax return and use its *View return* dropdown box under the *Actions* column to R*ename return* (e.g., "Taxpayer Name Senior").



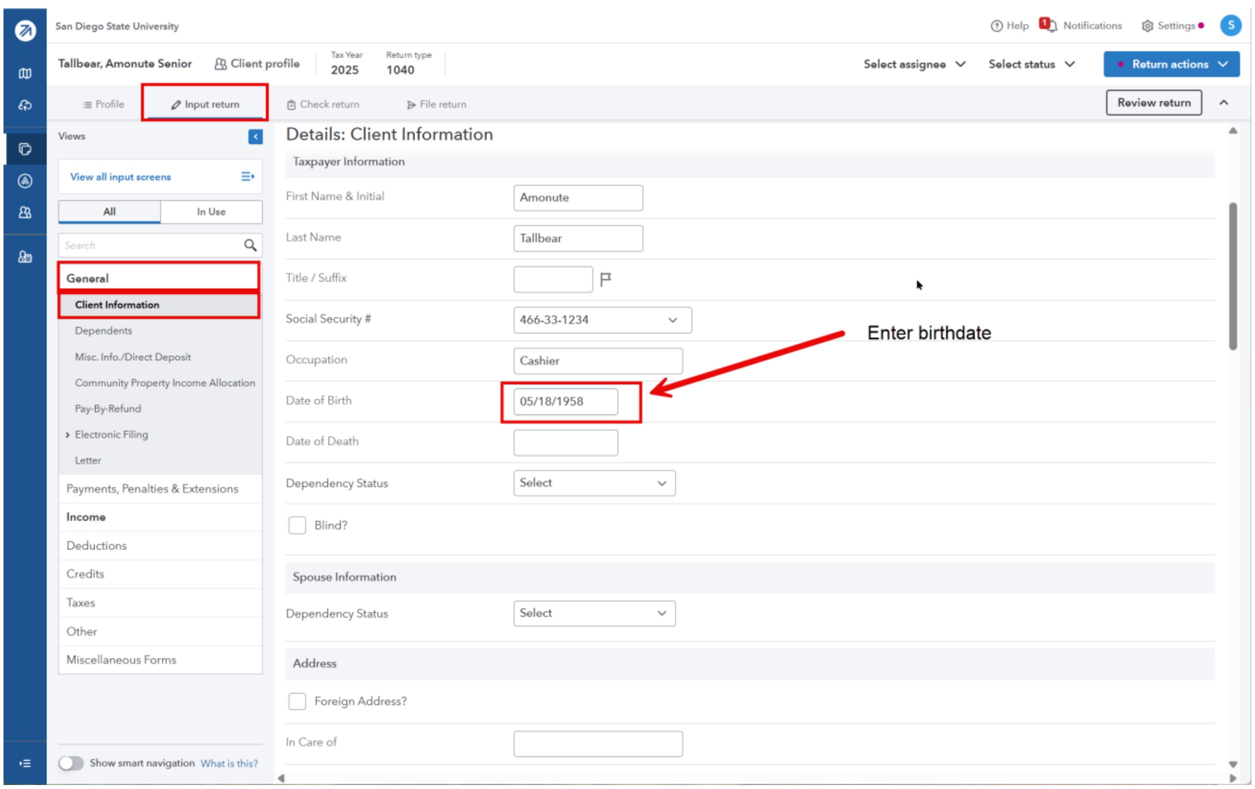
You can click on the renamed tax return for the taxpayer and the copy of the tax return will open.



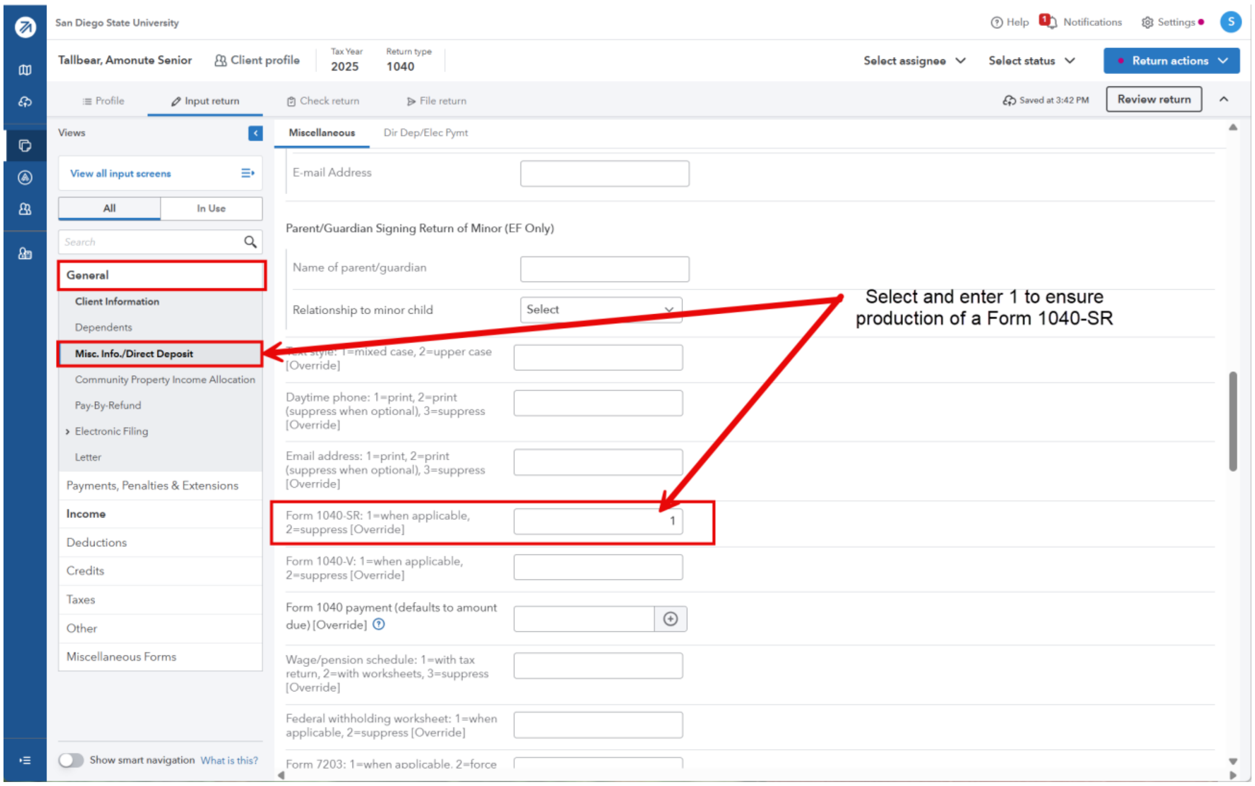
The birthdate can be revised by selecting *Input Return* and *General; Client Information*.



Change the taxpayer's birthdate to the revised date.



Early in the filing season, the software may not default to a Form 1040-SR. The 1040-SR can be "forced" by selecting *General* and then *Misc.Info./Direct Deposit* from the left menu. Scroll down to Form 1040-SR: 1=when applicable, 2=suppress [Overrride] and enter 1. Proconnect generally defaults to the most common settings for most taxpayers or transactions but frequently has an "override" for the tax preparer to replace the default with some other amount or setting. Overrides should be used cautiously.



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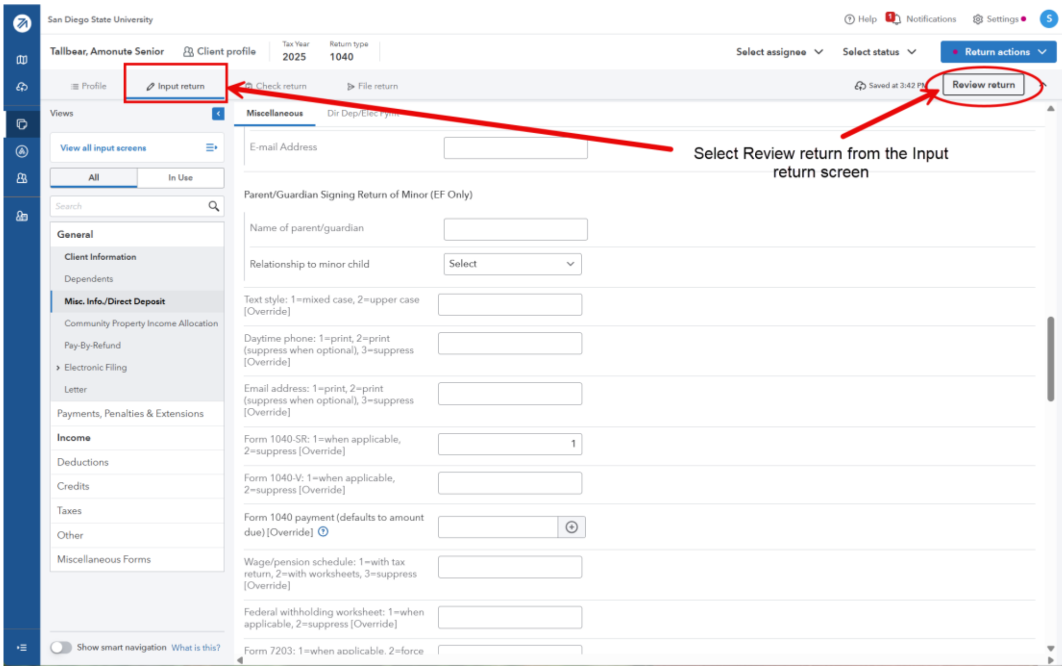

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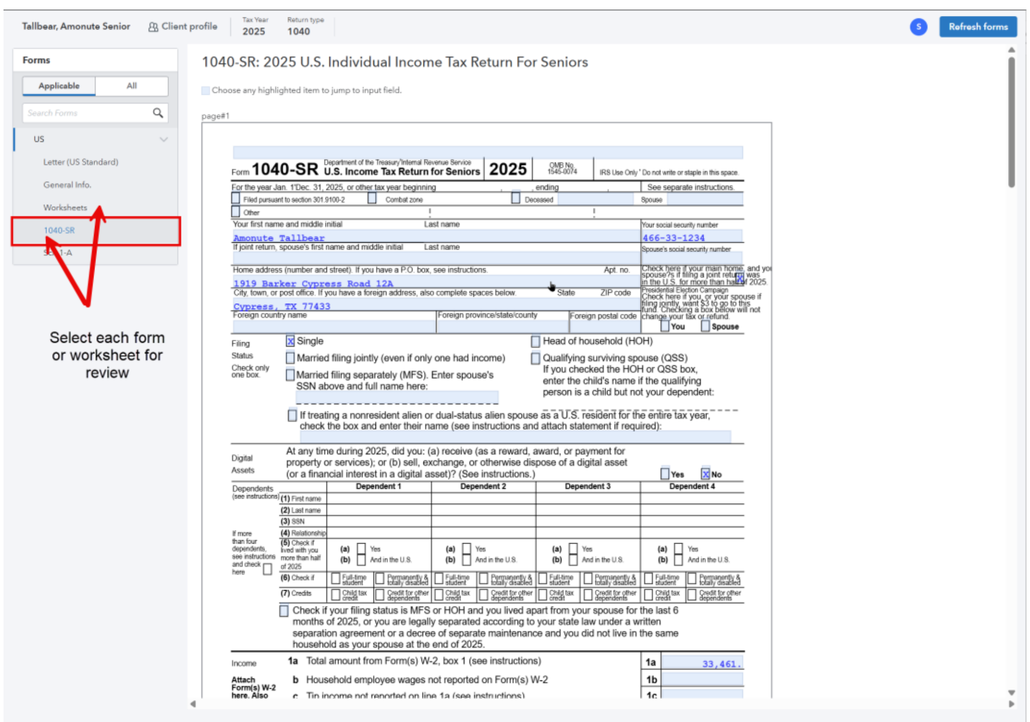

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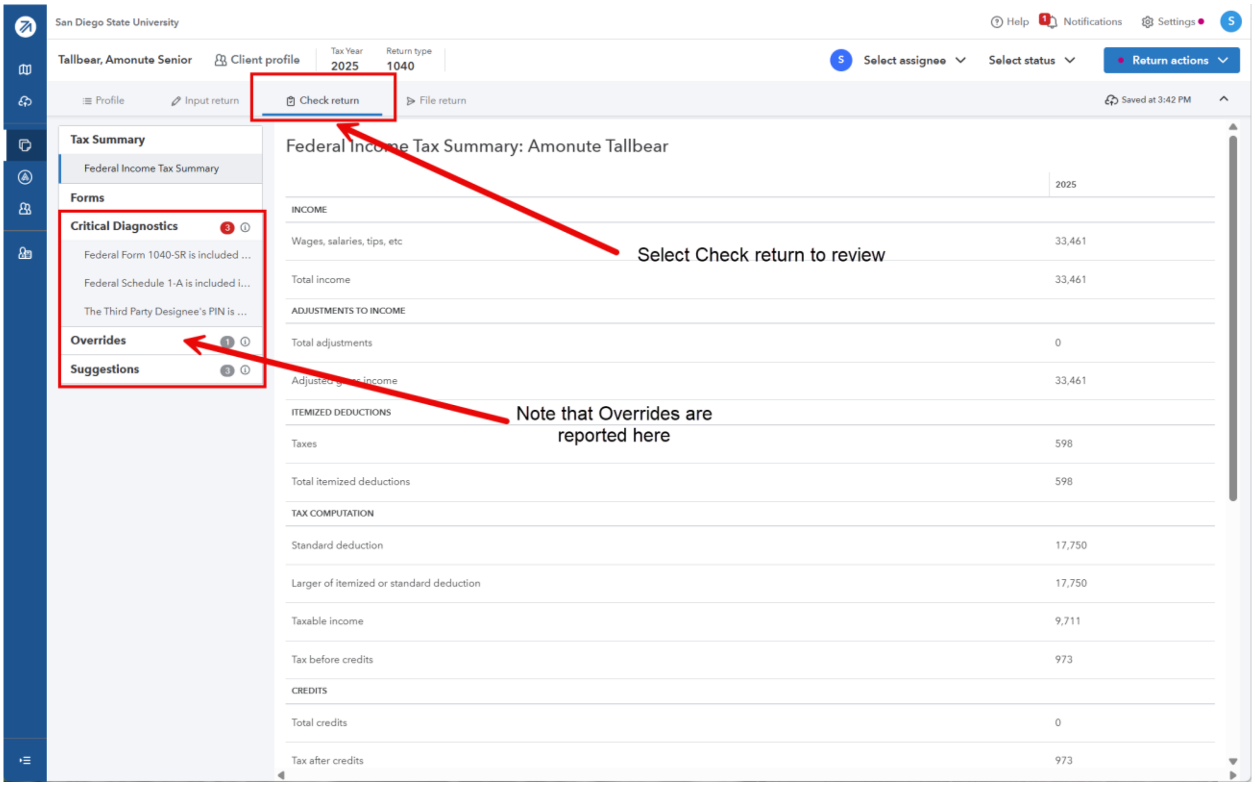

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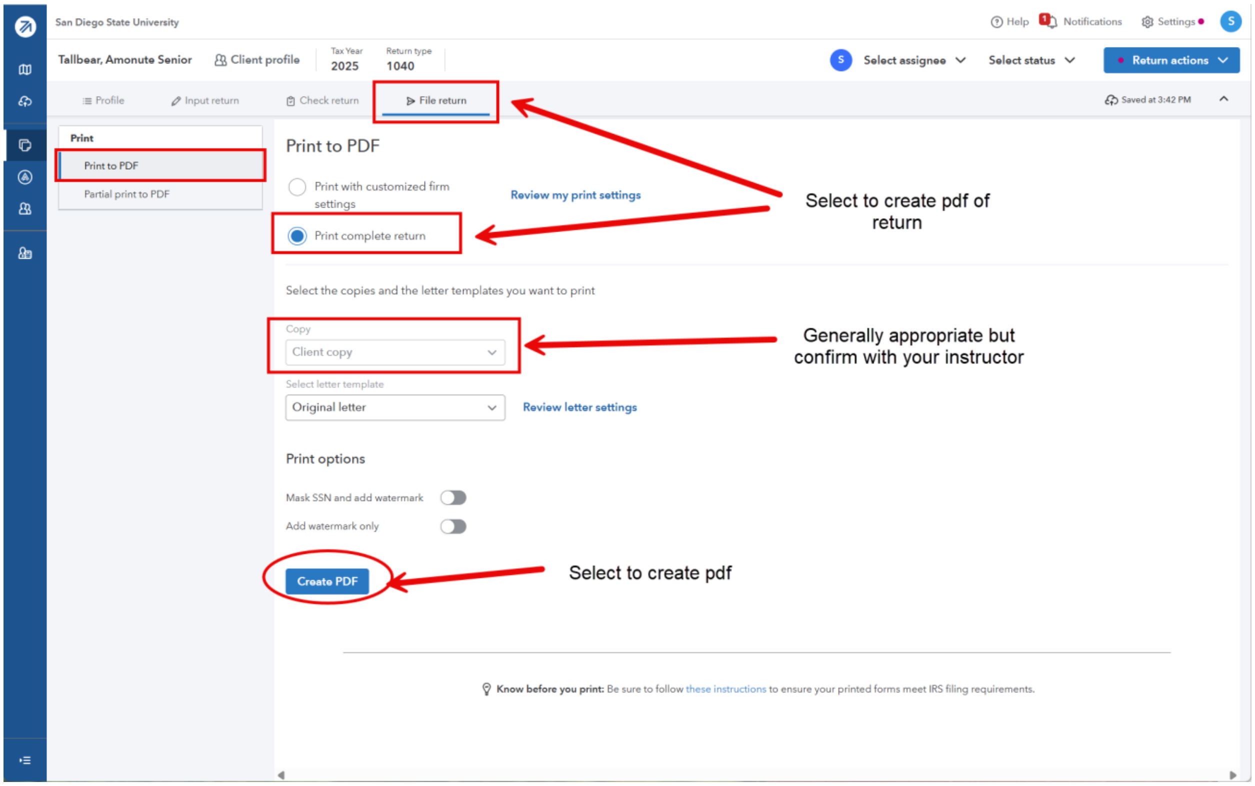

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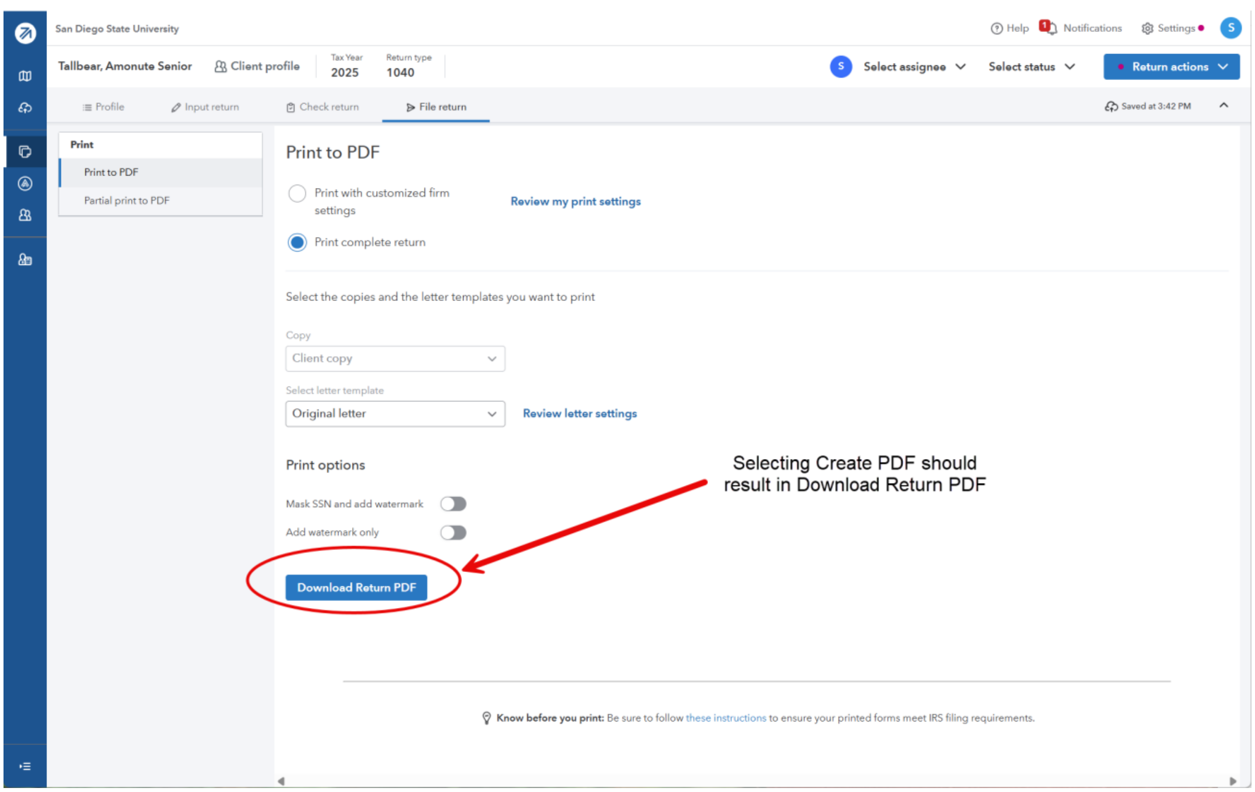

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CP.01-02A: Land, Richelle and Dallas

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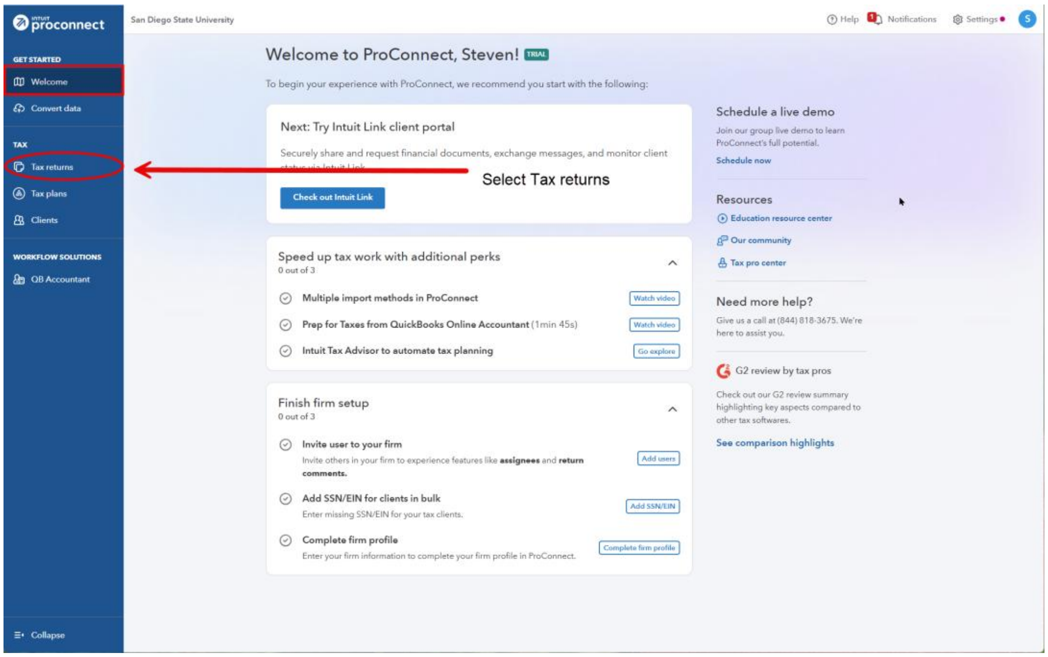
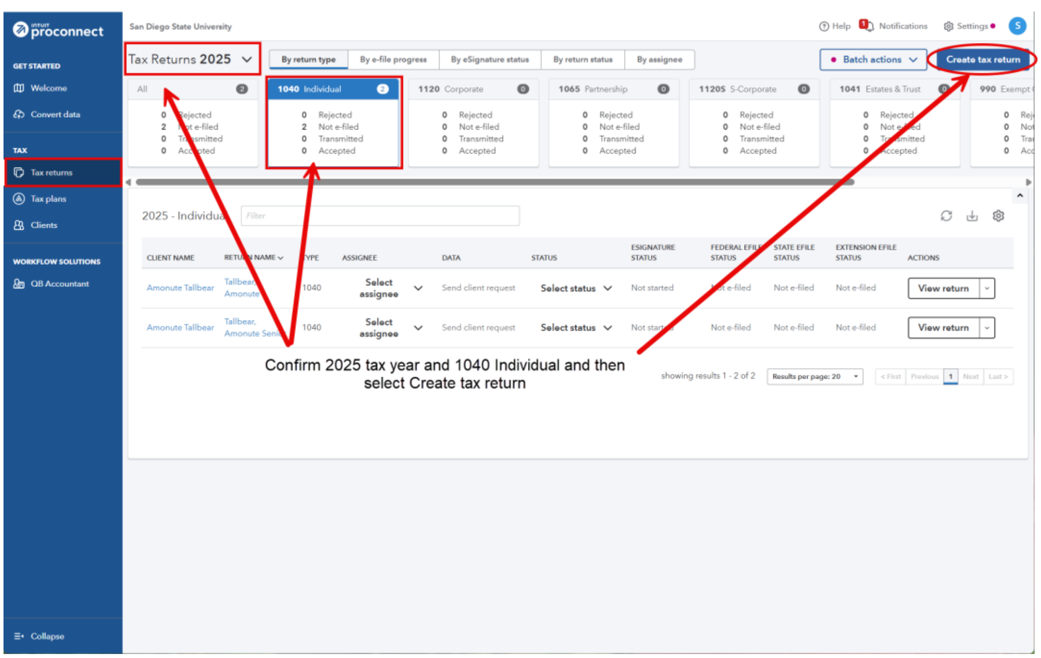
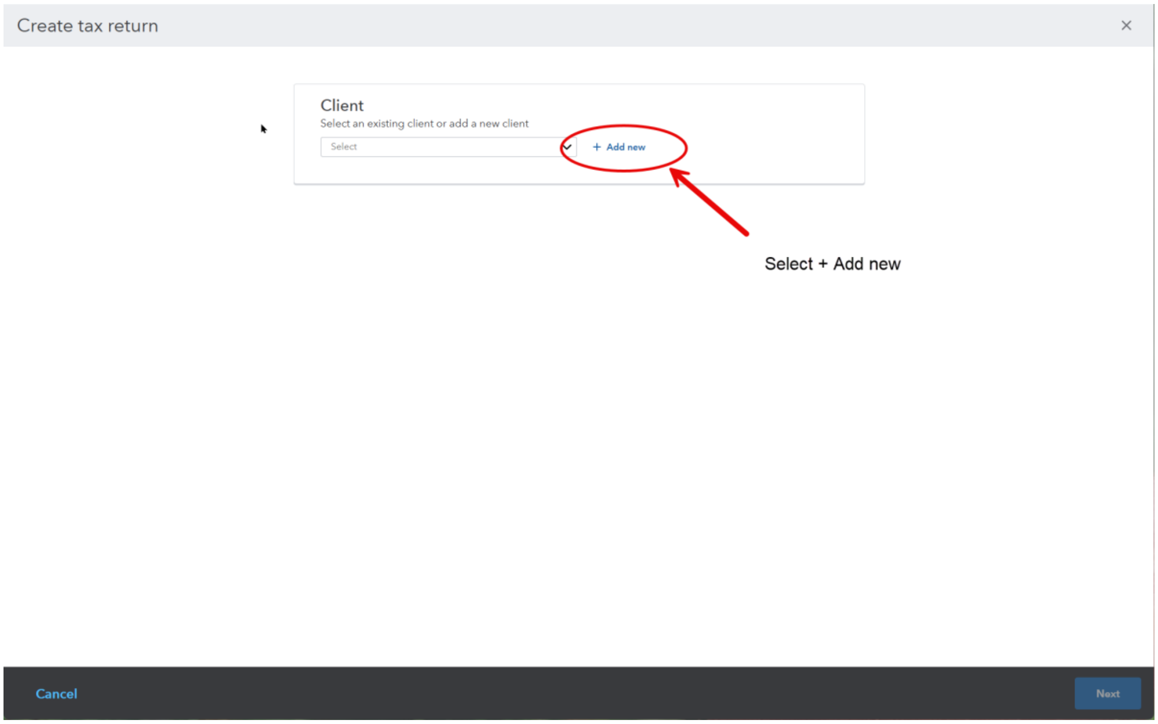


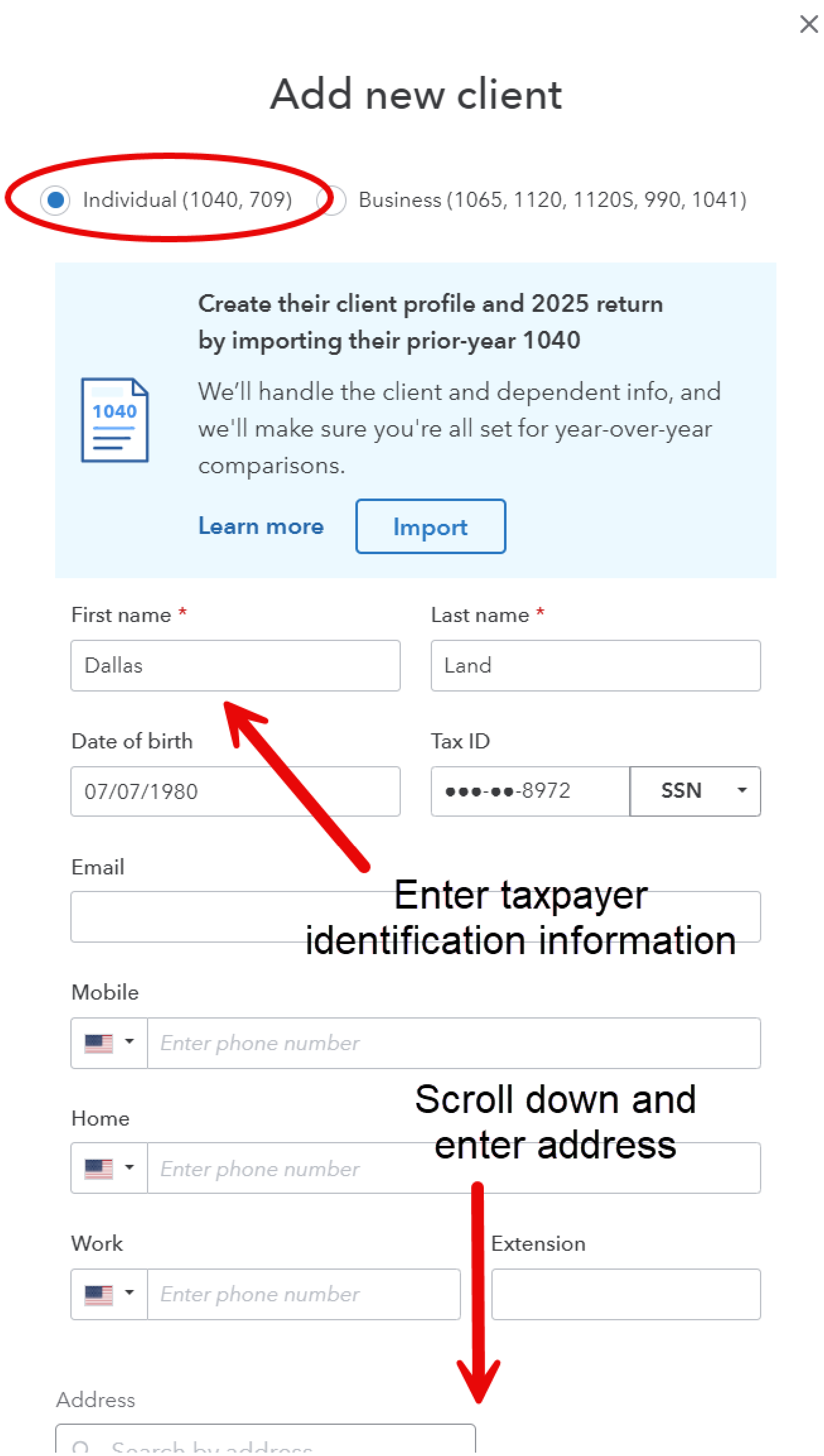
You will land on the *Tax Returns 2025* page. Confirm 2025 tax year and 1040 Individual and then select *Create tax return* in the upper right corner.



From the *Create tax return* screen, click the [+] for *Add new* and select the *Individual (1040,709)* button (it is selected as the default).



Enter the taxpayer's name, date of birth, and Tax ID. Note that ProConnect Tax tracks a married filing jointly client by one taxpayer and so often the primary income-earning taxpayer is entered as the default, since many of the input fields will default to that taxpayer. Email and phone numbers are not required but you may enter assumed data if you wish. Scroll down to enter the taxpayer's address.


Add new client
Individual (1040, 709)
Business (1065, 1120, 1120S, 990, 1041)
Create their client profile and 2025 return by importing their prior-year 1040
1040
We'll handle the client and dependent info, and we'll make sure you're all set for year-over-year comparisons.
Learn more
Import
First name *
Dallas
Last name *
Land
Date of birth
07/07/1980
Tax ID
●●●-●●-8972
SSN
Email
Enter taxpayer identification information
Mobile
Enter phone number
Home
Enter phone number
Scroll down and enter address
Work
Enter phone number
Extension
Address

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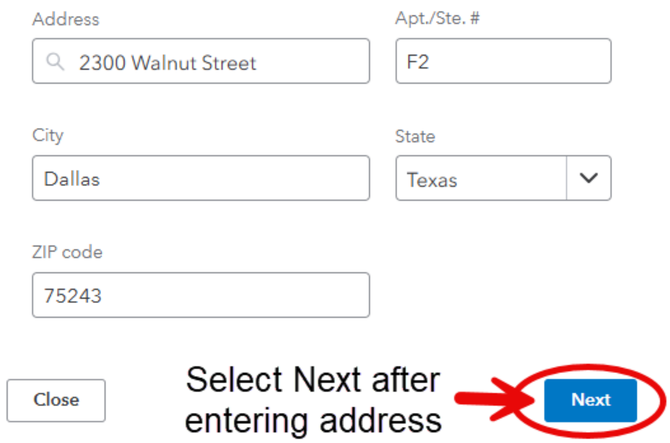

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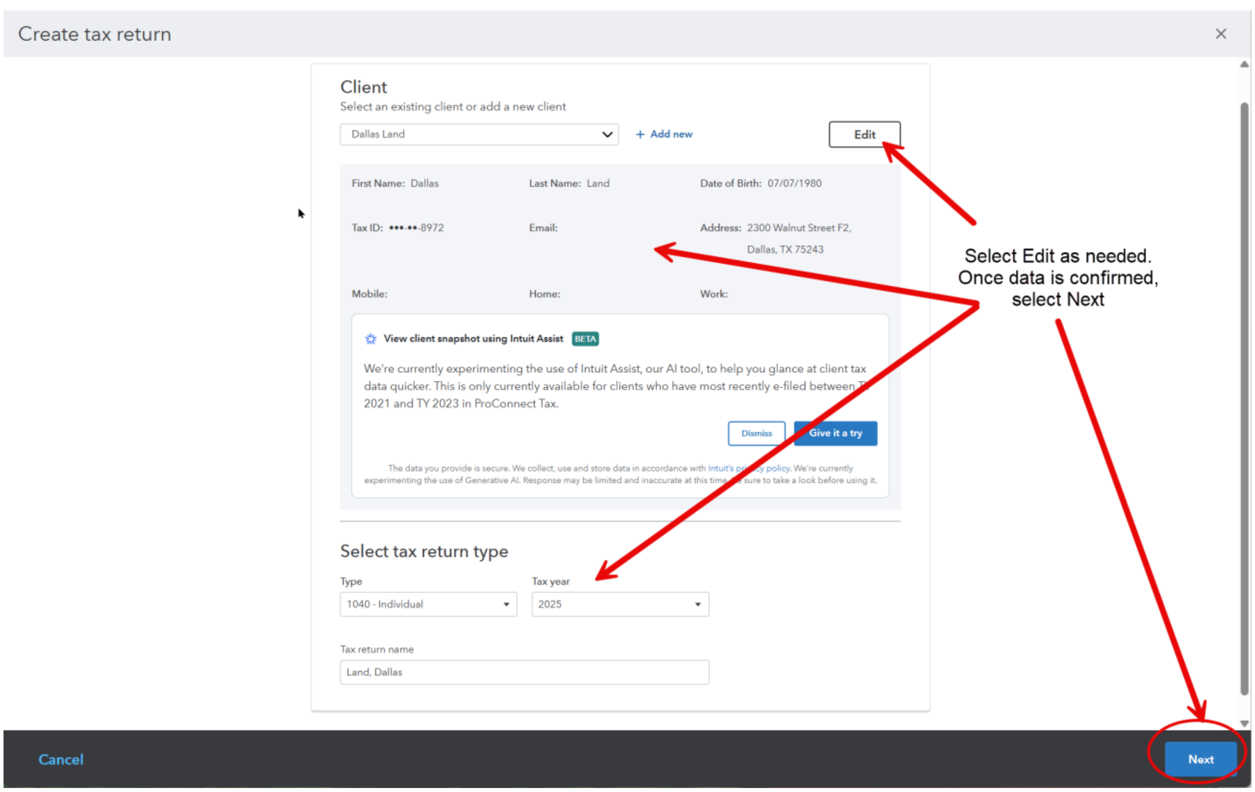
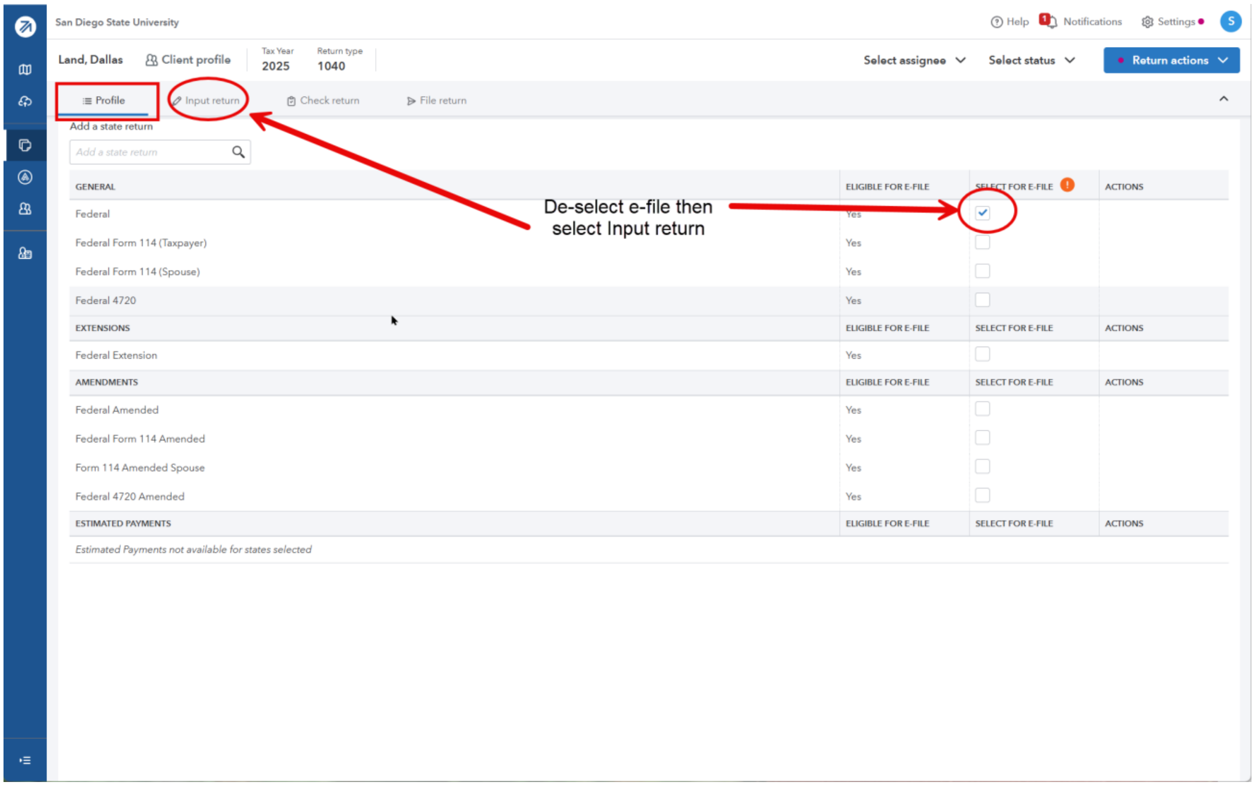
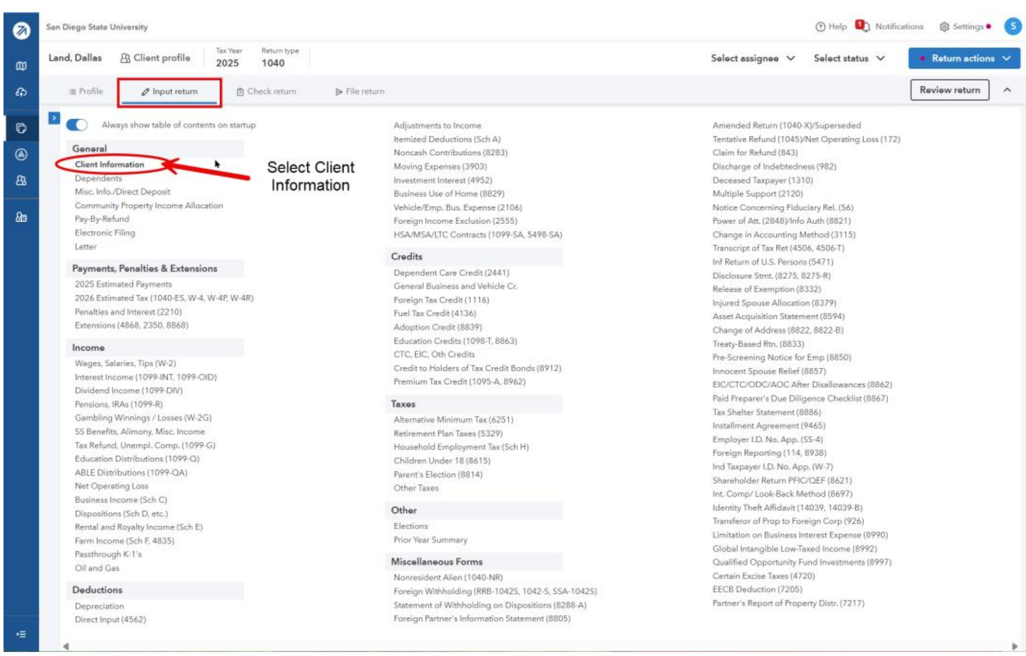


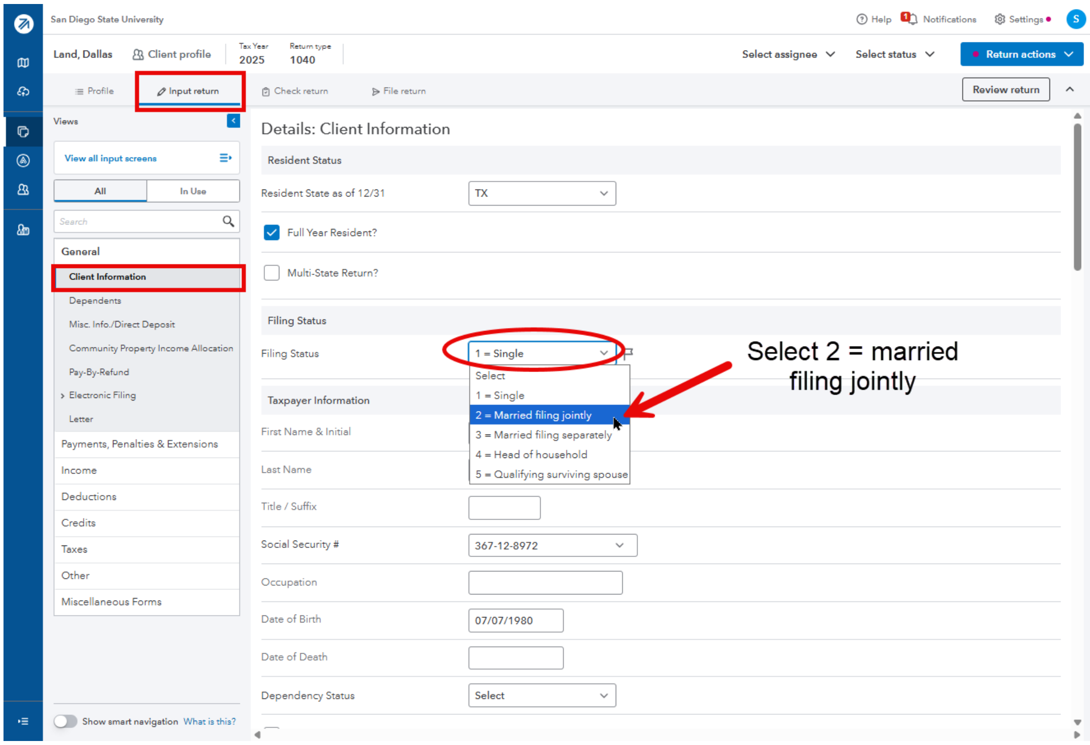
You have now landed on the taxpayer's 1040 *Profile* page. You may unselect *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but it is not required to do so.



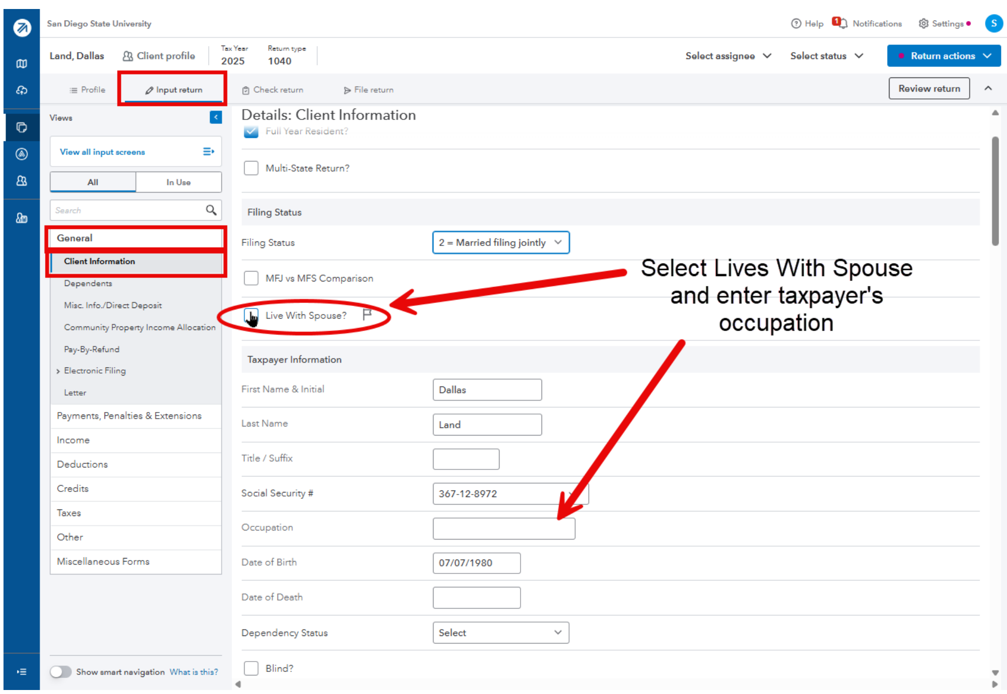
From the tabs near the top, select *Input Return* and *Client Information*.



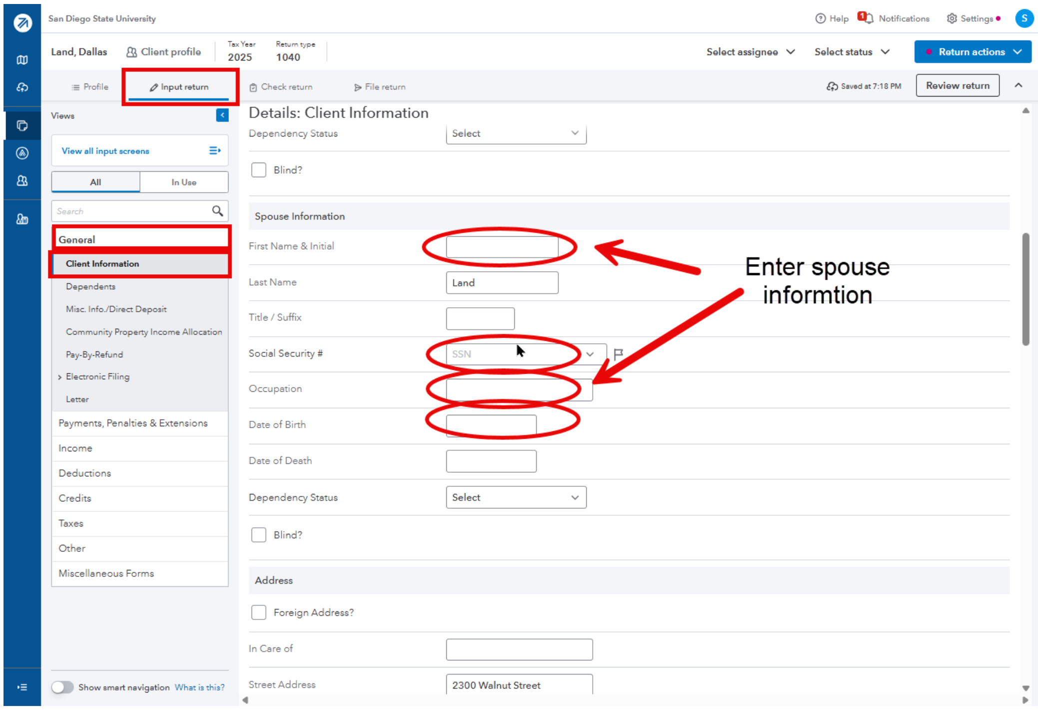
The *Filing Status* will appear in the main window. Change filing status to *2 = Married filing jointly*.



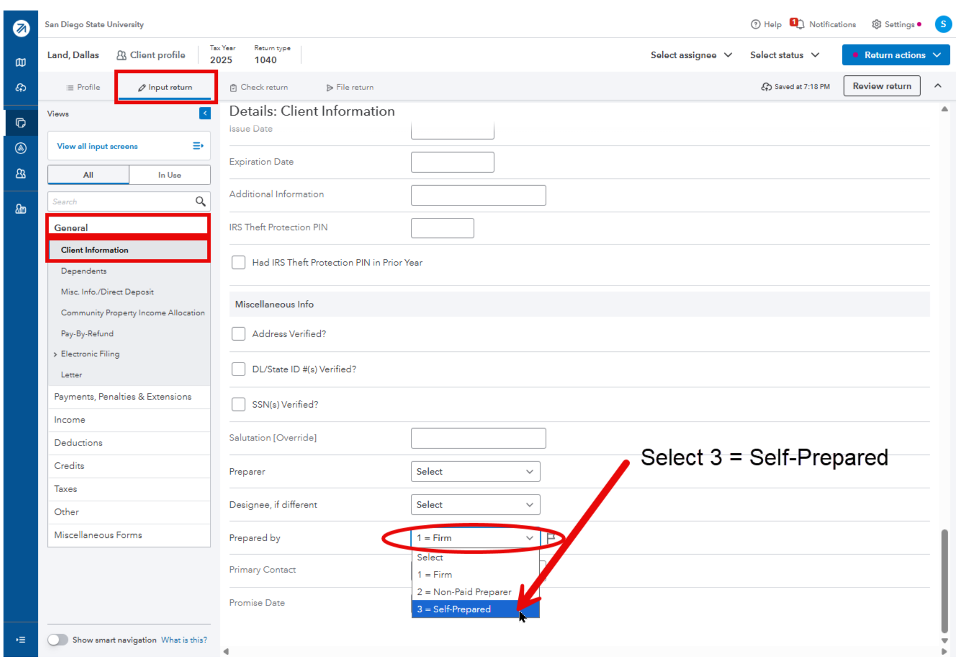
Check the *Live With Spouse?* Box that appears after you change the filing status. Scroll down this page and enter the *Occupation* for the taxpayer.



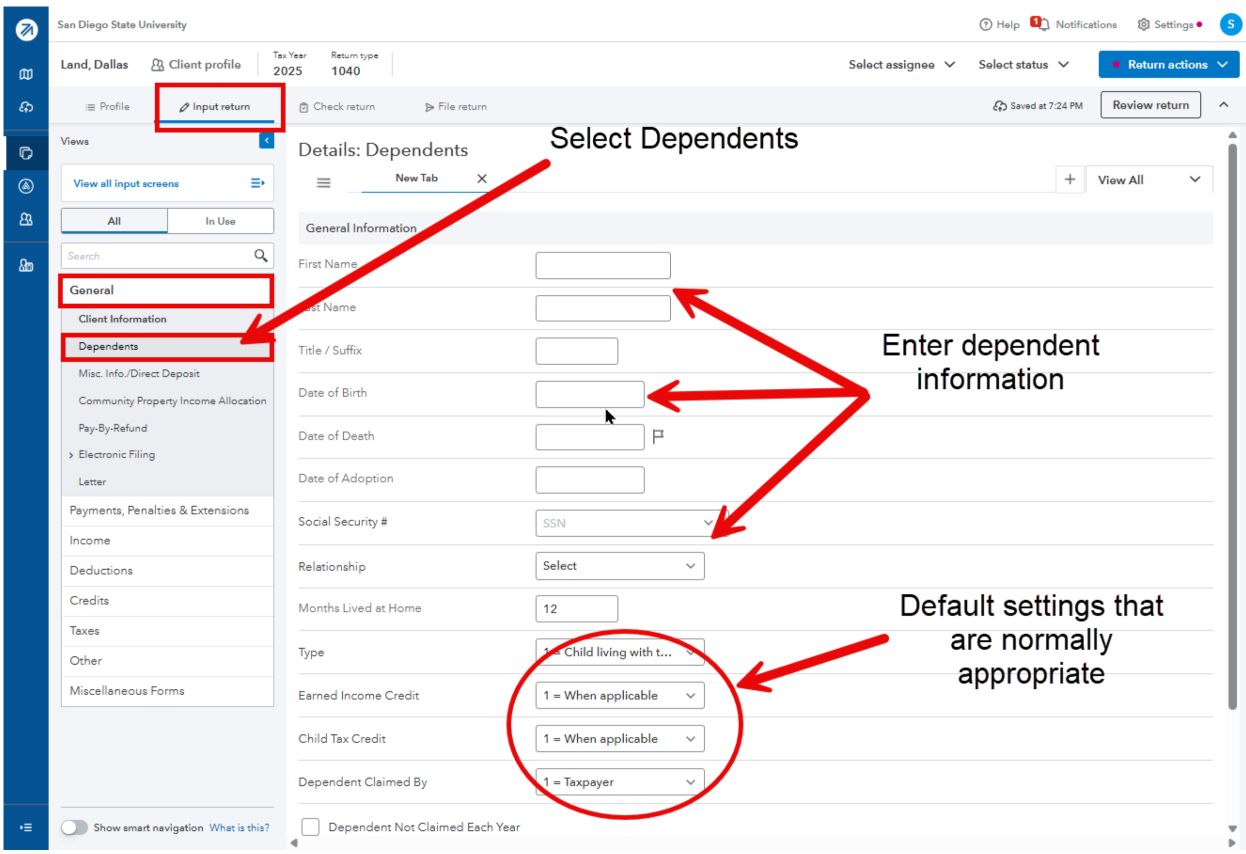
Scroll down this page and enter the Spouse Information (first name, Social Security number, occupation, and birthdate).



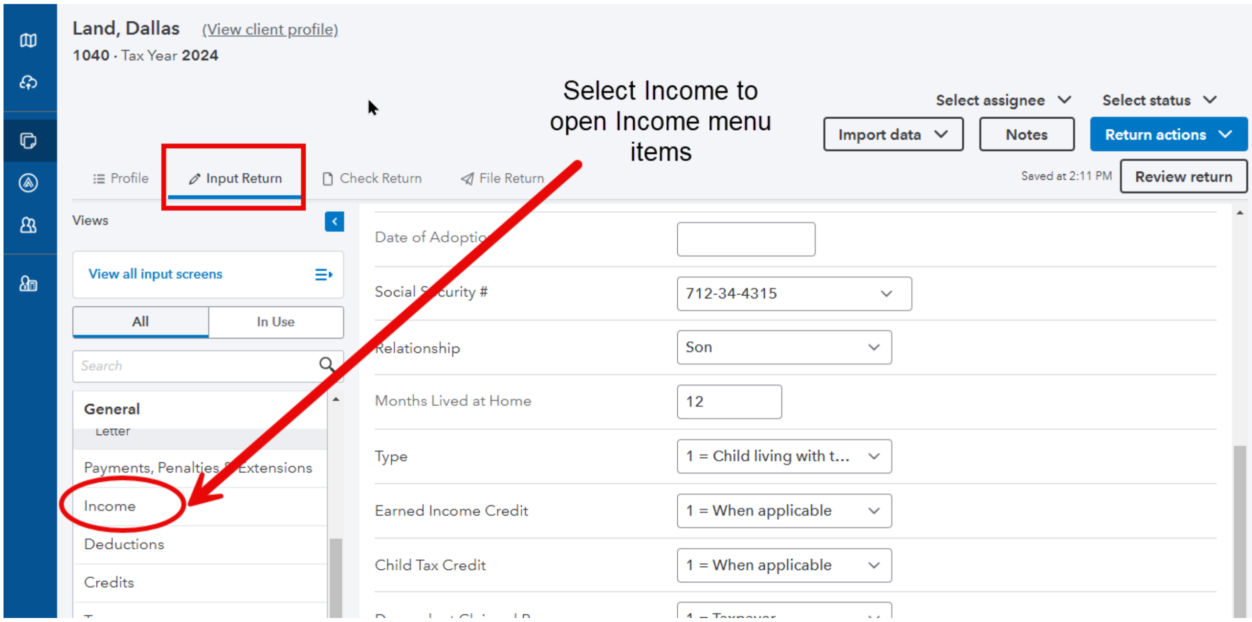
Continue to scroll down this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select *3=Self-Prepared*. Selecting *Self-Prepared* reduces the number of diagnostic errors identified by ProConnect since the software generally expects a paid preparer with a Preparer Tax Identification Number (PTIN) and E-filing Identification Number (EFIN).



To enter Legolas as a dependent, select *Dependents* from the menu on the left margin under *General Client Information*. You will now see the *General Information* tab on the right. Enter the information you have for the dependent (name, date of birth, Social Security number, relationship). Scrolling down, you may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*. The software will automatically determine the proper credit for the dependent (see ProConnect Tips on pp. 1-28 and 1-29 of the textbook).

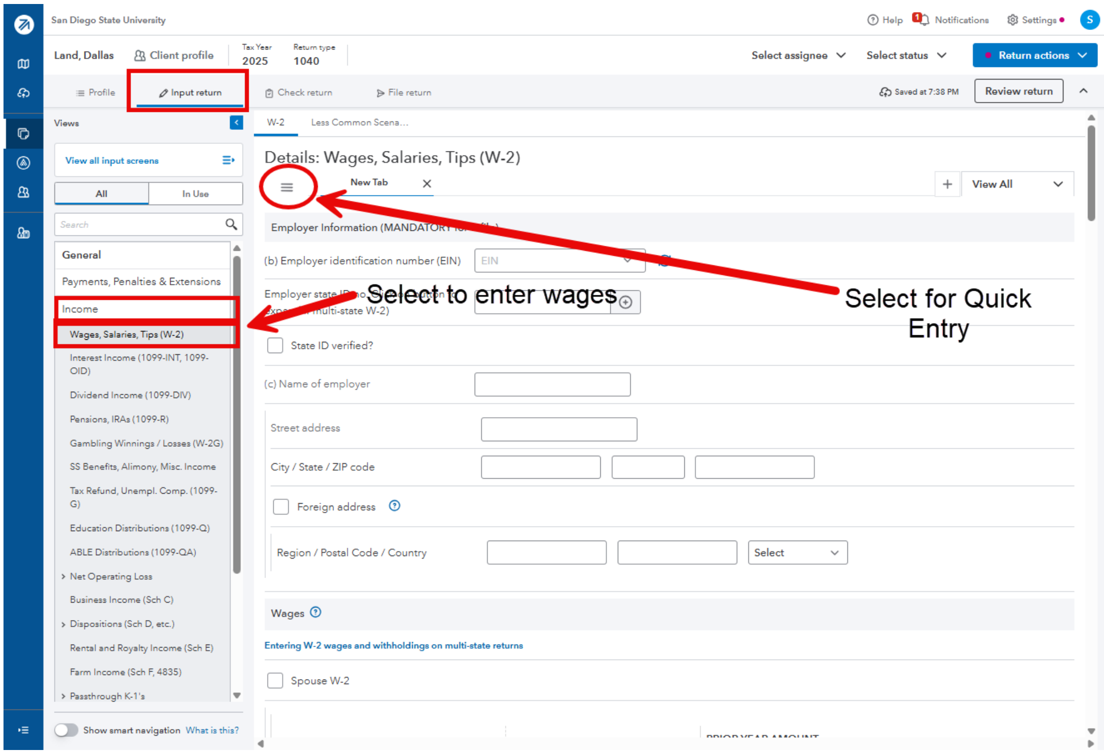


From the menu at the left, select *Income; Wages, Salaries, Tips (W-2).*

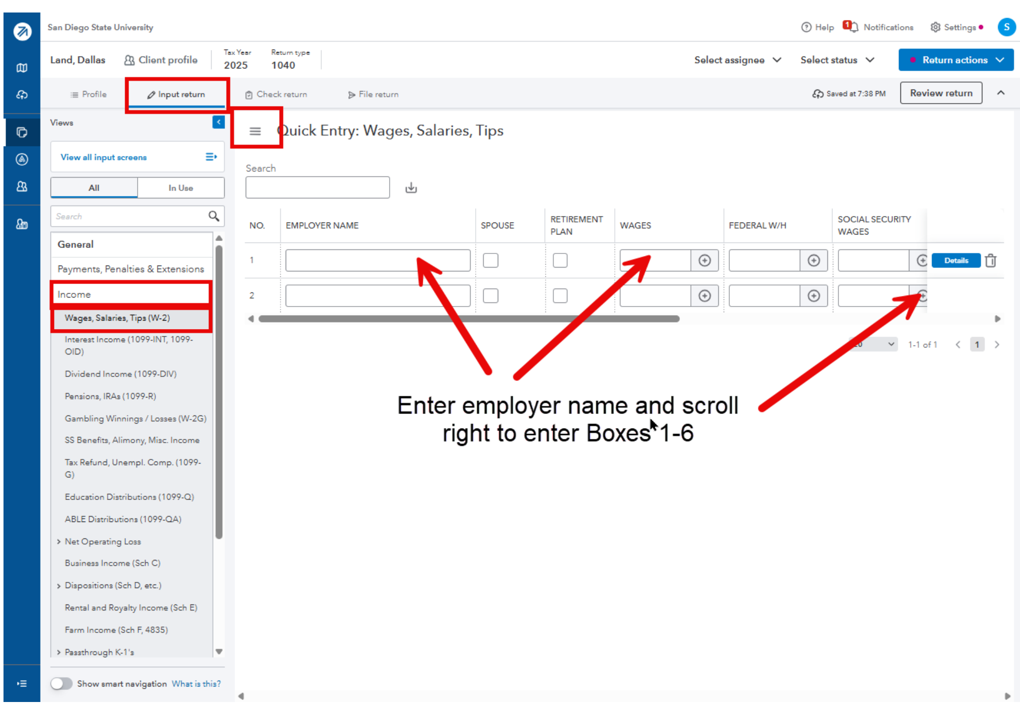


Once the sub-menu on the left opens, select *Wages, Salaries, Tips (W-2).* At the top of the entry form tabs two options are presented: *W-2* and *Less Common Scenarios*. Be certain you are on the *W-2* tab (the default). This screen is typical of a *Detailed Entry* screen in ProConnect. The information is entered in each field by scrolling down the page. Additional forms can be entered by selecting the Plus [+] symbol on the upper right. However, much of the detail is not necessary (especially when not e-filing) and many ProConnect screens also contain a *Quick Entry* option.

To access Quick Entry, select the icon that looks like a stack of three papers located in the upper left under the *Details: Wages, Salaries, Tips (W-2)* title. For this tax return guide, the quick entry is shown (see the Tax Prep Guide for CP.01-01A for instructions on the detail entry screen).



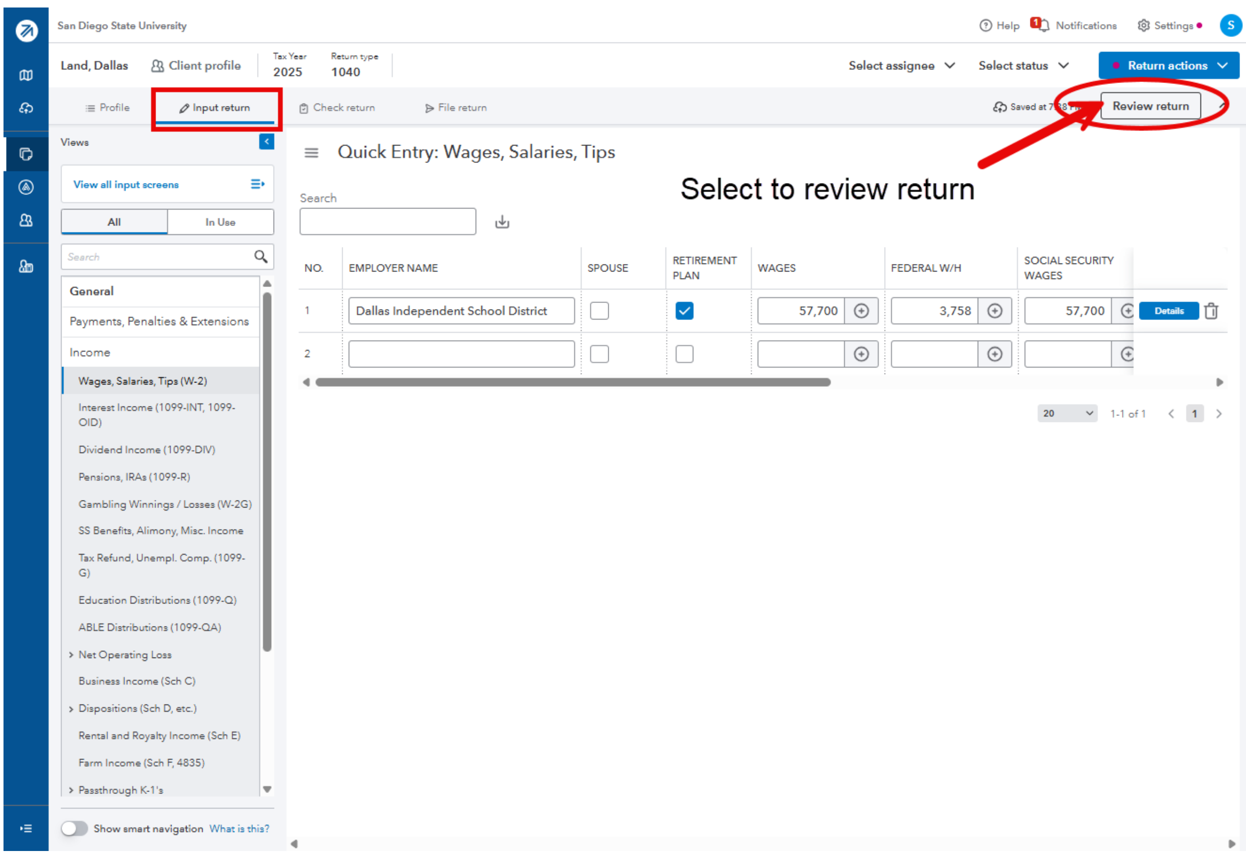
Enter the amounts for the taxpayer's *wages* and *federal income tax withheld*. Note that ProConnect Tax automatically enters the Social; Security and Medicare wages and amounts withheld. For most taxpayers, these amounts will match the Form W-2 but the tax preparer should always confirm the amounts are the same as reported. The information entered is saved automatically.



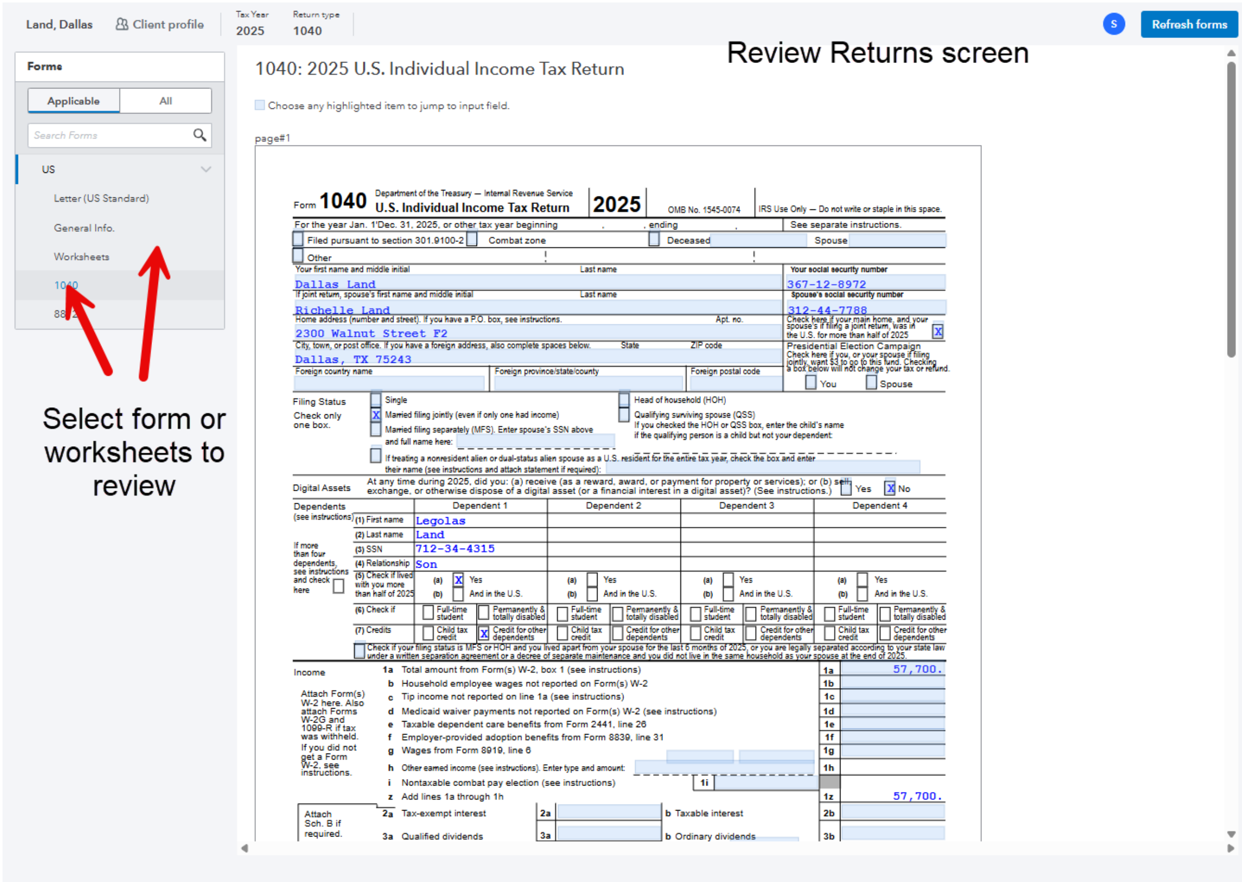
Note that *quick entry* is generally used when not e-filing. Additional information such as the EIN of the employer must be entered for an e-filed return. The tax preparer can always click the blue *Details* box on the right margin to see the *detailed entry* screen.

ProConnect also automatically rounds amounts to the nearest $1, which is permitted by the IRS. Because this taxpayer lives in Texas (a non-income tax state), no state input is required but preparers should always be sure and confirm state input from Boxes 15 and higher. The information entered is saved automatically.

There are no other items of income or deductions to enter for this taxpayer. You can review the tax return at any time by selecting *Review return* in the upper right corner.



The graphics displayed in the *Review return* screen will sometimes not match the actual form and should only be used to confirm general accuracy. Additionally, if you make additional changes to the tax return, the Review Return screen does not automatically update. Either select Refresh Forms to update after changes or just close the window and Select Review Return as shown previously.

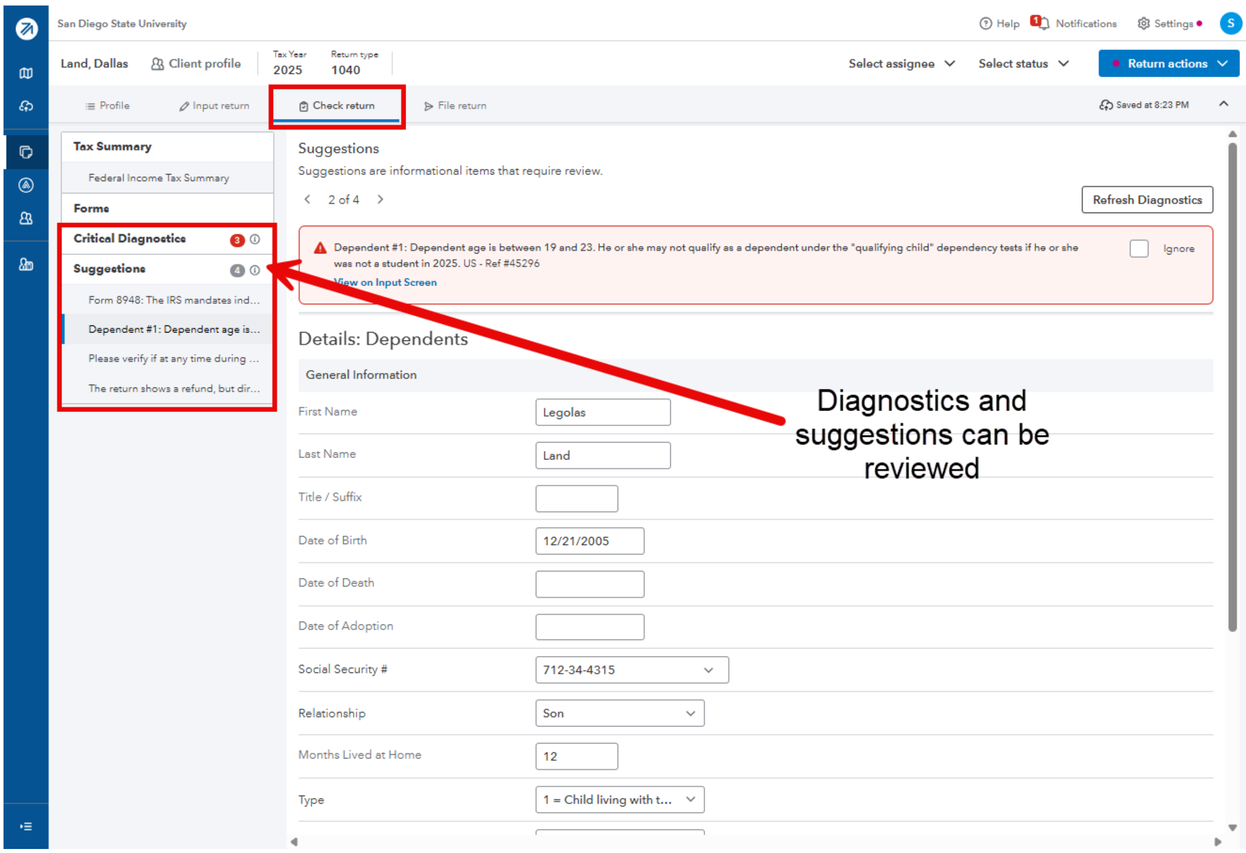


There is no single procedure for reviewing a tax return for accuracy. Different clients will demand different processes for review; however, there are a few rules of thumb that can be used:

- Is (are) the name(s) correct?
- Is the taxpayer's address correct?
- Is (are) the taxpayer's and dependents taxpayer identification numbers (usually SSN) correct?
- Did you confirm the filing status on the return matches that of the information provided?
- Are all qualifying dependents shown on the return (including if the taxpayer can be claimed as a dependent)?
- Confirm the tax return output (the forms) with the related source documents. For example:
  - Confirm that wages equal the totals for all Box 1 of Form W-2s
  - Confirm that federal tax withheld equals the total reported in Box 2 of all Form W-2s
- Confirm that the results of the tax return appear reasonable. For example, a modest income taxpayer would likely expect a refund. Is the refund or payment amount consistent with your understanding of the return?

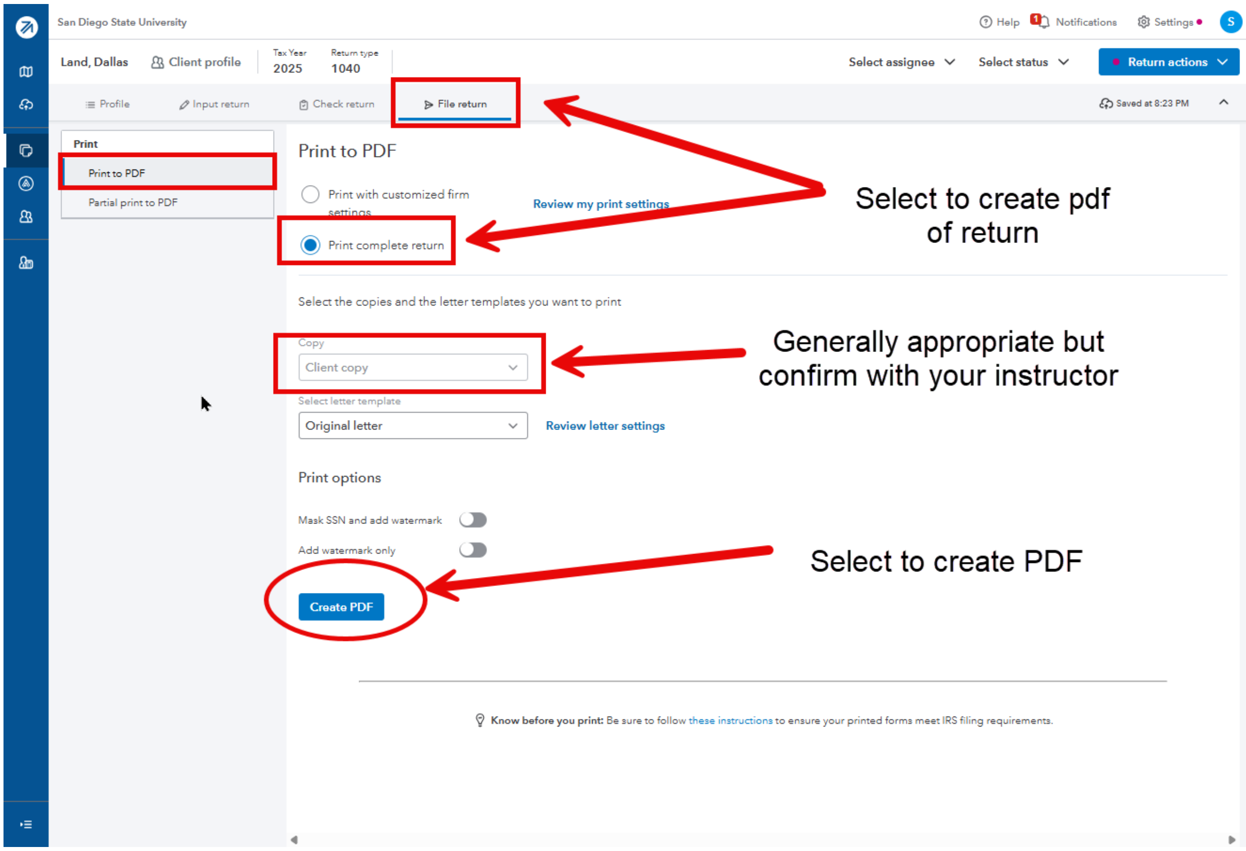
Often, reviewing an income tax return starts with confirming the totals with source documents. If they do not agree, investigate any supplemental forms or schedules that support that total. Tax return review requires some experience that will come with preparing and reviewing additional returns. You may want to use [IRS Form 6729-C](), the VITA Quality Review checklist to assist you.

You can also review the summary of the tax return by selecting the *Check Return* tab near the top of the screen. The *Check Return* screen also includes *Critical Diagnostics* and *Suggestions* for the tax return. In many instances, these will related to electronic filing issues and may be ignored since ITF's hypothetical taxpayers will not be e-filing (or paper filing for that matter). For example, a common Critical Diagnostic is "The third party designee's PIN is missing or invalid." Additional errors or suggestions may need to be considered by the preparer.

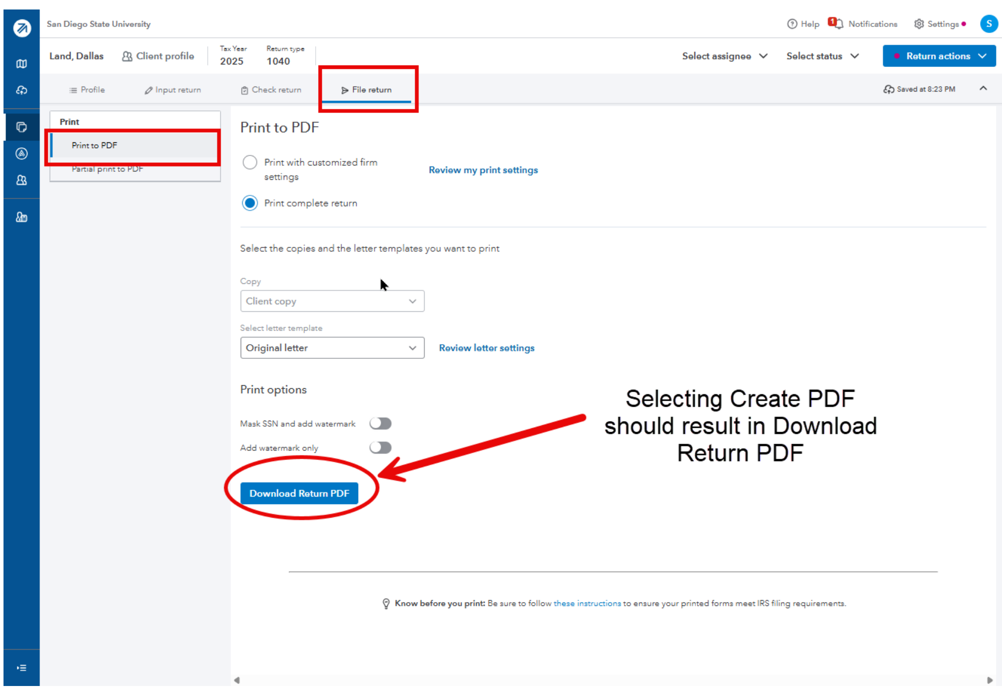


Note that the default setting in ProConnect is for "No" for the digital asset question that appears on Page 1 of the Form 1040.

Once the return is considered complete, from the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *Print to PDF*. Select the *Print complete return* button and then select the blue *Create PDF* box near the bottom left of the screen.



The result will be a *Download Return PDF* blue button that you should click on.



The return should open in a new tab. Note that occasionally, some student users will be affiliated with a commercial account and the software may ask for credits in order to print the return. In this situation, the student should contact the Intuit ProConnect support desk via telephone. ProConnect support can be found under *Help* and *Help portal* and then select *Contact Us* in the far left blue margins. The student should be in ProConnect when they contact support so they can provide the user's Realm Number to the ProConnect support representative.

Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return like any other pdf file. Remember where you save the tax return. Close the PDF.

CO.01-02B: Gandt, Abigail

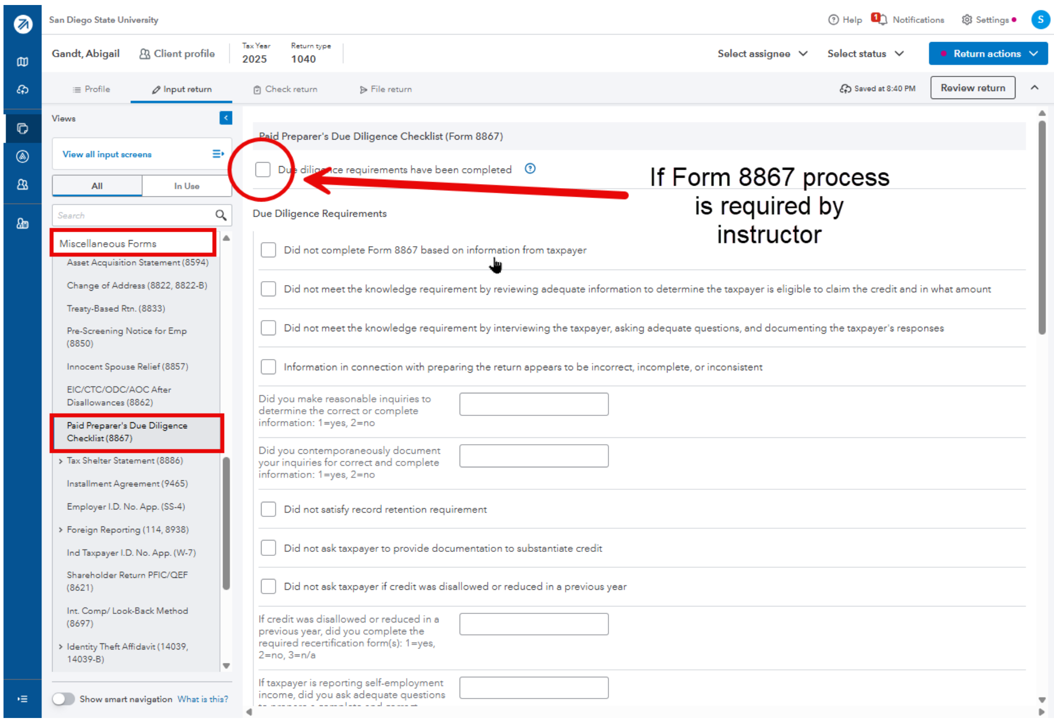
Note to instructors: The Tax Prep Guides for each successive problem assume that at least some of the previous tax return problems have been attempted. For more complete instructions on creating the client and entering client data, see one of the previous problems in the Chapter 1 Tax Prep Guide.

Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin. You will land on the *Tax Returns 2025* page. Select *Create tax return* in the upper right corner.

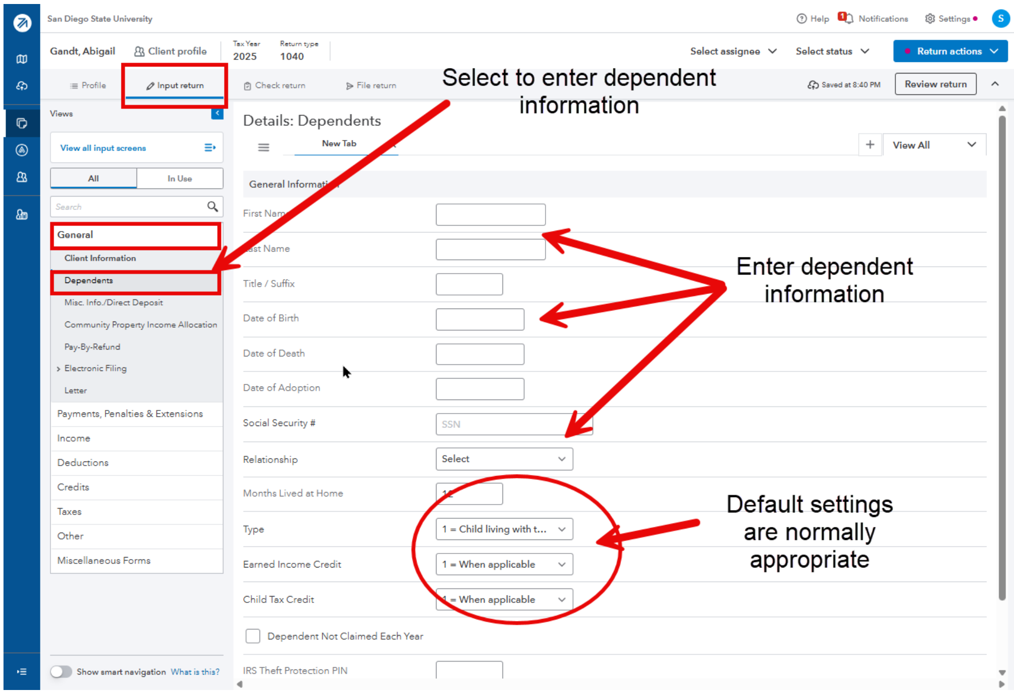
From the *Create tax return* screen, click the [+] for *Add new* and select the *Individual (1040,709)* button (it is selected as the default). Fill out the information for the taxpayer. Email and phone numbers are not required but you may enter assumed data if you wish. Enter the address in the Search by address box to open the remaining address boxes for manual completion. Click on *Next* at the lower right. On the next screen *Client*, you may review the information you input, make any corrections necessary through the *Edit* button on the upper right, and once satisfied, click on *Next* at the lower right.

You have now landed on the taxpayer's 1040 *Profile* page. You may unselect *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but it is not required. From the tabs near the top, select *Input Return*. Select *General* and *Client Information.* The *Filing Status* will appear on the in the main window. Change filing status to *4=Head of household*. Scroll down this page and enter the *Occupation* for the taxpayer. Continue to scroll down through this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select 3 for *Self-Prepared*.

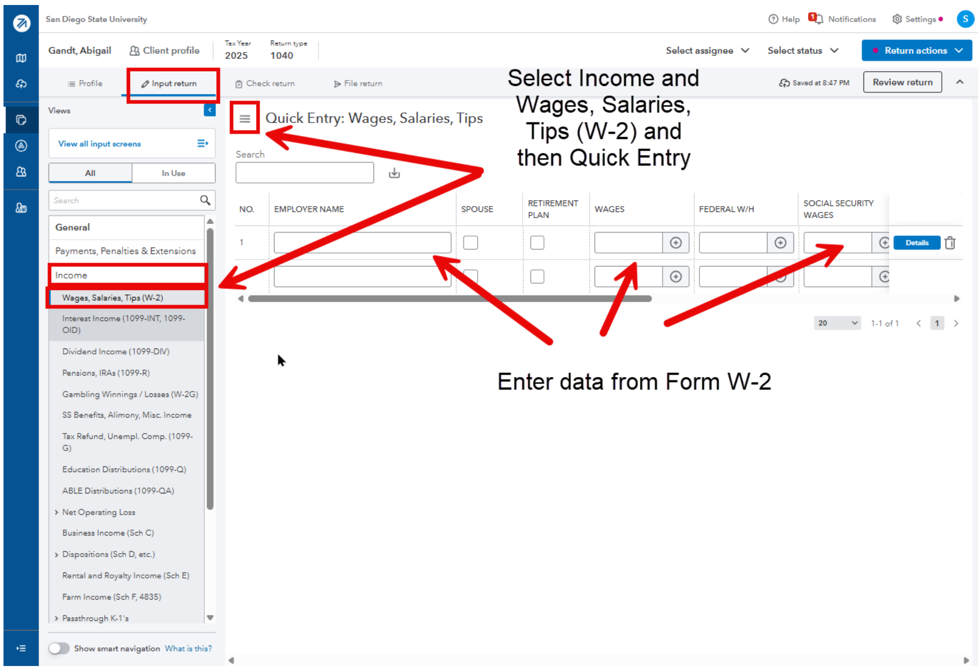
Note to instructors: If you prefer the students to consider Form 8867 Due Diligence Checklist related to the Head of Household filing status, select *Prepared by 1=Firm*. Form 8867 can be found in the left hand menu under *Miscellaneous Forms/Paid Preparer's Due Diligence Checklist (8867)*. Note that ProConnect Tax dos not provide the inquiries necessary for performing due diligence. The preparer checks a box that indicates all requirements have been met. The remainder of the screen is to indicate deviations from due diligence.



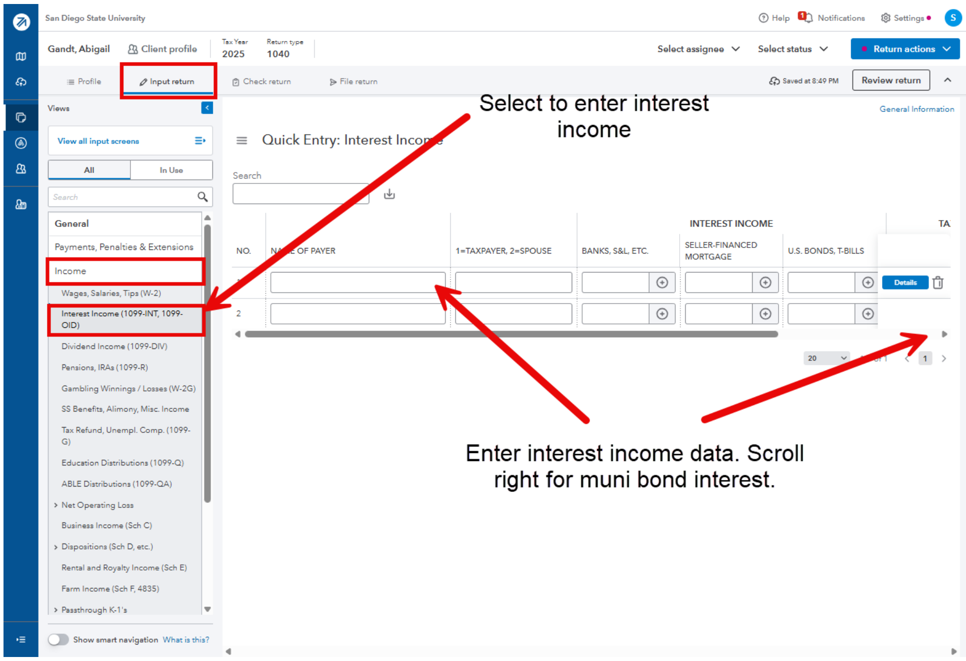
From the menu at the left, select *General; Dependents.* You will now see the *General Information* tab on the right. Enter the information you have for any dependent (name, Social Security number, relationship). You may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*. The software will automatically determine the proper credit for the dependent (see ProConnect Tip on pp. 1-28 and 1-29 of the textbook).



From the menu at the left, select *Income; Wages, Salaries, Tips (W-2)*. See the *New Tab* above and click on the icon that looks like a sheet of paper, to the left of *New Tab*. This action takes you to the *Quick Entry: Wages, Salaries, Tips* screen. Enter the amounts for the taxpayer's *wages* and *federal income tax withheld*.



To enter the interest income, from the menu at the left, select *Income; Interest Income (1099-INT, 1099-OID)*. Note that the default screen for interest income is *Quick Entry*. For the taxable interest, on the first row, enter the *name of the payer* and enter the amount for *Banks, S&L, etc.* For the tax-exempt interest, scroll down to *No. 2* (second row) on the same screen, enter the *name of the payer* and enter the amount for *Total Municipal Bonds* (you may enter the information for *in-state municipal bonds* but it will have no effect since South Dakota does not have a state income tax).



There are no other items of income or deductions to enter for this taxpayer.

Note to instructors: The Tax Prep Guides for each successive problem assume that at least some of the previous tax return problems have been attempted. For more complete instructions on reviewing and printing the tax return, see one of the previous problems in the Chapter 1 Tax Prep Guide.

You can review the tax return at any time by selecting *Review return* in the upper right corner. The graphics displayed in the *Review return* screen will sometimes not match the actual form and should only be used to confirm general accuracy. Additionally, if you make additional changes to the tax return, the Review Return screen does not automatically update. Either select Refresh Forms to update after changes or just close the window and Select Review Return as shown previously.

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- Is (are) the name(s) correct?
- Is the taxpayer's address correct?
- Is (are) the taxpayer's and dependents taxpayer identification numbers (usually SSN) correct?
- Did you confirm the filing status on the return matches that of the information provided?

- Are all qualifying dependents shown on the return (including if the taxpayer can be claimed as a dependent)?
- Confirm the tax return output (the forms) with the related source documents. For example:
  - Confirm that wages equal the totals for all Box 1 of Form W-2s
  - Confirm that federal tax withheld equals the total reported in Box 2 of all Form W-2s
- Confirm that the results of the tax return appear reasonable. For example, a modest income taxpayer would likely expect a refund. Is the refund or payment amount consistent with your understanding of the return?

Often, reviewing an income tax return starts with confirming the totals with source documents. If they do not agree, investigate any supplemental forms or schedules that support that total. Tax return review requires some experience that will come with preparing and reviewing additional returns. You may want to use IRS Form 6729-C, the VITA Quality Review checklist to assist you.

You can also review the summary of the tax return by selecting the *Check Return* tab near the top of the screen. The *Check Return* screen also includes *Critical Diagnostics* and *Suggestions* for the tax return. In many instances, these will related to electronic filing issues and may be ignored since ITF's hypothetical taxpayers will not be e-filing (or paper filing for that matter). For example, a common Critical Diagnostic is "The third party designee's PIN is missing or invalid." Additional errors or suggestions may need to be considered by the preparer.

Note that the default setting in ProConnect is for "No" for the digital asset question that appears on Page 1 of the Form 1040.

Once the return is considered complete, from the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *Print to PDF.* Select the *Print complete return* button and then select the blue *Create PDF* box near the bottom left of the screen.

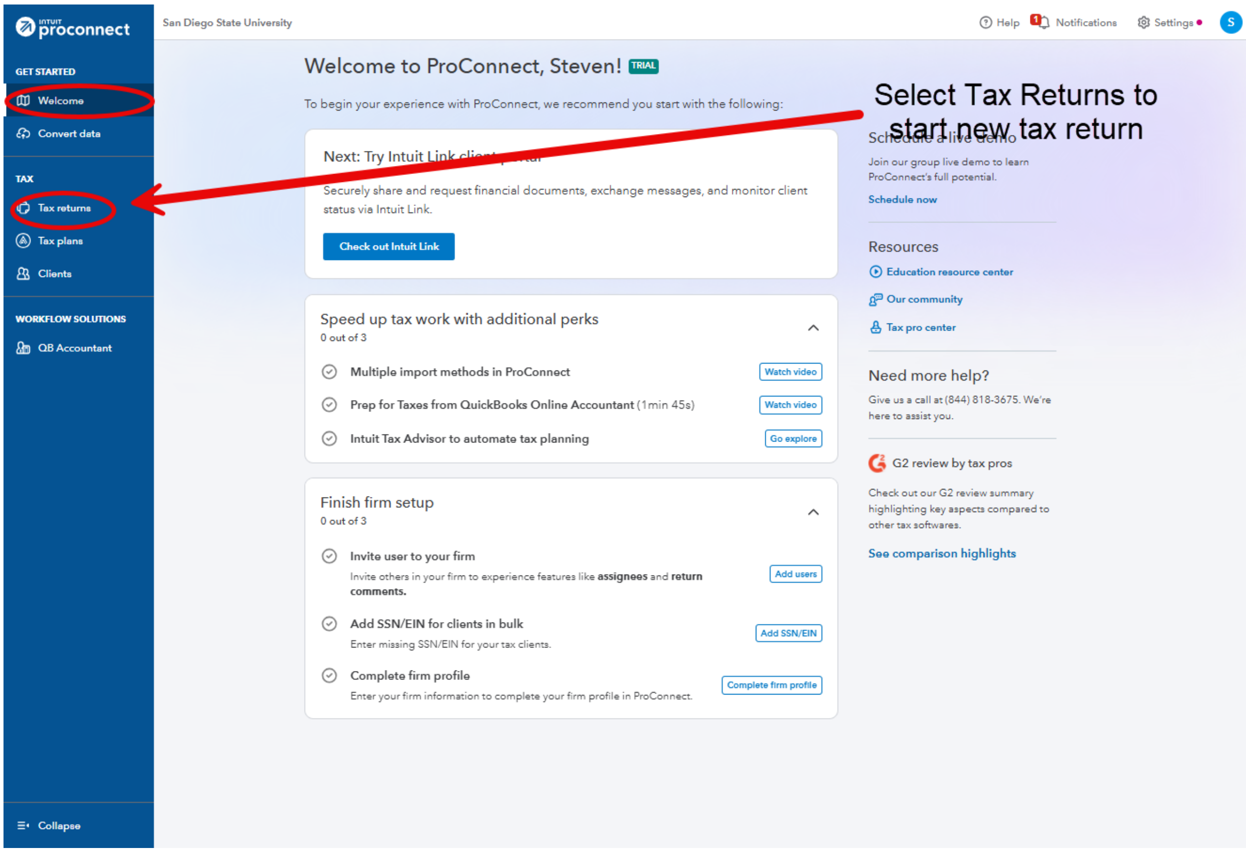
The result will be a *Download Return PDF* blue button that you should click on.

The return should open in a new tab. Note that occasionally, some student users will be affiliated with a commercial account and the software may ask for credits in order to print the return. In this situation, the student should contact the Intuit ProConnect support desk via telephone. ProConnect support can be found under *Help* and *Help portal* and then select *Contact Us* in the far left blue margins. The student should be in ProConnect when they contact support so they can provide the user's Realm Number to the ProConnect support representative.

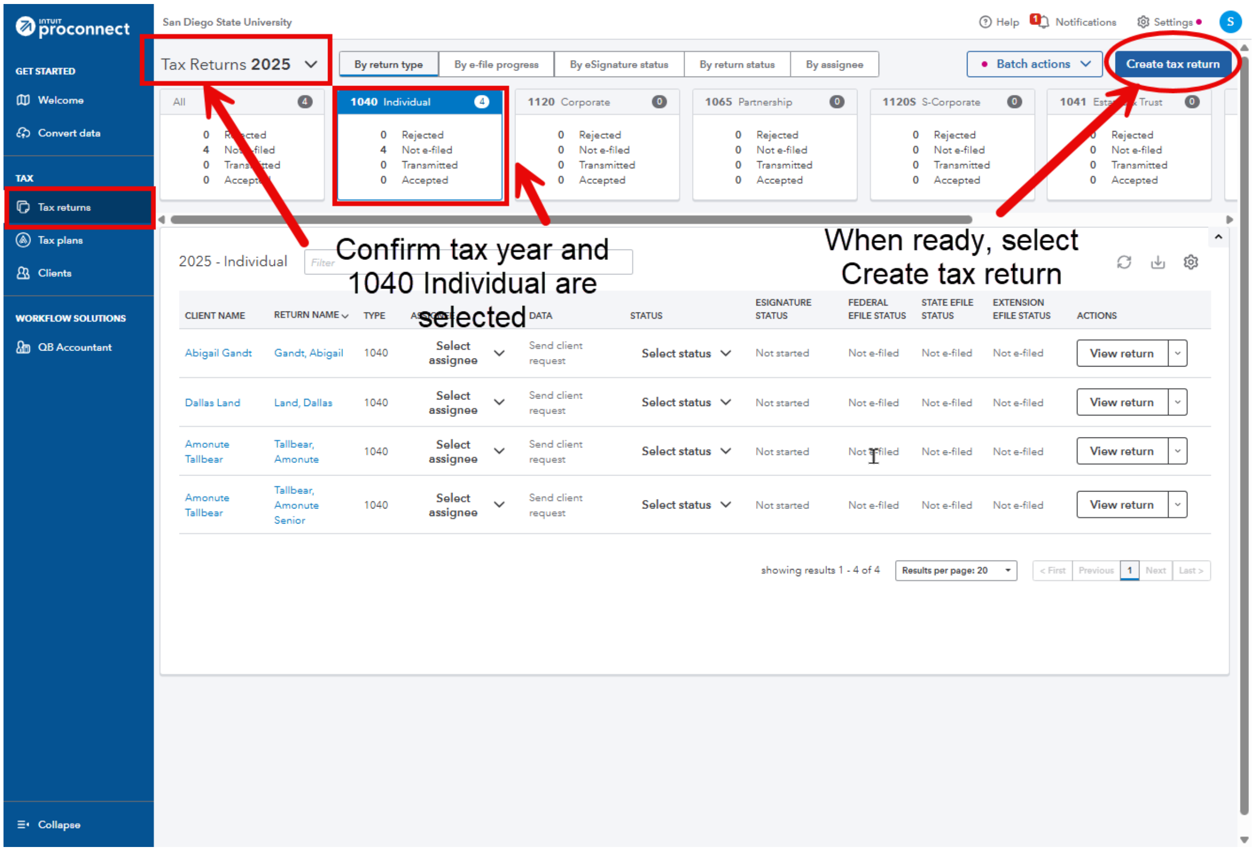
Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return like any other pdf file. Remember where you save the tax return. Close the PDF.

CSP.01-01: Gaytor, Albert

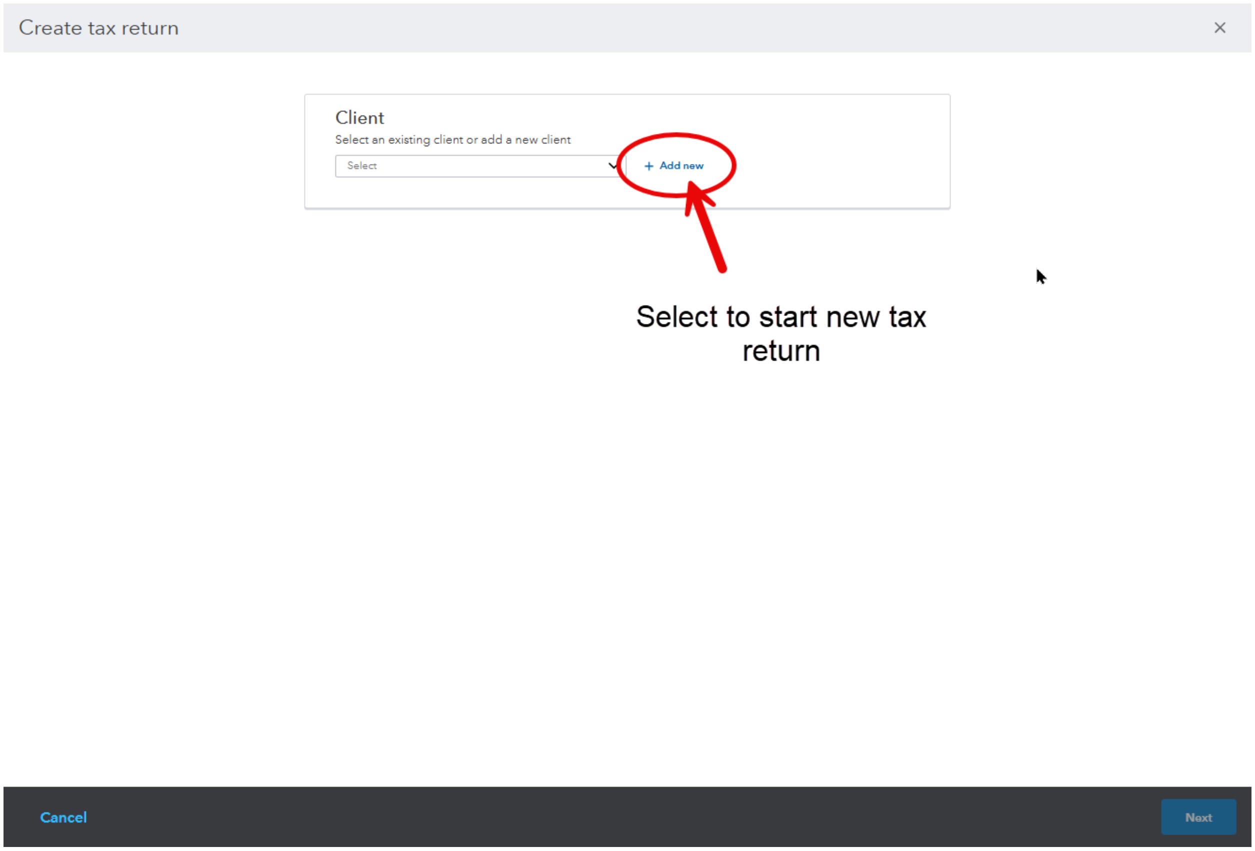
Sign into your ProConnect Tax account and from the *Welcome* screen, select *Tax Returns* in the left margin.



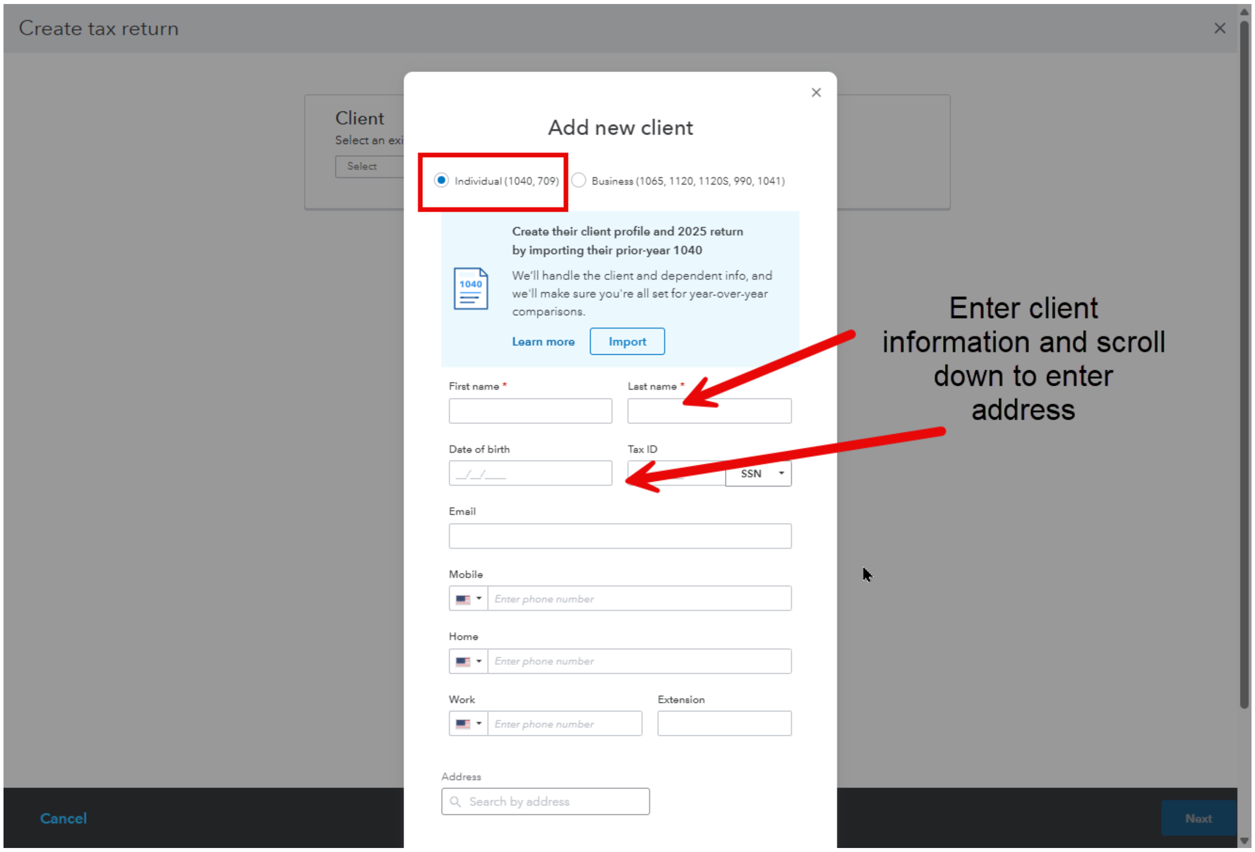
You will land on the *Tax Returns 2025* page (if you are starting in January, you may need to select 2025 as the tax year). Select the box for *1040 Individuals*. Select *Create tax return* in the upper right corner.


Tax Returns 2025
Confirm tax year and 1040 Individual are selected
When ready, select Create tax return
Create tax return

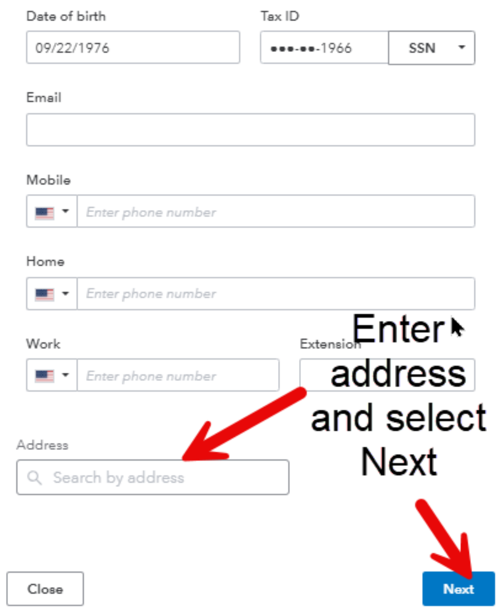
From the *Create tax return* screen, click the [+] for *Add new*.



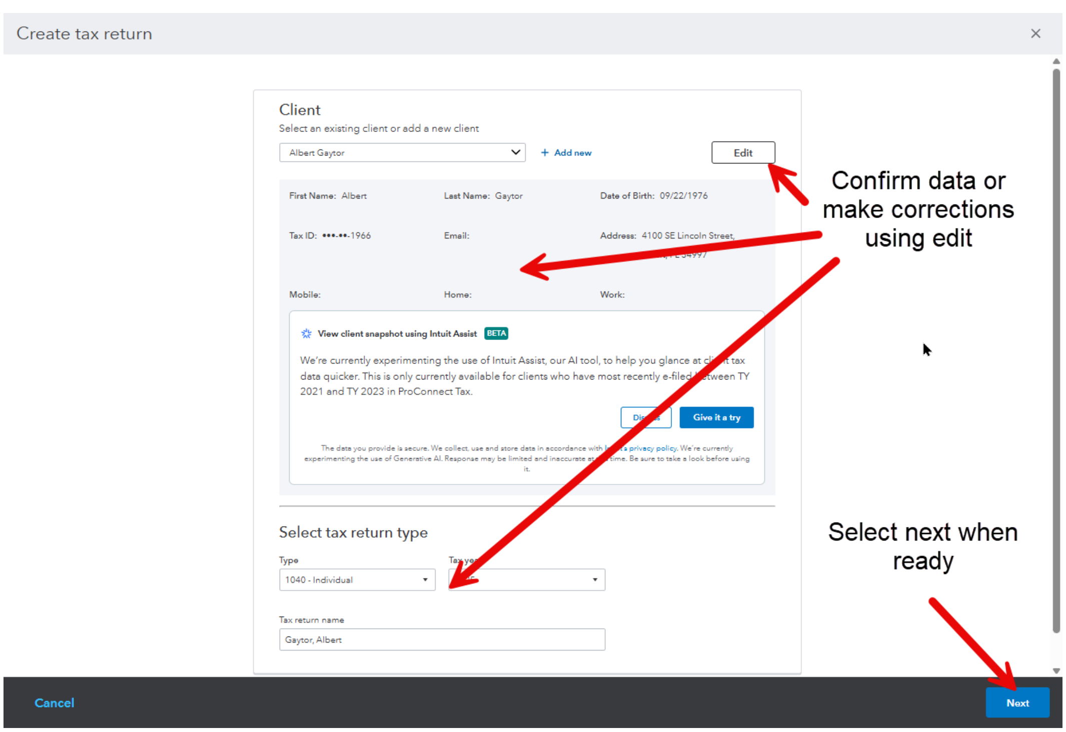
Select the *Individual (1040,709)* button (it is selected as the default). Enter the taxpayer's name, date of birth, and Tax ID. Email and phone numbers are not required but you may enter assumed data if you wish. Scroll down to enter the taxpayer's address.



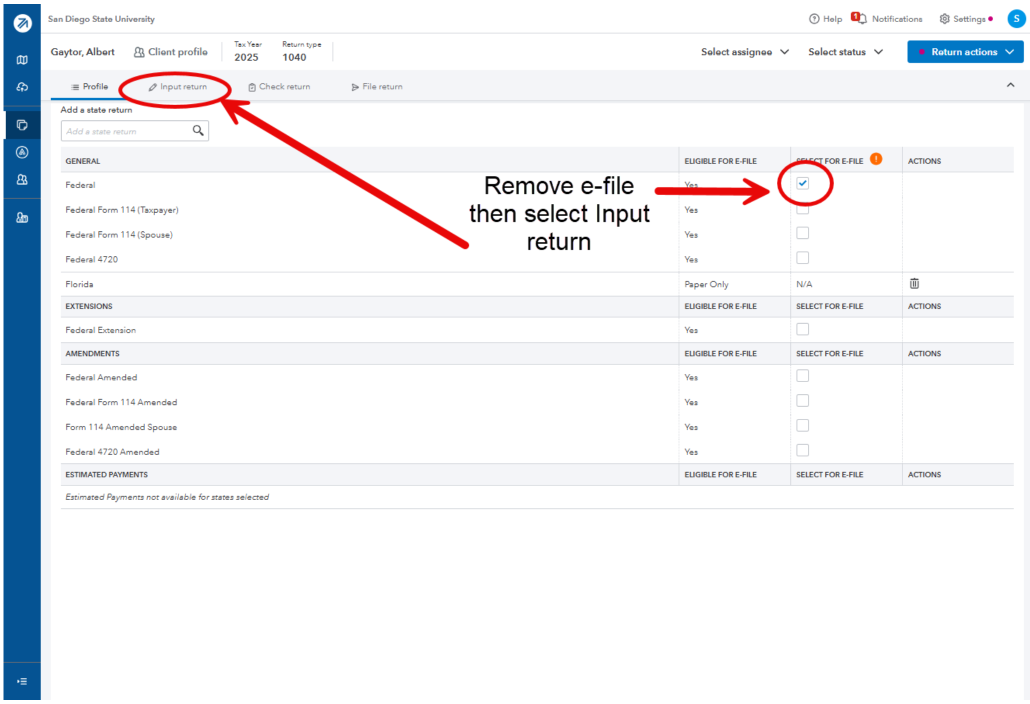
ProConnect has access to a large address database and will search for the address; however, the addresses in the tax return problem are intended to be fictional and will require manual entry. Start typing the address in the Search by address box. The remaining address boxes should open and can be completed. Once the address is entered, select *Next* in the lower right corner.



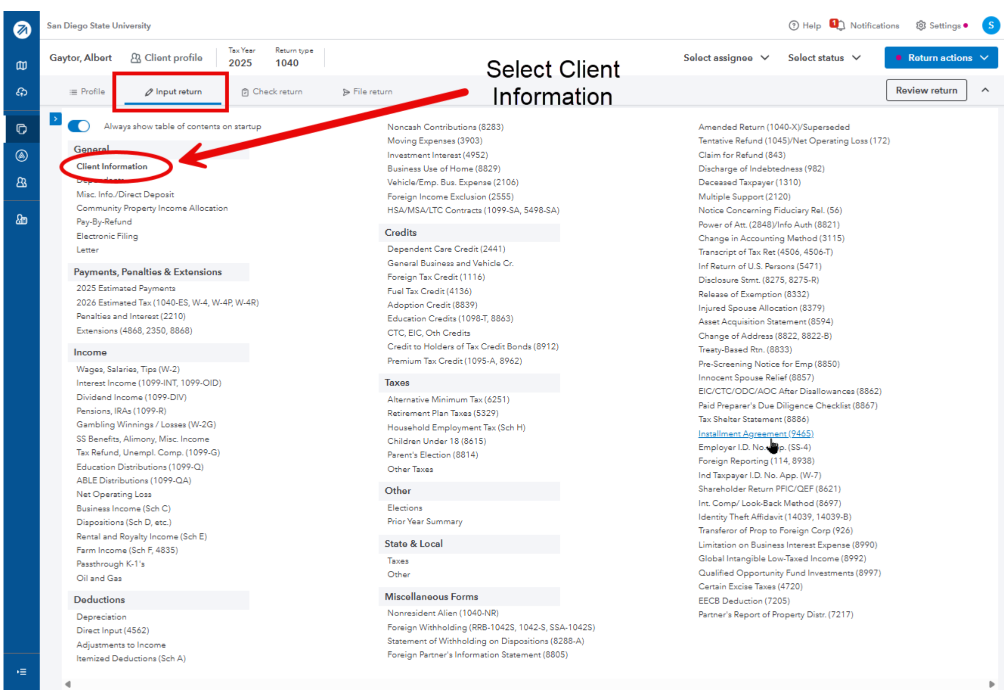
On the next *Client* screen, you may review the information you input, make any corrections necessary through the *Edit* button on the upper right, and once satisfied, click on *Next* at the lower right.



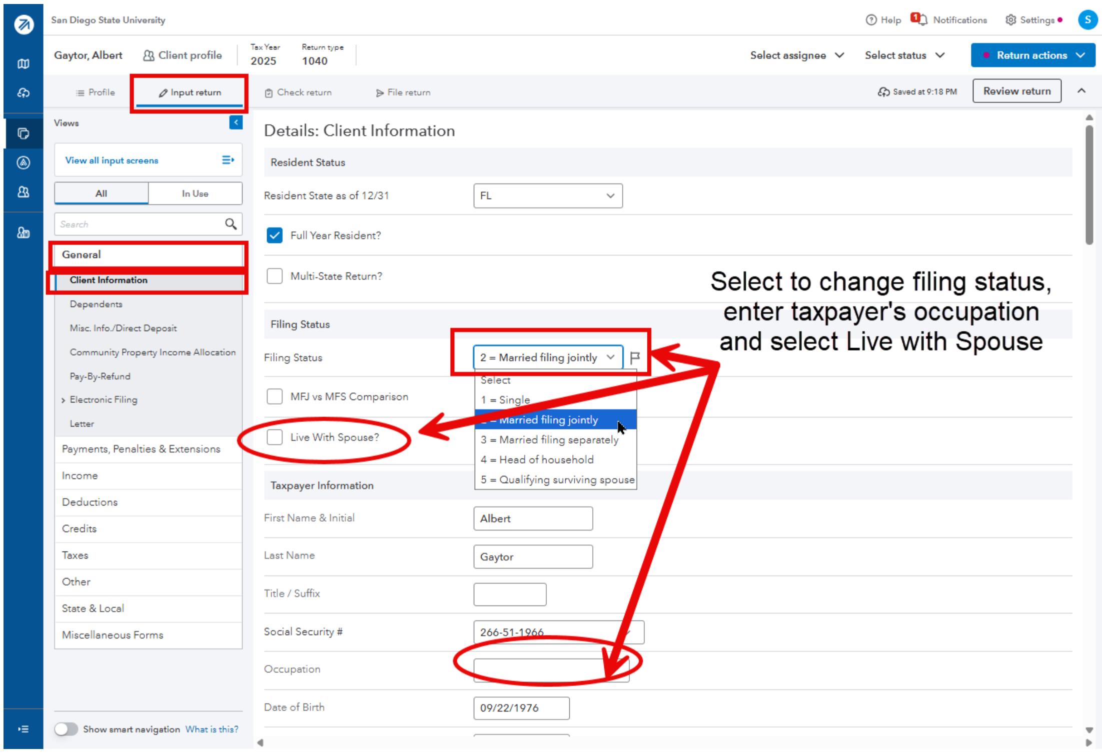
You have now landed on the taxpayer's 1040 *Profile* page. You may unselect *Select for E-file* for the *Federal* line under *General* since you will not actually be filing the tax return, but doing so is not required. From the tabs near the top, select *Input Return*.



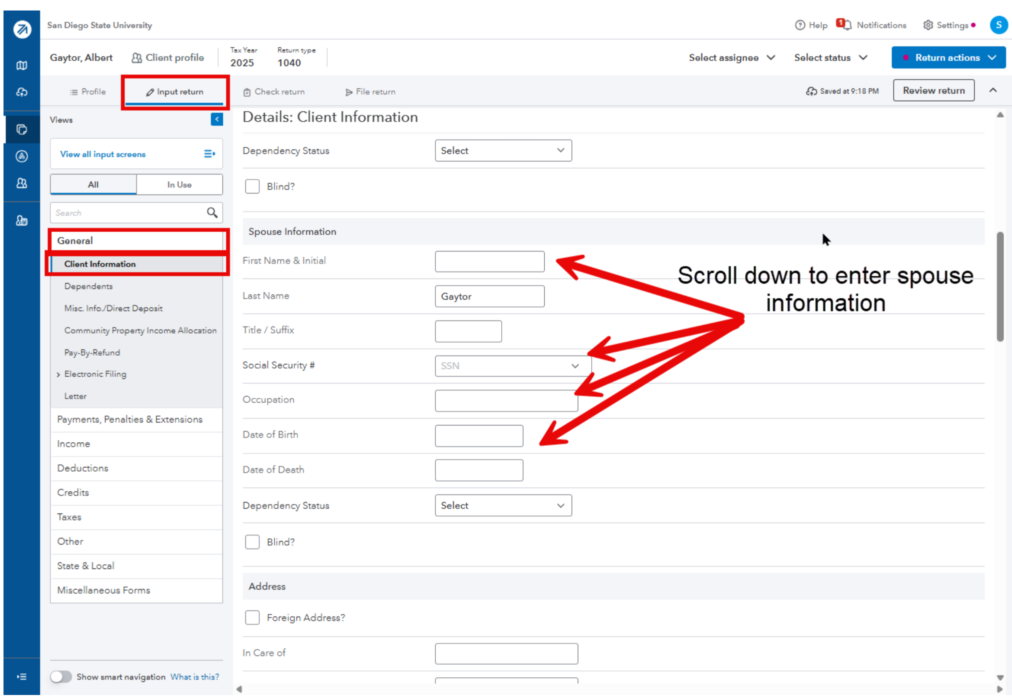
Select *Client Information*



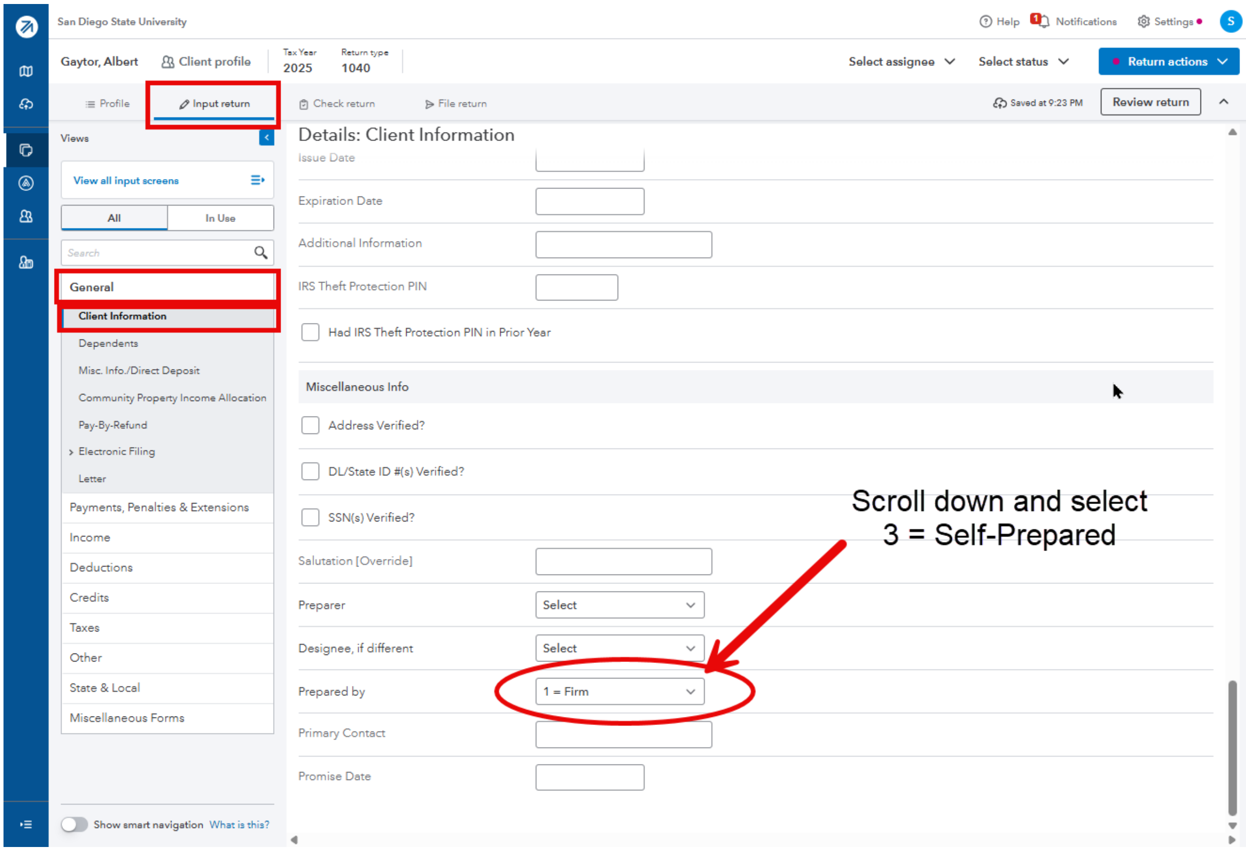
The *Filing Status* will appear on the in the main window. Change filing status to *2=Married filing jointly*. Check the *Live With Spouse?* box. Scroll down this page and enter the *Occupation* for the taxpayer



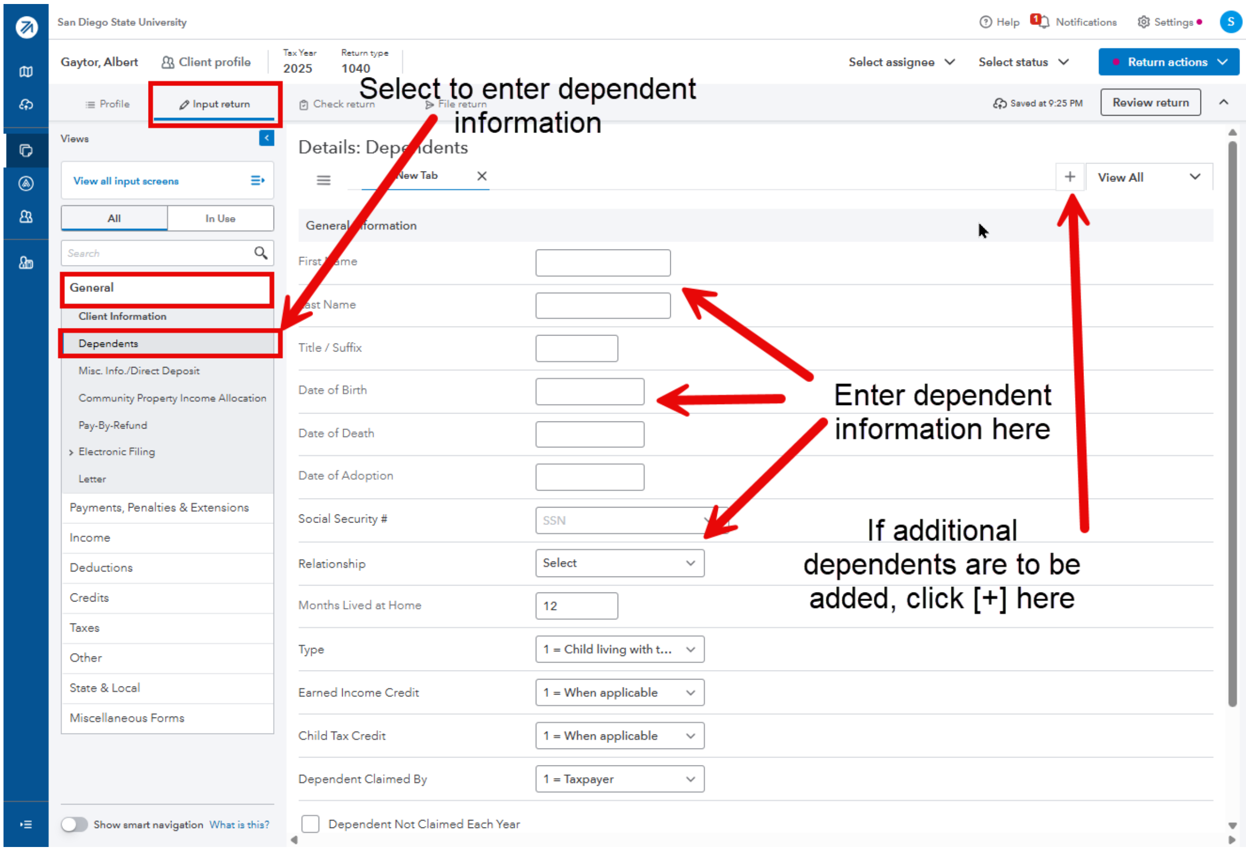
Scroll down and the Spouse Information for the taxpayer's spouse (first name, Social Security number, occupation and birthdate).



Continue to scroll down this page and toward the bottom, under *Miscellaneous Info,* find *Prepared by* and select *3=Self-Prepared*.

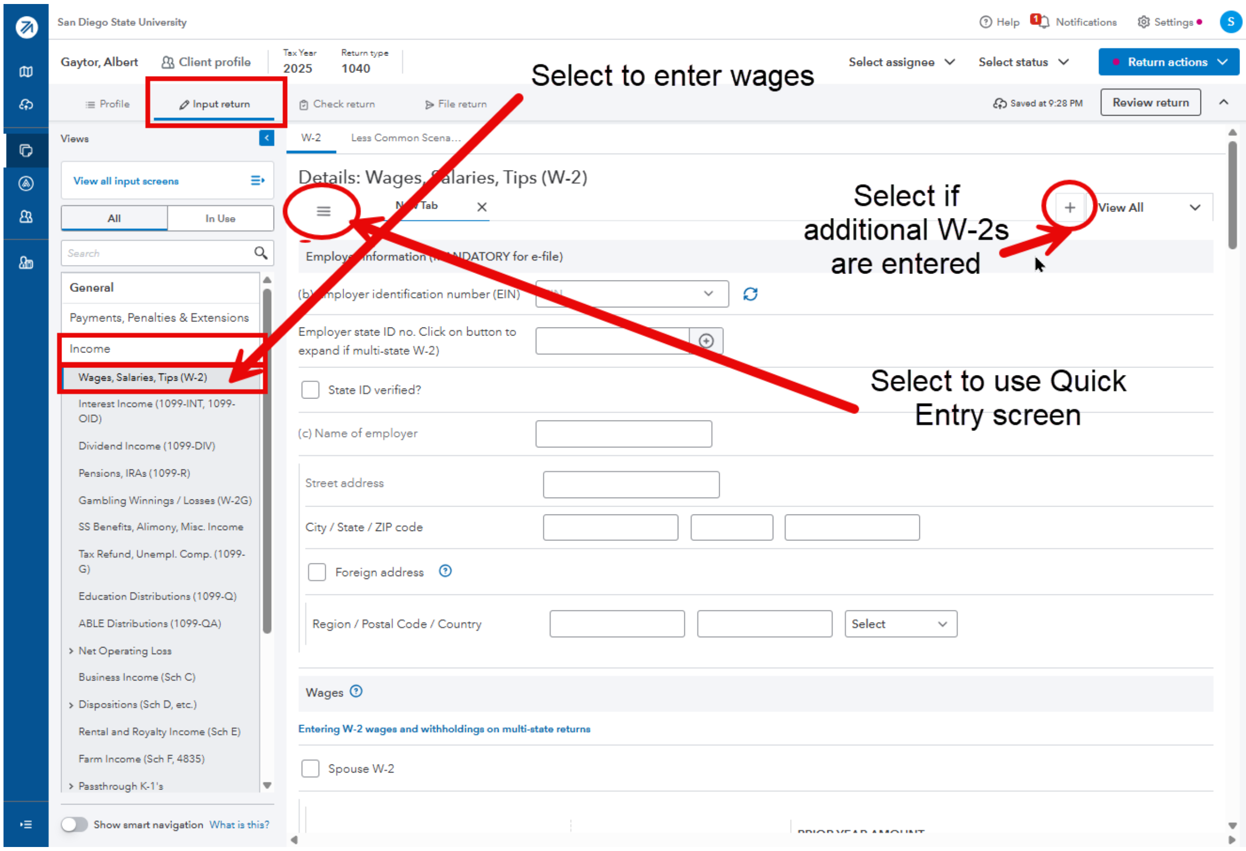


From the menu at the left, select *General; Dependents*, and on the right side of the screen, you will see *Details: Dependents*. Scrolling down through the *General Information,* enter the information you have for the taxpayer's dependent(s) (name, Social Security number, relationship). You may leave *Earned Income Credit* and *Child Tax Credit* at *1=When applicable*. The software will automatically determine the proper credit for the dependent (see ProConnect Tip on pp. 1-28 and 1-29 of ITF).

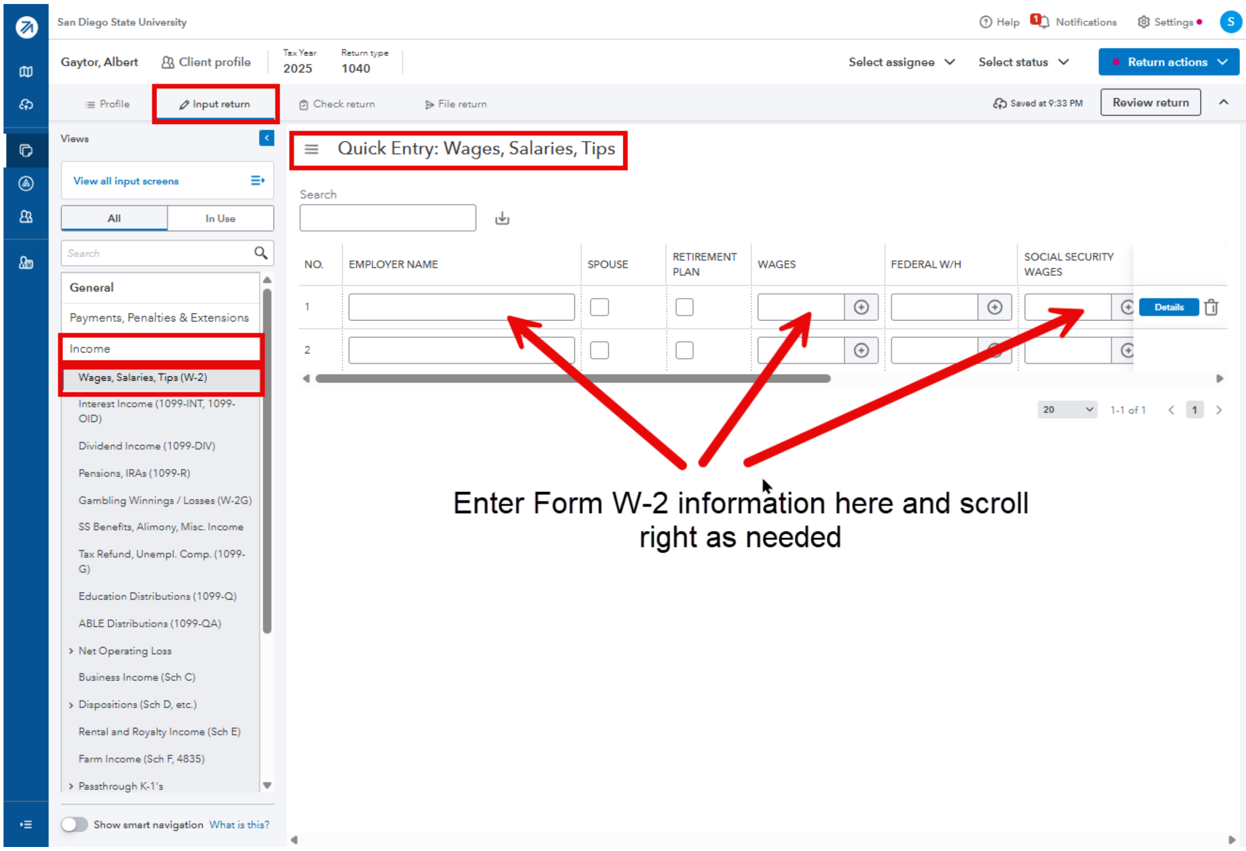


Note to Instructor: Cayman, Sean, and Wanda do not meet the requirements to be a qualifying child or qualifying relative (support test). Swampy does not meet the requirements to be a qualifying child (domicile and age test) nor the qualifying relative (relationship and member of household test).

From the menu at the left, scroll down to select *Income.* Once the sub-menu on the left opens, select *Wages, Salaries, Tips (W-2). A*t the top of the entry form tabs two options are presented: *W-2* and *Less Common Scenarios*. Be certain you are on the *W-2* tab (the default). This screen is typical of a *Detailed Entry* screen in ProConnect. The information is entered in each field by scrolling down the page. Additional forms can be entered by selecting the Plus [+] symbol on the upper right.



However, much of the detail is not necessary (especially when not e-filing) and many ProConnect screens also contain a *Quick Entry* option. To access Quick Entry, select the icon that looks like a stack of three papers ≡ located in the upper left under the *Details: Wages, Salaries, Tips (W-2)* title. For this tax return guide, the quick entry is shown.



Note that *quick entry* is generally used when not e-filing. Additional information such as the EIN of the employer must be entered for an e-filed return. The tax preparer can always click the blue *Details* box on the right margin to see the *detailed entry* screen.

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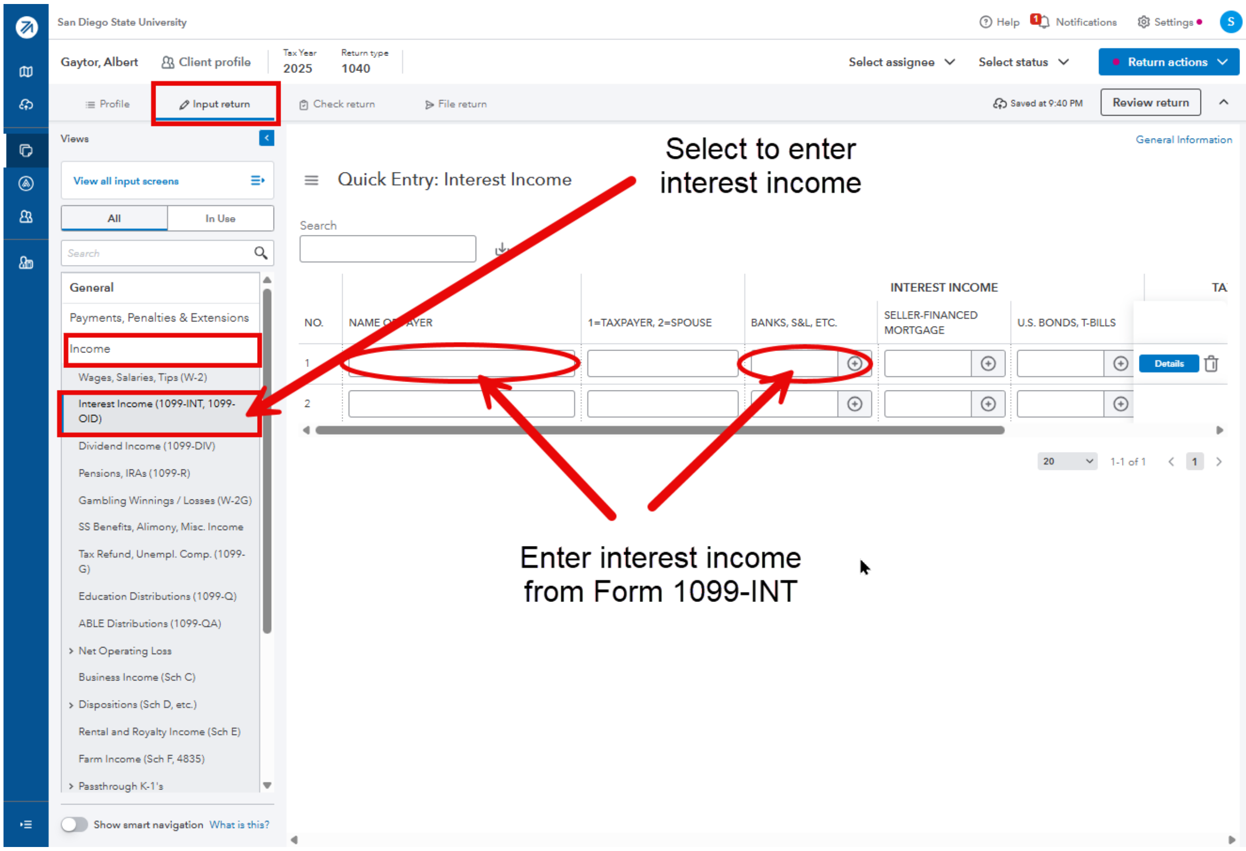
To enter the interest income, from the menu at the left, select *Income; Interest Income (1099-INT, 1099-OID).* Note that the default screen for interest income is *Quick Entry*. For the taxable interest, on the first row, enter the *name of the payer* and enter the amount for *Banks, S&L, etc.*



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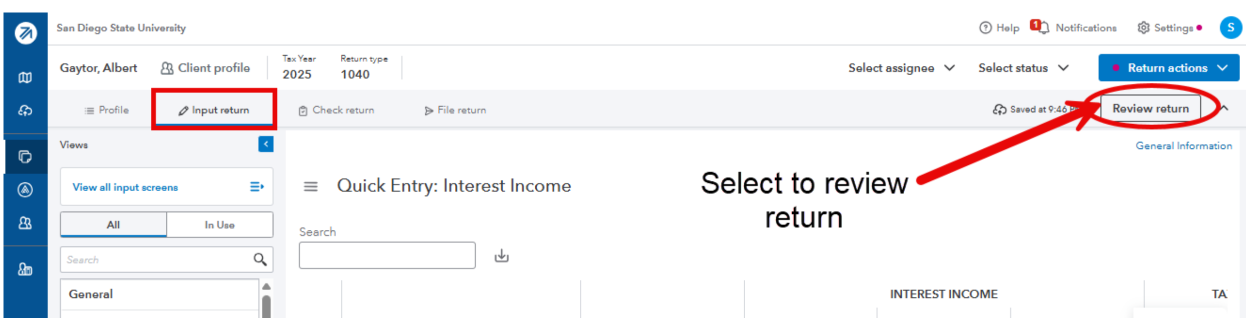

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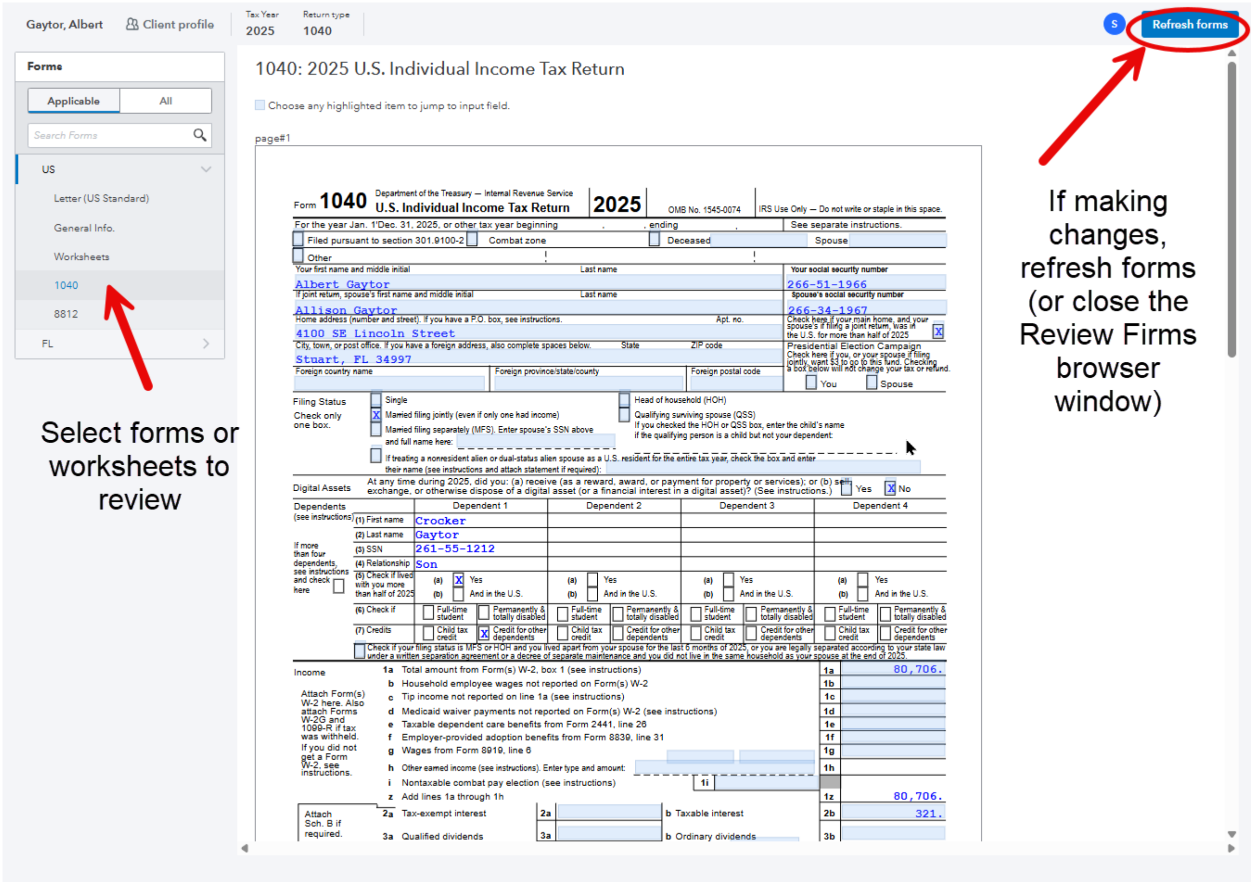

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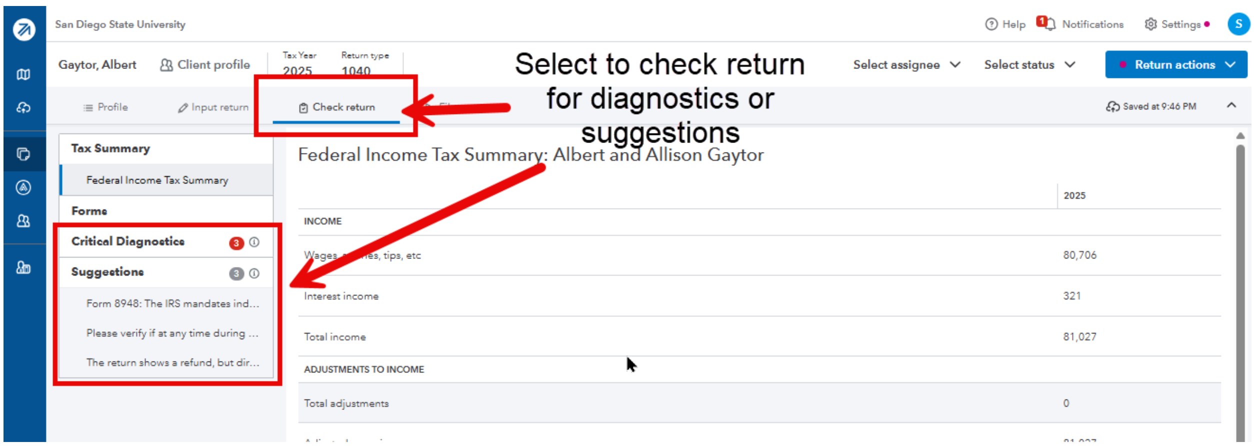
- Is (are) the name(s) correct?
- Is the taxpayer's address correct?
- Is (are) the taxpayer's and dependents taxpayer identification numbers (usually SSN) correct?
- Did you confirm the filing status on the return matches that of the information provided?
- Are all qualifying dependents shown on the return (including if the taxpayer can be claimed as a dependent)?
- Confirm the tax return output (the forms) with the related source documents. For example:
    - Confirm that wages equal the totals for all Box 1 of Form W-2s
    - Confirm that federal tax withheld equals the total reported in Box 2 of all Form W-2s
- Confirm that the results of the tax return appear reasonable. For example, a modest income taxpayer would likely expect a refund. Is the refund or payment amount consistent with your understanding of the return?

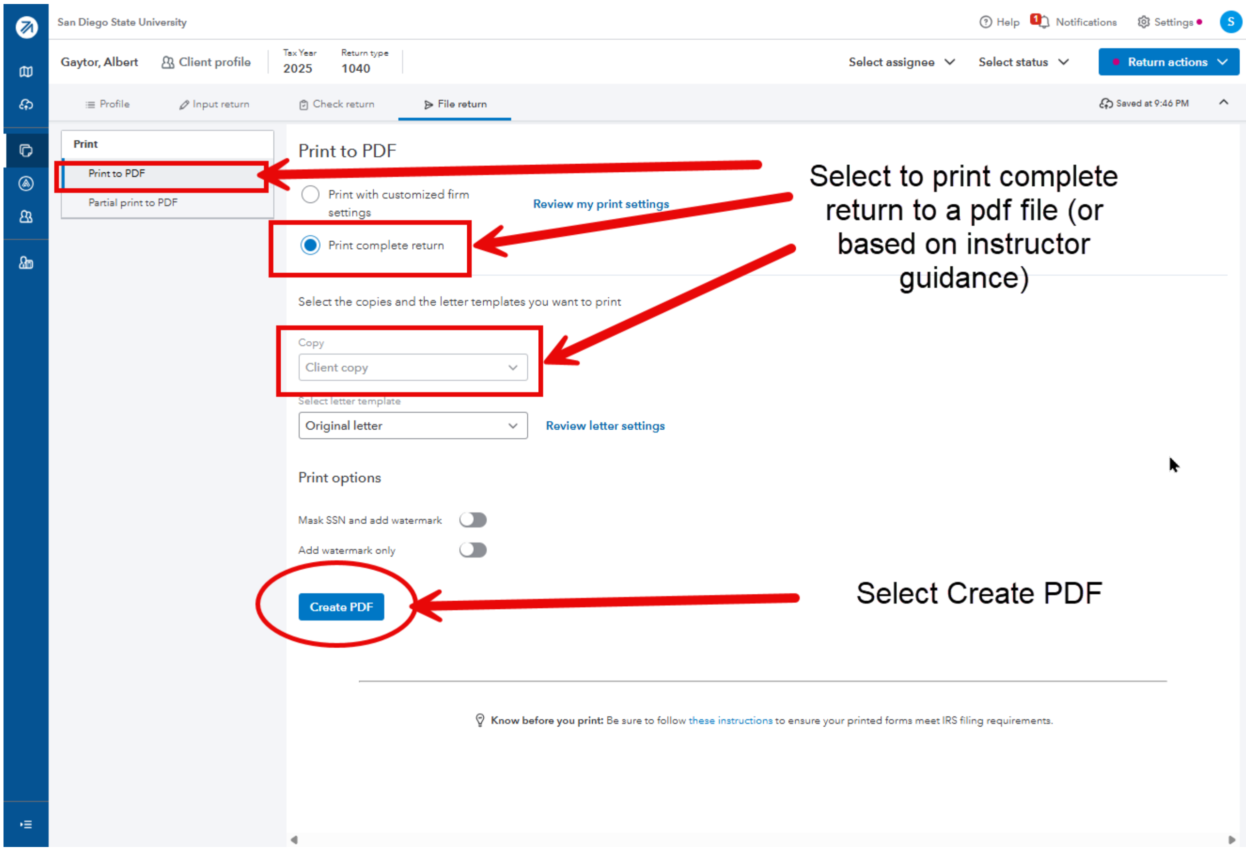
Often, reviewing an income tax return starts with confirming the totals with source documents. If they do not agree, investigate any supplemental forms or schedules that support that total. Tax return review requires some experience that will come with preparing and reviewing additional returns. You may want to use [IRS Form 6729-C](#), the VITA Quality Review checklist to assist you.

You can also review the summary of the tax return by selecting the *Check Return* tab near the top of the screen. The *Check Return* screen also includes *Critical Diagnostics* and *Suggestions* for the tax return. In many instances, these will related to electronic filing issues and may be ignored since ITF's hypothetical taxpayers will not be e-filing (or paper filing for that matter). For example, a common Critical Diagnostic is "The third party designee's PIN is missing or invalid." Additional errors or suggestions may need to be considered by the preparer.

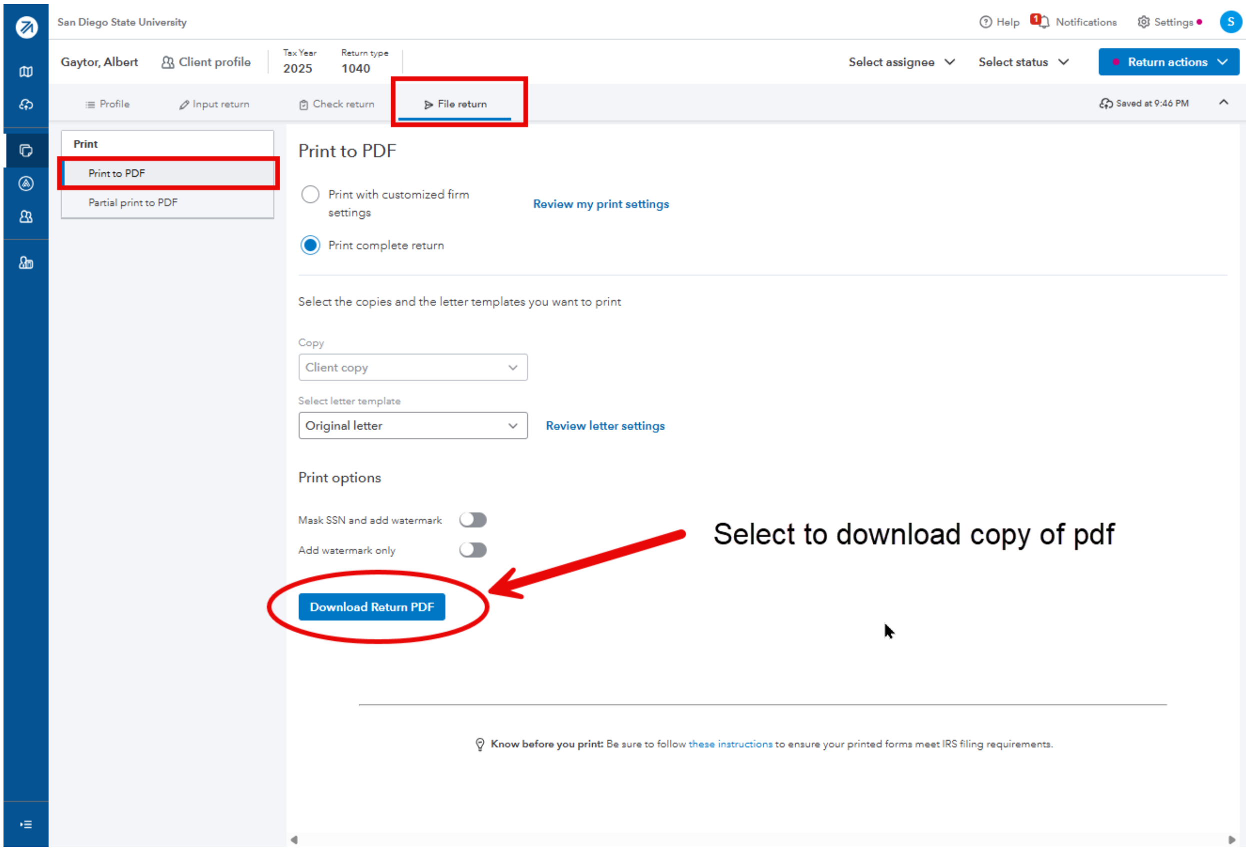


Note that the default setting in ProConnect is for "No" for the digital asset question that appears on Page 1 of the Form 1040.

Once the return is considered complete, from the menu at the top, select *File Return*. From the menu at the left, under *Print*, select *Print to PDF*. Select the *Print complete return* button and then select the blue *Create PDF* box near the bottom left of the screen.



The result will be a *Download Return PDF* blue button that you should click on.



The return should open in a new tab. Note that occasionally, some student users will be affiliated with a commercial account and the software may ask for credits in order to print the return. In this situation, the student should contact the Intuit ProConnect support desk via telephone. ProConnect support can be found under *Help* and *Help portal* and then select *Contact Us* in the far left blue margins. The student should be in ProConnect when they contact support so they can provide the user's Realm Number to the ProConnect support representative.

Review the return and if corrections are needed, close out of the tab and you can go back into the return and make the necessary corrections. Once complete, follow the *File Return* instructions again and then download the return like any other pdf file. Remember where you save the tax return. Close the PDF.

Don't be afraid to explore the ProConnect Tax software - you cannot hurt anything!

Instructor Manual

WHITTENBURG AND GILL, INCOME TAX FUNDAMENTALS 2026, ISBN: 9798214044590; CHAPTER 1: THE INDIVIDUAL INCOME TAX RETURN

TABLE OF CONTENTS

Purpose and Perspective of the Chapter

This chapter introduces the U.S. individual income tax system. Important elements of the individual tax formula are covered, including the tax calculation, who must file, filing status, and the interaction of itemized deductions and the standard deduction. The chapter illustrates all of the steps required for completion of a basic Form 1040. There is also a discussion of reporting and taxable entities.

An introduction to capital gains and losses is included to provide a basic understanding of capital transactions prior to the detailed coverage in Chapter 4. An overview of tax information available at the Internal Revenue Service (IRS) website and other helpful tax websites is also provided. A presentation of the process for electronic filing (e-filing) of an individual tax return completes the chapter.

Chapter Objectives

The following objectives are addressed in this chapter:

1.1 Explain the history and objectives of U.S. tax law.

1.2 Describe the different entities subject to tax and reporting requirements.

1.3 Apply the tax formula for individuals.

1.4 Identify individuals who must file tax returns.

1.5 Determine filing status and understand the calculation of tax according to filing status.

1.6 Define qualifying dependents.

1.7 Calculate the correct standard or itemized deduction amount for taxpayers.

1.8 Compute basic capital gains and losses.

1.9 Access and use various Internet tax resources.

1.10 Describe the basics of electronic filing (e-filing).

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CHAPTER OUTLINE

Introduce the chapter and review learning objectives for Chapter 1 (PPT Slides 2–3). The link in the Summary slide at the end of the PPT deck sends the PPT presentation back to the Learning Objectives as a review of what the students should have learned in this lesson.

I. **History and Objectives of the Tax System** (1.1, PPT Slide 4)

a. The U.S. income tax was authorized by the Sixteenth Amendment to the Constitution in 1913.
   i. Prior to its adoption, the U.S. government had levied various income taxes for limited periods of time (e.g., to finance the Civil War).
   ii. The finding by the U.S. Supreme Court that the income tax law enacted in 1894 was unconstitutional led to the adoption of the Sixteenth Amendment in 1913, just in time to assist in U.S. war efforts during World War I.
   iii. Since this amendment was adopted, the constitutionality of taxing income has not been questioned again by the federal courts.
b. Income taxes do more than provide revenue to operate government.
   i. Income taxes also serve as a tool of economic and social policy.
      - Tax credits and deductions reward the individual taxpayer for making particular choices.
   ii. Some tax provisions meet both economic and social goals.
      - Example: Gain on the sale of a personal residence is excluded from taxable income; it helps a family more easily afford a new home and ensures that the United States has a mobile workforce (employees are not penalized for moving).

II. **Reporting and Taxable Entities** (1.2, PPT Slides 5–8)

a. Under U.S. tax law, there are five basic tax reporting entities: individuals, corporations, partnerships, estates, and trusts.
b. Individuals report on Form 1040 or 1040-SR with attached schedules:

Schedule	Primary Purpose
1	Additional forms of income such as IRA distributions and Social Security benefits; deductions for adjusted gross income
2	Additional taxes such as the alternative minimum tax
3	Credits and payments other than withholding

c. Major tax forms and schedules (in addition to schedules already listed):

Form/Schedule	Description
1040	Individual return
Schedule A	Itemized deductions
Schedule B	Interest and dividend income
Schedule C	Profit or loss from business (sole proprietorship)
Schedule D	Capital gains and losses
Schedule E	Supplemental income and loss (rent, royalty, and pass-through income from Forms 1065, 1120-S, and 1041)
Schedule F	Farm and ranch income
1120	Corporate tax return
1120-S	S corporation tax return
1065	Partnership information return
Schedule K-1	Partner's share of partnership results
1041	Fiduciary (estates and trusts) tax return

d. The Corporation
   i. Corporations are taxed at a flat rate of 21 percent.
   ii. Corporations need to file Form 1120.
   iii. Form 1120-S is used by corporations that elect S corporation status.
      - They don't pay regular corporate income taxes.
      - Instead, they pass through items of income or loss to shareholders.

e. The Partnership
   i. A partnership is a reporting entity, not a taxable entity.
   ii. Form 1065 is used to report partnership income/loss and allocation to partners.

- Pass-through items of income or loss to partners.

f. **Knowledge Check 1** (PPT Slide 8) confirms that students recognize the appropriate form and schedule for a taxpayer who receives dividends of $2,000 and does not itemize deductions. This taxpayer would file Form 1040 and Schedule B.

III. **The Tax Formula for Individuals** (1.3, PPT Slides 9–13)

a. This tax formula follows Form 1040:

Gross Income
– Deductions for Adjusted Gross Income
= Adjusted Gross Income (AGI)
– Greater of Itemized Deductions or the Standard Deduction
– Deduction for Seniors
– Tip Income Deduction
– Overtime Income Deduction
– Auto Loan Interest Deduction
– Qualified Business Income Deduction
= Taxable Income
× Tax Rate
= Gross Income Tax Liability and Additional Taxes
– Tax Credits and Prepayments
= Tax Due or Refund

b. Gross income includes all income, unless tax law provides for a specific exclusion.

c. Deductions for adjusted gross income (AGI) include the following:
   i. Certain trade or business expenses
   ii. Certain reimbursed employee business expenses paid under an accountable plan
   iii. Pre-2019 alimony payments
   iv. Student loan interest
   v. Penalty on early withdrawal from savings
   vi. Contributions to qualified retirement plans
   vii. Certain educator expenses

d. Adjusted gross income (AGI) is the basis for limits for some deductions such as medical expenses.

e. Itemized deductions include medical expenses, certain interest expenses, certain taxes, charitable contributions, miscellaneous deductions, and certain casualty losses.

Standard Deduction Table

Filing Status	2025 Standard Deduction
Single	$15,750
Married filing jointly	31,500
Married filing separately	15,750
Head of household	23,625
Surviving spouse [qualified widow(er)]	31,500

Taxpayers who are 65 years of age or older or blind are entitled to an additional standard deduction. This extra amount is $1,600 for married taxpayers and surviving spouses and $2,000 for unmarried taxpayers.

f. A number of new from AGI deductions have been introduced or repealed.
    i. Deductions include qualified business income (QBI).
    ii. An additional deduction for seniors, separate from the standard deduction, is available.
    iii. The tip income deduction and the excess overtime deduction are designed to report the exclusion of tip and excess overtime income.

g. A taxpayer's gross tax liability is obtained from a tax table or a tax rate schedule.

h. Tax credits and prepayments are subtracted from gross tax liability to calculate the net tax due to the government or the refund due the taxpayer.

IV. **Who Must File** (1.4, PPT Slides 14–19)

a. The answer to the question of who must file is based on filing status and gross income. Slides 14–16 include information that details who must file. Slide 14 shows the chart that applies to most people, while Slide 15 contains filing requirements for children and other dependents. Slide 16 details other situations when a person must file. Some of those situations are listed here:

        i. You owe any special taxes, such as Social Security and Medicare tax on tips.
        ii. You have to pay alternative minimum tax, tax on an individual retirement account, recapture of taxes, or the first-time homebuyer credit.
        iii. You (or your spouse, if filing jointly) received health savings account, Archer MSA, or Medicare Advantage MSA distributions.
        iv. You had net earnings of $400 or more from self-employment.
        v. You had wages of $108.28 or more from a church or qualified organization exempt from employer Social Security and Medicare taxes.
        vi. Advance payments of the premium tax credit were made for you.
        vii. You are required to include amounts in income under Section 965.
    b. A taxpayer must send the tax return to the IRS Campus Processing Site by the fifteenth day of the fourth month of the year following the close of the tax year, or e-file by that date. Two exceptions are for Patriots' Day in Maine and Massachusetts and Emancipation Day in the District of Columbia.
    c. A six-month extension may be requested on Form 4868 by the April due date, but the taxpayer still needs to pay the tax due by the April due date to avoid penalties and interest.
    d. A taxpayer otherwise not required to file a return must do so to receive an income tax refund.
    e. **Discussion Activity 1** (PPT Slides 18–19) asks students to consider the filing status of a single person and to come up with different scenarios in which such a person may or may not have to file.

V. **Filing Status and Tax Computation** (1.5, PPT Slides 20–24)

    a. The tax law has five different filing statuses: single, married filing jointly, married filing separately, head of household, and surviving spouse.
    b. Head of household status applies if the taxpayer was an unmarried or abandoned spouse as of December 31 of the tax year and provides more than half of the cost of keeping a home that was the principal place of residence of a dependent child or other qualifying dependent relative.
    c. Surviving spouse status applies to a taxpayer after the death of a spouse with a dependent child in the home; it continues for two years after the death of the spouse.
    d. For 2025, there are seven income tax brackets: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent.
        i. The tax rates applicable to net long-term capital gains currently range from 0 percent to 31.8 percent depending on the taxpayer's tax bracket and the kind of capital asset. This is discussed in detail in Chapter 4.

ii. The tax rates for qualifying dividends range from 0 percent to 23.8 percent. This is discussed in detail in Chapter 2.

e. **Knowledge Check 2** (PPT Slide 24) asks students to determine the filing status of a married taxpayer whose spouse left midyear and who has no dependents. That taxpayer would file as married filing separately.

VI. **Qualifying Dependents** (1.6, PPT Slides 25–32)

a. A dependent is an individual who meets the specific tests.
   i. The taxpayer (and the taxpayer's spouse, if filing jointly) may not be claimed as a dependent by another taxpayer.
   ii. The potential dependent may not be a married person that files jointly unless that joint return is only filed to claim a refund of income tax withheld or estimated payments made.
   iii. The potential dependent must be a U.S. citizen, a U.S. resident alien, a U.S. national, or a resident of Canada or Mexico. A U.S. national is a person born in American Samoa or in the Commonwealth of the Northern Mariana Islands or those born outside of U.S. territory to two U.S. national parents, or those born abroad to one alien parent and one U.S. national parent.
   iv. The potential dependent must have a taxpayer identification number (in most cases, a Social Security number).
   v. The potential dependent must be either a qualified child or a qualifying relative.

b. In order for a child to be considered a dependent, the following tests must be met:
   i. Relationship Test
      - The child must be the taxpayer's child, stepchild, or adopted child, or the taxpayer's brother or sister, half-sibling, or stepsibling, or a descendant of any of these.
   ii. Domicile or Abode Test
      - The child must have the same principal place of abode as the taxpayer for more than six months of the tax year.
      - There are exceptions for temporary absences from the household due to special circumstances such as illness, education, and vacation; birth and death of a child within the tax year; children of divorced or separated parents, or parents that live apart; and kidnapped children.
   iii. Age Test
      - The child must be under age 19 or a full-time student under the age of 24.
      - A full-time student is defined as enrolled for at least five months in a tax year.

- The taxpayer must be older than the potential qualifying child unless the potential qualifying child is permanently disabled.

iv. Self-Support Test
- The taxpayer must provide more than one-half of the child's support. Support includes expenditures for food, lodging, clothes, medical and dental care, and education.
- In many instances, the level of support provided by the potential qualifying child will be zero or close thereto.

c. What if the child meets dependency requirement for more than one taxpayer?

i. If one of the parties is a parent, the parent can claim the dependent.

ii. If both parties are a parent and do not file jointly, then the one with whom the child resided for the longer period of time during the year can claim the dependent.
- If residence period is the same or is not ascertainable, the parent with the highest AGI may claim the dependent.

iii. If no parents are involved, the person with the highest AGI may claim the dependent.

iv. If a parent can claim the qualifying child but does not, the individual with the highest AGI can claim the qualifying child but only if that individual's AGI is higher than the AGI of any parent that could have claimed the child.

d. **Discussion Activity 2** (PPT Slides 29–30) presents the case of a child who would qualify as a dependent for both his mother and his aunt. Students are asked to consider under what circumstances the aunt would be able to claim the child as a dependent, and why the child's mother and aunt might want the aunt to claim the child.
In order to qualify as a relative, the following tests must be met:

i. Relationship Test
- The dependent must be a relative of the taxpayer (with some exceptions).
- The list of qualifying relatives includes parents, grandparents, children, grandchildren, siblings, aunts and uncles by blood, nephews and nieces, "in-laws," and adopted children.
- Cousins (a descendant of an aunt or uncle) do not meet the relationship test.
- An individual does not have to meet the relationship test if they meet the domicile/abode test for a qualified relative.

ii. Domicile/Abode Test

- If individual does not meet the relationship test, that person must live as a member of the taxpayer's household for the entire year (with some absences allowed).
- A person is not qualified if at any time during the year the relationship between the taxpayer and the dependent was in violation of local law.

iii. Gross Income Test
- A dependent must receive less than $5,200 in gross income to qualify.
- Gross income does not include any income exempt from tax but does include unemployment compensation and the taxable portion of Social Security benefits.

iv. Support Test
- A dependent must receive over half of support from the claiming taxpayer.
- Unlike the gross income test, income exempt from tax and earned by the potential dependent is considered for the support test.
- If a dependent is supported by two or more taxpayers, a multiple support agreement may be filed.

e. Figure 1.5 (PPT Slide 31) provides a flow chart that guides the determination of dependency for both a qualifying child and a qualifying relative.

f. Credits for Children and Other Dependents

i. Dependent status is important for claiming tax credits for qualified dependents.

ii. Tax credits reduce tax liability dollar for dollar, while deductions lower the taxable income.

iii. The 2025 child tax credit is $2,200 for a child under 17 years of age; the child must have a Social Security number.

iv. The 2025 tax credit for "other dependents" is $500 each (qualifying child or qualifying relative).

VII. **The Standard Deduction** (1.7, PPT Slides 33–37)

a. The standard deduction was put into the tax law to aid taxpayers with few itemized deductions.

b. If a taxpayer has less gross income than the standard deduction, that taxpayer has no taxable income.

c. The following chart shows the standard deduction amounts.

Filing Status	**2025 Standard Deduction**
Single	$15,750

Married filing jointly	31,500
Married filing separately	15,750
Head of household	23,625
Surviving spouse	31,500

i. There are additional amounts for old age and blindness.
ii. The following taxpayers cannot use the standard deduction, but must itemize instead:
- A married individual filing a separate return, whose spouse itemizes deductions
- Most nonresident aliens
- An individual filing a short-period tax return because of a change in the annual accounting period

iii. The total standard deduction for a dependent may not exceed the greater of $1,350 or the sum of $450 plus the dependent's earned income up to the basic standard deduction amount of $15,750 for single taxpayers plus any additional standard deduction for old age or blindness.

d. Slides 36–37 walk students through two examples of dependent children who face special limitations because of other earnings.

VIII. **A Brief Overview of Capital Gains and Losses** (1.8, PPT Slides 38–41)

a. When taxpayers sell assets, the resulting transaction normally creates a gain or a loss. The basic formula for calculating a gain or loss is:

Gain (or loss) realized = Amount realized – Adjusted basis

i. Most realized gains/losses are also recognized for tax purposes.
ii. A capital asset is any property (personal or investment) held by a taxpayer, with certain exceptions as listed in the tax law.
- Examples: Stocks, bonds, land, cars, boats, and other items held as investments or for personal use
- Gains/losses on these assets are subject to special rates based upon income level.

iii. The holding period of an asset determines its treatment.
- Long-term is held more than 12 months and taxed at capital rates.
- Short-term is held 12 months or less and taxed at ordinary rates.

iv. Long-term capital gain is taxed at special rates depending upon taxpayer's bracket.

- The table on Slide 40 shows the tax rates, based on filing status and income; also note there are special higher rates for "high-income" taxpayers (covered in Chapter 6).

v. Long-term capital losses are only allowed $3,000 per year against ordinary income.
- Any unused balance can be carried forward to future years.

b. Chapter 4 of the text explores gains and losses in more detail.

IX. **Tax and the Internet** (1.9, PPT Slides 42–46)

a. The IRS has a website where taxpayers can obtain forms, publications, and regulations and view various tax-related articles.
   i. The IRS site, www.irs.gov, allows taxpayers to communicate with the IRS via e-mail.

b. The IRS also offers IRS2GO, a mobile phone app.

c. The IRS has launched a YouTube video channel, an X (formerly known as Twitter) account, and LinkedIn, Instagram, and Facebook pages.

d. Intuit offers tax preparation products such as ProConnect Tax, Lacerte, and Turbo Tax.
   i. Taxpayers can find ProConnect help at **https://accountants.intuit.com/support/en-us?product=proconnect-tax**.

e. Tax Notes is a portfolio of publications offered by Tax Analysts, a nonprofit publisher fostering free, open, and informed discussion about taxation.
   i. The entire Internal Revenue Code and related regulations, revenue rulings, revenue procedures, and an extensive repository of tax-related court cases are available at no cost.

f. The advent of new artificial intelligence (AI) technology is likely to change the way tax preparers find answers to client tax questions in ways that cannot yet be imagined.
   i. Recent improvements to ChatGPT increased its accuracy, but all responses need to be confirmed by primary sources before relying on them.

X. **Electronic Filing (E-filing)** (1.10, PPT Slides 47–48)

a. Electronic filing (e-filing) is the process of transmitting federal income tax return information to the IRS Service Center using a device with Internet access. Two methods of e-filing exist:
   i. The first method is e-filing using a computer and tax preparation software to transmit information to the IRS.
   ii. The second method is to employ a professional tax preparer to send the information.

b. More than 90 percent of all individual taxpayers now e-file. Mandatory electronic filing is required for nearly the entire professional tax return preparation industry.

XI. **Case Studies** (PPT Slides 49–50)

a. Case Study 1 considers the case of a 23-year-old full-time student who lives with his married brother and sister-in-law. Students are asked to refer to Publication 501 to determine whether the married couple can claim the student as a qualifying child, and then write a letter explaining their reasoning.
b. Case Study 2 examines the case of a couple who married very late in the year. They want to file single, rather than married filing jointly, to realize a larger combined refund. Students should consider the legal and ethical implications and prepare an e-mail responding to the query.

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Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Discussion Activity 1 (1.4, PPT Slides 18–19) Duration 15 minutes.
   a. Describe a situation in which you would not have to file taxes if you are a single person.
      i. Answer: A single person would not have to file taxes if gross income was less than $15,750, assuming the requirements for dependents also apply.
   b. When two people are the same age and have the same earned income and marital status, is it possible that one is required to file and one is not?
      i. Answer: These two people could have a different filing status based on several factors. The primary factor is what their gross income is. For example, one individual may have more unearned income, which raises the gross income over the minimum limit. Other factors could be if either person is a dependent or is blind.
2. Discussion Activity 2 (1.6, PPT Slides 29–30) Duration 10 minutes.
   a. Owen is 12 years old. He lives in the same house with his mother, Leah, and his aunt, Christina.
      Under what circumstances would Christina be able to claim Owen as a dependent? Why might Leah and Christina want Christina to claim Owen?

i. Answer: Since Leah is Owen's mother, she has the right to claim Owen as a dependent. The tiebreaking rules are not necessary if the taxpayer who can claim the dependent does not claim the dependent. Hence, Christina can claim Owen as a dependent if Leah does not claim him. Depending on the income of each woman, it may be financially advantageous for Christina, rather than Leah, to claim Owen as a dependent in order to lower their total tax burden.

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