

PROJECT: TAX FORMS

VOCABULARY

exempt free from deducting federal income tax from paychecks

Note: This project requires you to fill out two tax forms: a W4 and a 1040EZ.

Part One:

Addison Smith is sixteen years old and ready to begin her first job. Her employer has asked her to fill out a W4 tax form and you are going to help her.

Complete the worksheet section in the middle of the W-4 form. The only difficult thing about completing a W-4 form is figuring out the correct withholding allowance.

Fortunately, there is a worksheet in the middle of the form that leads you through this.

At first, the worksheet may look intimidating. Let's take a look.

Personal Allowances Worksheet (Keep for your records.)							
A	Enter "1" for yourself if no one else can claim you as a dependent A _____						
B	Enter "1" if: <table border="0"><tr><td rowspan="3" style="font-size: 3em; vertical-align: middle;">{</td><td>• You are single and have only one job; or</td><td rowspan="3" style="font-size: 3em; vertical-align: middle;">}</td><td rowspan="3">. B _____</td></tr><tr><td>• You are married, have only one job, and your spouse does not work; or</td></tr><tr><td>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</td></tr></table>	{	• You are single and have only one job; or	} B _____	• You are married, have only one job, and your spouse does not work; or	• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.
{	• You are single and have only one job; or		}		 B _____	
	• You are married, have only one job, and your spouse does not work; or						
	• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.						
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) C _____						
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return D _____						
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) . . . E _____						
F	Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit F _____ (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)						
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$65,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children. • If your total income will be between \$65,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child G _____						
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► H _____						
For accuracy, complete all worksheets that apply.	<table border="0"><tr><td rowspan="3" style="font-size: 3em; vertical-align: middle;">{</td><td>• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.</td><td rowspan="3" style="font-size: 3em; vertical-align: middle;">}</td></tr><tr><td>• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.</td></tr><tr><td>• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.</td></tr></table>	{	• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.	}	• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.	• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.	
{	• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.		}				
	• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.						
	• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.						

Directions for completing the worksheet:

- A. On line A of the worksheet, you would enter a 1 if no one else can claim you as a dependent. Addison lives with her parents who claim her as their dependent. Since they do, leave this line blank.
- B. On line B, you will enter 1 since Addison is single with only one job.
- C. Leave line C blank since Addison does not have a spouse.
- D. Leave line D blank since Addison has no dependents.
- E. Leave line E blank because Addison is not a head of household.
- F. Leave line F blank because Addison has no child care expenses.
- G. Leave line G blank because Addison has no children.
- H. Total all lines above this line. Addison's total is 1.

Now you are ready to complete the Employee Withholding Allowance Certificate at the bottom of the W-4 form. This is the important section that Addison's employer needs. There are just three more pieces of information that will be useful:

- There is no need to have any additional amount withheld from Addison's paycheck on line 6.
- Some people are able to claim **exempt**. Exempt means that you do not need to deduct federal income tax from paychecks. You can be exempt if last year you could refund all federal income tax, and this year you expect a refund of all federal income tax. This means that you made less than \$9,350 last year, and you expect to make less than \$9,350 this year.
- There is no need to use the worksheets on page two at this time.

Complete the W-4 form. Here's Addison's information:

Addison Marie Smith

2222 W. Pine

Anytown, USA 55555

Social Security Number: 222 22 2222

Form W-4 (2015)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2015 expires February 16, 2016. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$1,050 and includes more than \$350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions do not apply to supplemental wages greater than \$1,000,000.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2015. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at www.irs.gov/w4.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A	
B	Enter "1" if: <ul style="list-style-type: none"> • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. 	B	
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D	
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E	
F	Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit	F	
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$65,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children. • If your total income will be between \$65,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child 	G	
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶	H	
	For accuracy, complete all worksheets that apply. <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 		

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0;">▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>	OMB No. 1545-0074 2015
1 Your first name and middle initial Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)	5 <input style="width: 50px;" type="text"/>	
6 Additional amount, if any, you want withheld from each paycheck	6 \$ <input style="width: 50px;" type="text"/>	
7 I claim exemption from withholding for 2015, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ <input style="width: 50px;" type="text"/>		
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (This form is not valid unless you sign it.) ▶		Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)
		10 Employer identification number (EIN)

Part Two:

Complete a 1040EZ tax return form for Jill Donovan. She received the following W-2 form from her employer.

22222		Employee's social security number 333-11-000		OMB No. 1545-0008	
b Employer identification number (EIN) 94-11111		1 Wages, tips, other compensation 24,381.55		2 Federal income tax withheld 2,697.82	
c Employer's name, address, and ZIP code Jill Donovan 6890 S. 176th St. New York, New York		3 Social security wages 31,246.83		4 Social security tax withheld 1,557.30	
		5 Medicare wages and tips 31,246.83		6 Medicare tax withheld 298.08	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial Last name Jill Donovan		11 Nonqualified plans		12a	
		13 Statutory employee Retirement plan Third party sick pay		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code		15 State Employer's state ID number NY 99-0000		16 State wages, tips, etc. 26,381.55	
		17 State income tax 504.88		18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

Form W-2 Wage and Tax Statement 2015 Department of the Treasury—Internal Revenue Service

Source: <http://www.irs.gov/pub/irs-pdf/w2.pdf>

Jill also received the following tax form from her bank.

<input type="checkbox"/> CORRECTED (if checked)		PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Eastern Credit Union PO Box 3400 New York, New York 85270		Payer's RTN (optional)		OMB No. 1545-0112 2015 Form 1099-INT		Interest Income			
PAYER'S federal identification number 89-22222		RECIPIENT'S identification number 333-11-0000		1 Interest income \$		2 Early withdrawal penalty \$		Copy B For Recipient			
RECIPIENT'S name Jill Donovan		3 Interest on U.S. Savings Bonds and Treas. obligations \$ 79.58		4 Federal income tax withheld \$		5 Investment expenses \$				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.	
Street address (including apt. no.) 6890 S. 176th St.		6 Foreign tax paid \$		7 Foreign country or U.S. possession \$		8 Tax-exempt interest \$		9 Specified private activity bond interest \$			
City or town, state or province, country, and ZIP or foreign postal code New York, New York		10 Market discount \$		11 Bond premium \$		12		13 Bond premium on tax-exempt bond \$			
		FATCA filing requirement <input type="checkbox"/>		14 Tax-exempt and tax credit bond CUSIP no.		15 State		16 State identification no.			
Account number (see instructions)								17 State tax withheld \$			

Form 1099-INT (keep for your records) www.irs.gov/form1099int Department of the Treasury - Internal Revenue Service

Source: <http://www.irs.gov/pub/irs-pdf/f1099int.pdf>

Enter Jill Donovan's name and address at the top of the form. She is not married, so skip all sections that mention a spouse. Her Social Security number is: 333-11-0000.

1. Read line 1. Look at box 1 on the W-2 form. Enter that amount on line 1.
2. Read line 2. Look at the tax form Jill received from the bank. Find the taxable interest. Enter this amount on line 2.
3. Read line 3. Jill did not receive any unemployment compensation, so leave this line blank.
4. Read line 4. Add lines 1 and 2. Enter this amount.
5. Read line 5. This line is about whether someone else claims Jill as a dependent. If she is claimed as a dependent, then she would need to use the worksheet at the top of page two to calculate the amount to enter on line 5. Since Jill's parents do not claim her and she is single, enter \$10,300.
6. Read line 6. Subtract line 5 from line 4. Enter the amount.
7. Read line 7. Take another look at Jill's W-2 form. Find the federal income tax withheld (box 2). Enter this amount on line 7.
8. Read line 8. Leave lines 8a and 8b blank because Jill did not receive an earned income credit or combat pay.
9. Read line 9. Add lines 7, and 8a. Enter the amount.
10. For line 10, Jill should use the tax table in the tax booklet. See the attached tax table to retrieve the information you need. Look at the amount on line 6 on the 1040 EZ. Using the tax chart, carefully find the range that this amount falls into. Follow across to the first gray column for single people. Enter this amount on line 10.
11. For line 11, you had qualifying health care coverage (called minimum essential coverage) for every month of 2015 for yourself. Check the box, but leave this line blank.
12. Read line 12. Add lines 10 and 11 and enter the amount on line 12.
13. Read line 13a. Subtract and enter the amount on 13a. Note that lines 13b, 13c, and 13d would be used if you want the refund deposited directly in a bank account. Otherwise, you can wait for a check to come in the mail. Let's skip this section.
14. Read line 14. Since Jill calculated a refund on line 13a, leave this blank.
15. You have completed Jill's 1040EZ tax form. Of course, you would sign your tax form. It's always a good idea to check your math a few times, as well as ask someone else to check it over. You would also need to attach your W-2 tax form before you mail it to the IRS.

Complete the 1040EZ form.

Form
1040EZ

Income Tax Return for Single and Joint Filers With No Dependents (99)

2015

OMB No. 1545-0074

Your first name and initial		Last name	Your social security number	
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.			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).				
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		
	2	Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.	2		
	3	Unemployment compensation and Alaska Permanent Fund dividends (see instructions).	3		
	4	Add lines 1, 2, and 3. This is your adjusted gross income .	4		
	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		
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your taxable income .	6		
	Payments, Credits, and Tax	7	Federal income tax withheld from Form(s) W-2 and 1099.	7	
		8a	Earned income credit (EIC) (see instructions)	8a	
		b	Nontaxable combat pay election. 8b		
		9	Add lines 7 and 8a. These are your total payments and credits .	9	
	10	Tax . Use the amount on line 6 above to find your tax in the tax table in the instructions. Then, enter the tax from the table on this line.	10		
	11	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	11		
12	Add lines 10 and 11. This is your total tax .	12			
Refund Have it directly deposited! See instructions and fill in 13b, 13c, and 13d, or Form 8888.	13a	If line 9 is larger than line 12, subtract line 12 from line 9. This is your refund . If Form 8888 is attached, check here <input type="checkbox"/>	13a		
	b	Routing number <input type="text"/>	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number <input type="text"/>				
Amount You Owe	14	If line 12 is larger than line 9, subtract line 9 from line 12. This is the amount you owe . For details on how to pay, see instructions.	14		

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete below. No

Designee's name	Phone no.	Personal identification number (PIN)
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Sign Here 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.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name	Firm's EIN			
Firm's address	Phone no.			

2015 Tax Table — Continued

If Form 1040EZ, line 6, is—		And you are—		If Form 1040EZ, line 6, is—		And you are—		If Form 1040EZ, line 6, is—		And you are—		If Form 1040EZ, line 6, is—		And you 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 tax is—				Your tax is—				Your tax is—				Your tax is—	
5,000				8,000				11,000				14,000			
5,000	5,050	503	503	8,000	8,050	803	803	11,000	11,050	1,193	1,103	14,000	14,050	1,643	1,403
5,050	5,100	508	508	8,050	8,100	808	808	11,050	11,100	1,200	1,108	14,050	14,100	1,650	1,408
5,100	5,150	513	513	8,100	8,150	813	813	11,100	11,150	1,208	1,113	14,100	14,150	1,658	1,413
5,150	5,200	518	518	8,150	8,200	818	818	11,150	11,200	1,215	1,118	14,150	14,200	1,665	1,418
5,200	5,250	523	523	8,200	8,250	823	823	11,200	11,250	1,223	1,123	14,200	14,250	1,673	1,423
5,250	5,300	528	528	8,250	8,300	828	828	11,250	11,300	1,230	1,128	14,250	14,300	1,680	1,428
5,300	5,350	533	533	8,300	8,350	833	833	11,300	11,350	1,238	1,133	14,300	14,350	1,688	1,433
5,350	5,400	538	538	8,350	8,400	838	838	11,350	11,400	1,245	1,138	14,350	14,400	1,695	1,438
5,400	5,450	543	543	8,400	8,450	843	843	11,400	11,450	1,253	1,143	14,400	14,450	1,703	1,443
5,450	5,500	548	548	8,450	8,500	848	848	11,450	11,500	1,260	1,148	14,450	14,500	1,710	1,448
5,500	5,550	553	553	8,500	8,550	853	853	11,500	11,550	1,268	1,153	14,500	14,550	1,718	1,453
5,550	5,600	558	558	8,550	8,600	858	858	11,550	11,600	1,275	1,158	14,550	14,600	1,725	1,458
5,600	5,650	563	563	8,600	8,650	863	863	11,600	11,650	1,283	1,163	14,600	14,650	1,733	1,463
5,650	5,700	568	568	8,650	8,700	868	868	11,650	11,700	1,290	1,168	14,650	14,700	1,740	1,468
5,700	5,750	573	573	8,700	8,750	873	873	11,700	11,750	1,298	1,173	14,700	14,750	1,748	1,473
5,750	5,800	578	578	8,750	8,800	878	878	11,750	11,800	1,305	1,178	14,750	14,800	1,755	1,478
5,800	5,850	583	583	8,800	8,850	883	883	11,800	11,850	1,313	1,183	14,800	14,850	1,763	1,483
5,850	5,900	588	588	8,850	8,900	888	888	11,850	11,900	1,320	1,188	14,850	14,900	1,770	1,488
5,900	5,950	593	593	8,900	8,950	893	893	11,900	11,950	1,328	1,193	14,900	14,950	1,778	1,493
5,950	6,000	598	598	8,950	9,000	898	898	11,950	12,000	1,335	1,198	14,950	15,000	1,785	1,498
6,000				9,000				12,000				15,000			