

# Amended Returns: Form 1040X

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## Background

There are many reasons a tax client needs to file an amended return. Perhaps she received a tax information document after filing her return and is required to include additional income. Perhaps she claimed a dependent who in fact did not qualify for the dependent exemption or related tax credits. Perhaps she paid a preparer who did not prepare an accurate tax return. Regardless of the reason, it is important to correct errors in an original tax return to ensure accuracy.

## Foundation Communities Policy

In January and February, our priority is to prepare and file current year tax returns in order to access refunds as soon as possible. Beginning in March, VITA volunteers will prepare amended returns. If you have never completed an amended return, please ask for assistance from your manager or an experienced volunteer.

Amending a tax return is considered an “advanced” level of return.

## How To Assist Tax Clients

Ask the client if she received a letter from the IRS. Do **NOT** leave out this step! If the client has a letter from the IRS, it is important to read it to save yourself and the client time. It is possible that the IRS already recomputed the taxes correctly due to an unreported W-2 or 1099-R. It is unnecessary to create and file an amended return that will simply duplicate the IRS notice. Unless the client disputes receiving the wages or pension income, there is no reason to amend the return.

There are some exceptions to this:

- A. An unreported 1099-MISC. The client may claim business expenses that lower the net income and the associated self-employment and income taxes.
- B. Failure to report stock or bond transactions properly. The IRS notice may list a "zero basis" for the stock or bond transactions. The client must provide documentation of the basis for the stock or bond sales in order to minimize additional tax.
- C. Rejection of a dependent. Frequently, the IRS letter will explain what documents are required from the client to substantiate a qualifying dependent. An amended tax return will not fulfill this requirement. You may explain to the client the documents she must gather, i.e., birth certificate, proof of living with client, etc. These documents must be mailed to the IRS at the address on the letter, along with a copy of the IRS letter. If the dependent claimed is not a qualifying dependent, the IRS probably already recomputed the taxes owed, and no amended return is needed.

D. Rejection of ITIN application. It is possible that the original return was forwarded for processing and taxes were computed based on not having the ITIN applicant on the return, in which case you may amend the return to include that person and submit a new W-7. As usual, be careful about whether a dependent under 17 lives in the US and qualifies for Child Tax Credit. If the return was rejected due to ITIN application problems, those problems may be resolved without amending the return.

E. One spouse filed and the other failed to file, or both spouses filed separately. These situations frequently require amending one or both tax returns. Be aware that after the April 15 filing deadline, a couple is prohibited from amending to separate returns if their original return was filed jointly.

If the client has NOT received a letter from the IRS, she must amend:

- I. If she received an additional W-2, 1099-R, 1099-MISC or has stock transactions; or
- II. If she needs to add or remove a dependent.

Once you determine that an amended return is required, be careful not to duplicate any errors on the original return. For example, if the Child Tax Credit was improperly claimed on the original return, do not file an amended return that continues to improperly claim that credit.

The client **must** present a paper copy of the client's original return as filed with the IRS. Do not attempt to amend a return if the client cannot provide a copy of the original return. If the client no longer has a copy, then assist her in requesting a Tax Return Transcript from the IRS. (See *Tax Transcripts* available in the CTC Volunteer Resources.)

Step-by-step instructions for preparing a Form 1040-X in TaxSlayer are provided in the TaxSlayer Pro section of ctcresources. Please refer to the page labeled "Amendments." **Note:** In general, the client does not mail the revised Form 1040. Only the forms that are needed to support changes on Form 1040X are to be mailed. For example, if a new dependent is a qualifying child for EITC, that form must be included. It is possible the envelope will contain only Form 1040X pages 1 and 2 with a new W-2 stapled to page 1.

Also, let client know that processing an amended return takes 8 to 12 weeks.