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ACA

PRE-EMPLOYMENT  
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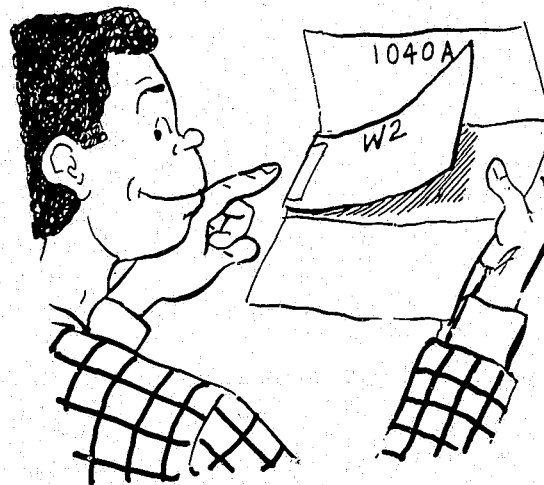
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PREPARING YOUR FEDERAL  
INCOME TAX RETURN

✓ J  
ACA  
✓ COMPREHENSIVE WORK  
ENTRY PROGRAM

UNIT 11

✓ PREPARING YOUR FEDERAL INCOME TAX RETURN



DO NOT WRITE IN THIS BOOKLET!

NCJRS

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ACQUISITION

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UNIT GOALS

After completing this unit, you will be able to:

Prepare your federal income tax return using the "short form" (1040A)

Recognize that you should file a return even if you are not required to do so

Recognize that you may still be able to get a refund

Recognize that you should file as soon as you can after January 1, but no later than April 15

Recognize that late filing may force you to pay penalties and interest

Recognize that if you have a lot of itemized deductions you should use the regular form (1040)

Identify itemized deductions as what you can claim to reduce your tax

Identify payments for medical insurance or medical and dental care

Identify gifts to charities

Identify business expenses such as union dues, safety helmets, tools, etc.

Identify interest on loans and mortgages

Identify any personal loss due to theft, etc., amounting to more than \$100.00

Identify when you can use the short form (1040A)

If your income is \$40,000 or less and you are married, filing a joint return

Identify a joint return as husband and wife together

If your income is \$20,000 or less and you are single

If all of your income is from wages, salaries, tips

If you do not itemize deductions

Recognize that you do not have to figure your own tax if you don't want to

Recognize that IRS will do it for you

Recognize that it is good to figure your own tax to be sure your figures agree with those of the IRS

Identify the things you need to prepare your income tax return

Identify your Forms W-2

Recognize that only your employer can give you your forms W-2

Recognize that you should receive all of your W-2 forms by January 31

Recognize that a copy of each W-2 form should be attached to your income tax return form

Identify the instructions for preparing form 1040A (income tax return form)

Recognize that you can usually get the instructions and the form itself at any local Post Office or bank

Recognize that you can sometimes get both the instructions and the forms where you work

Recognize that the instructions and the form itself change almost every year

Identify information which is usually asked for

Identify name, address and social security number

Identify filing status

Identify exemptions and dependents

Recognize that you can always take an exemption for yourself

Recognize that you can take an exemption for your spouse if you are filing a joint return

Recognize that you can take an exemption for any dependent who received over half of his or her support from you during the year

Identify wages, salaries, tips and other employee compensation

Recognize that you should add up the total amounts of all your W-2 forms

Recognize that you should follow the directions given in the instructions booklet for figuring your tax

Recognize that if you have any problems you can call the local office of the Internal Revenue Service

### DIRECTIONS

Before you begin this unit, complete the test items on the Unit Test. Use a blank sheet of paper to write down your answers, or an answer sheet provided by your instructor. DO NOT WRITE IN THIS BOOKLET! When you have finished, check your answers using the Unit Test Key which you will find in the back of the booklet. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -6). After you have finished reading the text, take the Unit Test again. When you have finished, check your answers using the Unit Test Key. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -1). By comparing the two scores, you can see how much you have learned.

In the unit you will find review questions to check your progress. Answer the review questions on a separate sheet of paper. Then, check your answers using the Review Question Key. You will find the answers printed upside down. If you answer any of the questions wrong, read over the section right before the questions. If you answer all of them right, keep reading.

At the back of the booklet, you will find a list of words and their meanings. If you come across a word you do not understand, look it up in the word list. Words which appear in the list are underlined in the text.

## Unit Test

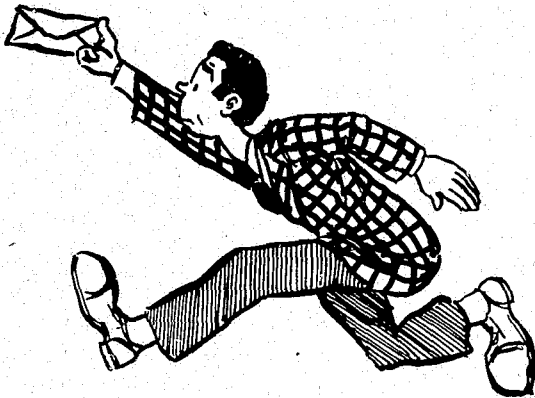
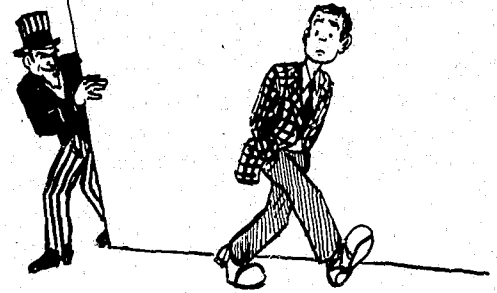
For each of the following test items, circle on your response sheet the letter which most correctly completes the statement. DO NOT WRITE IN THIS BOOKLET!

1. You should file an income tax return:
  - a. only if you are required to do so
  - b. even if you are not required to do so since you may still be able to get a refund
  - c. only if you make a lot of money
  - d. none of the above
2. Because filing late may force you to pay penalties and interest you should file:
  - a. as soon as you can after January 1
  - b. no later than April 15
  - c. both a and b
  - d. neither a nor b
3. You should use the regular form (1040):
  - a. if you have a lot of itemized deductions
  - b. if you are filing a joint return
  - c. both a and b
  - d. neither a nor b
4. On your response sheet place a check mark (✓) to the left of expenses you can claim to reduce your tax (itemized deductions).

<u>      </u> a. payments for medical/dental care	<u>      </u> e. payments for life insurance
<u>      </u> b. gifts to charities	<u>      </u> f. interest on loans and mortgages
<u>      </u> c. transportation	<u>      </u> g. personal loss due to theft
<u>      </u> d. business expenses	
5. You can use the short form (1040A) if:
  - a. your income is \$40,000 or less and you are married
  - b. your income is \$20,000 or less and you are single
  - c. you do not itemize deductions
  - d. all of the above
6. If you don't want to figure your tax you should:
  - a. let IRS figure it for you
  - b. do it anyway to be sure your figures agree with those of IRS
  - c. not file a return
  - d. none of the above

7. Your form W-2:
- a. *can only be given to you by your employer*
  - b. *should be received by January 31*
  - c. *must be attached to your income tax return form*
  - d. *all of the above*
8. You can usually get the instructions for preparing your income tax return and the form itself:
- a. *at your local Post Office*
  - b. *at your bank*
  - c. *both a and b*
  - d. *neither a nor b*
9. To prepare your income tax return, you need to have:
- a. *all of your W-2 forms*
  - b. *the instructions for preparing your return*
  - c. *the income tax return form itself*
  - d. *all of the above*
10. On your response sheet place a check mark (✓) to the left of the information that is usually asked for on form 1040A.
- |  |   |
|--|---|
| <u>      </u> a. <i>name and address</i>       | <u>      </u> e. <i>exemptions and deductions</i>     |
| <u>      </u> b. <i>social security number</i> | <u>      </u> f. <i>payments for medical expenses</i> |
| <u>      </u> c. <i>filing status</i>          | <u>      </u> g. <i>wages, salaries, tips (W-2)</i>   |
| <u>      </u> d. <i>itemized deductions</i>    |   |
11. You can take an exemption for:
- a. *yourself*
  - b. *your spouse (husband or wife) if you're filing a joint return*
  - c. *any dependent who received over half of his/her support from you during the year*
  - d. *all of the above*

Almost everyone who works will, at some point, have to file an income tax return. But if you work and taxes are taken out of what you make, you should file a return even if you are not required to do so. You may still be able to get a refund.



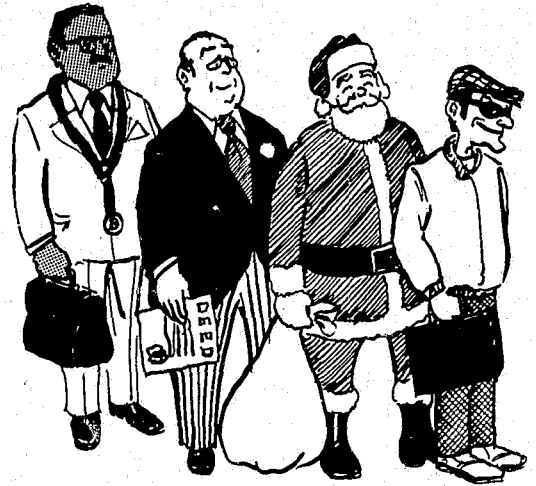
When you file a return, you should do so as soon as you can after January 1, but no later than April 15. The sooner you file, the sooner you will get your refund. If you file late (after April 15), you may have to pay penalties and interest which could make the amount of your refund less.

The federal government has designed a "short form" (1040A) for preparing your income tax return which makes it easier to figure your tax. However, if you have a lot of itemized deductions (expenses you can claim to reduce your tax), you should use the regular form (1040).

Most people can use the short form even if they are filing a joint return (husband and wife together).



Itemized deductions include such things as payments for medical insurance or medical and dental care; gifts to charities; business expenses such as union dues, safety helmets, tools, etc.; interest on loans and mortgages; and personal loss due to theft, etc., which amounts to more than \$100.00.



Most of us, however, do not have a lot of itemized deductions and can use the short form. You can use the short form if:

- your income is \$40,000 or less and you are married, filing a joint return (husband and wife together)
- your income is \$20,000 or less and you are single
- all of your income is from wages, salaries and tips
- you do not want to itemize deductions

Check your progress by answering the following review questions.

DIRECTIONS:

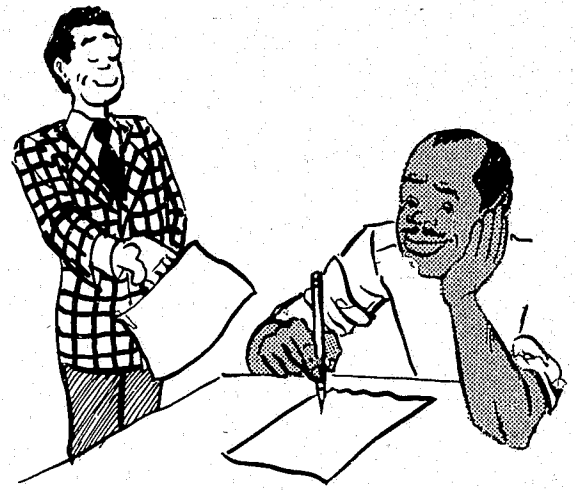
On your response sheet write the letter of the phrase which most correctly completes the statement.

1. You should file an income tax return:
  - a. as soon as you can after January 1, but no later than April 15
  - b. even if you're not required to do so, since you may still be able to get a refund
  - c. both a and b
  - d. neither a nor b
2. Expenses you can claim to reduce your tax are called:
  - a. interest
  - b. itemized deductions
  - c. wages
  - d. none of the above

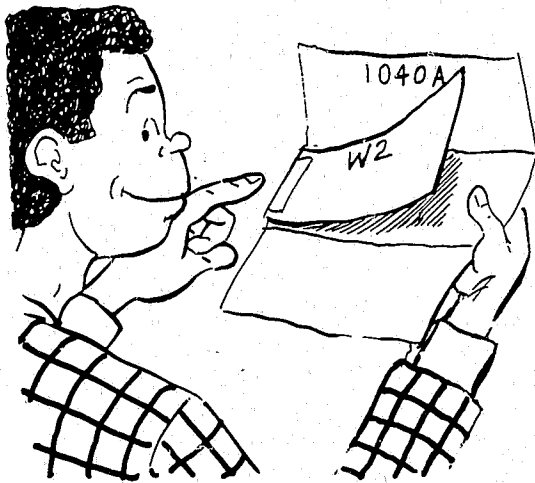
Check your answers by using the key below. If you get the answers right, keep reading. If you get either of them wrong, go back over what you have already read.

1. c  
2. b  
Review Question Key

Of course, you do not HAVE to figure your own tax since the Internal Revenue Service (IRS) will do it for you. (You still have to send in a form.) But you should figure your own tax anyway to be sure that your figures agree with those of the IRS.



To prepare your income tax return, you need your W-2 forms (total wages, salaries and tips), the instructions for preparing your tax return form (1040A), and the form itself.



Only your employer can give you a copy of your W-2 form. If you have not received a copy of your W-2 form by January 31, you should contact your local IRS office. (A copy of your W-2 form must be attached to your return.) If you have had more than one job, you must get a W-2 form from each of your employers.

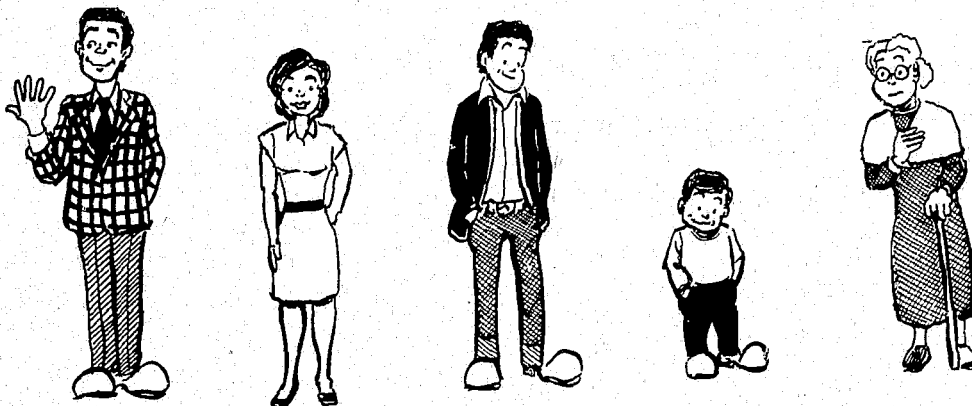
You can usually pick up both the instructions for preparing your income tax return and the form itself at any local Post Office or bank. They are also sometimes available where you work. But if you cannot find them anywhere else, you can always write to or stop by your local IRS office.



Both the instructions and the form itself change almost every year, but certain information is usually asked for. This includes your name, address and social security number, as well as your filing status (single, married, divorced, etc.).



In addition, you are usually asked to list your exemptions (an amount you are allowed to reduce your tax). You can always take an exemption for yourself, your spouse if you are filing a joint return, and for any dependent who got over half of his/her support from you during the year.



1 Control number		222		2 Employer's State number		12-3456789			
3 Employer's name, address, and ZIP code Smiley's Auto Service 1234 South 4th Street Jenkinville, Maryland 20800				4 Sub-total		Cor-rection		Void	
				<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
				7 Employer's identification number		Make No Entry Here			
				1234-5678-9101					
10 Employee's social security number		11 Federal income tax withheld		12 Wages, tips, other compensation		13 FICA tax withheld		14 Total FICA wages	
123-45-6789		473.20		4160.00		211.84		4160.00	
15 Employee's name (first, middle, last)				16 Pension plan coverage? Yes/No		17		18 FICA tips	
Cornelius C. Pruitt				Yes					
567 Appallossa Street Jenkinville, Maryland 20800				20 State income tax withheld		21 State wages, tips, etc.		22 Name of State	
				23 Local income tax withheld		24 Local wages, tips, etc.		25 Name of locality	
19 Employee's address and ZIP code									
Wage and Tax Statement				1978		Copy B To be filed with employee's FEDERAL tax return			

Form **W-2** This information is being furnished to the Internal Revenue Service.

Department of the Treasury—Internal Revenue Service

Finally, you are usually asked for the total amount you received for the year in wages, salaries, tips and other employee compensation. To get this figure, you simply add the amounts on all of your W-2 forms.

1 Control number		222		2 Employer's State number		12-3456789			
3 Employer's name, address, and ZIP code Smiley's Auto Service 1234 South 4th Street Jenkinville, Maryland 20800				4 Sub-total		Cor-rection		Void	
				<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
				7 Employer's identification number		Make No Entry Here			
				1234-5678-9101					
10 Employee's social security number		11 Federal income tax withheld		12 Wages, tips, other compensation		13 FICA tax withheld		14 Total FICA wages	
123-45-6789		473.20		4160.00		211.84		4160.00	
15 Employee's name (first, middle, last)				16 Pension plan coverage? Yes/No		17		18 FICA tips	
Cornelius C. Pruitt				Yes					
567 Appallossa Street Jenkinville, Maryland 20800				20 State income tax withheld		21 State wages, tips, etc.		22 Name of State	
				23 Local income tax withheld		24 Local wages, tips, etc.		25 Name of locality	
19 Employee's address and ZIP code									
Wage and Tax Statement				1978		Copy B To be filed with employee's FEDERAL tax return			

Form **W-2** This information is being furnished to the Internal Revenue Service.

Department of the Treasury—Internal Revenue Service

After you have completed the form, be sure to attach copies of all of your W-2 forms. The envelope you send to IRS should contain the tax form (1040A), the federal copy of your W-2 form, and a check or money order if you owe money. And if you still have questions, simply call your local IRS office.

*Check your progress by answering the following review questions.*

DIRECTIONS:

On your response sheet write the letter of the phrase which most correctly completes the statement.

1. The form which gives you your total amount of wages and salaries for the year is called:
  - a. 1040A
  - b. 1040
  - c. W-2
  - d. none of the above
  
2. The envelope you send to IRS should contain:
  - a. the tax form (1040A)
  - b. the federal copy of your W-2 form
  - c. a check or money order if you owe money
  - d. all of the above

Check your answers by using the key below. If you get the answers right, take the Unit Test again. If you get either of them wrong, go back over what you have already read.

1. c  
2. d  
Review Question Key

Now that you have completed the text, take the Unit Test again. When you have finished, check your answers using the Unit Test Key. Count the number of items you answered wrong and mark your score on your answer sheet (for example, -1). By comparing the two scores, you can see how much you have learned.

### Unit Test Key

- |              |                 |
|--------------|-----------------|
| 1. b         | 7. d            |
| 2. c         | 8. c            |
| 3. c         | 9. d            |
| 4. a b d f g | 10. a b c e f g |
| 5. d         | 11. d           |
| 6. b         |                 |

\* \* \* \* \*

### WORD LIST

1. available - at hand; usable
2. compensation - payment
3. dependent - a person who received more than half of his or her support from you during the previous year (example, your child)
4. exemption - an amount you are allowed to reduce your tax based on your dependents
5. file a - the act of filling out your income tax form and returning return - it to the IRS
6. filing status - marital status (married, single, divorced, etc.)
7. Form 1040 - regular form for federal income tax return
8. Form 1040A - the short form for federal income tax return
9. Form W-2 - form you receive from your employer giving the total amount of wages and salaries paid to you for the previous year
10. interest - the amount of money you will have to pay for not filing your return on time
11. IRS - the Internal Revenue Service
12. itemized - expenses you can claim to reduce the amount of tax deductions - you are required to pay
13. joint return - husband and wife filing a return together
14. penalty - a hardship you have to suffer for not obeying the law (a fine or jail)
15. reduce - make less
16. refund - money that is paid back to you by the Internal Revenue Service because too much tax was taken from your earnings

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation

Do you want \$1 to go to the Presidential Election Campaign Fund? If joint return, does your spouse want \$1 to go to this fund?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Note: Checking Yes will not increase your tax or reduce your refund.	Spouse's occupation
---	---	-----------------------------	--	---------------------

Filing Status	1	Single	For Privacy Act Notice, see page 5 of Instructions
	2	Married filing joint return (even if only one had income)	
	3	Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here	
	4	Unmarried head of household. Enter qualifying name	

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.	5a	<input type="checkbox"/> Yourself	<input type="checkbox"/> 65 or over	<input type="checkbox"/> Blind	Enter number of boxes checked on 5a and b	
	b	<input type="checkbox"/> Spouse	<input type="checkbox"/> 65 or over	<input type="checkbox"/> Blind		
	c First names of your dependent children who lived with you					Enter number of children listed
	d Other dependents:					Enter number of other dependents

(1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of \$750 or more?	(5) Did you provide more than one-half of dependent's support?

6 Total number of exemptions claimed

7	Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)	7	
8	Interest income (see page 4 of Instructions)	8	
9a	Dividends	9b	Exclusion
(See pages 4 and 8 of Instructions)		9c	Subtract line 9b from 9a
10	Adjusted gross income (add lines 7, 8, and 9c). If under \$8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name	10	
11a	Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than \$25 (\$50 if joint return). (See page 8 of Instructions)	11a	
IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.			
b	Total Federal income tax withheld (if line 7 is larger than \$17,700, see page 8 of Instructions)	11b	
c	Earned income credit (from page 2 of Instructions)	11c	
12	Total (add lines 11a, b, and c)	12	
13	Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14-25.)	13	
14	If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU	14	
15	If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order	15	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Your signature		Date	
Spouse's signature (if filing jointly, BOTH must sign even if only one had income)		Date	
Paid Preparer's Information	Preparer's signature	Preparer's social security no.	Check if self-employed
	Firm's name (or yours, if self-employed), address and ZIP code	E.I. No.	
		Date	

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**END**