Uncle Sam Takes a Bite

LESSON DESCRIPTION AND BACKGROUND

Young people are sometimes surprised to learn that the pay they earn is not the same as the pay they take home. This lesson introduces students to the concepts of gross pay, net pay, marginal tax rate, income taxation, tax planning using pretax dollars for retirement savings and insurance, and the completion of Form 1040EZ. It teaches them how to compute tax savings from using pre-tax dollars for insurance and retirement plans. It asks the question, "Is it better to get a tax refund or to withhold lower tax payments throughout the year?" The students use paycheck stubs, W-2 forms, and tax tables to calculate taxable income, marginal tax rates, and taxes owed. They also complete a 1040EZ form.

Lesson 7 correlates with national standards for economics and personal finance as shown in Tables 1-2 in the introductory section of the publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Gross pay
- Income taxation
- Marginal tax rate
- Net pay

OBJECTIVES

At the end of this lesson the student will be able to:

- Identify and explain the meaning of key terms such as gross pay, net pay, deductions, benefits, tax credits, itemized deductions, marginal tax rate, withholding, personal exemption, standard deduction.
- Identify the types of benefits provided by employers.

- Distinguish between required and optional tax deductions.
- Compute tax savings from using pre-tax dollars for insurance.
- Calculate taxable income and the amount of a tax refund.

TIME REQUIRED

Two or three 45-minute class periods

MATERIALS

- A transparency of **Visual 7.1**, **7.2**, **7.3**, **7.4**, and 7.5
- A copy for each student of **Exercise 7.1**, **7.2**, 7.3, and 7.4 from the Student Workbook
- A copy for each student of Illustration 7.1 from the Student Workbook

ADDITIONAL RESOURCES



To download visuals, find related lessons, correlations to state standards, interactives, and more visit http://fffl.councilforeconed.org/9-12/lesson7.

PROCEDURE

1. Tell the students that the pay they earn is not the same as the pay they take home. Ask: What accounts for the difference between pay that is earned and take-home pay? (Answers will vary, but should include taxes [FICA tax, federal and state income tax] and benefits payments [contributions to health and dental insurance, retirement savings, union dues, etc.].) Explain that this lesson has two main goals: to help the students understand how taxes affect net pay, and to introduce strategies people can use to reduce their taxes, enabling them to bring home the largest paycheck that they are legally entitled to.

- 2. Explain that most people can easily file their own federal income taxes by using Form 1040EZ or free tax-calculating packages online. Especially when they are young and don't have many deductions or exemptions, the students should not have to pay anyone to prepare their taxes.
- 3. Ask the students to imagine that they have just agreed to start working at a part-time job, 15 hours per week, at \$10 per hour. Ask: How much will that first week's paycheck be? (Some students might fall for your trick question and say that the first paycheck will be \$150. Explain that \$150 is not correct.)
- 4. Explain that the amount of money that appears on an employee's paycheck is not the total amount of money the employee earned. Several deductions are taken out of paychecks. Many of these deductions are for taxes. That is how Uncle Sam takes his biggest bite.
- 5. Give each student a copy of **Exercise 7.1** from the *Student Workbook*. Ask the students to read the exercise and answer the questions. Discuss the answers.
- a. What is gross pay? (Gross pay is the total amount of money an employee earns before any deductions are made).
- b. What is net pay? (Net pay is the amount left after all deductions for taxes and benefits payments are taken out of the gross pay.
 Net pay is sometimes called take-home pay.)
- c. Is the amount of money shown on your paycheck equal to the total number of hours worked times your rate of pay? (No. Mandatory deductions for taxes and benefits payments are taken out of your paycheck.)
- d. Name at least three mandatory deductions that are taken out of gross pay. (The deductions include federal income tax, state income tax, Social Security tax, Medicare tax, local income tax.)
- e. Name three other deductions. (Other deductions may include life insurance, disability insurance, medical insurance, dental

insurance, retirement savings plan, and contributions to charity.)

- 6. Give each student a copy of **Exercise 7.2** from the *Student Workbook*. Emphasize the point that not all of our income is taxed at the same rate. The highest rate at which we are taxed is our marginal tax rate. This rate is the rate at which each additional dollar earned is taxed. People sometimes refer to the "tax bracket" they are in; this term refers to their marginal tax rate.
- 7. In **Exercise 7.2**, refer the students to the table, What's Your Bracket? Ask: What is the marginal tax rate for someone with a taxable income of \$33,000? *(25 percent.)* Remind the students that the marginal tax rate applies to the last dollar of earnings.
- 8. Ask the students to read **Exercise 7.2** and answer the questions at the end. Discuss the answers.
- a. What is Mike's marginal tax rate? (15 percent.) What does this mean? (The marginal tax rate is the highest rate at which your income is taxed. It is the rate at which each additional dollar of income earned is taxed. Note that not all of one's income is taxed at this rate.)
- b. How much does Mike save in taxes by paying for his health insurance with pre-tax dollars? (\$270, calculated as \$1,800 x 0.15.)
- c. What is Mike's taxable income? (\$18,250)
- d. How much does Mike save in taxes by using pre-tax dollars to save for retirement and pay for his health insurance? (\$420)
- e. What are some things Mike could do with his tax savings? (Answers will vary. Mike might save more for retirement, pay off debt, travel, buy clothing, etc.)
- f. How much tax was owed on the first \$5,000 of gross income? (\$0. Remind students that the first \$8,950 of income is not taxed.)



- g. Compare Mike's gross income to Ann's gross income. What do you notice? (They are the same.)
- h. Compare Mike's taxable income to Ann's taxable income. What do you notice? (Mike's taxable income is lower than Ann's.)

 Explain. (The use of pre-tax dollars to pay for retirement contributions and health insurance has reduced Mike's taxable income. Ann does not receive this tax benefit since she did not use any pre-tax dollars to reduce her taxable income.)
- 9. Display **Visual 7.1**. Go over some of the key information shown on the W-2 form. Explain that employers require their workers to determine the number of allowances that can be claimed in determining how much of an employee's earnings are to be withheld for taxes. These allowances are claimed on a

claimed for the next tax year. Employees can do this by checking with their employer's human resources specialist. For many people, it is a reasonable goal to have the amount of tax owed be equal to the amount that is being withheld. In this way, taxpayers don't have to pay additional taxes, nor are they having too much money withheld from their earnings.

10. In going over **Visual 7.1**, note that boxes 2 and 17 (the amount of federal and state income tax withheld) will be determined from the allowances declared as well as the employee's income. The amount withheld for Social Security is 6.2 percent of income earned (\$24,050 x 0.062 = \$1491.10) and the amount withheld for Medicare is 1.45 percent of income earned (\$24,050 x 0.0145 = \$348.73). These percentages for Social Security and Medicare taxes are determined by federal law.

	Mike's Taxable Income	Ann's Taxable Income
Gross income	\$30,000	\$30,000
Less personal exemption	\$3,500	\$3,500
Less standard deduction	\$5,450	\$5,450
Less 401(k) contribution	\$1,000	
Less health insurance premium	\$1,800	
Taxable income	\$18,250	\$21,050
Total tax savings	\$150 + \$270 = \$420	\$0

special form (Form W-4, Employee's Withholding Allowance Certificate) that is provided by the employer; the employee is restricted in how many allowances he or she may claim. Whenever an employee experiences key life events (such as marriage or the birth of a child), he or she should consider changing the number of allowances claimed. When more allowances are claimed, less money is withheld from the worker's paycheck, and net pay will be greater. If too few allowances are claimed, the worker may discover that a large share of taxes withheld from his or her pay checks will be returned later in the form of a tax refund. In this case, the worker may want to adjust the allowances

- 11. Display **Visual 7.2**. Explain how to complete Form 1040EZ, using Nicole's Form W-2 and a tax table. Demonstrate how to read a tax table, using **Visual 7.3**. As you work through this visual, ask the following questions:
- a. What is Nicole's adjusted gross income? (\$24,100)
- b. What is Nicole's taxable income? (\$15,150)
- c. What accounts for the difference between these numbers? (\$8,950 is the amount Nicole can claim as a personal exemption and a standard deduction as a single filer. This amount reduces her tax liability.)

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- d. How much federal income tax was withheld from Nicole's paycheck? (\$1,822)
- e. Where would Nicole get this information? (From her W-2 form.)
- f. How much tax does Nicole owe for 2008? **(\$1,875)**
- g. Where did she get this information? (By looking at the tax tables and finding the tax for a single filer whose taxable income was \$15,150.)
- h. Was too much or too little withheld from Nicole's paycheck? *(Too little.)*
- i. How much tax does Nicole still owe? (\$53)
- 12. Give each student a copy of **Exercise 7.3** from the *Student Workbook*. Ask the students to read the exercise and complete Jack's 1040EZ form. When they have done this, ask them to answer both sets of questions found in the exercise. Discuss the answers with the class. (Jack's completed tax form is found in **Visual 7.4**.)
- a. What is the difference between Jack's weekly gross pay and his net pay? (\$77.79)
- b. How many withholding allowances did Jack claim? (0)
- c. What is Jack's marginal tax rate? (15 percent. Students may need help answering this question. You may wish to tell students to look at the tax table to see the additional tax to be withheld for another \$100 of earnings. Students can then calculate the additional tax owed for this additional \$100 earned. The additional tax owed—\$15—represents 15 percent of the additional \$100 earned, which represents a 15 percent marginal tax rate.)
- d. Does Jack owe taxes or get a refund? (He gets a refund of \$442.)
- e. How would you recommend that Jack change his withholding allowances for next year? (Answers will vary. The students should note that Jack could claim himself as an allowance and, therefore, have fewer taxes withheld from his paycheck. By claiming at

least one allowance, he will have higher net pay. This will, of course, mean that his tax refund will be smaller, but he can use his higher net pay in many ways—e.g., to increase his savings in an interest-bearing account or to pay down debt.)

CLOSURE

Conclude the lesson by noting that many income tax forms are used in the United States. In general, the 1040EZ is the easiest federal income tax form to fill out. For many students—those who are entering the workforce permanently after graduating from high school or college and are not married, don't own a home, have no dependents, etc.—the 1040EZ federal income tax form will be the most appropriate to use. Explain to the students that as they grow older and buy houses, have children, have health care expenditures, pay property taxes, etc., they will probably have to fill out the more complicated 1040 form. While this form is more difficult to fill out (many students will seek help from tax professionals), it is nonetheless based on the same general principles of marginal taxation, tax withholding, etc., addressed in this lesson.

ASSESSMENT

Have the students complete **Exercise 7.4** from the *Student Workbook*. The completed form is shown on **Visual 7.5**. Here are suggested answers:

- a. What is Jill's weekly gross pay? (\$400) What is her weekly net pay? (\$334.74)
- b. Why is Jill's net pay different from Jack's when their gross pay is the same? (Jill selected one withholding allowance. This is indicated on her pay stub. Jack elected not to take the allowance he was permitted. This means that less tax was withheld from Jill's pay check.)
- c. Does Jill owe taxes or get a refund? (**Jill owes** \$45.)

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d. What would you recommend to Jill about adjusting her withholding allowances for next year? (She should probably keep the same level of withholding. Her taxes owed and the amount of tax collected were nearly equal. This allowed her to pay the amount owed easily; it also gave her full use of the portion of her income that was not needed for taxes.)

EXTENSION

Ask the students to interview their parents, a relative, or an older friend about the income tax forms that they fill out. In the interviews, the students should ask whether the interviewees prepared their own tax forms in the last tax year. Did they get a refund? How many allowances did they claim? What forms did they use? What kind of deductions and credits did they claim? As appropriate, the students may report on their interviews in class or write up a brief description of the interviews as a homework exercise.

Nicole's W-2 Wage and Tax Statement

				15-0008	This information is being furni are required to file a tax retur may be imposed on you if thi	n, a negligence	penalty or o	ther sanction		
b Employer identification number 00000000	r (EIN)				ges, tips, other compensation 1,050.00		2 Federal income tax withheld 1,822.00			
c Employer's name, address, and	l .	cial security wages	1	,	ax withheld					
Yourtown Support 10 Broadway				5 Me	1,050.00 dicare wages and tips 1,050.00	6 Medi	91.00 care tax wi 3.73	thheld		
Yourtown, MO 123	356			7 So	cial security tips	8 Alloc	ated tips			
d Control number		9 Ad	vance EIC payment	10 Dependent care benefits						
e Employee's first name and initi		ame	Suff.		nqualified plans	12a See i	nstructions	for box 12		
123 Briargate Land	е			13 Statuto employ	ry Retirement Third-party nee plan sick pay	12b				
Yourtown, MO 123	356			14 Otl	ner	12c				
6 Employeda adduses and 7/0						12d				
f Employee's address and ZIP code 15 State Employer's state ID number 00000000		16 State wages, tips, etc. 24,050.00	17 State incom 641.00	l ne tax	tax 18 Local wages, tips, etc.		ome tax	20 Locality name		
1										
	nd Tax		בחו			- f N T		Revenue Service		

Nicole's Form 1040EZ

Form 1040EZ	Department of the Treasury—Internal Reve Income Tax Return for Joint Filers With No De	Single and	2008			OMB No. 1545-0	0074
Label	Your first name and initial Nicole M.	Last name Shoemaker				security number	ər
(See page 9.)	L A B If a joint return, spouse's first name and initial					cial security nur	mber
Use the	E L	22 5 22 222 222		1			
Otherwise,	Home address (number and street). If you had 123 Briargate Lane	ave a P.O. box, see page	9.	Apt. no.		must enter SN(s) above.	
please print	City, town or post office, state, and ZIP code	e. If you have a foreign ac	idress, see page 9.	<u> </u>	•	box below will	l not
Presidential Election Campaign	Yourtown, MO 12356					r tax or refund.	
(page 9)	Check here if you, or your spouse				You	☐ Spot	use
Income	1 Wages, salaries, and tips. This sho Attach your Form(s) W-2.	ould be shown in box	x 1 of your Form(s)	W-2.	1	24,050	
Attach Form(s) W-2 here.	2 Taxable interest. If the total is over	er \$1,500, you canno	ot use Form 1040EZ.		2	50	
Enclose, but	3 Unemployment compensation and	Alaska Permanent F	Fund dividends (see p	page 11).	3		
attach, any payment.	4 Add lines 1, 2, and 3. This is you	ır adjusted gross in	come.		4	24,100	
раутнотт.	5 If someone can claim you (or you the applicable box(es) below and						
	You Spouse	once					
	If no one can claim you (or your \$17,900 if married filing jointly.			single;	5	8,950	
	6 Subtract line 5 from line 4. If line This is your taxable income.				6	15,150	
Daymonte	7 Federal income tax withheld from	n box 2 of your Form	n(s) W-2.		7	1,822	
Payments and tax	8a Earned income credit (EIC) (see	•			8a		
ullu tu	b Nontaxable combat pay election. Recovery rebate credit (see works)	-host on pages 17 an	8b		9		
	9 Recovery rebate credit (see works	neet on pages 17 and	d 18).		<u> </u>		
	10 Add lines 7, 8a, and 9. These are	your total payment	is.		10	1,822	
	11 Tax. Use the amount on line 6 al 28–36 of the booklet. Then, enter	r the tax from the tab	le on this line.		11	1,875	
Refund Have it directly	12a If line 10 is larger than line 11, su If Form 8888 is attached, check h		line 10. This is your	refund.	12a		
deposited! See page 18 and fill in 12b, 12c,	▶ b Routing number	<u> </u>	c Type: Checkin	ng Savings			_
and 12d or Form 8888.	▶ d Account number]			
Amount you owe	13 If line 11 is larger than line 10, sul the amount you owe. For details of				13	53	_
Third party	Do you want to allow another person to	discuss this return v	with the IRS (see page	e 20)?	s. Complete the	ne following.	No
designee	Designee's name ►	Phone no. ►	()	Personal ide number (PIN	\) ► ∟		
Sign here	Under penalties of perjury, I declare that I hav accurately lists all amounts and sources of inc on all information of which the preparer has a	ave examined this return, come I received during the	, and to the best of my he tax year. Declaration of	knowledge and b	elief, it is true, c	orrect, and er) is based	
Joint return? See page 6.	Your signature	Date	Your occupation Social worke	or	1 -	phone number 965-0002	
Keep a copy for your records.	Spouse's signature. If a joint return, both must	ust sign. Date	Spouse's occupati		(017)	900-0002	
Paid	Preparer's		Date	Check if	- I '	SSN or PTIN	
preparer's	signature Firm's name (or			self-employed L	<u> </u>		—
use only	yours if self-employed), address, and ZIP code		·	Phone no.	()		
For Disclosure, Pr	rivacy Act, and Paperwork Reduction Act N	lotice, see page 37.	Cat. No	o. 11329W	For	rm 1040EZ	(2008)

Federal Tax Table for Form 1040EZ

If Form line 6, is	1040EZ,	And yo	ou are-	If Form 1 line 6, is	040EZ,	And yo	ou are-	If Form		And yo	u are-	If Form 1 line 6, is	1040EZ,	And yo	ontinued ou are-
At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly	At least	But less than	Single	Married filing jointly
		Your t	ax is-			Your t	ax is-			Your t	ax is-			Your t	ax is-
9,00	0			12,00	0			15,00	00			18,00	00		
9,000 9,050 9,100 9,150	9,100 9,150	953 960 968 975	903 908 913 918	12,000 12,050 12,100 12,150	12,050 12,100 12,150 12,200	1,403 1,410 1,418 1,425	1,203 1,208 1,213 1,218	15,000 15,050 15,100 15,150	15,050 15,100 15,150 15,200	1,853 1,860 1,868 1,875	1,503 1,508 1,513 1,518	18,000 18,050 18,100 18,150	18,050 18,100 18,150 18,200	2,303 2,310 2,318 2,325	1,901 1,909 1,916 1,924
9,200 9,250 9,300 9,350	9,250 9,300 9,350	983 990 998 1,005	923 928 933 938	12,200 12,250 12,300 12,350	12,250 12,300 12,350 12,400	1,433 1,440 1,448 1,455	1,223 1,228 1,233 1,238	15,200 15,250 15,300 15,350	15,250 15,300 15,350 15,400	1,883 1,890 1,898 1,905	1,523 1,528 1,533 1,538	18,200 18,250 18,300 18,350	18,250 18,300 18,350 18,400	2,333 2,340 2,348 2,355	1,931 1,939 1,946 1,954
9,400 9,450 9,500 9,550	9,500 9,550	1,013 1,020 1,028 1,035	943 948 953 958	12,400 12,450 12,500 12,550	12,450 12,500 12,550 12,600	1,463 1,470 1,478 1,485	1,243 1,248 1,253 1,258	15,400 15,450 15,500 15,550	15,450 15,500 15,550 15,600	1,913 1,920 1,928 1,935	1,543 1,548 1,553 1,558	18,400 18,450 18,500 18,550	18,450 18,500 18,550 18,600	2,363 2,370 2,378 2,385	1,961 1,969 1,976 1,984
9,600 9,650 9,700 9,750	9,700 9,750 9,800	1,043 1,050 1,058 1,065	963 968 973 978	12,600 12,650 12,700 12,750	12,650 12,700 12,750 12,800	1,493 1,500 1,508 1,515	1,263 1,268 1,273 1,278	15,600 15,650 15,700 15,750	15,650 15,700 15,750 15,800	1,943 1,950 1,958 1,965	1,563 1,568 1,573 1,578	18,600 18,650 18,700 18,750	18,650 18,700 18,750 18,800	2,393 2,400 2,408 2,415	1,991 1,999 2,006 2,014
9,800 9,850 9,900 9,950	9,900 9,950	1,073 1,080 1,088 1,095	983 988 993 998	12,800 12,850 12,900 12,950	12,850 12,900 12,950 13,000	1,523 1,530 1,538 1,545	1,283 1,288 1,293 1,298	15,800 15,850 15,900 15,950	15,850 15,900 15,950 16,000	1,973 1,980 1,988 1,995	1,583 1,588 1,593 1,598	18,800 18,850 18,900 18,950	18,850 18,900 18,950 19,000	2,423 2,430 2,438 2,445	2,021 2,029 2,036 2,044
10,0	00			13,00	0			16,00	00			19,00	00		
10,000 10,050 10,100 10,150	10,100 10,150	1,103 1,110 1,118 1,125	1,003 1,008 1,013 1,018	13,000 13,050 13,100 13,150	13,050 13,100 13,150 13,200	1,553 1,560 1,568 1,575	1,303 1,308 1,313 1,318	16,000 16,050 16,100 16,150	16,050 16,100 16,150 16,200	2,003 2,010 2,018 2,025	1,603 1,609 1,616 1,624	19,000 19,050 19,100 19,150	19,050 19,100 19,150 19,200	2,453 2,460 2,468 2,475	2,051 2,059 2,066 2,074
10,200 10,250 10,300 10,350	10,300 10,350 10,400	1,133 1,140 1,148 1,155	1,023 1,028 1,033 1,038	13,200 13,250 13,300 13,350	13,250 13,300 13,350 13,400	1,583 1,590 1,598 1,605	1,323 1,328 1,333 1,338	16,200 16,250 16,300 16,350	16,250 16,300 16,350 16,400	2,033 2,040 2,048 2,055	1,631 1,639 1,646 1,654	19,200 19,250 19,300 19,350	19,250 19,300 19,350 19,400	2,483 2,490 2,498 2,505	2,081 2,089 2,096 2,104
10,400 10,450 10,500 10,550	10,500 10,550 10,600	1,163 1,170 1,178 1,185	1,043 1,048 1,053 1,058	13,400 13,450 13,500 13,550	13,450 13,500 13,550 13,600	1,613 1,620 1,628 1,635	1,343 1,348 1,353 1,358	16,400 16,450 16,500 16,550	16,450 16,500 16,550 16,600	2,063 2,070 2,078 2,085	1,661 1,669 1,676 1,684	19,400 19,450 19,500 19,550	19,450 19,500 19,550 19,600	2,513 2,520 2,528 2,535	2,111 2,119 2,126 2,134
10,600 10,650 10,700 10,750	10,700 10,750 10,800	1,193 1,200 1,208 1,215	1,063 1,068 1,073 1,078	13,600 13,650 13,700 13,750	13,650 13,700 13,750 13,800	1,643 1,650 1,658 1,665	1,363 1,368 1,373 1,378	16,600 16,650 16,700 16,750	16,650 16,700 16,750 16,800	2,093 2,100 2,108 2,115	1,691 1,699 1,706 1,714	19,600 19,650 19,700 19,750	19,650 19,700 19,750 19,800	2,543 2,550 2,558 2,565	2,141 2,149 2,156 2,164
10,800 10,850 10,900 10,950	10,900 10,950	1,223 1,230 1,238 1,245	1,083 1,088 1,093 1,098	13,800 13,850 13,900 13,950	13,850 13,900 13,950 14,000	1,673 1,680 1,688 1,695	1,383 1,388 1,393 1,398	16,800 16,850 16,900 16,950	16,850 16,900 16,950 17,000	2,123 2,130 2,138 2,145	1,721 1,729 1,736 1,744	19,800 19,850 19,900 19,950	19,850 19,900 19,950 20,000	2,573 2,580 2,588 2,595	2,171 2,179 2,186 2,194
11,0	00			14,00	0			17,00	00			20,00	00		
11,000 11,050 11,100 11,150	11,100 11,150	1,253 1,260 1,268 1,275	1,103 1,108 1,113 1,118	14,000 14,050 14,100 14,150	14,050 14,100 14,150 14,200	1,703 1,710 1,718 1,725	1,403 1,408 1,413 1,418	17,000 17,050 17,100 17,150	17,050 17,100 17,150 17,200	2,153 2,160 2,168 2,175	1,751 1,759 1,766 1,774	20,000 20,050 20,100 20,150	20,050 20,100 20,150 20,200	2,603 2,610 2,618 2,625	2,201 2,209 2,216 2,224
11,200 11,250 11,300 11,350	11,300 11,350	1,283 1,290 1,298 1,305	1,123 1,128 1,133 1,138	14,200 14,250 14,300 14,350	14,250 14,300 14,350 14,400	1,733 1,740 1,748 1,755	1,423 1,428 1,433 1,438	17,200 17,250 17,300 17,350	17,250 17,300 17,350 17,400	2,183 2,190 2,198 2,205	1,781 1,789 1,796 1,804	20,200 20,250 20,300 20,350	20,250 20,300 20,350 20,400	2,633 2,640 2,648 2,655	2,231 2,239 2,246 2,254
11,400 11,450 11,500 11,550	11,500 11,550 11,600	1,313 1,320 1,328 1,335	1,143 1,148 1,153 1,158	14,400 14,450 14,500 14,550	14,450 14,500 14,550 14,600	1,763 1,770 1,778 1,785	1,443 1,448 1,453 1,458	17,400 17,450 17,500 17,550	17,450 17,500 17,550 17,600	2,213 2,220 2,228 2,235	1,811 1,819 1,826 1,834	20,400 20,450 20,500 20,550	20,450 20,500 20,550 20,600	2,663 2,670 2,678 2,685	2,261 2,269 2,276 2,284
11,600 11,650 11,700 11,750	11,700 11,750 11,800	1,343 1,350 1,358 1,365	1,163 1,168 1,173 1,178	14,600 14,650 14,700 14,750	14,650 14,700 14,750 14,800	1,793 1,800 1,808 1,815	1,463 1,468 1,473 1,478	17,600 17,650 17,700 17,750	17,650 17,700 17,750 17,800	2,243 2,250 2,258 2,265	1,841 1,849 1,856 1,864	20,600 20,650 20,700 20,750	20,650 20,700 20,750 20,800	2,693 2,700 2,708 2,715	2,291 2,299 2,306 2,314
11,800 11,850 11,900 11,950	11,900 11,950	1,373 1,380 1,388 1,395	1,183 1,188 1,193 1,198	14,800 14,850 14,900 14,950	14,850 14,900 14,950 15,000	1,823 1,830 1,838 1,845	1,483 1,488 1,493 1,498	17,800 17,850 17,900 17,950	17,850 17,900 17,950 18,000	2,273 2,280 2,288 2,295	1,871 1,879 1,886 1,894	20,800 20,850 20,900 20,950	20,850 20,900 20,950 21,000	2,723 2,730 2,738 2,745	2,321 2,329 2,336 2,344



Jack's Completed Form 1040EZ Answers to Exercise 7.3

1040EZ	Income Tax Return for		2008			OMD N- 1545 0		
	Joint Filers With No De	Last name (99)	2000		Your socia	OMB No. 1545-0		
Label	Jack C.	Allen)	222 80 6002			
See page 9.)		al Last name			Spouse's s	ocial security nur		
Jse the RS label.	Home address (number and street). If you ha			T 4=4 ==				
Otherwise	1 100 Manle Street	ave a P.O. box, see page 9.		Apt. no.		You must enter your SSN(s) above.		
please print or type.	City, town or post office, state, and ZIP code	e. If you have a foreign add	ress, see page 9.		Chaokina	hay balaw will		
residential Election	Anytown, MO 12345					box below will ur tax or refund.		
Campaign page 9)	Check here if you, or your spouse	e if a joint return, wan	t \$3 to go to this fur	nd >	You	☐ Spot		
ncome	1 Wages, salaries, and tips. This she Attach your Form(s) W-2.	ould be shown in box	1 of your Form(s) V	V-2.	1	20,800		
Attach Form(s) W-2 nere.	2 Taxable interest. If the total is over	er \$1,500, you cannot	use Form 1040EZ.		2			
nclose, but lo not	3 Unemployment compensation and	l Alaska Permanent Fu	and dividends (see pa	age 11).	3			
ttach, any ayment.	4 Add lines 1, 2, and 3. This is you	r adjusted gross inco	ome.		4	20,800		
	5 If someone can claim you (or yo the applicable box(es) below and You Spouse If no one can claim you (or your	enter the amount from	the worksheet on b	ack.				
	\$17,900 if married filing jointly 6 Subtract line 5 from line 4. If line	. See back for explana	tion.	g.e.,	5	8,950		
	This is your taxable income .	3 is larger than time -	r, enter -o	•	6	11,850		
Payments	7 Federal income tax withheld from	<u> </u>	s) W-2.		7	1,822		
and tax	8a Earned income credit (EIC) (se b Nontaxable combat pay election.	e page 12).	8b		8a			
	9 Recovery rebate credit (see works	sheet on pages 17 and			9			
	10 Add lines 7, 8a, and 9. These are			>	10	1,822		
	11 Tax. Use the amount on line 6 al 28–36 of the booklet. Then, enter			ages	11	1.380		
Refund Have it directly	12a If line 10 is larger than line 11, so If Form 8888 is attached, check h	12a	442					
leposited! See leage 18 and fill	▶ b Routing number							
nd 12d or orm 8888.	▶ d Account number							
lmount ou owe	13 If line 11 is larger than line 10, su the amount you owe. For details	on how to pay, see pag	ge 19.	<u> </u>	13			
hird party	Do you want to allow another person to	discuss this return wi	th the IRS (see page		•	the following. L		
lesignee	Designee's name ►	ntification						
Sign	Under penalties of perjury, I declare that I ha accurately lists all amounts and sources of inc on all information of which the preparer has a	come I received during the	and to the best of my k tax year. Declaration of	number (PIN nowledge and be preparer (other t	elief, it is true,	correct, and /er) is based		
oint return? See page 6.	Your signature	Date	Your occupation		Daytim (e phone number		
Geep a copy for our records.	Spouse's signature. If a joint return, both mu	st sign. Date	Spouse's occupation	on				
Paid preparer's	Preparer's signature		Date (Check if self-employed	Preparer	's SSN or PTIN		
ise only	Firm's name (or yours if self-employed),			EIN	- 1			
,	address, and ZIP code			Phone no.	()			



Jill's Completed Form 1040EZ

Answers to Exercise 7.4

^{Form} 1040EZ	Department of the Treasury—Internal Revenue Service Income Tax Return for Single and Joint Filers With No Dependents (99) OMB No. 15.	15-0074			
Label	Jill O Jones 608 40 123/	Your social security number 608 : 40 : 1234			
See page 9.)	A If a joint return, spouse's first name and initial Last name Spouse's social security				
RS label.	Home address (number and street). If you have a P.O. box, see page 9. Apt. no. You must enter your SSN(s) above	. A			
r type.	City, town or post office, state, and ZIP code. If you have a foreign address, see page 9. Checking a box below change your tax or refu				
lection ampaign age 9)		pouse			
ncome	1 Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.				
ttach orm(s) W-2	2 Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.				
ere. nclose, but	3 Unemployment compensation and Alaska Permanent Fund dividends (see page 11).				
not tach, any	4 Add lines 1, 2, and 3. This is your adjusted gross income. 4 20,800				
ayment.	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. You Spouse				
	If no one can claim you (or your spouse if a joint return), enter \$8,950 if single; \$17,900 if married filing jointly. See back for explanation.				
	6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0 This is your taxable income. ▶ 6 11,850	_			
ayments	7 Federal income tax withheld from box 2 of your Form(s) W-2. 7 1,335	<u> </u>			
nd tax	8a Earned income credit (EIC) (see page 12).	_			
iiu tux	b Nontaxable combat pay election. 8b				
	9 Recovery rebate credit (see worksheet on pages 17 and 18). 9 10 Add lines 7, 8a, and 9. These are your total payments. ▶ 10 1,335				
	Add files 7, 6a, and 9. These are your total payments.				
	Tax. Use the amount on line 6 above to find your tax in the tax table on pages 28–36 of the booklet. Then, enter the tax from the table on this line. 11 1,380				
Refund ave it directly	12a If line 10 is larger than line 11, subtract line 11 from line 10. This is your refund. If Form 8888 is attached, check here ▶ ☐ 12a				
eposited! See age 18 and fill 12b, 12c,	▶ b Routing number				
nd 12d or orm 8888.	▶ d Account number				
mount ou owe	13 If line 11 is larger than line 10, subtract line 10 from line 11. This is the amount you owe. For details on how to pay, see page 19.	;			
hird party	Do you want to allow another person to discuss this return with the IRS (see page 20)? Yes. Complete the following	. 🗌 N			
esignee	Designee's Phone Personal identification name ► no. ► () number (PIN) ►				
Sign Jere	Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.				
oint return? ee page 6.	Your signature Date Your occupation Daytime phone numb (800) 124-68				
eep a copy for our records.	Spouse's signature. If a joint return, both must sign. Date Spouse's occupation				
aid reparer's	Preparer's signature Date Check if self-employed Preparer's SSN or PTIN				
ise only	Firm's name (or yours if self-employed), address and ZIP code				
	address, and ZIP code Phone no. ()				