

Sponsored by the Office of Student Services

HOW TO FILE YOUR OWN TAXES

DISCLAIMER

- ❖ Federal income tax; states may differ
- ❖ Information is specific to US citizens; Sorry international students
- ❖ All data specific to the 2013 tax year
- ❖ Credits & adjustments specific to the 2013 tax year likely to change

VOCABULARY

- ❖ Exemption amount allowed as a reduction of income that would otherwise be taxable Two types personal & dependent
- ❖ Deduction reduces taxable income (vary by filing status)
- ❖ Credit reduces tax liability dollar for dollar (vary by filing status)
- ❖ Withholding amount of pay that employer send directly to the IRS for employees each pay period

Part 1

FILING REQUIREMENT & FORMS

INCOME

- ❖ “Gain from capital, labor or a combination of the two”
- ❖ Money earned from work or services (earned income) or gained from investments (unearned income)
- ❖ All income unless it is specifically written that it is not taxable

REQUIRED TO FILE A RETURN?

- ❖ Federal taxes from wages withheld this year
- ❖ Earned Income Tax Credit or Advance Earned Income Credit
- ❖ Self-employed with earnings of more than \$400.00
- ❖ Sold your home
- ❖ Owe special tax on an IRA or MSA account
- ❖ Owe tax on tips you did not report
- ❖ Alternative Minimum Tax
- ❖ Recapture Tax

1040EZ

- ❖ File if you meet all of the following:
 - ❖ Income under \$100,000
 - ❖ Filing Single/Married filing jointly
 - ❖ No dependents
 - ❖ Only income from wages, unemployment, tips, dividends, scholarships & interest (less than \$1500)
 - ❖ Your earned tips, if any, are included in boxes 5 and 7 of your Form W-2
 - ❖ No adjustments to income
 - ❖ You do not have household employees
 - ❖ You are not claiming any additional standard deduction
 - ❖ Did not file chapter 11 bankruptcy after October 16, 2005

1040EZ

- ❖ If you file Form 1040EZ, you cannot:
 - Itemize deductions
 - Claim any adjustments to income
 - Claim tax credits (other than the earned income credit)

1040A

- ❖ If you cannot file 1040EZ and meet all of the following:
 - ❖ All Income from wages, tips, IRA distributions, pensions, annuities taxable social security, taxable scholarships, unemployment
 - ❖ Taxable income is less than \$100,000
 - ❖ Only adjustments: IRA deduction, student loan interest or tuition and fees
 - ❖ No itemize deductions
 - ❖ No alternative minimum tax adjustment on stock you acquired from the exercise of an incentive stock option

1040A

❖ Only credits

- Child or dependent care credit
- Education credits
- Retirement savings credit
- Elderly/disabled credit
- Child credit
- Additional child credit

1040

- ❖ You must file 1040 if:
 - Income over \$100,000
 - You itemize deductions
 - Made over \$20 in tips not reported by employer
 - Nothing was withheld from pay
 - You want all deductions or credits for which you are eligible
 - If you had a disaster loss or took IRA distribution
- ❖ Also must use 1040 if you filed for bankruptcy after October 16, 2005

Part 2

GEOGRAPHY OF TAX RETURNS

FLOW OF RETURNS

- ❖ Demographic information
- ❖ Filing Status
- ❖ Exemptions
- ❖ Income
- ❖ Adjustments
- ❖ Tax
- ❖ Credits
- ❖ Refund/Amount due IRS

FILING STATUS

- ❖ Single
- ❖ Married filing jointly
- ❖ Married filing separately
- ❖ Head of household
 - ❖ Must be unmarried
 - ❖ You paid more than half costs for home upkeep
 - ❖ A “qualifying person” (child or parent) lived with you more than half the year
- ❖ Qualifying widow(er)

EXEMPTIONS

- ❖ Personal exemption = \$3900
- ❖ Dependent exemption = \$3900
- ❖ Exemptions will be added up and subtracted from your income to calculate tax
- ❖ Note: Exemptions are tied to specific people and can only be taken once
- ❖ If you can be claimed by someone else, you cannot take your personal exemption even if the taxpayer entitled does not take your exemption

INCOME

❖ Figures from:

- W2 if you worked
- 1099 for self employed, government payments, interest
- Schedule B - dividends
- Schedule C - own a business
- Schedule D - capital gain/loss
- Alimony received

ADJUSTMENTS TO INCOME

- ❖ Adjustment An expense that can be deducted from income even if you do not itemize deductions
- ❖ Common adjustments:
 - Student loan interest deduction
 - Tuition and fees deduction

DEDUCTIONS

- ❖ Standard Deductions:
 - ❖ Single/Married filing separately = \$6,100
 - ❖ Married filing jointly/Qualifying Widow(er) = \$12,200
 - ❖ Head of Household = \$8,950
- ❖ Independent students can earn \$10,000 with no tax liability
- ❖ You are not eligible for standard deductions if:
 - ❖ Your filing status is married filing separately and your spouse itemizes deductions on his or her form

ITEMIZED DEDUCTIONS

- ❖ Use only if totals more than standard deductions
- ❖ Personal deductions found Schedule A
- ❖ Common Deductions:
 - ❖ Large unreimbursed medical expenses
 - ❖ Interest & taxes on your home
 - ❖ Large charitable contributions
 - ❖ Unreimbursed employee expenses
- ❖ Business deductions found on Schedule C

TAX

All income

- Adjustments & deductions

Taxable income

❖ Use tax tables for tax due

TAX

- ❖ Subtract any tax credits
- ❖ Remember credits reduce tax liability to 0 or beyond (very good thing)

CREDITS

- ❖ Child Care Credit (up to 35% of expenses)
- ❖ Child Tax Credit
- ❖ Additional Child Tax Credit
- ❖ Earned Income Credit
- ❖ Electric Vehicle Credit
- ❖ Education credits
 - ❖ Lifetime Learning Credit
 - ❖ American Opportunity & Hope Credit (undergrads)

REFUND?

- ❖ If amount of withholding larger than tax owed = refund
- ❖ If the amount withholding not as much as taxes owed = taxes due
- ❖ If you have to pay, can update your W4 with your employer

Part 3

WAYS TO FILE

HOW TO FILE

❖ Paper

- Preparer
- Self-prepared

❖ Online:

- Free
<http://www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free>
- Free is usually federal only
- Some sites charge to e-file
- Turbo tax, H& R Block, and Jackson Hewitt

HOW TO FILE

- ❖ Charged an additional fee for paying for return preparation out of refund
- ❖ “Instant Refunds” or “Advance Refunds” are loans that may have very high interest rates

STILL NOT CONFIDENT?

- ❖ IRS Helpline 800.829.1040
- ❖ IRS website <http://www.irs.gov>
- ❖ Free/low income tax preparation in the Boston area:
 - ❖ <http://www.bostontaxhelp.org/>
 - ❖ Greater Boston Legal Services 617.371.1234

Part 4

RESOURCES

RESOURCES

- ❖ www.bc.edu/successfulstart
- ❖ successfulstart@bc.edu
- ❖ <http://twitter.com/#!/SuccessfulStart>
- ❖ [www.facebook.com/\\$uccessfulStart](http://www.facebook.com/$uccessfulStart)

QUESTIONS

