

FROM W-4 TO 1040A

Revised November, 2000

Note: This lesson is designed to be taught over a three-to-five-day period. It is presented in three parts.

P U R P O S E

This lesson is to help students understand that: (1) they must pay tax, when their income goes over a certain amount; (2) they are responsible for paying income taxes through withholding as they earn income; (3) they voluntarily report their income to the government by filing a tax return; and (4) there are specific forms to help taxpayers in different situations do this. This three-part lesson will acquaint students with the basic tax forms they are likely to encounter.

O B J E C T I V E S

After participating in the suggested activities, students will be able to:

- discuss the use and importance of Forms W-4, W-2, 1040EZ, and 1040A
- determine, when given enough information, whether an individual must file a return
- identify the return form that is most appropriate for certain taxpayers
- define and use relevant concepts and terms in order to fill out Forms W-4, 1040EZ, and 1040A correctly.

M A T E R I A L S

- Student Handout 3.1, Glossary of Key Terms
- Student Handout 3.2, Form W-4 (pages 1 & 2)
- Student Handout 3.3, Are You Exempt from Withholding?
- Student Handout 3.4, The Dependency Tests
- Student Handout 3.5, Examples
- Student Handout 3.6, Case Studies
- Student Handout 3.7, Form W-2 and Form 1099-INT
- Student Handout 3.8, Should You File a Tax Return?
- Student Handout 3.9, Which Tax Return Form Should You Use?
- Student Handout 3.10, Form 1040EZ (used in Lesson 2)
- Student Handout 3.11, Tax Table (pages 1 and 2)
- Student Handout 3.12, Form 1040EZ Step-by-Step
- Student Handout 3.13, Form 1040A (pages 1 and 2)
- Student Handout 3.14, Schedule 1
- Student Handout 3.15, Standard Deduction Worksheet for Dependents (From Form 1040A Instructions)
- Student Handout 3.16, Form 1040A Step-by-Step (2 pages)
- Student Handout 3.17, The Tax Maze
- Student Handout 3.18, Lesson Summary (2 pages)
- Student Handout 3.19, Answers - The Tax Maze

To get the most up-to-date tax products and information, visit our world wide website at www.irs.gov

KEY TERMS

Ability to Pay

A concept of tax fairness that people with different amounts of wealth or different amounts of income should pay tax at different rates. Wealth includes assets and property, such as houses, cars, stocks, bonds, and savings accounts. Income includes wages, interest, and dividends.

Adjusted Gross Income

Total income reduced by certain amounts, such as contributions made to a traditional IRA or for student loan interest.

Credits

A direct reduction of tax owed. Credits are allowed for such purposes as child care expenses, higher education costs, qualifying children, and earned income of low-income taxpayers.

Dependent

A person who relies on someone else for support. A taxpayer may claim an exemption for a dependent if certain conditions (dependency tests) are met. Taxpayers cannot claim themselves or their spouses as dependents.

Dividends

A corporation's distributions to its shareholders from its earnings and profits.

Earned Income

Includes wages, salaries, tips, net earnings from self-employment, and other income received for personal services.

Earned Income Credit

A credit that can be paid to low-income workers, even if no income tax was withheld from the worker's pay. To receive the credit, a qualified taxpayer must file a tax return.

IRS e-file

IRS e-file uses automation to replace most of the manual steps used to process paper returns. The information on a tax return is transmitted electronically to an IRS computer where it is automatically checked and processed. Refunds can go into the taxpayer's savings or checking account by Direct Deposit. Electronic filing is faster and more accurate.

Exempt (from Withholding)

Free from withholding of federal income tax. Must meet certain income, tax liability, and dependency criteria. Does not exempt a person from other kinds of tax withholding, such as social security tax.

Exemption (Personal or Dependency)

Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. The total is subtracted from adjusted gross income before tax is figured on the remaining income (taxable income).

Federal/State e-file

Program, sponsored by IRS in partnership with participating states that allows taxpayers to file federal and state income tax returns electronically at the same time.

Gross Income

Money, goods, and property a person received that must generally be reported on a tax return and may be included in taxable income.

Interest Income

Income a person receives from certain financial accounts or from lending money to someone else.

Standard Deduction

An amount provided by law and based on filing status, age, blindness, and dependency that taxpayers may deduct from their adjusted gross income before tax is determined.

Tax Withholding

Money that an employer holds back from an employee's pay to pay part or all of the employee's taxes.

Taxable Income

The income on which tax is figured.

TeleFile

Filing returns over touch-tone phone. The taxpayer must receive a Tele-File package by mail and qualify to use Form 1040EZ.

1040PC

A condensed paper tax return prepared on a personal computer using IRS-accepted tax preparation software, plain paper, and a printer. The return is mailed. Refunds go into the taxpayer's savings or checking account by Direct Deposit.

Unearned Income

Income other than pay for work performed. Interest and dividends from savings or investments are common types of unearned income.

Withholding Allowance

Claimed by an employee on Form W-4. An employer uses the number of allowances claimed, together with income earned and marital status, to determine how much income tax to withhold from wages.



Opening the Lesson:

Voluntary Compliance, Pay-As-You-Go, and Tax Withholding

Distribute copies of Student Handout 3.1, "Glossary of Key Terms"

The following discussion is designed to clarify three main concepts that lie behind the use of the forms discussed in this lesson. Other lessons touch on these concepts, but it is important for students to understand them here.



Permit a minute or so of debate of the question. Then elicit, if possible, or explain the concept of "voluntary compliance."

Ask, "Do you have to file a tax return and pay taxes?"

The U.S. income tax system is built on the idea of "voluntary compliance." This means that it is left to the taxpayer to keep the necessary records, file a return on time, pay any required taxes, and meet other requirements of the tax law. The system is built on trust in citizens to know their responsibilities and to do what needs to be done. Taxpayers voluntarily follow the steps the tax system lays out. Not doing so can result in penalties.

Elicit, if possible, or explain the concept of "pay-as-you-go" or "tax withholding."

Ask, "How do most taxpayers pay their income taxes?"

Most people's income comes from salary or wages earned in a job. In the "pay-as-you-go" method of tax payment, a taxpayer must pay the tax as income is earned or received during the year. For example, an employer withholds tax based on wages paid and information the employee provides on Form W-4. This process is called "tax withholding."

Elicit or explain the advantage for taxpayers of not being "hit" with a sudden tax bill and the Government's need for uninterrupted revenues.

Ask, "What is the advantage of withholding for taxpayers? For the Government?"

Without tax withholding many people would find it difficult to save enough money to pay their income taxes all at once. Government services might be disrupted and undependable if they were not funded on a continuous basis.



Developing the Lesson

Activity 1—Filling Out a Form W-4

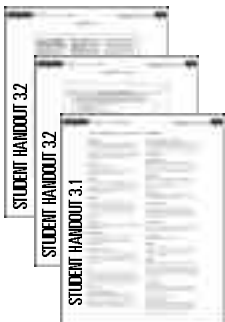
Distribute copies of Student Handout 3.2, "Form W-4" or use an overhead projector to display it. If you haven't previously distributed Student Handout 3.1, "Glossary of Key Terms," do so now.

Have the students look over the form.

They should notice that on the front there are directions and two parts and on the back two parts and a table.

Ask whether any of the students have filled out a Form W-4. Ask one of them who responded positively, "What did you do with it after you filled it out?"

The bottom part of the first page is cut off and given to the employer (or the personnel officer, etc.), as directed on the form.



Form W-4 used in this lesson is for 2000. Form W-4 for 2001 should be available starting in late November 2000.

Ask, “Why does an employer need this form from each employee?”

The form helps the employer figure how much to withhold from the employee’s paycheck.

Ask, “What is the rest of the form used for?”

The other parts are instructions and worksheets. The worksheets help you figure out how to fill in the bottom part of the form you give to your employer.

Tell the students that the Form W-4 is used by all employees, including some whose tax situations are very complex. Most taxpayers will not need to use all parts of each worksheet.

Oversee the students as they fill out the distributed copies of the W-4 forms, or demonstrate how to fill one out if you are projecting it on an overhead, using the following steps.

Have the students fill in lines 1 and 2.

Ask, “What could happen if you write your social security number incorrectly, use a name other than the name on your Social Security card, or make a mistake on your address?”

Errors and inaccuracies might delay or prevent a tax refund and you may not receive proper credit for social security taxes you paid.

Ask, “If you don’t have a Social Security Number (SSN), where can you get one?”

You apply for one by filing Form SS-5 with the Social Security Administration (SSA) office (check the local phone book) for the address.

Have the students look at line 7.

Ask, “Who can explain the phrase, ‘exempt from withholding’?”

People who are “exempt from withholding” don’t need to have federal income tax taken out of their paychecks, usually because they earned very little income.

Encourage discussion.

Ask, “How do you know whether you are ‘exempt from withholding’?”



Distribute copies of Student Handout 3.3, "Are You Exempt from Withholding?"

Have a volunteer read the two bulleted sentences following line 7 on Form W-4. Have the class look at the diagram on Student Handout 3.3 and compare the rules for dependents and other people.

Distribute Student Handout 3.4, "The Dependency Tests."

Ask, "Who can be claimed as a dependent?"

Students are likely to respond that dependents are usually underage children.



Have the students look at "Test 1: Relationship or Member of Household Test" on the handout.

Ask, "How many of these dependents described are not underage or not the taxpayer's child?"

Students should conclude that many relatives and even non-relatives can be dependents.

Quickly review the other tests for dependency status: joint return; citizenship or resident; gross income (including student status); support. You may want to pause over Test 2, gross income, and discuss the dependency status of students.

A student dependent is the taxpayer's child who is under age 19 at the end of the tax year or under age 24 and a full-time student for some part of each of five months during the calendar year. The student must meet the other dependency tests except the gross income test.

Return to Student Handout 3.3 and line 7 of Form W-4.

Ask, "Suppose your parents plan to claim you as a dependent. Can you claim an exemption from withholding?"

If all the conditions on Student Handout 3.3 are met, the employee can write "EXEMPT" in box 7 and sign and date Form W-4. Most employees will need to fill out the other lines.

Have the students look at line 5 of the Form W-4.

Ask a volunteer to read the definition of "withholding allowance" from Student Handout 3.1, "Glossary of Key Terms."

Point out that they will use withholding allowances to complete the Personal Allowances Worksheet in the upper part of the front of Form W-4.

Run through lines A through H quickly.

Ask students to fill out the worksheet as it applies to their own situation.

Some may have to review the definition of "dependent."

Explain that for some students the correct answer on line H will be zero.

Have the students enter the number from line H of the worksheet in box 5 of the certificate part of the Form W-4 unless they qualify for exemption from withholding.



Distribute Student Handout 3.5, Example 1 and Example 2. Have the student look at Example 1.

Ask, Why does Jay qualify as exempt from withholding?

Note that Jay does not need to complete any of the lines on the Personal Allowance Worksheet. Also note that his income will not exceed \$700.

Emphasize that an exemption claimed on Form W-4 is the federal income tax withholding only. Jay will still have withholding for social security tax and possibly other things.

Have the student look at Example 2.

Explain that employers have tables that tell them how much to withhold for married and single employees, and for employees with different salaries and withholding allowances. Taxes may be higher on the same income amount for a single person than for a married couple filing a joint return.

Call attention to line 6 (“Additional amount, if any, you want withheld from each paycheck.”)

Ask, “Why would anyone want to have extra deductions made from a paycheck?”

Some people may have income from other sources, such as interest or dividends. If more tax is withheld, more of their tax liability will be paid “as they go,” and they will not have to come up with a large lump-sum payment or possibly pay estimated taxes or underpayment penalties.

Point out that now Denise has a job. Jeffrey may want to file a new Form W-4 with his employers to change his withholding.

Ask, “What are the three ways Denise can have extra tax withheld?”

On line 3 she can check the box for “Married, but withholding at higher Single rate.” Her employer will withhold more tax than if she checks the box “Married.” This method works only for married people.

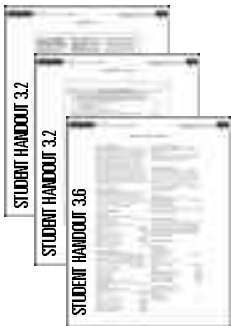
Emphasize that tax withheld may not be equal to the total tax owed.

Be sure students understand the difference between claiming:

- Zero withholding allowances: More tax will be withheld; and
- Exemption from withholding: No federal income tax will be withheld.

Points out the worksheets on page 2 of Form W-4 and the second bullet under line H of the Personal Allowance Worksheet.

If time permits, distribute Student Handout 3.6, Case Studies, and two fresh copies of Student Handout 3.2, Form W-4 to each student. Have the students work on Case Study A.



In the Personal Allowances Worksheet, and on line 5 of Form W-4, Denise can enter fewer allowances than she is entitled to take, down to zero. Each allowance a taxpayer claims authorizes the employer to withhold less tax. Both single and married people can use this method. (There are penalties if a taxpayer claims too many allowances for his or her situation.) On Line 6, as shown, Denise can ask to have extra money withheld from each paycheck. Both single and married people can use this method.

Ask, “Can anyone tell why Denise used the Personal Allowances Worksheet and not the Two-Earned/Two Job Worksheet on the back of Form W-4?”

The Browns’ combined income for the year does not exceed \$60,000. Emphasize that tax withheld may not be equal to the total tax owed.

Some people may have more withheld than they owe. They will get a refund when they file their returns. Other people may owe more tax than the amount withheld from their wages. They will have to send a payment with their return. Some may be subject to a penalty for underpayment of their taxes.

Hint for the students: The instructions at the front and top of Form W-4, “Two Earners/Two Jobs” will help.

Ask, “Can you see why David does not need the Two-Earner/Two Job Worksheet?”

His combined earnings do not exceed \$34,000. See the second bullet under line H on the Personal Allowances Worksheet.

Ask, “How many allowances would David be entitled to claim on line 5 of Form W-4 if he had only the job with Employer A during the year?”

Two: one each from lines A and B of the Personal Allowances Worksheet. David would reflect the total on line H.

Activity 2: Form W-2 and Form 1099-INT (5 minutes)



Distribute copies of Student Handout 3.7, "Form W-2 and Form 1099-INT"

Explain to the students that by law employers must give their employees a copy of Form W-2 by January 31 of each year. Employees with more than one employer should get one from each employer.

Point out the following boxes on Form W-2:

Box c: Name and address of the employer

Box e: Name and address of the employee

Box d: Employee's Social Security Number

Box 1: The employee's actual pay for the year from this employer

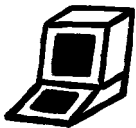
Box 2: The amount of federal income tax withheld.

Tell students that taxpayers must attach Copy B of Form W-2 to their federal income tax return. It is in their interest to double-check the information on their Form W-2 and to report any problems or mistakes to their employers right away.

Go back to Student Handout 3.1, Glossary of Key Terms. Have a student read the definition of "unearned income."

Point out Form 1099-INT on Student Handout 3.7 to the students. A bank or other financial institution sends this form to taxpayers who have "unearned income" to show how much interest income was earned. A copy is also sent to the IRS. Taxpayers must include unearned income in the total income they report on their return.

1 class period:



Optional

If any class time remains, you may have the students begin working on the first of the Case Studies (Student Handout 3.6) used in the *Extending the Lesson* section.



day 2

Filing a Return and Form 1040EZ

1. Deciding Whether To File

In this lesson students learn to complete a paper return. Returns can also be filed electronically by computer (through e-file) or by TeleFile. (See Student Handout 3.1 - Glossary of Key Terms.)

Ask, “What does, ‘file a tax return’ mean?”

To file a tax return means to mail or electronically transmit to an IRS Service Center the taxpayer’s information in a specified format, about income and tax liability.

Ask, “Does everyone need to file a tax return?”

No, some people do not need to file a return. However, if they had federal income tax withheld from their paychecks, they should file a return to get their refund. They may also need to file if they qualify for the earned income credit or additional child tax credit.



Distribute copies of Student Handout 3.8, “Should You File a Tax Return?”

Have students work through the series of questions and answers to decide whether they, or someone in a hypothetical situation, should file a return.

To make sure students understand filing requirements, ask for a show of hands in response to such questions as, “How many of you are claimed as a dependent on the return of your parents or someone else?”

Students may need to review the definition of dependent by looking at Student Handouts 3.1, “Glossary of Key Terms,” and 3.4, “The Dependency Tests.”

Students claimed as dependents by someone else should look at question 1 on the upper half of Handout 3.8 and study the diagram underneath it.

“How many of you are not claimed as a dependent?”

Students who are not claimed as someone’s dependent should look at question 2 and the diagram on the lower half of Handout 3.8.

“How many of you are married?”

Students who are married should look at the question in the left-hand box of the appropriate diagram.

“How many of you are not married?”

Students who are not married should look at the question in the right-hand box of the appropriate diagram.

2. Deciding Which Form To File

Ask, “Suppose you’ve decided that you need to file a tax return. What form do you use?”

Everyone who files a tax return uses some version of Form 1040. Besides the standard Form 1040, there are two easier versions, 1040A and 1040EZ. These are for people whose tax situations are relatively simple.



Distribute copies of Student Handout 3.9, “Which Tax Return Form Should You Use?”

Have the students look again at Student Handout 3.1, “Glossary of Key Terms.” Call their attention to the definition of “Exemption (Personal or Dependency)” and make sure they understand the distinctions among this term, Exempt (from Withholding), and Withholding Allowance discussed earlier in Lesson 3.

Exemption, as it is used on tax returns, is a set amount for each taxpayer and each eligible dependent that is subtracted from adjusted gross income to reduce the amount on which tax is figured.

Ask students, “Which form are most high school students likely to use?”

Unless they are married and have dependents or have considerable amounts of unearned income, most high school students will use Form 1040EZ.

Ask, “Which form would the chief executive of a large real estate corporation be most likely to use?”

Anyone with income from rent, sale of stocks or mutual funds, self employment, or similar sources of income would need to use Form 1040. Form 1040 must also be used if taxable income is \$50,000 or more.

3. Filling Out Form 1040EZ

Have the students fill out Form 1040EZ using either Student Handout 3.12 or the instructions on the back of Form 1040EZ. If they use both simultaneously, they may become confused. They will also need to use Student Handout 3.11 - “Tax Table” for line 10.

Distribute copies of Student Handout 3.10 - forms 1040EZ; Student Handout 3.11, “Tax Table”; and 3.12 Forms 1040EZ Step-by-Step.

You may want to display Form 1040EZ using an overhead projector. If you prefer that the students fill out the forms for some fictitious rather than themselves, see alternative activity, below.

In the “Income” section of the form, students will need to decide whether they can be claimed as a dependent by someone. Have them review Student Handout 3.4, “The Dependency Tests” if they are in doubt. Students must check “yes” on line 5 if someone can claim them as a dependent, whether or not that person actually does.

Hint for students using Student Handout 3.12 to keep from losing their place they should check off each step as they complete it.

If they can be claimed as a dependent, they will probably use the worksheet on the back of 1040EZ. They will probably want to know the meaning of \$700 printed on line B. (If they use Handout 3.12, they will be able to fill out Form 1040EZ without using the worksheet, but they won't understand where the figures come from.)

\$700 is the minimum standard deduction for a dependent. At line D, the 2000 maximum standard deduction is \$4,400 for single people and \$7,350 for married people filing a joint return. The worksheet shows that all dependents may deduct at least \$700 and no more than \$4,400, depending on how much they earned. Those who can be claimed as dependents of others cannot take an exemption for themselves because that exemption can be or is claimed by the other person.

Alternative or additional activity:



Distribute Student Handout 3.6, "Case Studies."

Have students fill out Form 1040EZ for Joseph Red, Case Study B.

day 3

1 class period:



Ask students to look again at Student Handout 3.9, "Which Tax Return Form Should You Use?"

1040A and Beyond

Ask the students to look at the situations that make Form 1040A rather than Form 1040EZ the better choice for certain taxpayers.

Form 1040A should be used instead of Form 1040EZ if the taxpayer claims any dependents, has more than \$400 of interest and/or income from dividends, annuities, or certain other sources, and/or is entitled to certain income adjustments and credits. For situation beyond the scope of Form 1040A, taxpayers should use Form 1040.



Distribute copies of Student Handout 3.13, “Form 1040A,” Student Handout 3.14, “Schedule 1. And Student Handout 3.15 Standard Deduction Worksheet for Dependents (Form 1040A Instructions).

Have the students look over Form 1040A. Call their attention to lines 7 through 15 in the section, “Income.” Have the students look at line 8a, “Taxable interest.” Point out that to fill out some of these lines, you have to fill out other forms or worksheets first. If your interest income is more than \$400, for example, you have to complete and attach Schedule 1, Part I. On Form 1040A, there is space to report income from a variety of sources, including line 8b, “Tax-exempt interest”; line 9, “Ordinary dividends”; and line 11b, “Total IRA distributions.” The worksheet for dependents allows for more situations than the equivalent worksheet on page 2 of Form 1040EZ.

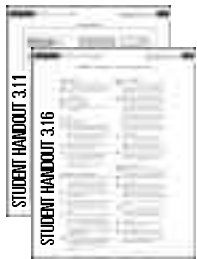
You may want to provide a copy of the 1040A instructions for students to examine. You can get it at your local IRS office or certain public libraries by calling 1-800-TAX-FORM, or by visiting the IRS website at www.irs.gov.

Line 9 may require completion of Schedule 1, Part II. Lines 11b, 12b, 16 and 17 of Form 1040A refer taxpayers to the instructions. Tax Tables used to complete Forms 1040EZ and 1040A are in the instructions.

Point out that there are several places on Form 1040A where specific schedules are required for taxpayers to get special credits.

Students who might need more information about the credit for child and dependent care expenses or the earned income credit should be directed to the instructions and the appropriate schedules and worksheets.

Line 27 provides for credits for child and dependent care expenses with completion of Schedule 2. Line 28 asks for Schedule 3 to figure the credit for elderly or disabled people. Line 30 is used to claim the child tax credit. Line 29 asks for Form 8863 to claim the education credits. Accurate completion of any of these could lower the taxes owed.



Distribute copies of Student Handout 3.16, “Form 1040A Step by Step,” and Student Handout 3.11, “Tax Table,” or use a projector to show them to the class.

Have the students use Handout 3.16 to fill out Form 1040A, either individually or as a class. In the latter case, you may want to demonstrate how to complete the form accurately by filling out the form you have projected or by talking through the steps aloud.

You may wish to have students use Student Handout 3.6, “Case Studies.” Students can use the information in Case Study D to practice filling out Form 1040A instead of using information about themselves.

Students should check each item on Handout 3.16 as they complete each step of the process of filling out Form 1040A.



1 class period:

Concluding the Lesson

Distribute copies of Student Handout 3.17, “The Tax Maze.” Have students use any remaining class time to work the puzzle, or encourage them to take it home and try it.

Distribute copies of Student Handout 3.18, “Lesson Summary,” and Student Handout 3.19, “Answers – The Tax Maze.” Make sure that any students who were absent from the lesson receive all the handouts.

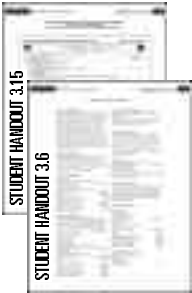


Extending the Lesson

(homework assignment)

Distribute copies of Student Handout 3.6 - Case Studies (if students don't already have them), two additional copies of each of Form W-4 and 1040EZ and one additional copy of the Tax Table.

Have the students complete Form W-4 for Case Study A (if they haven't already done it) and Forms 1040EZ for Case Studies B and C (if not yet done). If students are interested, also give them two copies of each Form 1040A, Schedule 1, and the Standard Deduction Worksheet for Dependents (Student Handout 3.15).



EMPLOYER B

Form W-4 (2000)

Persons. Complete Form W-4 as your employer can withhold the correct federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Check your withholding. After your Form W-4 is processed, use 1040-EIT to see how the dollar amount of your withholding compares to what you expect to owe on your projected 2000 tax return. If you are married and have other working spouses or dependents, you may want to refigure your withholding on page 2 and your earnings statement on page 3 and your earnings statement on page 3 and your earnings statement on page 3 and your earnings statement on page 3.

Personal Allowances Withheld (Keep for your records.)

- A. Enter "1" for yourself if no one else can claim you as a dependent.
B. Enter "1" if:
- 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 for the total of both are \$1,000 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.)
D. Enter number of dependents (other than your spouse or yourself) you will claim on your tax return.
E. Enter "1" if you will file as head of household on your tax return (see conditions under Head of Household above).
F. Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit.
G. Child Tax Credit.
- If your total income will be between \$10,000 and \$20,000 (if married) and \$15,000 (if single), enter "1" for each eligible child.
- If your total income will be between \$20,000 and \$40,000 (if married) and \$30,000 (if single), enter "1" if you have two eligible children, enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children.
H. Add lines A through G and enter total. Note: This may be different than the number of dependents you claim on your tax return.
For spouse, complete all worksheets that apply.
- If you are single, have more than one job and your combined earnings from all jobs exceed \$24,000, OR if you are married and have a working spouse or more than one job and the combined earnings from all jobs exceed \$40,000, see the Two-Earners/Two-Job 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 the H on line 5 of Form W-4 below.

Employee's Withholding Allowance Certificate

Form W-4, Department of the Treasury Internal Revenue Service. David W. Green, 1234 Main Street, Middletown, WI 87654. Total number of allowances you are claiming from this H above: 0. Additional amount, if any, you want withheld from each paycheck: 0. Last name: Green. Social Security Number: 999-100-7654. Date: June 1, 2001.

EMPLOYER A

Form W-4 (2000)

Persons. Complete Form W-4 as your employer can withhold the correct federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Check your withholding. After your Form W-4 is processed, use 1040-EIT to see how the dollar amount of your withholding compares to what you expect to owe on your projected 2000 tax return. If you are married and have other working spouses or dependents, you may want to refigure your withholding on page 2 and your earnings statement on page 3 and your earnings statement on page 3 and your earnings statement on page 3.

Personal Allowances Withheld (Keep for your records.)

- A. Enter "1" for yourself if no one else can claim you as a dependent.
B. Enter "1" if:
- 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 for the total of both are \$1,000 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.)
D. Enter number of dependents (other than your spouse or yourself) you will claim on your tax return.
E. Enter "1" if you will file as head of household on your tax return (see conditions under Head of Household above).
F. Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit.
G. Child Tax Credit.
- If your total income will be between \$10,000 and \$20,000 (if married) and \$15,000 (if single), enter "1" for each eligible child.
- If your total income will be between \$20,000 and \$40,000 (if married) and \$30,000 (if single), enter "1" if you have two eligible children, enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children.
H. Add lines A through G and enter total. Note: This may be different than the number of dependents you claim on your tax return.
For spouse, complete all worksheets that apply.
- If you are single, have more than one job and your combined earnings from all jobs exceed \$24,000, OR if you are married and have a working spouse or more than one job and the combined earnings from all jobs exceed \$40,000, see the Two-Earners/Two-Job 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 the H on line 5 of Form W-4 below.

Employee's Withholding Allowance Certificate

Form W-4, Department of the Treasury Internal Revenue Service. David W., 1234 Main Street, Middletown, WI 87654. Total number of allowances you are claiming from this H above: 0. Additional amount, if any, you want withheld from each paycheck: 0. Last name: Green. Social Security Number: 999-100-7654. Date: May 15, 2001.

Form 1040EZ (2000)

- Your filing status is single or married filing jointly.
- You do not claim any dependents.
- Your taxable income (line 6) is less than \$90,000.
- You do not claim a student loan interest deduction (see page 6) or an education credit.
- You had only wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over \$400. But if you earned tips, including allocated tips, that are not included in box 1 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.
- You are not sure about your filing status, see page 11. If you have questions about dependents, use TurboTax topic 354 (see page 6). If you cannot use this form, use TurboTax topic 352 (see page 6).

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9 8 7 6 5 4 3 2 1 0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filing in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and bond, credit unions, etc., even if you do not get a Form 1099-INT.

Use this worksheet to figure the amount to enter on line 6 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TurboTax topic 364 (see page 6).

A. Amount, if any, from line 1 on front	2,250.00	Enter total	A. 2,500.00
B. Minimum standard deduction	700.00		B. 700.00
C. Enter the larger of line A or line B here	2,500.00		C. 2,500.00
D. Maximum standard deduction. If single, enter 4,400.00; if married, enter 7,800.00	4,400.00		D. 4,400.00
E. Enter the smaller of line C or line D here. This is your standard deduction	2,500.00		E. 2,500.00
F. Exemption amount	0.00		F. 0.00

—both you and your spouse can be claimed as dependents, enter 0.
 —only one of you can be claimed as a dependent, enter 2,800.00.

• Single, enter 7,800.00. This is the total of your standard deduction (4,400.00) and your exemption (2,800.00).

• Married, enter 12,850.00. This is the total of your standard deduction (7,850.00), your exemption (2,800.00), and your spouse's exemption (2,800.00).

Mail your return by April 15, 2001. Use the envelope that came with your booklet. If you do not have that envelope, see page 62 for the address to use.

Under penalties of perjury, I declare that I have prepared this return, and in the best of my knowledge and belief, it is true, correct, and accurately shows all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's name (do not print unless you are a preparer) _____ Date _____ Preparer's title or firm _____

Print name for your records (do not print unless you are a preparer) _____ Phone no. () _____

Form 1040EZ (2000)

Department of the Treasury—Internal Revenue Service
Income Tax Return for Single and Joint Filers with No Dependents 2000 OMB No. 1545-0045

Your first name and last name: **K. R. L.** Last name: **Ryd**

Your social security number: **9 8 7 6 5 4 3 2 1 0**

File as: **Single** (Do not check this box if you are filing as a joint return, see page 12.)

Home address (street and street no.) and city, state, and ZIP code: **615 Poplar Drive, Anytown, OH 45201**

Do you, or your spouse if a joint return, want \$3 to go to this fund? Yes No

Income

1 Total wages, salaries, and tips. This amount has already been included in box 1 of your Form W-2 Form(s). Attach your W-2 Form(s).

2 Taxable interest. If the total is over \$400, you must use Form 1040EZ.

3 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).

4 Add lines 1, 2, and 3. This is your adjusted gross income.

1	2,250	00	00
2	00	00	00
3	250	00	00
4	2,500	00	00

Payments and tax

5 Con your payments (or someone else's) during you or your spouse's tax year. If you checked "Yes" on line 4, enter 7,800.00. If you checked "No" on line 4, enter 0. See book for explanation.

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your taxable income.

7 Enter your Federal income tax withheld from box 2 of your W-2 Form(s).

8 Add lines 7 and 6. These are your total payments.

5	00	00	00
6	30	00	00
7	30	00	00
8	30	00	00

10 Tax. Use the amount on line 8 above to find your tax in the tax table on pages 24-28 of the booklet. Then, enter the tax from this table on this line.

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund.

11b If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. See page 21 for details on how to pay.

Sign here (Do not sign if you are filing a joint return.)

Signature: **K. R. L.** Date: **3-9-2001** Tax preparer's name: _____

Print name for your records (do not print unless you are a preparer) _____

CASE STUDY C

Department of the Treasury—Internal Revenue Service
Form 1040EZ **Income Tax Return for Single and Joint Filers With No Dependents** **2000** OMB No. 1545-0675

Use the IRS label here	Your first name and initial <u>Susan A.</u>	Last name <u>Black</u>
	If a joint return, spouse's first name and initial	Last name
	Home address (number and street). If you have a P.O. box, see page 12. Apt. no. <u>601 Turnbolt Street</u>	
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 12. <u>Robin, MI 48200</u>	

Your social security number

9	8	7	0	0	2	0	8	0
---	---	---	---	---	---	---	---	---

Spouse's social security number

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Presidential Campaign (p. 12) Note. Checking "Yes" will not change your tax or reduce your refund.
 Do you, or spouse if a joint return, want \$3 to go to this fund? Yes No

You Spouse

Yes No Yes No

Income

Attach Form(s) W-2 here. Enclose, but do not attach, any payment.

Note. You must check Yes or No.

1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	1
2	Taxable interest. If the total is over \$400, you cannot use Form 1040EZ.	2
3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).	3
4	Add lines 1, 2, and 3. This is your adjusted gross income .	4
5	Can your parents (or someone else) claim you on their return? Yes. Enter amount from worksheet on back. <input type="checkbox"/> No. If single, enter 7,200.00. If married, enter 12,950.00. See back for explanation. <input checked="" type="checkbox"/>	5
6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your taxable income .	6

Dollars Cents

9	,	9	9	0	.	0	0
—	,	4	5	.	0	0	
	,			.			
1	,	0	3	5	.	0	0
7	,	2	0	0	.	0	0
2	,	8	3	5	.	0	0

Payments and tax

7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).	7
8a	Earned income credit (EIC). See page 15.	
8b	Nontaxable earned income: enter type and amount below.	
	Type <input type="text"/> \$ <input type="text"/>	8a
9	Add lines 7 and 8a. These are your total payments .	9
10	Tax. Use the amount on line 6 above to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line.	10

	,	7	4	5	.	0	0
	,			.			
	,	7	4	5	.	0	0
	,	4	2	6	.	0	0

Refund

Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.

11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund .	11a
b	Routing number <input type="text"/>	
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number <input type="text"/>	

	,	3	1	9	.	0	0
	,			.			

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. See page 21 for details on how to pay. **12**

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I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here

Your signature <u>Susan A. Black</u>	Spouse's signature if joint return. See page 11.
Keep copy for your records.	
Date <u>4-03-01</u>	Your occupation <u>Receptionist</u>
Date	Spouse's occupation

For Official Use Only

1 2 3 4 5
6 7 8 9 10

May the IRS discuss this return with the preparer shown on back (see page XX)? Yes No

CASE STUDY D

Form 1040A (2000) U.S. Individual Income Tax Return 2000

Eric H. Gray
 Last name, first name, and initial
 0591003212
 Your social security number

Eric H. Gray
 Last name, first name, and initial
 0591003212
 Spouse's social security number

514 Leath Street
 Bryans, KY 54612
 764 No.

Important!
 You must enter your/your spouse's correct address on page 22.

Presidential Election Campaign
 Did you, or your spouse, if filing a joint return, want \$3 to go to this fund? Yes No No Yes No

Filing status
 Single
 Married filing joint return (even if only one has income)
 Married filing separate return. Enter spouse's social security number above and full name here.
 Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here.
 Qualifying widow(er) with dependent child (your spouse died). (See page 22.)

Exemptions
 a Yourself, if your parent or someone else can claim you as a dependent on his or her tax return. Do not check box 6a.
 b Spouse
 c Dependent:
 (1) First name Last name (2) Dependent's social security number (3) Qualifying child's name (see page 25) (4) No. of boxes checked on the next line
 1 Eric H. Gray
 2 Eric H. Gray
 3 Eric H. Gray
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Form 1040A (2000) U.S. Individual Income Tax Return 2000

Eric H. Gray
 Last name, first name, and initial
 0591003212
 Your social security number

Eric H. Gray
 Last name, first name, and initial
 0591003212
 Spouse's social security number

514 Leath Street
 Bryans, KY 54612
 764 No.

Important!
 You must enter your/your spouse's correct address on page 22.

Presidential Election Campaign
 Did you, or your spouse, if filing a joint return, want \$3 to go to this fund? Yes No No Yes No

Filing status
 Single
 Married filing joint return (even if only one has income)
 Married filing separate return. Enter spouse's social security number above and full name here.
 Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here.
 Qualifying widow(er) with dependent child (your spouse died). (See page 22.)

Exemptions
 a Yourself, if your parent or someone else can claim you as a dependent on his or her tax return. Do not check box 6a.
 b Spouse
 c Dependent:
 (1) First name Last name (2) Dependent's social security number (3) Qualifying child's name (see page 25) (4) No. of boxes checked on the next line
 1 Eric H. Gray
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Schedule 1
Interest and Ordinary Dividends
for Form 1040A Filers

Department of the Treasury—Internal Revenue Service
 Form 1040A (2000) OAS No. 1545-0065
 Name shown on Form 1040A: Lisa M. White Year social security number: 821 00 1234

Part I
Interest
 (See page 60 and the instructions for Form 1040A, line 8a.)

Notes. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, enter the firm's name and the total interest shown on that form.

	Amount
1 List name of payer, if any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page 60 and list the interest first. Also, show that buyer's social security number and address. <u>Garden National Bank</u>	<u>817 00</u>
2 Add the amounts on line 1.	<u>817 00</u>
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14. You must attach Form 8815.	
4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, line 8a.	<u>817 00</u>

Part II
Ordinary dividends
 (See page 60 and the instructions for Form 1040A, line 9.)

Notes. If you received a Form 1099-DIV or substitute statement from a brokerage firm, enter the firm's name and the ordinary dividends shown on that form.

	Amount
5 List name of payer. Include only ordinary dividends. If you received any capital gain distributions, see the instructions for Form 1040A, line 10.	
6 Add the amounts on line 5. Enter the total here and on Form 1040A, line 9.	<u>0</u>

For Paperwork Reduction Act Notice, see Form 1040A Instructions. Schedule 1 (Form 1040A) 2000

Standard Deduction Worksheet for Dependents—Line 22

Keep for Your Records

Use this worksheet **only** if someone can claim you (or your spouse if married filing jointly) as a dependent.



1. Add \$250 to the amount from Form 1040A, line 7. Enter the total	1. <u>2 2 0 0 . 0 0</u>
2. Minimum standard deduction	2. <u>7 0 0 . 0 0</u>
3. Enter the larger of line 1 or line 2.	3. <u>2 2 0 0 . 0 0</u>
4. Enter the amount shown below for your filing status.	
<ul style="list-style-type: none"> • Single—\$4,400 • Married filing separately—\$3,675 • Married filing jointly or qualifying widow(er)—\$7,350 • Head of household—\$6,450 	4. <u>4 4 0 0 . 0 0</u>
5. Standard deduction.	
a. Enter the smaller of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040A, line 22. Otherwise, go to line 5b.	5a. <u>2 2 0 0 . 0 0</u>
b. If 65 or older or blind, multiply the number on Form 1040A, line 21a, by: \$1,100 if single or head of household; \$850 if married filing jointly or separately, or qualifying widow(er)	5b. _____
c. Add lines 5a and 5b. Enter the total here and on Form 1040A, line 22	5c. _____

NOTES