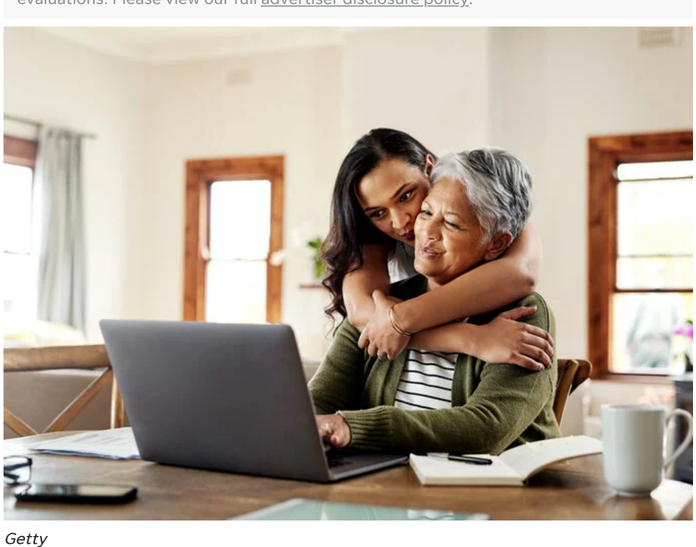
TAXES

How to help your parents prepare for tax season

Kerri Anne Renzulli and Jenn Jones BLUEPRINT

Updated 12:45 pm ET March 7, 2023



Getty

Tax season can be a struggle for all of us, but it can be doubly hard if you've got to handle your own return as well as that of your parents. There can be a lot of confusion surrounding how to file or sign a return on their behalf, what kinds of information is necessary to accurately finish the job and what resources you can tap for assistance.

See if your parents need to file a tax return this year

Whether your parents even need to file a tax return largely depends on how much income they earned this year, their ages and whether you claim them as dependents on your tax return.

"Many elderly people don't need to file because they don't earn enough, especially those living off just their Social Security benefits," said CPA and TurboTax tax expert Lisa Greene-Lewis.

If your parent is a single filer with a gross income of $12,950 or more, then they will need to file a return for the 2022 tax year.

That is, unless they're age 65 or older, in which case their income can reach $14,700 before they need to file.

Married couples who file jointly can skip completing a return if their income is below $25,900 and they're both under age 65. When one spouse is age 65 or older, they can make up to $27,300. And if both spouses are 65 or older, they will only need to file if their income hits or exceeds $28,700.

Your parents won't need to file a tax return either if you claim them as a dependent. To do this, their gross income can't exceed $4,400 and you must provide more than half their total support for the year.

"If your parent meets the requirement, it makes more sense to claim them as a dependent on your return as they're not getting any real tax benefits with such a low income and you're giving up potential tax benefits," said CPA Judy Brown, a senior financial advisor with SC&H Group in Ellicott City, Md.

Gather required documents

If your parent does need to file, you'll need a holistic view of their finances for the year, including any wages they've earned, Social Security benefits received and investment income generated or lost, in order to accurately help them. This means you'll need access to a wealth of year-end tax income forms.

Wages can be reported by an employer through either a 1099 or W-2 form. Details about distributions received from a pension, annuity, retirement plan or IRA can be found on tax form 1099-R, while interest and dividend statements mainly come on 1099-DIV or 1099-INT forms.

Your parents' total Social Security benefit amount can be found on Form SSA-1099, sent by the Social Security Administration.

Depending on their specific financial situation and the credits or deductions they might be eligible to claim, you could need other tax forms. Reviewing tax returns from previous years will help you discover if you're missing something crucial.

Finally, you will need basic personal information, such as their Social Security number and address.

If they want to receive a refund as a direct deposit (or pay any owed taxes with an electronic funds withdrawal), you'll also need their bank account and routing number.

Check for common tax breaks for elderly parents

The government has a special credit just for those age 65 or older, known as the Credit for the Elderly or Disabled, which can be worth between $3,750 and $7,500.

There are some strict income limitations you'll have to meet, though, to take advantage. For instance, single filers must have a gross income below $17,500 and their nontaxable Social Security, pension or annuity payments can't total more than $5,000.

The good news? If your folks are eligible, it reduces their tax bill dollar for dollar.

Sizable medical and dental costs can also reduce their taxable income by the total of such expenses that exceed 7.5% of their total income. They must itemize their deductions instead of taking the standard deduction in order to benefit.

For itemizing to be worth it for your parents, their total eligible deductions need to save them more than the standard deductions, which equal $12,950 for single filers and $25,900 for joint filers. (Those over age 65 can add an additional $1,400 to those sums.)

That can be a tall order, so be sure to factor in medical travel costs and any other qualifying items.

"If your parent had to travel for heart surgery, you can claim that flight as well as $50 a night in lodging costs," said CPF Catherine Valega, founder of Green Bee Advisory in Boston. "You could also claim the miles driven to medical providers."

Here is the form for itemized deductions, Schedule A (Form 1040).

The form will also guide you to look into whether your parent would benefit from claiming other deductions that are only available to those who forgo the standard deduction.

One of the more popular options: charitable donations. Generous parents can typically reduce up to 60% of their gross income via itemizing cash gifts they've made to qualified public charities.

Can I sign my parents' tax return for them?

Generally, the IRS does not consider a return valid unless it has been signed by the taxpayer themselves.

There are some exceptions to this, such as if you are acting as a power of attorney for your parents and they are unable to sign due to disease or injury.

If this is the case, you'll need to file Form 2848, known as the power of attorney and declaration of representative form, which authorizes someone else to represent the taxpayer before the IRS, explained Greene-Lewis.

This form will also allow you to indicate whether you'd like to be sent copies of tax information that the IRS sends to your parents, such as return transcripts and notices. Just be sure to define on line 3 of the Form 2848 what kinds of actions you've been authorized to complete and for which tax years.

If you leave this section blank or write something generic like "all taxes," the IRS will reject it.

How to get professional help

Feeling overwhelmed at managing your parent's tax return on top of your own? There are free national tax assistance programs for the elderly and hirable professionals if things get severely complicated.

The IRS's Tax Counseling for the Elderly (TCE) program provides free tax help and return preparation to people age 60 or older. Its certified volunteers specialize in retirement and pension-specific issues typically faced by seniors.

People who make $60,000 or less may also use the free service, but seniors don't need to fall under an income limit.

The program is normally available from the start of the year until April 18, this year's filing deadline, and can be found in community centers, libraries, schools and shopping malls across the country.

To find your nearest TCE site, use the IRS's TCE Locator Tool or call 800-906-9887.

Taxpayers over 50 years of age can take advantage of the AARP Foundation's Tax Aide program, which runs many TCE sites and is another free resource. In addition to providing more in-person tax assistance, AARP's service includes virtual assistance for those who can't or don't want to travel or who want guidance on filing digitally on their at-home computers.

You can use the AARP's site locator or call 888-227-7669 to find help.

Parents who need less hand-holding or have more straightforward tax returns can also take advantage of free federal tax software assistance through the IRS Free File program, if their income is $73,000 or less. Tax software providers like TaxAct, TaxSlayer and FreeTaxUSA participate and some even include free state return preparations.

You may need to hire a certified public accountant (CPA) to step in if your parent has a complex tax situation or you're looking to do some long- term planning for how to best shelter their assets from future tax bills.

The IRS provides a searchable directory of credentialed, federal tax return preparers.

What if the parent has died and you need to file a return for them?

You'll want to complete your deceased parent's final tax return largely the same way you would have if they were still alive. You'll still need to report their income up to their date of death rather than for a whole year and determine their eligibility for tax deductions and credits.

For a deceased parent whose return shows they owe money to the IRS, you'll need to pay the balance when you file for them. If the IRS owes them, you can claim their refund by submitting Form 1310.

You don't need to worry about filing a return however if your parent's income for the year falls below the threshold, explained Greene-Lewis. The only exception: When you believe they're owed a refund.

A return must be submitted to claim those funds.

Avoid tax scams

Every year there are a plethora of sneaky new tricks and tools scammers employ to try to swindle Americans. So much so that the IRS publishes a "Dirty Dozen" list annually, detailing the most pervasive and abusive tax schemes.

To help your parents steer clear of trouble, avoid any too-good-to-be true promises made by tax companies and only get assistance from registered and trained professionals like CPAs, legitimate tax softwares and IRS-certified tax volunteers.

It can also be smart to teach them to be wary of texts, emails and phone calls purporting to be from the IRS. The official agency doesn't use text messages to discuss issues like bills with taxpayers nor does it send links via text requesting personal information.

Similarly, it will never initiate contact with you via email to request personal or financial data.

Typically, the IRS likes to reach out by mail, but it does contact people by phone sometimes, too. However, during such calls, its agents won't make threatening or urgent demands.

Scammers are known for refusing to answer taxpayer questions and for making empty threats, like claiming they'll have the police arrest you or that they'll revoke your drivers' license if you don't immediately pay up.

It can be stressful, to say the least, when you receive such a call. But take a breath and contact the IRS directly by logging into your account or calling a certified IRS number to confirm any owed taxes before you make any payments.

Kerri Anne Renzulli
BLUEPRINT

Kerri Anne Renzulli has been reporting on personal finance and workplace issues for over a decade. Her work has appeared in Newsweek, the Wall Street Journal, CNBC, Money, TIME, Financial Planning, Glamour and Architectural Digest.

Jenn Jones
BLUEPRINT

Jenn Jones is the deputy editor for banking at USA TODAY Blueprint. She has a wide range of experience in personal finance and a deep interest in sharing knowledge that empowers others. Prior, she was a senior writer at LendingTree, covering banking, investments, mortgages and more. She also served as a finance manager at World Car dealerships and an editor at Standard & Poor's Money Market Directory. She holds a B.S. in commerce from the University of Virginia.

More Stories

Don't wait until the last minute to file your taxes
TAXES BRIAN O'CONNELL

Best tax software of March 2023
Best tax software of March 2023
TAXES JENN JONES

Tax moves to make to help prepare for a recession
TAXES KERRI ANNE RENZULLI

What to do with your money this year to save on your taxes next year
TAXES KERRI ANNE RENZULLI

How to get your 2021 tax refund (if you haven't already)
TAXES KERRI ANNE RENZULLI