



VITA/TCE Volunteer Tax Alert (VTA)

Thank you for volunteering and for your dedication to top **QUALITY** service!

VTA Number	VTA-2016-01
Date Issued	February 1, 2016
Intended Audience	Partners, Volunteers and IRS SPEC Relationship Managers
Purpose	To notify partners, volunteers and IRS SPEC Relationship Managers about the updates to Publication 4491, VITA/TCE Training Guide and Publication 4012, VITA/TCE Volunteer Resource Guide , related to the Protecting Americans from Tax Hikes Act of 2015 , signed into law on December 18, 2015
Tax Law Change	<p>Eligibility requirements for the Earned Income Tax Credit (EITC) include that taxpayers and qualifying children have a social security number (SSN) that is valid for employment. Taxpayers can no longer make retroactive claims of the EITC after issuance of a social security number. For returns filed after December 18, 2015, a taxpayer must have an SSN by the due date of the return (including extensions) in order to claim the EITC. Likewise, any qualifying child claimed for the EITC must have an SSN by the due date of the return (including extensions). In the past, someone who filed a tax return under an IRS Individual Taxpayer Identification Numbers (ITIN) and later got an SSN was able to file amended returns for several prior years to claim the EITC. This is no longer the case.</p> <p>Taxpayers claiming the American Opportunity Credit must now have an SSN or an ITIN by the due date of the tax return (including extensions). Further, the student claimed for the credit must have an SSN, an ITIN, or an Adoption Taxpayer Identification Number (ATIN) by the due date (including extensions). Taxpayers cannot make retroactive claims for the credit for a period that the taxpayer and student did not have a required identification number. This applies to any return filed after December 18, 2015. For example, Rose worked, attended community college as a full-time student, and had qualifying expenses for the American Opportunity Credit in 2014 and 2015. Rose does not have and is not eligible to get an SSN. In March 2016, Rose files tax returns for tax years 2014 and 2015 and obtains an ITIN. Rose may claim the credit only for tax year 2015 because she did not have an SSN or an ITIN by the due date of her tax year 2014 return.</p> <p>Taxpayers claiming the Child Tax Credit must now have an SSN or an ITIN by the due date of the tax return (including extensions). Further, the child claimed for the credit must have an SSN, an ITIN, or an ATIN by the due date (including extensions). Taxpayers cannot make retroactive claims for the credit for a period that the taxpayer did not have a required identification number. This applies to any return filed after December 18, 2015.</p> <p>Qualified higher education expenses for distributions from 529 college savings accounts now include computer equipment, software, and Internet access and related services when purchased for use primarily by the beneficiary of the 529 account during any of the years the beneficiary is enrolled at an eligible education institution. Typewriters, calculators, adding and accounting machines, and copiers are not considered computer equipment and are not qualified. Computer software designed for sports, games or hobbies is qualified only when the software is predominantly educational in nature. This is effective for tax years beginning after 2014.</p>

	<p>ABLE accounts (tax-advantaged savings accounts for individuals with disabilities and their families) can now be established in any state. They no longer need to be established in the state in which the beneficiary resides.</p> <p>Any civil damages, restitution or other monetary award paid to someone because that person was wrongfully incarcerated is excluded from income. This exclusion applies retroactively and is subject to a special one-year period to claim a refund if the typical period to claim a refund has expired. Persons compensated for a wrongful incarceration who reported the payments they received as taxable income in tax years 2012 or prior may file Form 1040X by December 17, 2016, to claim a refund of the taxes they paid on that income.</p>
Message to Volunteers	Please review this information before preparing returns. Other changes implemented by this Act that are effective for tax year 2016 will be included in the 2016 volunteer training materials.
Resources	P.L. 114-113, Consolidated Appropriations Act, 2016

For additional questions, please talk to your site coordinator, partner or IRS SPEC relationship manager.