Preparing MFS Returns in TaxSlayer

Before beginning, review these documents on CTC Resources:

- Policy & Background: Married Filing Separately;
- About Marriage and Legal Separation for Texas Clients; and
- **Filing Status Options for Married Taxpayers** (in English and Spanish).

Inform the taxpayer that:

- The IRS may question the return, especially if the other spouse itemizes deductions or claims the same dependents.
- The return must be mailed to the IRS and there will be a delay in processing the return and issuing any refund.

Remember these basics:

- MFS returns are always **Paper** returns.
- Residents of Texas and other community property states must have **Form 8958,** *Allocation of Tax Amounts Between Certain Individuals in Community Property States* added to their return. Residents of non-community property states do not.
- MFS returns must be physically modified after preparation to remove any spousal allocation on **Form 8958** and any other inaccurate information on the return (eg, placeholder spouse SSNs, etc.) Contact your Site Manager for assistance.
- Be aware of policies, rules, and deadlines around amending returns to change MFS filing status. See Amending to Revise Filing Status: MFJ/MFS on CTC Resources if you are preparing such an amendment.

1. Verify that you have the information that you need to prepare the MFS return.

    a. Spouse Name Although we will prepare a return with an unknown SSN for the spouse (see just below), we must have the name of the spouse.
    b. Spouse SSN or ITIN If this is not known or provided, you will use "placeholder" information to prepare the return in TaxSlayer.)

2. Prepare the return in TaxSlayer with filing status of **Married Filing Separately**.

    a. Enter the spouse's name.

b. Enter the spouse's SSN or ITIN. If the actual number has not been provided, use "**111-00-1111**" as a placeholder.

c. Use only the taxpayer's income/tax documents and not that of the spouse.

d. Remember that the standard deduction cannot be claimed if the spouse of the taxpayer itemizes, and vice-versa.

3. <u>For community property state residents (eg, Texas)</u>, add **Form 8958**, *Allocation of Tax Amounts Between Certain Individuals in Community Property States*.

a. Click on the **Federal Section** sidebar in TaxSlayer.

b. Click on **Miscellaneous Forms**.

c. Locate **Form 8958 Married Filing Separately Allocations** and click on **Begin**.

4. In the Form 8958 screen, enter **$1** as the allocation for the spouse in the **Spouse** column of Form 8958 for all income entered in the return. See below for an example.

    Remember: FC's policy is not to allocate community property. The amounts entered are placeholders.

5. Continue to the **E-File** screen.

6. Set the Return Type to **Paper**. The taxpayer may request direct deposit of any refund even though the return is set to **Paper**.

7. Complete the **E-File** and **Submission** screens as usual in order to prepare the return to be Quality Reviewed.

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Printing & Finalizing the MFS Return for the Client

Once the MFS return has been Quality Reviewed, it is ready to be modified and finalized so that the client can mail it to the IRS.

Recall that FC does not allocate community property between spouses, so that any $1 allocations included on the **Form 8958** in TaxSlayer must now be removed, along with any placeholder SSNs used for the spouse.

An FC staff member is generally responsible for making MFS changes to the return. Contact your Site Manager for assistance.

Note: These instructions cover printing and physically "whiting out" data on the printed tax return. The tax return can also be digitally altered and then printed if tools are available to do so.

1. Print the MFS return, selecting the **FC PAPER PRINT SET** option.

2. Use correction tape or liquid White-Out to remove the spouse's placeholder SSN (**111-00-1111**) everywhere it appears.
   a. **Once** on page 1 of Form 1040
   b. **Twice** on page 1 of Form 8958
   c. **Once** on page 2 of Form 8958

3. Leave the SSN entry blank. Do not enter anything in the SSN field.

   IMPORTANT! If the actual, correct spouse SSN is used in the return, do **NOT** remove it. You are only removing INACCURATE information from the return.
   If the taxpayer has a nonresident alien spouse and is choosing to file MFS, replace the SSN with "**NRA**".

4. On **Form 8958**, use the correction tape or liquid White Out to remove all of the **$1** entries in the **Spouse** column on both pages, leaving the column blank.

5. In column **A Total Amount**, edit the entries to match column **B Allocated to Spouse or RDP**. This usually means subtracting $1 from the amount listed.

6. Confirm the totals. Ensure column A matches column B and that both match the amount from the taxpayer's income document(s).

7. Confirm that column C is **blank**.

Allocation of Tax Amounts Between Certain Individuals in Community Property States

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to *www.irs.gov/Form8958* for the latest information.

OMB No. 1545-0074

Attachment
Sequence No. **63**

Your first name and initial	Your last name	Your social security number
KAREN	CLAMDIGGER	999-11-1111
Spouse's or partner's first name and initial	Spouse's or partner's last name	Spouse's or partner's social security number
RODRIGO	CLAMDIGGER	

	A Total Amount	B Allocated to Spouse or RDP SSN 999-11-1111	C Allocated to Spouse or RDP SSN ___ __ ___
1 Wages (each employer) CHADDAN BROS INC	2950	2950	
AGMAN & BROS LLC	6970	6970	
2 Interest Income (each payer)			

8. **Make a copy of the modified MFS return** for the client's records.

9. Instruct the client to:

    a. Sign **Form 1040**.
    b. Staple to page one of **Form 1040** any income forms to be included (eg, **Form W-2** or **Form 1099** with withholding).
    c. Mail the entire packet to the IRS.