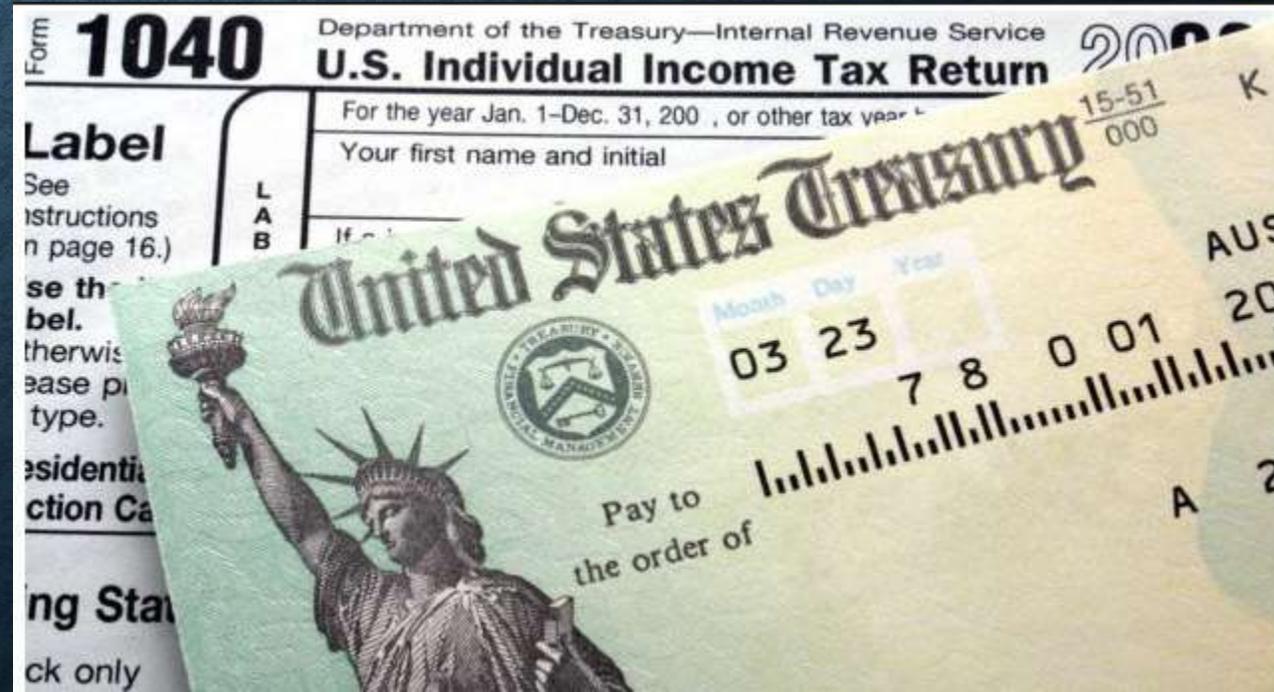


6-4 FORMS 1040EZ AND 1040A

Advanced Financial Algebra



HOW DO TAXPAYERS REPORT THEIR INCOME TO THE GOVERNMENT?

- Most people pay their tax regularly through payroll deductions.
- The employer withholds federal, state, and local taxes from each paycheck.
- After you get your W-2 form from your employer, you need to determine whether you overpaid (and get a tax return) or did not pay enough and have to send the government more money.

BASIC IRS TAX RETURNS

- Form 1040EZ (short form)
- Form 1040A
- Form 1040 (long form)
- **NOTE:** For 2018 taxes, tax forms were “shortened” to just the Form 1040.

EXAMPLE #1

- Elizabeth is a magazine food editor. She received a W-2 form and a 1099 interest form from her bank.
- What is her taxable income for the year if she is single?

a Employee's social security number 000-00-0000		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile .			
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$83,600.00	2 Federal income tax withheld \$15,884.00		
c Employer's name, address, and ZIP code Food For Thought 15 Chestnut Street Philadelphia, Pennsylvania 19144		3 Social security wages \$83,600.00	4 Social security tax withheld \$5,183.20		
		5 Medicare wages and tips \$83,600.00	6 Medicare tax withheld \$1,212.20		
		7 Social security tips	8 Allocated tips		
d Control number		9 Advance EIC payment	10 Dependent care benefits		
e Employee's first name and initial Elizabeth	Last name Allision	Suff.	11 Nonqualified plans		
6204 Lincoln Street Philadelphia, Pennsylvania 19144		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12a See instructions for box 12		
		14 Other	12b		
			12c		
f Employee's address and ZIP code			12d		
15 State Employer's state ID number 00-0000000	16 State wages, tips, etc. \$83,600.00	17 State income tax \$10,032.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

EXAMPLE #1 SOLUTION

- Her wages, tips, and other compensation from her W-2 box #1 was \$83,600.00.
- Her interest from her bank account was \$956.
- Therefore, her adjusted gross income = $\$83,600 + \$956 = \$84,556$

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. First National Bank 1517 Pine Street Philadelphia, PA 14145		Payer's RTN (optional)	OMB No. 1545-0112	Interest Income
PAYER'S federal identification number 00-0000000		1 Interest income \$ 956.00 2 Early withdrawal penalty \$		
RECIPIENT'S identification number 000-00-0000		3 Interest on U.S. Savings Bonds and Treas. obligations \$		Copy B For Recipient. This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Elizabeth Allison		4 Federal income tax withheld \$	5 Investment expenses \$	
Street address (including apt. no.) 6201 Linclon Street		6 Foreign tax paid \$	7 Foreign country or U.S. possession	
City, state, and ZIP code Philadelphia, PA 14144		8 Tax-exempt interest \$	9 Specified private activity bond interest \$	
Account number (see instructions)				

Form 1099-INT

ENTER EXAMPLE #1 SOLUTION ON 1040EZ

- See how the wages, interest, and total should be entered on her tax return below. The “new” 1040 forms look a little bit different, but the idea is the same.

Department of the Treasury-Internal Revenue Service
Form 1040EZ **Income Tax Return for Single and joint Filers With No Dependents** (919) OMB No. 1545-0074

Your first name and initial Elizabeth	Last name Allison	Your social security number 0 0 0 0 0 0 0 0 0
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions 6201 Lincoln Street		Apt. no. ▲ Make sure the SSN(s) above are correct.
City, town or post office, state, and Zip code. If you have a foreign address, also complete spaces below (see instructions). Philadelphia, PA 19144		Presidential Election Campaign check here if you, or your spouse if filing jointly want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/state/county	Foreign postal code

Income Attach Form(s) W-2 here. Enclose, but do not attach, any payment.	1	Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.	1	83,600	00
	2	Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.	2	956	00
	3	Unemployment compensation and Alaska Permanent Fund dividends (see instructions).	3	0	00
	4	Add lines 1, 2, and 3. This is your adjusted gross income .	4	84,556	00
	5	If someone can claim you (or your spouse if a joint return) as a dependent, check the applicable box(es) below and enter the amount from the worksheet on back. <input type="checkbox"/> You <input type="checkbox"/> Spouse If no one can claim you (or your spouse if a joint return), enter \$10,300 if single ; \$20,600 if married filing jointly . See back for explanation.	5	10,300	00
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your taxable income .	6	74,256	00

EXAMPLE #2

- What is Elizabeth's tax responsibility?
- Example #1 said that she is single, so when you look at the appropriate line, it says that her tax is \$14,363

If Form 1040EZ, line 6, is—		And you are—	
At least	But less than	Single	Married filing jointly
		Your tax is—	
74,000			
74,000	74,050	14,300	10,181
74,050	74,100	14,313	10,189
74,100	74,150	14,325	10,196
74,150	74,200	14,338	10,204
74,200	74,250	14,350	10,211
74,250	74,300	14,363	10,219
74,300	74,350	14,375	10,226
74,350	74,400	14,388	10,234
74,400	74,450	14,400	10,241
74,450	74,500	14,413	10,249
74,500	74,550	14,425	10,256
74,550	74,600	14,438	10,264
74,600	74,650	14,450	10,271
74,650	74,700	14,463	10,279
74,700	74,750	14,475	10,286
74,750	74,800	14,488	10,294
74,800	74,850	14,500	10,301
74,850	74,900	14,513	10,309
74,900	74,950	14,525	10,319
74,950	75,000	14,538	10,331

EXAMPLE #3

- Does Elizabeth get a refund or does she owe the government more money?
- How much?



EXAMPLE #3 SOLUTION

- If you look back at her W-2 from example #1 (here is part of it below), it shows that her employer withheld \$15,884.00 from her gross pay.
- Since she only owes \$14,363 according to example #2, she paid too much and will get a refund of $\$15,884 - \$14,363 = \$1,521$

		a Employee's social security number 000-00-0000		OMB No. 1545-0008	Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$83,600.00	2 Federal income tax withheld \$15,884.00				
c Employer's name, address, and ZIP code Food For Thought 15 Chestnut Street Philadelphia, Pennsylvania 19144		3 Social security wages \$83,600.00	4 Social security tax withheld \$5,183.20				
		5 Medicare wages and tips \$83,600.00	6 Medicare tax withheld \$1,212.20				
		7 Social security tips	8 Allocated tips				

EXAMPLE #5

- Kenya and Robin Omar are married with one child so they claim 3 deductions on their W-4 form. Their W-2 forms are below.
- Round to the nearest dollar to determine their adjusted gross income if they received \$987 in interest on bank deposits and \$1,200 in stock dividends.

a Employee's social security number 000-00-0000		Safe, accurate, FASTI Use 		Visit the IRS website at www.irs.gov/efile .			
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$65,120.97	2 Federal income tax withheld \$8,765.99				
c Employer's name, address, and ZIP code SuperBuy Department Store 7 Highway B Novelty, Ohio 44072		3 Social security wages \$65,120.97	4 Social security tax withheld \$4,037.50				
		5 Medicare wages and tips \$65,120.97	6 Medicare tax withheld \$944.25				
		7 Social security tips	8 Allocated tips				
		9 Advance EIC payment	10 Dependent care benefits				
d Control number 09564	e Employee's first name and initial Last name Suffix Robin Omar		11 Nonqualified plans		12a See instructions for box 12		
f Employee's address and ZIP code 14 Rachel Drive Walnut Creek, Ohio 44684		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third party sick pay <input type="checkbox"/>	12b		12c		
		14 Other	12d				
		15 State Employer's state ID number 00-0000000		16 State wages, tips, etc. \$65,120.97	17 State income tax \$7,654.91		
		18 Local wages, tips, etc.		19 Local income tax	20 Locality name		

a Employee's social security number 000-00-0000		Safe, accurate, FASTI Use 		Visit the IRS website at www.irs.gov/efile .			
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$52,126.76	2 Federal income tax withheld \$6,198.65				
c Employer's name, address, and ZIP code Ruby Ridge Hospital 76 Ridge Road Walnut Creek, Ohio 44684		3 Social security wages \$52,126.76	4 Social security tax withheld \$3,231.86				
		5 Medicare wages and tips \$52,126.76	6 Medicare tax withheld \$755.84				
		7 Social security tips	8 Allocated tips				
		9 Advance EIC payment	10 Dependent care benefits				
d Control number 09564	e Employee's first name and initial Last name Suffix Kenya Omar		11 Nonqualified plans		12a See instructions for box 12		
f Employee's address and ZIP code 14 Rachel Drive Walnut Creek, Ohio 44684		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third party sick pay <input type="checkbox"/>	12b		12c		
		14 Other	12d				
		15 State Employer's state ID number 00-0000000		16 State wages, tips, etc. \$52,126.76	17 State income tax \$3,198.10		
		18 Local wages, tips, etc.		19 Local income tax	20 Locality name		

EXAMPLE #5 SOLUTION

- I circled their gross incomes on the previous slide.
- Kenya's was \$52,126.76 which rounds to \$52,127.
- Omar's was \$65,120.97 which rounds to \$65,121.
- Their total income is $\$52,127 + \$65,121 + \$987$ in interest and $+ \$1,200$ in dividends = \$119,435
- They have no adjustments to make to their income.

ENTER EXAMPLE #5 SOLUTION ON 1040A

- You will be filling out forms like this on your test. Please read through the lines and make sure that you understand where the numbers go. The “new” 1040 forms look a little bit different, but the idea is the same.

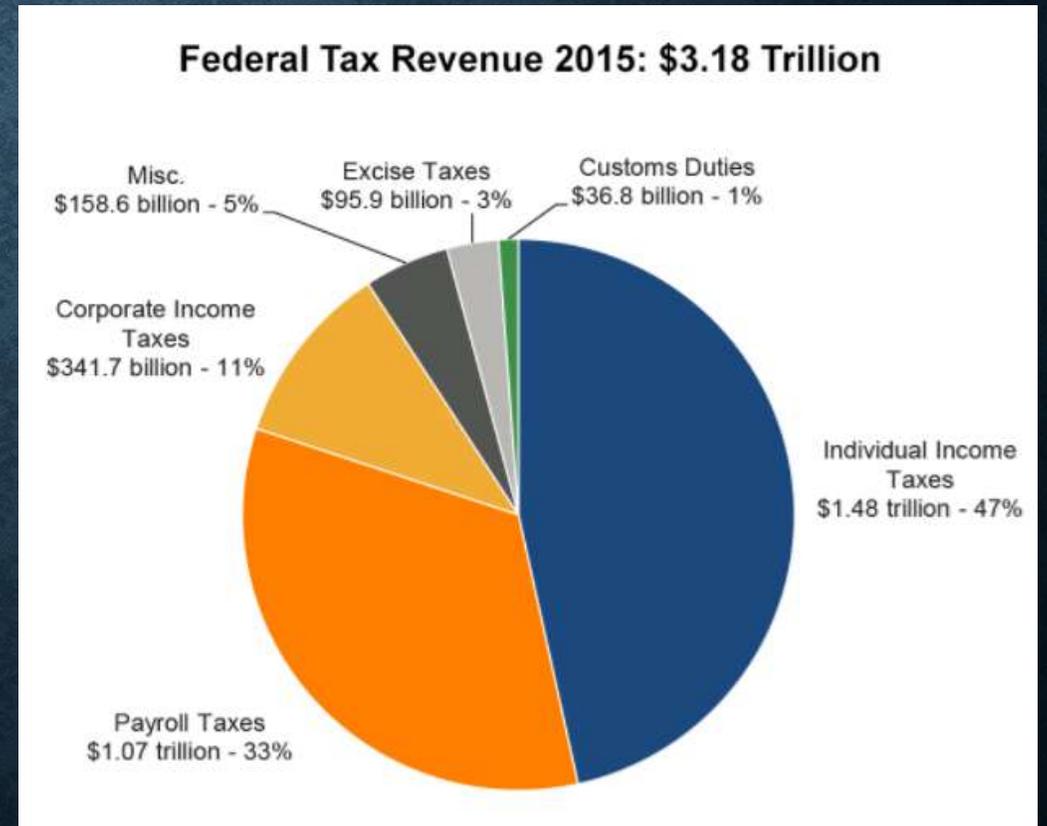
Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	117,248	00	
	Attach Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.	8a	Taxable interest. Attach schedule B if required.	8a	987	00
		b	Tax-exempt interest. Do not include on line 8a.	8b		
	9a	Ordinary dividends. Attach Schedule B if required.	9a	1200	00	
	b	Qualified dividends (see instructions).	9b			
	10	Capital gain distributions (see instructions).	10			
	11a	IRA distributions.	11a			
	11b	Taxable amount (see instructions).	11b			
	12a	Pensions and annuities.	12a			
	12b	Taxable amount (see instructions).	12b			
	13a	Unemployment compensation and Alaska Permanent Fund dividends.	13			
	14a	Social security benefits.	14a			
	14b	Taxable amount (see instructions).	14b			
	15	Add lines 7 through 14b (far right column). This is your total income .	▶ 15	119,435	00	
	Adjusted gross income	16	Educator expenses (see instructions).	16		
17		IRA deduction (see instructions).	17			
18		Student loan interest deduction (see instructions).	18			
19		Tuition and fees. Attach Form 8917.	19			
20		Add lines 16 through 19. These are your total adjustments .	20			
21		Subtract line 20 from line 15. This is your adjusted gross income .	▶ 21	119,435	00	

If you did not get a W-2, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. cat.No. 11327A Form 1040A (2015)

EXAMPLE #7

- Do the Omars get a refund or do they owe the government more money?
- How much?



EXAMPLE #7 SOLUTION

- If you look back at their W-2s from example #5 (see partial below), it shows that their employers withheld \$8,765.99 and \$6,198.65 from their gross pay for a total of \$14,964.64.
- Since they owe \$15,294 according to example #6, she paid too little and will have to send the government more money in the amount of $\$15,294 - \$14,965 = \$329$.

		a Employee's social security number 000-00-0000		Safe, accurate, FASTI Use  Visit the IRS website at www.irs.gov/efile.			
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$65,120.97	2 Federal income tax withheld \$8,765.99				
c Employer's name, address, and ZIP code SuperBuy Department Store 7 Highway B Novelty, Ohio 44072		3 Social security wages \$65,120.97	4 Social security tax withheld \$4,037.50				
		5 Medicare wages and tips \$65,120.97	6 Medicare tax withheld \$944.25				
		7 Social security tips	8 Allocated tips				
		9 Advance EIC payment	10 Dependent care benefits				
d Control number 09564							
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12	
Robin		Omar					
		13 Status: Retirement: Third party:		12b			

		a Employee's social security number 000-00-0000		Safe, accurate, FASTI Use  Visit the IRS website at www.irs.gov/efile.			
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation \$52,126.76	2 Federal income tax withheld \$6,198.65				
c Employer's name, address, and ZIP code Ruby Ridge Hospital 76 Ridge Road Walnut Creek, Ohio 44684		3 Social security wages \$52,126.76	4 Social security tax withheld \$3,231.86				
		5 Medicare wages and tips \$52,126.76	6 Medicare tax withheld \$755.84				
		7 Social security tips	8 Allocated tips				
		9 Advance EIC payment	10 Dependent care benefits				
d Control number 09564							
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12	
Kenya		Omar					
		13 Status: Retirement: Third party:		12b			

ENTER EXAMPLE #7 SOLUTION ON 1040A

- They must each sign the completed form attach their W-2 forms, and include a check for \$329.

	39	Add line 37 and line 38. This is your total tax .	39	15,294	00
	40	Federal income tax withheld from Forms W-2 and 1099.	40	14,965	
If you have a qualifying child, attach schedule EIC.	41	2015 estimated tax payments and amount applied from 2014 return.	41		
	42a	Earned income credit (EIC).	42a		
	b	Nontaxable combat pay election. 42b			
	43	Additional child tax credit. Attach Schedule 8812.	43		
	44	American opportunity credit from Form 8863, line 8.	44		
	45	Net premium tax credit. Attach Form 8962.	45		
	46	Add lines 40, 41, 42a, 43, 44, and 45. These are your total payments .	46	14,965	00
Refund	47	If line 46 is more than line 39, subtract line 39 from line 46. This is the amount you overpaid .	47		
Direct deposit? see instructions and fill in 48c, 48c, and 48d or Form 8888.	48a	Amount of line 47 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	48a		
	b	Routing number <input type="text"/>	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	d	Account number <input type="text"/>			
	49	Amount of line 47 you want applied to your 2016 estimated tax .	49		
Amount you owe	50	Amount you owe . Subtract line 46 from line 39. For details on how to pay, see instructions.	50	329	00
	51	Estimated tax penalty (see instructions).	51		

ASSIGNMENT: PG 366 #2-4, 6

• 2)

Round all monetary answers to the nearest dollar.

William Base's employer withheld \$13,956.95 in federal income tax. After completing his return, William determined that his tax is \$11,874.82. Will William get a refund or does he owe the government money?

• 3)

Ralph is a teacher who works as a musician on weekends. Here is part of his tax worksheet: wages from teaching \$43,871.82, wages from music jobs \$15,873.00, interest \$863.90, dividends \$350.70, and royalties \$1,200.60. What is Ralph's total income?

ASSIGNMENT: PG 366 #2-4, 6 CONT.

• 4)

Kate is filling out her income tax return. Her tax for last year is \$973. Her employer withheld \$712 in federal taxes.

a. Does Kate get a refund or does she owe the government money?

b. What is the difference between Kate's tax and the amount withheld by her employer?

ASSIGNMENT: PG 366 #2-4, 6 CONT.

Katrina is single with a taxable income for last year of \$74,431. Her employer withheld \$14,870 in federal taxes.

• 6)

If Form 1040EZ, line 6, is—		And you are—	
At least	But less than	Single	Married filing jointly
Your tax is—			
74,000			
74,000	74,050	14,300	10,181
74,050	74,100	14,313	10,189
74,100	74,150	14,325	10,196
74,150	74,200	14,338	10,204
74,200	74,250	14,350	10,211
74,250	74,300	14,363	10,219
74,300	74,350	14,375	10,226
74,350	74,400	14,388	10,234
74,400	74,450	14,400	10,241
74,450	74,500	14,413	10,249
74,500	74,550	14,425	10,256
74,550	74,600	14,438	10,264
74,600	74,650	14,450	10,271
74,650	74,700	14,463	10,279
74,700	74,750	14,475	10,286
74,750	74,800	14,488	10,294
74,800	74,850	14,500	10,301
74,850	74,900	14,513	10,309
74,900	74,950	14,525	10,319
74,950	75,000	14,538	10,331

a. Use the tax table to determine Katrina's tax.

b. Does Katrina get a refund?

c. Find the difference between Katrina's tax and the amount withheld by her employer.