

# Policy & Background: Amended Returns - Form 1040X

## Background

There are many reasons a tax client needs to file an amended return. Perhaps they received a tax document after filing a return and are required to include additional income. Perhaps they claimed a dependent who in fact did not qualify for the dependent exemption or related tax credits. Perhaps they 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 the first part of the regular tax season, amendments will be prepared remotely through the Drop Off program. Beginning several weeks into the tax season, VITA volunteers will prepare amended tax returns onsite. Consult the onsite Site Manager to determine if an amendment can be prepared at the tax site or should be sent to Drop-Off.

FC will not prepare an amendment for a tax return that is out of scope, unless the tax return is brought into scope by the amendment. If the tax return when *originally* prepared was out of scope and the amendment does not bring it into scope, we cannot prepare the amendment.

FC will prepare an amendment to an FC-prepared tax return even if the resulting amended tax return exceeds income eligibility limits. In these circumstances, make a note in TaxSlayer that the original tax return was within scope and that the amended tax return was prepared specifically to correct the tax return or add missing information.

Foundation Communities will not prepare an amendment that revises filing status from MFJ to MFS. See below and [Policy & Preparation: Amending to Revise Filing Status \(MFJ/MFS\)](#) on CTC Resources for more information.

## How to Assist Tax Clients

1. Determine if an amendment is necessary. Ask the client if they received a letter from the IRS. Do **NOT** leave out this step! If the client has a letter from the IRS, read it to save yourself and the client time. The IRS may have already recomputed the taxes correctly due to an unreported Form W-2 or 1099-R, making it unnecessary to create and file an amended return because it will simply duplicate the IRS findings. Unless the client disputes receiving the wages or pension income, there would be no reason to amend the return.

➤ **There are some circumstances in which an amendment IS NECESSARY:**

- An unreported Form 1099-NEC (or Form 1099-MISC for TY19 and previous). The client may claim business expenses that will lower the net income and associated self-employment and income taxes.
- 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. See [Reporting Capital Gains Where Basis is Not Reported to the IRS](#) on CTC Resources.
- Adding or removing a dependent.
- One spouse filed and the other failed to file, or both spouses filed separately and would like to amend to file jointly. These situations frequently require amending one or both tax returns.

**Take Note!** Although the IRS allows taxpayers up to the April 15th filing deadline to amend an original return from MFJ to MFS, Foundation Communities will not prepare any amendment that revises filing status from MFJ to MFS. See [Policy & Preparation: Amending to Revise Filing Status \(MFJ/MFS\)](#) on CTC Resources for more information.

► **There are circumstances in which an amendment is NOT NECESSARY.**

- 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 the dependent lived with the 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 otherwise not a qualifying dependent, the IRS may have already recomputed the taxes owed and no amended return is needed.
- Rejection of ITIN application. It is possible that the original tax return was forwarded for processing and taxes were computed by the IRS without including the ITIN applicant on the return. In these cases, an amendment is not needed. The ITIN application would be submitted again with a copy of the original tax return. Speak to your Site Manager to refer the taxpayer for an ITIN appointment.

2. Verify that the client has a paper copy of the original tax return that was filed with the IRS (if prepared and filed elsewhere) or that we can locate the original return in TaxSlayer (if prepared by Foundation Communities). Do not attempt to amend a tax

return if the client cannot provide a copy of the original tax return, if filed elsewhere.

**Note:** If a copy of the tax return cannot be located, assist the taxpayer in requesting a Tax Return Transcript from the IRS. (See the **Transcripts** section on the CTC Resources page.)

3. Attempt to confirm that the IRS has processed the original return. Check [www.irs.gov](http://www.irs.gov) and use Get My Refund Status or ask the taxpayer if they have received any refund that was owed to them. Amendments should not be e-file or mailed to the IRS until the original return has been processed.
4. Inform clients that IRS processing of an amended tax return may take 16 weeks or longer.

For detailed instructions on preparing amendments in TaxSlayer, refer to:

- [Amendments: When E-file and When Paper?](#)
- Preparing & Printing Amendments in TaxSlayer
- [Policy & Preparation: Amending to Revise Filing Status \(MFJ/MFS\)](#)
- [Amendment FAQ](#)