

Federal Income Tax Guide | Tax Year 2007

Peace Corps Trainees, Volunteers, and Returned Volunteers

To determine if you must file an income tax return this year, check the table below.

- If your *total income is equal to or greater than* the amount listed for your filing status, *you must file a tax return.*
- If your *total income is less than* the amount listed for your filing status, *you are not required to file a tax return.*

Even if you are not required to file, you should retain all of your W-2 forms and this guide for your permanent records.

If you are required to file, it is best to have in your possession the following documents:

1. **IRS Form 1040 and Instruction Booklet.** Volunteers at post will receive this form and booklet from their country director. Others can obtain the forms online at www.irs.gov. You must use Form 1040 as it is the only IRS form that provides an area to report "other income" not included on the W-2. All monies received during your Peace Corps service are *not* included in your W-2 (*see number 2, below*). These additional monies need to be reported as "other income".
2. **Peace Corps W-2 Form.** The W-2 form you receive from the Peace Corps includes only the readjustment allowance accrued from December 1, 2006 through November 30, 2007, or through your actual termination date, whichever came first. It does not include the living or leave allowances paid at post.
3. **All other W-2 Forms.** If you were employed by an entity (or entities) other than the Peace Corps between January 1, 2007 and December 31, 2007, you will need all W-2 forms to complete your tax filing.
4. **2007 Taxable Allowances Guide.** As mentioned in number 1, above, only the readjustment allowance is included in your W-2 form. You are responsible for paying taxes on a portion of the monies received for living and leave allowance while in-country. If you are still serving, your country director or administrative officer is responsible for advising which portion of monies received is taxable. If you have already left your country of service or if you are a Power of Attorney filing on behalf of a Volunteer, you can get this information at www.peacecorps.gov/docs under the heading "Tax Information for Trainees, Volunteers, and Former Volunteers."

If your filing status is	...And at the end of 2007 you were:	File a return if your gross income was at least:
Single	Under 65	\$8,750.00
	65 or older	\$10,050.00
Married filing jointly	Under 65	\$17,500.00
	65 or older (one spouse)	\$18,550.00
	65 or older (both spouses)	\$19,600.00
Married filing separately <i>(includes those that did not live with their spouse at the end of 2007)</i>	Any age	\$3,400.00
Head of Household	Under 65	\$11,250.00
	65 or older	\$12,550.00
Widow(er)	Under 65	\$14,100.00
	65 or older	\$15,150.00

I. How to Determine Your Taxable Income for 2007

A. "Readjustment Allowance" A _____
(Enter amount shown on enclosed Peace Corps W-2 form.)

B. "Other employment" B _____
(Enter amount on W-2 form(s) received from other employers.)

Add lines A & B _____

Enter this total on line #7 (Wages, salaries, tips, etc.) on IRS Form 1040

Complete lines 8 through 20 of IRS Form 1040 as appropriate.

Using the *2007 Taxable Allowances Guide* or the information given to you by your country director/administrative officer, fill out lines C-F.

C. "Walk-around allowance" _____.
(Multiply number of days in training by daily rate.)

D. "Leave Allowance" _____.
(Enter \$24.00 for each month of service for which you were a PCV (not a trainee) for 16 days or more; \$12.00 for 15 days or less.)

E. "Living Allowance" _____.
(Enter the taxable portion of your living allowance. Obtain this information from your CD/AO or the Peace Corps website.)

F. "Special Leave Allowance" _____.
(Applies only to Volunteers that extend service: Enter \$12.00 for each day of "special leave" taken; 30 days of "special leave" equals \$360.00.)

Add lines C through F and enter amount on line #21 (Other income) of IRS Form 1040.

You may also have non-Peace Corps income that falls into this category; consult the "other income" section of your IRS 1040 instruction booklet.)

Total lines #7 through #21 on IRS form 1040 and enter on line #22 of that form.

This is your TOTAL INCOME.

Attach this page of this tax guide to your IRS 1040 Form.

Enclose all W-2 forms, and mail to the IRS service center for your home of record.

A list of service centers and addresses can be found in the IRS 1040 instruction booklet.

Do NOT send to the Peace Corps.

II. Filing Your Tax Return

When to File

If you are in the United States on April 15, 2008, you must file your tax return by that date. If you are outside the United States on April 15, 2008, you are given an automatic filing extension until June 16, 2008.

However, a note must be attached to your return stating that you are residing or traveling outside the U.S. as of April 15. Otherwise, the Internal Revenue Service may classify you as a delinquent and penalize you for late filing. **ALTHOUGH YOU RECEIVE AN AUTOMATIC EXTENSION OF TIME IN WHICH TO FILE, YOU SHOULD NOTE THAT THERE IS A STATUTORY CHARGE FOR INTEREST ON ANY TAX WHICH IS NOT PAID BY APRIL 15, 2008.**

If it is impossible for you to file your tax return before June 16, you may request an extension of time in which to file your tax return. Your country director or administrative officer can help you locate IRS Form 4868, Application for Extension of Time, which must be submitted to the IRS before June 16, 2008. You can also find this information on the Internal Revenue Service website at www.irs.gov. **AGAIN, THERE IS A STATUTORY CHARGE FOR INTEREST ON ANY TAX WHICH IS NOT PAID BY APRIL 15, 2008.** Therefore, you must pay interest on any tax due at the time you do submit your return.

Where to File

The IRS instruction booklet contains the addresses of all IRS centers. Use the office nearest your legal residence. If you do not claim a legal residence in the United States, use the Philadelphia address. **(Do not send any tax form, W-2 forms, or payments to the Peace Corps.)**

Starting January 16, 2008 Volunteers whose total income is less than \$54,000 qualify for the Free E-File Program through the IRS. **For more information on this program, visit www.irs.gov/efile/index.html.**

Filing

Income must be reported on your tax return U.S. dollars. For currently serving trainees and Volunteers, your country director or administrative officer will advise you of the taxable portion of all allowances paid in U.S. dollars equivalence. Returned Volunteers should visit www.peacecorps.gov/docs under the heading "Tax Information for Trainees, Volunteers and Former Volunteers" for specific taxable allowance information pertaining to the country in which you served.

You must pay your tax in U.S. dollars. You may use personal or certified checks, money orders, or traveler's checks. You may also request that your country director deduct the appropriate sum from your readjustment allowance, providing the amount is \$350.00 or less. Your country director will request authorization from CFO/VPS by email or fax, using form PC-10, *Application to Allot or Withdraw from RA*. This request should be made to your country director at least one month prior to the date you want the check to be issued to ensure timely filing of your tax return. Your country director cannot accept responsibility for late filing of tax returns.

At the time you request the deduction, you **must** enclose your tax return. **When your country director has received the processed check from CFO/VPS, he/she will mail it ALONG WITH your return to the IRS office you have specified on the form. Do not send your tax return to the Peace Corps.**

III. Exemptions and Withholding

There was no withholding from the readjustment allowance during 2007 unless you elected optional withholding. The fact that no withholding has been made is generally to your advantage because you would have been required to file a tax return to obtain a refund even though your income as a single Volunteer was less than \$8,750.00 filing requirement. You may elect optional withholding for the 2008 tax year in \$5.00 increments from \$15.00 up to \$100.00 per month. Ask your country director for additional information.

IV. State and Local Taxes

This tax guide addresses only Federal Income Tax provisions. *You are responsible for obtaining information on state and local taxes and for paying any taxes as required.*

V. Forms

For currently serving trainees and Volunteers, the following forms and publications have been sent to your country director for dissemination to you:

FORM 1040 U.S. Individual Income Tax Return *(To be used by all Volunteers that file a tax return.)*

Schedule A To report itemized deductions

INSTRUCTION BOOKLET FOR FORM 1040

VI. Corrections and Questions

If your name or Social Security number is incorrect on your Peace Corps W-2, cross out the error and write in the correction. You can still submit the W-2 with a marked correction to the IRS; you do not need a new W-2 issued by Peace Corps. However, you may not correct money amounts on your W-2. If you feel the readjustment allowance amount listed on our W-2 is incorrect, please immediately contact Peace Corps' Volunteer and PSC Financial Services at 800-424-8580 ext. 1770 to allow us to investigate and reissue if needed. If you do have a change to your name or Social Security number, also contact Peace Corps at the above number so we may make the correction to our records.

If you have specific questions related to your Peace Corps wages and taxes, please contact Volunteer and PSC Financial Services at 800-424-8580 ext. 1770 and follow the appropriate prompts. We are unable to provide tax and filing guidance beyond your Peace Corps service. If you need additional tax information not addressed in this guide, please contact a tax professional.