

Study Guide Advanced Test TY2025 in 2026
Test Book irs.gov/pub/irs-pdf/f6744.pdf page 75

Remember, there is more to being a VITA volunteer than passing the test. The test shows a very limited sampling of possible client situations. The more you review/practice the more you will know, the more comfortable and confident you will be—it's a great feeling!

Message for volunteers from IRS: Volunteers should base their certification test/retest answers using the tax law content shown in Publication 4012. Volunteers should NOT base their test/retest answers on OBBBA tax law changes. The Link & Learn Taxes Certification site is programmed for pre-OBBA tax law answers only.

Turn the certification test into the best learning experience you can by following these steps—

For all scenarios:

- Are you selecting the correct and best filing status? See [PUB 4012 pages B13-16](#) to determine which status(s) they qualify for and [page A-3](#) for a brief breakdown of the standard deductions for each—always select the BEST ONE THEY QUALIFY FOR. More on Standard Deductions can be found [F3-F4](#)
- Can they claim a dependent? Don't assume they can or can't. Use [PUB 4012 Section C](#).

Make sure to bookmark or flag your PUB 4012 with post-it notes on these pages: PUB 4012 pages B13-16 and page C-3

For Advanced Scenarios 1-6:

1. Read the scenario carefully, mark what you think the answer might be, then go to [PUB 4012](#) to review the topics covered to have a better understanding and feel confident your answer is correct.
2. Make sure you familiarize yourself with PUB 4012 in print and/or as a PDF—in real life, you need to know how to look up things in this book. irs.gov/pub/irs-pdf/p4012.pdf (Use Control Find feature to locate this using keywords) For print book—use the tabs, table of contents, or glossary to locate topics. **Get comfortable with learning the book now so you will be comfortable in how to look things up when a taxpayer is in front of you. This is an awesome tool—learn to use it!** [Also PUB 4491 Training Book](#)
3. Read each question carefully, what are they asking you for? I personally read each question 2-3 times. Don't assume you know the answer—especially with Filing Status and who can be claimed as a dependent.
4. Don't forget, vitaresources.net is a great resource for information on all topics VITA!

Advanced Scenario 1: Joy Sunshine

1. Remember entering the filing status wrong can have a huge impact on the outcome. Please USE YOUR DECISION TREE or tables in [PUB 4012 pages B13-15](#) as appropriate. Follow from the top—don't skip a step.
2. Look at the requirements/qualifications for Earned Income Tax Credit [PUB 4012 section I \(I refer to page I-4 a lot\)](#). This is a wonderful credit—designed to boost people out of poverty—if they qualify. Do any of her children meet the qualifications?
3. Look at the income tables in [PUB 4012 pages D3-4](#) to learn about taxable and non-taxable income.

Advanced Scenario 2: Matt & Megan Summer

4. Use [PUB 4012 pages G5-8](#) to learn about the qualifications for each type of credit.
5. To find who qualifies to take the Dependent Care credit, look in [PUB 4012 G16-186](#). There are specific rules/criteria. You need to know where to find the rules and what questions to ask.

Advanced Scenario 3: Nancy James

- To learn about Health Savings Accounts, visit [PUB 4012 pages E13-19 and PUB 4491 section 17 pages 17-9 through 17-12](#)

- I also recommend you look at an actual form to see what it looks like. irs.gov/pub/irs-dft/f8889-dft.pdf

6. See **PUB 4012 page E15**. This question is asking, is she able to contribute more because of her age? And if so, what is the maximum EXTRA amount she can contribute?
7. You should look at the actual . irs.gov/pub/irs-dft/f8889-dft.pdf to see how it is laid out. See also **PUB 4491 pages 17-12** for more detail.
8. What are considered qualified expenses? **PUB 4012 page E-19**. What are considered qualified expenses?

Advanced Scenario 4: Alexa Rice

- 9 **PUB 4012 section C** is the dependent section; read the overview pages then start on the first table and work through the tables (never go out of order)***Really pay attention to **PUB 4012 page C-4** info on Qualifying Child of More Than One Person. *Note--the question asks who COULD claim Cary, not who is, who will, or who should... but who COULD.*
- 10 Earned Income Tax Credit is an amazing credit designed to boost people out of poverty. It is important to know the rules of who qualifies. The system will automatically give the credit to the taxpayer if filing status, relationship, residency, and income requirements are met. Learn requirements **PUB 4012 page I-4**. *Note: if you do a tax return and the taxpayer does NOT qualify for the EITC credit—you will see a message on top of the Summary page that explains why they did NOT get the credit.*

Advanced Scenario 5: Julia Jacobs

If you want to learn about itemized deductions and what qualify go to **PUB 4491 Section 20**—you don't need to memorize anything 😊 ****With standard deductions being so high now, hardly any of our taxpayers will itemize (but you should know where to find the information in your book. **Also, some states give credits based on some information on the Itemized deduction screen—so while entering the information on the Itemized Screen may not help the Federal Tax Return it could help a state return.

11. See **PUB 4012 pages F5-F18** and [PUB 4491 Section 20](https://irs.gov/pub/irs-dft/f8889-dft.pdf)
12. See **PUB 4012 pages F5-F18** and [PUB 4491 Section 20](https://irs.gov/pub/irs-dft/f8889-dft.pdf)

Advanced Scenario 6: Carlos Carter

13. See **PUB 4012 Section J** for information on the 2 types of education credits, what expenses are allowed for each, and what their requirements to claim are. Education credits are wonderful. I like the chart in **PUB 4012 page J-8 a lot**
14. When someone takes money from a retirement account before the age of 59 ½, they **might** be subject to a 10% Early Withdrawal penalty. If your taxpayer is under 59 ½, and the system calculates the penalty, a message will appear on the screen after you hit [Continue], make sure you ask your taxpayer why they withdrew the funds, then review the table in **PUB 4012 page H-7** to see if they qualify for an **exception to the penalty**; if they are entitled to an exception-based on the list, **you MUST add Form 5329 on the return to waive the penalty**—see instructions **PUB 4012 page H-6**. I suggest putting a post-it note on these pages for easy reference.

For Advanced Scenarios 7 -9

To get the most out of these scenarios, I suggest the following:

- Do not read the interview notes first. In real life, people do not come in with a printed-out interview note sheet.
- Instead, look at the intake form and tax forms provided by the client first. Based on the forms, ***what other information might we need*** based on the type of income, their ages, marital status, the dependents listed, other forms provided?
- Use PUB 4012 to guide you in determining the questions to ask.
- Then read the intake interview notes.
 - Make any notes on the intake form that are needed for you and the Quality Reviewer to complete this return. Remember, in real life you don't have the interview notes.
- **After you complete the return in Taxslayer—go back and make sure you have addressed EVERYTHING noted on the Intake Form—is all the income entered and all possible credits given? Do this in real life with every return you do—it is easy to forget something—that is why we write it down!**

Remember, just because a taxpayer tells you they supported someone, doesn't mean they can claim them as a dependent. Also, just because the taxpayer wants to claim a credit, it doesn't mean they can-- each credit has its own set of eligibility requirements--so review them in your book (you do not need to memorize anything).

These next scenarios will cover a lot of different little situations to put as much stuff in one return as possible. So, don't rush. Once you do a few it will be easy peasy, I promise!

Also—please note Practice Lab does not have all the functions as the real site does—you can't submit anything by accident-- so don't worry about messing anything up—get in there, get used to it—play and have fun!

****For seasoned/returning volunteers—before starting scenarios 7-9, I suggest looking at the intake form and tax documents provided—then try to answer the test questions BEFORE you enter the return in the software. This is, of course just a suggestion, but I find it really gets my mind back into the swing of VITA. And even if I can answer the questions without entering the return, I still will enter it in the software to refamiliarize myself with the software and see the changes that had been made by Taxslayer.****

Practice Lab Tips:

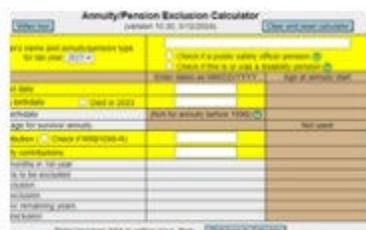
- Not sure ***where*** to find a form? Use the **Form Finder Search** box on the top left. Also see **PUB 4012 page O10-14** to see navigation tips
- Not sure ***how*** to enter something?—Your PUB 4012 has screen shots. At a tax site you will be working with an amazing team—ask someone, they will be glad to help!
- Make sure to get to the end and mark **Ready For Review**—you are not done with the return until you do that!
- When you have finished entering the return—generate a PDF of the return to see what you have created and to help answer the test questions.
- **Do not rely on the SCREEN SUMMARY VIEW OF THE 1040 in Practice Lab as it usually is not correct as they have a lot of re-programming to do each year. Numbers will be misaligned, not calculate correctly on the screen, but the PDF is usually fine.**
- If you need information on using Practice lab: vitaresources.net/practicelab

TIP: Don't just answer the questions, look to see how all the information you entered flowed from the forms to the schedules, to the 1040 page 1 to the end results on page 2.

Advanced Scenario 7: Martin & Yvette Willis

In this scenario:

- We have a schoolteacher that had spent money on classroom supplies. Can they claim the expense? **Check PUB 4012 page E-10** and see what are the requirements & do they meet it—you have to ask the taxpayer questions in real life to determine this—know where to find this in your book—flag it!
- You have a 1099-R with BLANK box 2a. This is a special type of situation. Information on 1099-Rs can be found in **PUB 4012 pages D58-64**;*You could use Taxslayer to calculate the taxable amount (write this amount down) or visit vitaresources.net **scroll down Annuity Calculator



**Colorado Tax-Aide
Annuity Calculator
This tool is Amazing!**

- Read about Cancellation of Debt **PUB 4012 pages D87**
- Jury duty income **PUB 4012 page D-81** (E-4 is more on jury duty but doesn't apply to this scenario)
- For Education Credits **See PUB 4012 Section J** for types of credits, qualifications, allowable expenses and how to enter.

Take your time, refer to the interview notes AND the intake form—have fun entering the return! My favorite part! Then print your return as a PDF and review it, and then answer these questions:

After you have prepared the return:

15. See scenario note above—what is the taxable portion of Faith's retirement? Look at the tax return you generated **1040 Line 5b**
16. Print the PDF of the return you just entered, on the **1040 page 1**, Dependent Section, you will see a box checked for the type of credit the dependent gave the taxpayer. Then look on page 2 of the 1040 tax return. How much did they get for that credit? You can learn more about these credits in **PUB 4012 Section G**.
17. Make sure you have entered everything mentioned in the scenario—check the interview notes and your intake form! Print the **PDF of the 1040, See your Schedule 1 (Line 10)** which also carries over to the **1040 Line 8**.
18. See notes above, and print the tax return to a PDF—See your **1040 Schedule 1 (Line 11)**. Are the expenses allowed? How much?
19. Information on Standard Deduction Amounts can be found in **PUB 4012 pages F3-F4**.
20. Review **PUB 4012 section J** to see what is a qualified expense for the different types of education credit. What did you enter?
21. Look at the PDF of your tax return—what is on the **1040 line 6b?**

ELECTED		OMB No. 1545-0119	Distrib Pension F Profit-S IRU C
1 Gross distribution	\$ 20,100.00	20 XX	
2a Taxable amount	?	Form 1099-R	
2b Taxable amount not determined	<input checked="" type="checkbox"/>	Total distribution	
3 Capital gain (including box 2a)		4 Federal income tax withheld	Tax
			\$ 2,010.00
5 Employee contributions/ Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
			\$
7 Distribution code(s)	7	8 Other	
9a Your percentage of total distribution		9b Total employee contributions	
			\$ 15,000.00
14 State tax withheld		15 State/Power's state tax	
			\$

22. Print the PDF-See your **1040 Line 25d**. You can also manually calculate the total withholdings—amount of income tax the client paid to the IRS **during the tax year** from all W2s and 1099s.

Advanced Scenario 8: Jocelyn Jones

In this scenario we have:

- Consolidated broker's statement. See **PUB 4012 page D42-D49**—Tip: **Don't get overwhelmed, get a highlighter and breakout all the forms you see, and all the data needs to be entered **a consolidated statement is just multiple forms as part of one report—do each form one by one in order, check them off as you do them so you don't miss one. Go in order and keep papers organized and in order.**
- Self-employment: reported income from cash, 1099-K & 1099-NEC, expenses & mileage See **PUB 4012 D28-41**; Tip: **when looking at expenses—are they reasonable, ordinary, and necessary to run the business—or are they more personal in nature?**
- When someone takes money from a retirement account before the age of 59 ½, they **might** be subject to a 10% Early Withdrawal penalty. If your taxpayer is under 59 ½, and the system calculates the penalty, a message will appear on the screen after you hit [Continue], make sure you ask your taxpayer why they withdrew the funds, then review the table in **PUB 4012 page H-7**; if they are entitled to an exception-based on the list, **you MUST add Form 5329 on the return to waive the penalty**—see instructions **PUB 4012 page H-6**. I suggest putting a post-it note on these pages for easy reference. Was the reason she took the money out an allowable exception from penalty?
- Education Expenses See **PUB 4012 Section J**
- Payment of Student Loan Interest **PUB 4012 page E-22**

Form 1099-DIV 2021 Dividends and Distributions						
Copy B to Recipient (OMB NO. 1545-0110)						
1a Total Ordinary Dividends	180.00					
1b Qualified Dividends	75.00					
2a Total Capital Gain Distributions (Includes 2b-2d)	300.00					
2b Capital Gains that represent Unrecaptured Capital Gains that represent Section 1202 Capital Gains that represent Qualified Electing Small Business Capital Gains						
2c Nondividend Distributions						
4 Federal Income Tax Withheld						
5 Investment Expenses						
6 Foreign Income or U.S. Possession						
7 Cash Liquidation Distributions						
8 Non-Cash Liquidation Distributions						
9 Exempt Interest Dividends						
10 Qualified Private Activity Bond Interest Dividends						
11 State						
12 State Identification No.						
13 State Tax Withheld						
Form 1099-MISC* 2021 Miscellaneous Income						
Copy B to Recipient (OMB NO. 1545-0110)						
2 Non-Employee Compensation						
4 Federal Income Tax Withheld						
8 Substitute Payments in Lieu of Dividends						
16 State Tax Withheld						
17 State/Player's State No.						
18 State Income						
Form 1099-B 2021 Proceeds from Broker and Barter Exchange						
Short-term transactions for which basis is reported to the IRS Report on Form 8949 with Box C checked and/or Schedule D, Part I (This Line is a Subtotal for Boxes 1&4)						
8 Description, 1d Stock or Other Symbol, CUSIP						
Date	01/06/2021	10/30/2021	200.000	2,650.00	2,000.00	650.00
TOTALS	2,650.00	2,000.00				
Form 1099-B 2021 Proceeds from Broker and Barter Exchange						
Long-term transactions for which basis is not reported to the IRS Report on Form 8949 with Box E checked and/or Schedule D, Part II (This Line is a Subtotal for Boxes 1&6)						
8 Description, 1d Stock or Other Symbol, CUSIP						
Date	10/12/2020	11/01/2021	600.000	3,500.00	2,100.00	1,400.00
TOTALS	3,500.00	2,100.00				

When you finish entering the return, print it as a PDF and review the return and all accompanying schedules. Then start the questions.

23. Print your PDF- Look at the **Schedule D** that generated with your return.
24. Look at scenario notes above-- when looking at expenses given by taxpayer—are they reasonable, ordinary, and necessary to run the business? Which are not but are more personal? You have to distinguish the 2 apart from each other.
25. There are limits to how much can be claimed and who can claim the credit and for what, so make sure to do a quick review of **PUB 4012 page E-22**. Can she? If so, how much? See **Form 1040 Schedule 1**
26. Print the PDF of your return and look at **Schedule C**. How many miles did you enter on Schedule C (see page 2 of Schedule C) and what was that worth as a business expense in dollars? See **Schedule C Line 9** Car & Truck Expense. Note: Do you know what the mileage rate for 2025 is? It changes every year—the system will do all the calculations for you. (**See D41**-great resource to share with taxpayers)
27. Print the PDF-Education credits generate on your **1040 Form 8863, then carry to Schedule 3 Line 3, and 1040 Line 29**-depending on the type of credit, amount of credit and taxable income
28. This question I get a lot of emails on each year--To get this correct, you need to learn a little about when a withdrawal from a retirement account can be subject to early withdrawal penalties, and when the penalty can be waived/excluded. **Review PUB 4012 page H6-H7** and **read the scenario very carefully--how much did she take out--and for what purpose was all or part of it used for?**
29. See **PUB 4012 page K24-27** to learn more about what to do when a client has a balance due.

Advanced Scenario 9: Carl Graves

In this scenario we have: a widower with a dependent, who has W2 wages, interest, daycare expenses, and Marketplace Health Insurance.

- Information on who and what qualifies for dependent care credit can be found in **PUB 4012 pages G14-18**
- To learn about Child Tax Credit, see **PUB 4012 page G5-G8**
- To learn about Marketplace, see **PUB 4012 starting on page H10** (you could also learn about Marketplace at vitaresources.net/marketplace)

When you finish entering the return, print it as a PDF and review the return and all accompanying schedules.

Then start the questions.

30. **PUB 4012 pages B13-B15**--start at top—don't just assume you know what the filing status should be.
31. After you enter the return, print your PDF-Look at your **1040, Line 11**
32. Look at the return you made—to see which dependent credits the taxpayer got, look at the PDF of the **1040 page 1 Dependent section**—what boxes are checked to the right of the dependents name? FYI—the system automatically gives the client the credits they qualify for based on what you enter—as long as you enter everything correctly from filing status, date of births, dependent information, and income you should have no problem. You can see the credits on the **1040 Schedule 3, Form 2441 and Form 8812**. Learn more about all these credits in PUB 4012 section G and H
33. Look at your **1040, Schedule 3 Line 4**; You can learn more about this credit in **PUB 4012 page G19-G22**
34. What is it asking? *Key word—Net Premium Tax Credit*. This is a credit given to people who did not receive all the subsidy for their health insurance premiums they were entitled to throughout the tax year. Note: Subsidy is how much the government paid for the health insurance for the taxpayer. Subsidy amount is based on their income, age, number of people, policy chosen, and where they live. If the taxpayer was entitled to more subsidy than received, then a Premium Tax Credit will appear as a refundable tax credit on their tax return. Usually this happens when their income is LESS than what they had reported to Marketplace when they signed up. See the **PDF of the return, look at Form 8962**.
35. Print the PDF of the return-Look at your **1040 Schedule 3** or Look at **Form 2441**. Is the credit there?

Now that you have your answers ready—check them using the tool found on vitaresources.net training page BEFORE you submit them to the IRS.

Feedback is given so you can review, learn, and make corrections.

Happy VITA-ing Everyone!

I hope this was a useful tool for you!

Questions? Do not hesitate to reach out to me. I want to help!

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Make sure to visit vitaresources.net for more tools and training resources for all things VITA!