

2018 U.S. Income Tax Filing (TY2017)

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Tax Law Basics – Who Must File

Filing Status	Under 65	65 or older (<1/2/1953)
Single	\$ 10,400	\$ 11,950*
Married filing jointly		
Both spouses	\$ 20,800	\$ 23,300*
One spouse 65+		\$ 22,050*
Married filing separately	\$ 4,050	\$ 4,050*
Head of Household	\$ 13,400	\$ 14,950*
Qualifying Widow(er) ^	\$ 16,750	\$ 18,000*
^with dependent children		*Excludes Social Security

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Tax Law Basics – Who Must File

- Owe additional taxes
- \$400 or more net self-employment income

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Tax Law Basics – Who Should File

- Claiming refund of withheld taxes or estimated tax payments
- Claiming any refundable credit (credit independent of taxes owed)
 - Earned Income Credit
 - Additional Child Tax Credit
 - Education Credits
- Desire to help prevent identity theft

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Identity Theft (from prior year(s))

- IRS sends notices to taxpayers identified as victims (or potential victims)
- Notice provides Identity Protection PIN victim needs when filing 2017 tax return
- If received IP PIN but lost it, call ID Theft Toll-free Hotline: [800-908-4490](tel:800-908-4490)

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Taxpayer Responsibilities

- Even if you have someone else prepare your return ...
 - It's your return and you are responsible for accuracy of all data provided
 - You must have accurate and complete records if audited by IRS

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Details Line-by-Line

Your Federal Income Tax
For Individuals

Publication 17
October 2016 (2017)
For use in preparing
2017 Returns

TAX GUIDE
2017
FOR INDIVIDUALS

Get forms and other information faster and easier at:
 • [e-file.com](#) • [irs.gov](#) • [irs.gov/efile](#) • [irs.gov/retirement](#)
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Documents You Need to Collect

- Employment
- Social Security
- Pensions, IRA distributions
- Capital gains, interest, dividends
- Unemployment compensation
- Gambling winnings
- W-2
- SSA 1099, RRB 1099
- 1099-R, RRB 1099-R
- Broker Statement, K-1
- 1099-INT, 1099-DIV
- 1099-G
- W-2G

Tax Law Basics – Form 1040

- Identity, filing status and exemptions
- Income
- Adjustments (to income)
- Deductions and exemptions
- Tax and nonrefundable credits
- Additional taxes
- Refundable credits

Form 1040 – Identity & Status

Form 1040 U.S. Individual Income Tax Return 2017

Department of the Treasury Internal Revenue Service

OMB No. 1545-0047

For the year Jan. 1-Dec. 31, 20xx, or other tax year beginning 20xx ending 20xx

Your first name and initial Last name

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 instructions. Apt. no.

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/country Foreign postal code

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above and full name here. ▶
 4 Head of household with qualifying person. (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
 5 Qualifying widow(er) with dependent child

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a.
 b Spouse
 c **Dependents**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) If child under age 17, qualifying for credit for child tax credit (see instructions)	(5) If child under age 17, dependent on EIC and earned above (see instructions)
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
d Total number of exemptions claimed					

Blouses checked on file and for No. of children to file with. + does with you + did not file with you due to divorce or separation (see instructions) Dependents on EIC not entered above Add numbers on lines above ▶

Five Choices for Filing Status

- Married Filing Jointly (MFJ) Best
- Qualifying Widow(er) (QW) 2nd
with dependent children (not grandchildren)
- Head of Household (HH) 3rd
- Single 4th
- Married Filing Separately (MFS) Worst

Filing Status Determination

Pub 17 Ch 2

- Two criteria:
 - Marital status on last day of tax year
 - Federal definition – “married”
 - Legal marriage under laws of any state or country
 - Does not include civil unions or registered domestic partners
 - Type of dependents, if any

Living Situation Analysis

- Marital status as of 12/31
- Others living in home, if any
 - Their relationship/dependency
 - Who paid upkeep
- If widow(er)
 - Date of death of spouse
 - Any dependent children at home

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Filing Status Importance

- Many tax items affected by filing status
 - Necessity to file a return
 - Standard deduction
 - Tax rate bracket
 - Eligibility for certain credits

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Married Filing Jointly

- Married on last day of year
- Common law marriage
 - If recognized in state where started
- Spouse died during current year (2017 or 2018) and not remarried

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Qualifying Widow(er)

- Spouse died in 2016 or 2015
 - Dependent child and/or stepchild lived in home all year
 - Grandchild not eligible
- Maintained home for child
 - >50% of cost
- Can file QW for two years only

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Qualifying Widow(er)

- Advantages
 - Standard Deduction – same as MFJ
 - Uses Married File Jointly tax rates

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Head of Household – **Unmarried**

- Provided home* for qualified child
 - Might not be a dependent
 - Provided home* for related dependent
 - >50% cost of maintaining home for dependent parents living elsewhere
- * Paid more than 50% of cost of keeping up the home

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Head of Household – Married

- Lived apart all of last 6 months of year
- Provided home* for:
 - Child, stepchild, or eligible foster child for over six months
- No other relatives qualify

* Paid more than 50% of cost of keeping up the home

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Head of Household – Providing a Home

Cost of Keeping Up a Home
Keep for Your Records

	Amount You Paid	Total Cost
Property Taxes	\$ _____	\$ _____
Mortgage interest expenses	\$ _____	\$ _____
Rent	\$ _____	\$ _____
Utility charges	\$ _____	\$ _____
Property insurance	\$ _____	\$ _____
Food consumed on the premises	\$ _____	\$ _____
Other household expenses	\$ _____	\$ _____
Totals	\$ _____	\$ _____
Minus total amount you paid		(_____)
Amount others paid	\$ _____	

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Head of Household

- Key advantages
 - Higher standard deduction than Single or Married Filing Separately
 - Advantageous tax rate structure

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Single

- Not married as of December 31st, or
- Married, but legally separated
- No dependent children at home

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Married Filing Separately

- Taxpayer chooses to file MFS -OR-
- Spouse has already filed MFS -OR-
- Married but separated and not filing MFJ
- Rare cases – more advantageous
 - Generally, no children in home
- TX is a community property state, therefore, this can be messy, and not recommended

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Form 1040 – Income

Income		7 Wages, salaries, tips, etc. Attach Form(s) W-2		7
	8a	Taxable interest. Attach Schedule B if required		8a
	b	Tax-exempt interest. Do not include on line 8a	8b	
	9a	Ordinary dividends. Attach Schedule B if required	9b	9a
	b	Qualified dividends		9b
	10	Taxable refunds, credits, or offsets of state and local income taxes		10
	11	Alimony received		11
	12	Business income or (loss). Attach Schedule C or C-EZ		12
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13
	14	Other gains or (losses). Attach Form 4797		14
	15a	IRA distributions	15a	15a
			b Taxable amount	15b
	16a	Pensions and annuities	16a	16b
			b Taxable amount	16b
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
	18	Farm income or (loss). Attach Schedule F		18
	19	Unemployment compensation		19
	20a	Social security benefits	20a	20b
			b Taxable amount	20b
	21	Other income. List type and amount		21
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income		22

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Where to Find Interest Income

- Form 1099-INT
- Sub 1099-INT (Brokerage Statement)
- Schedule K-1
- No tax form from payer
 - Seller financed mortgage interest income
 - Private or foreign payer
 - Interest less than \$10

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Interest Income

- All interest is taxable except:
 - State or municipal obligations; including
 - D.C.
 - U.S. possessions
 See Pub 17, chapter 7
- U.S. obligations (T-Bills, Savings Bonds, etc.) are fully taxable for federal tax

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Dividend Income – What is it?

- Payment by a corporation
- Paid to its shareholders
- Credit union dividends are not dividends, they are interest

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Dividend Income – What is it?

- Mutual fund dividends
 - Dividend income from corporations
 - Will be identified as **ordinary/qualified**
 - Interest income from bonds/accounts
 - Will be identified as exempt if from exempt securities, e.g. state bonds
 - But both are still dividends to the fund's shareholders

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Dividend Income

- Ordinary dividend income (not qualified)
 - Taxed at regular tax rates
- Qualified dividend income
 - A subset of Ordinary Dividends
 - Taxed at capital gain rates



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Where to Find Dividend Income

- Form 1099-DIV
- Substitute 1099-DIV (brokerage or mutual fund statement)
- Schedule K-1

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Dividend Income Reinvested

- Reinvested dividends
 - Really, two transactions
 - Dividend income
 - Purchase of more shares
 - Payer effects both instantaneously
- Payers keep track of basis for covered securities (however, always taxpayer's responsibility to insure correctness)

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Dividend Income - Problems

1. Payers of dividends of less than \$10 don't have to issue 1099 (true or false?)
 - True – same rule as for interest payers
2. Taxpayers don't have to report dividends if they don't get a 1099 form (true or false?)
 - False – all income must be reported on the tax return

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Dividend Income - Problems

3. Dividends reinvested in more shares are not taxable (true or false?)
 - False – the dividend income is the first transaction and the purchase of shares is a second transaction

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Earned Versus Unearned Income

- Types of unearned income
 - Social security benefits
 - Retirement income
 - Unemployment compensation
 - Land rents
- Without earned income, no EI Credit

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Alimony Received

What is Alimony?

- Spousal support under separation or divorce instrument
- Usually stops if recipient remarries, may stop sooner
- Not subject to change based on factors such as age of a child
 - Child/family support is NOT alimony

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Capital Gains / Losses

- Ordinary income tax rates range from 10% to 39.6%
- Capital gain tax rates are much lower
 - Usually 0% or 15% rate
 - Could be 20% rate for very high incomes

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Capital Asset Taxation

- Capital gain tax rates apply to “net long-term gains” and qualified dividends
- Ordinary income rates apply to “net short-term gains”
- Capital gains or losses come from the sale of capital assets (stocks, bonds, etc.)

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When is a Gain/Loss Not Reported

- Not reported if not a “sale or exchange”
 - A gift is not sale or exchange
 - Donation to charity is not sale or exchange
 - Bequest to heir is not sale or exchange

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What is a Capital Asset

- Generally, nonbusiness assets
- Securities are capital assets
 - Stocks
 - Bonds
 - Mutual fund shares

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“Sort-of” Capital Assets

- Homes and other non-investment assets
 - Capital assets for gains
 - Personal assets for losses (not deductible)
- Government is a profits-only partner!



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Sale of Principal Residence (“Main Home”)

- Generally not a taxable event if:
 - Residence was main home
 - Taxpayer satisfies ownership and use tests
 - Gain less than \$250,000 (\$500,000 MFJ)
 - Taxpayer did not receive Form 1099-S

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What is a Main Home

- Where taxpayer lives most of the time
- Can be houseboat, mobile home, condo or co-op
- Must have cooking, sleeping and bathroom facilities
- If more than one home, main home is one taxpayer lives in most of the time
- Taxpayer cannot simply “choose”

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Sale of Main Home

- Report on tax return if
 - Any part of gain is taxable
 - Any time Form 1099-S is received

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Types of Retirement Income

- Pensions
- Annuities
- Social Security
- Individual Retirement Arrangement (IRA) Distributions

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Retirement Income Reported on:

- Form 1099-R – Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, 401(k) plans, etc.
- Form RRB 1099-R – Annuities or Pensions by the Railroad Retirement Board
- Form CSA 1099-R – Statement of Annuity Paid (civil service retirement payments)
- Form CSF 1099-R – Statement of Survivor Annuity Paid

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“Pension” Distributions

- Reported on Forms
 - 1099-R – company plans *
 - RRB-1099-R – (green) Railroad Benefit
 - CSA-1099-R – civil service, government
- * Pension distributions include distributions from 401(k), 403(b) and 457(b) plans

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Four Types of IRAs

Pub 17 Chapter 17

- Traditional
- Roth
- Savings Incentive Match Plans for Employees (SIMPLE)
- Simplified Employee Pension (SEP)

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Traditional IRA Distributions

- Regular (taxable)
- Required minimum distributions (RMD) (taxable)
- Trustee to trustee transfer (not taxable)
- Rollover (not taxable if done correctly)

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Traditional IRA Distributions

- Fully taxable in the year taken
- Potential 10% additional tax for distribution prior to 59½ (“too early” penalty)
 - Exceptions may apply

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IRA RMD Distributions

Pub 17 Ch 17
Pub 590-B

- Required Minimum Distribution (RMD)
 - Must take required minimum distribution – age 70½
 - Must take by April 1 of year following
 - Can avoid two distributions taxed in one year by taking first in year turning 70½

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Traditional IRA RMD

- IRA administrator (trustee) optionally calculates RMD and notifies taxpayer of requirement and amount
- Taxpayer responsible to take RMD (either from one account or multiple accounts)
- 50% additional tax for amount not distributed (“too late” penalty)
- Can request waiver of additional tax using Form 5329 Part IX

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Roth IRA

- Contributions not deductible
- Distributions tax free if conditions met
 - Pub 17, last page of chapter 17
 - Pub 590-B

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Qualified Roth IRA Distributions

- No additional tax if:
 - Made after the five-year period beginning with first contribution -AND-
 - Made on or after age 59½ -OR-
 - Disabled -OR-
 - Death -OR-
 - To pay up to \$10,000 of certain qualified first-time homebuyer amounts

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Other Income

Pub 17, pg 94

- Gambling winnings including lotteries and raffles
- Reported on 1099-MISC, Box 3
- Reported on 1099-MISC, Box 7 (but “not a business”)
- 1099-LTC
- Jury duty pay and Poll Worker Pay (not on W-2)
- Other:
 - Prizes and awards
 - Medical study subject pay
 - Cancellation of credit card debt

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Long Term Care Payments 1099-LTC

- LTC Insurance Contracts –
 - Generally reimbursements not taxable
 - Per diem costs up to an aggregate limit of \$330/day are non-taxable
- Reported to taxpayer on 1099-LTC
- Complete Form 8853, Section C

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Accelerated Death Benefits 1099-LTC

- Insured has been certified by a physician as terminally ill
 - Fully excludible
- Certified as chronically ill
 - Treated the same as paid under a qualified long-term care insurance contract

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Adjustments to Income

● Educator expenses	● Alimony paid*
● Health Savings Account (HSA)	● IRA contributions*
● Self-employment tax	● Student loan interest
● Early withdrawal penalty	● Tuition and Fees
	● Jury duty pay given to employer

* Further Explanations

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Alimony Paid – Line 31a

- Allowed if paid under Divorce/Separation Agreement
- Must provide recipient’s Social Security No.
- Recipient must claim as income
- Child Support not deductible

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IRA Deduction – Line 32

- Can contribute lesser of \$5,500 (\$6,500 if age 50-70½) or taxable compensation
- Taxable compensation
 - Wages, tips, bonuses, Sch C income, alimony
 - Not interest, dividends, pensions, unemployment, social security
- Taxpayer has until end of filing season to make contribution for current tax year
- Actual amount depends on Taxpayer / spouse retirement plans, modified AGI, age and filing status

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Deductions

- Subtractions from a taxpayer’s adjusted gross income (AGI)
- Reduces amount of income taxed
- Most taxpayers have a choice
 - Standard deduction
 - Itemizing deductions
- Use type of deduction that results in lower tax

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Standard Deduction

- Fixed reduction of AGI based on:
 - Filing status
 - Age (65 or older)
 - Blindness
 - Dependency
- Standard amounts change each year (indexed for inflation)

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Blindness

- Totally blind taxpayer
- OR-
- Certified statement from eye doctor that
 - Taxpayer cannot see better than 20/200 in the better eye with glasses or contact lenses -OR-
 - Field of vision is not more than 20 degrees

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Possible Itemized Deductions (Schedule A)

- Medical or dental expenses paid
- Non-federal Taxes paid
- Interest paid
- Gifts to charity
- Casualty and theft losses
- Miscellaneous expenses – subject to 2%
- Miscellaneous expenses – not subject to 2%

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Medical Expenses

- Medical expenses include
 - Diagnosis, cure, mitigation, treatment, or prevention of disease
 - Treatments affecting any part or function of body
 - Equipment, supplies, and diagnostic devices
 - Premiums for insurance that covers medical care
 - Long-term care insurance premiums (limited)
 - Transportation/travel to get medical care

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Medical Expenses

- Not all “medical expenses” qualify
- Examples of not qualified expenses:
 - Cosmetic surgery
 - Funeral or burial expenses
 - Nonprescription drugs (except insulin)
 - Weight loss program not prescribed
 - Diet food

Pub 17 Table 21-1; Pub 502

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Medical Expenses

- Must be paid during tax year by cash or credit card
 - Cannot be reimbursed expenses including expenses claimed for HSA
- Only for taxpayer, spouse, dependents
- 19¢/mile for travel for medical purposes

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Medical Deduction – Problems

- Deductible medical expense?
- Prescription sunglasses **Yes**
 - Contact lenses **Yes**
 - Dentist teeth whitening **No**
 - Gym fee (doctor suggested exercise) **No**
 - Dentist teeth cleaning **Yes**

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Taxes

- **MUST be imposed on taxpayer**
 - Can't pay someone else's taxes and claim it as a deduction
- **MUST be paid in current tax year**

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Taxes

- **State and local taxes**
 - Income tax -OR-
 - General sales tax (TX – normally)
- **Real estate tax (U.S. or foreign)**
- **Personal property tax based on value**
- **Foreign income tax (if not claiming a credit)**

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Additional Sales Tax

- **Any large purchases?**
 - **Motor vehicle (car, motorcycle, motor home, off-road vehicle (golf cart), etc.)**
 - **Boat or airplane**
 - **Home, home addition or renovation**
 - Sales tax must have been separately stated and paid by taxpayer (not the contractor)

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Taxes

- **Line 6 – Real Estate (Property) Taxes**
 - May be reported by mortgage company on Form 1098
 - For personal use, not for business use
 - The following are not deductible:
 - Itemized charges for services (such as trash pickup or sewer fees)
 - Transfer taxes (or stamp taxes)
 - Rent increases due to higher real estate taxes
 - Homeowners' association charges or dues

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Non-Deductible Taxes

Pub 17, Table 22-1

- **Federal income and excise taxes**
- **Social Security, Medicare**
- **Federal Unemployment (FUTA)**
- **Railroad retirement taxes (RRTA)**
- **Customs duties**
- **Federal estate and gift taxes**

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Home Mortgage Interest

- Interest on loan secured by main home or second home
- Mortgage to buy or build home or second home (both limited)
- Home equity loan or line of credit (limited)
- Both taxpayer and lender must intend that loan be repaid

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Home Mortgage Interest

- Points
 - Paid at loan origination
 - If to buy or build main home, deductible in full
 - Otherwise, spread over life of loan

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Home Mortgage Interest

- Qualified home mortgage insurance premium (called PMI)
 - Must relate to home acquisition debt
 - Insurance contract issued after 2006
 - Sometimes not reported on Form 1098

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Non-Deductible Interest / Fees

- Personal interest (e.g. car loan, line-of-credit)
- Service charges
- Annual fees for credit cards
- Loan fees
- Credit investigation fees
- Interest to purchase or carry tax-exempt securities
- Fines and penalties paid to a government for violations of law

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Gifts to Charity

- Qualified charity
 - Churches, governments, schools, etc.
 - Approved by IRS
 - U.S. charity
 - irs.gov/charities for list
 - Limited to % of AGI
 - Public charity: <50% of AGI
 - Private foundations: <20% or 30% of AGI

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Gifts to Charity

- Monetary contribution less than \$250
 - Bank record (check, credit card or bank statement) or receipt
- OR-
- Written acknowledgement from charity
- If payment is >\$75, charity must state value of goods/services provided, if any

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Gifts to Charity

- Monetary contribution \$250 or more
 - Written acknowledgement from charity
 - Must state value of goods or services provided in exchange for contribution, if any

e.g., fundraising dinner – value of dinner must be deducted from ticket price paid; only net amount deductible

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Gifts to Charity

- Housing foreign exchange student
 - May deduct up to \$50 per month
- Foster child unreimbursed expenses

Pub 17, Chapter 24

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Gifts to Charity

- Donations of clothing or household items
 - Deduct fair market value
 - Usually thrift store value
 - Good used condition or better
- Capital gain or business property donations
- Car, boat, or plane donations

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Gifts to Charity

- Out-of-pocket expenses are also deductible
 - Mileage @ 14¢/mi
 - Tolls and parking
 - Out of pocket expenses when serving as volunteer for qualified charity (e.g., hospital volunteer uniform)

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Non-Cash Contributions

- Need receipt for all non-cash donations
- Single non-cash gifts \$250 or more
 - Written acknowledgement from charity
- More than \$500
 - Complete Form 8283 – Section A, Part 1 only
- Should always keep detailed list of items donated (pictures help)

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Non-Deductible Contributions

- Contributions to following types of organizations:
 - Business organizations such as Chamber of Commerce
 - Civic leagues and associations
 - Political organizations and candidates
 - Social clubs
 - Foreign organizations
 - Homeowners' associations

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Non-Deductible Contributions

- Cost of raffle, bingo, or lottery tickets
- Tuition
- Value of person’s time or service
- Donated blood
- Direct contributions to an individual
- Part of contribution that benefits taxpayer

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Miscellaneous Deductions

Pub 17 Ch 26

- Subject to 2% of AGI threshold
 - Line 21 – Unreimbursed employee expenses
 - Uniforms, job hunting, union dues, etc.
 - Use 2106-EZ for mileage and travel
 - Line 22 – Tax preparation fees

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Miscellaneous Deductions (cont.)

- Subject to 2% of AGI threshold (cont)
 - Line 23 – Other expenses, examples
 - Investment fees
 - Safe deposit box (if holds investments)
 - IRA trustee fee (if paid from outside funds)

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Miscellaneous Not Subject to 2%

- Gambling losses to extent of winnings
- Unrecovered investment in annuity
- Certain work-related expenses for disabled
- Certain casualty losses

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Alternating (Bunching) Deductions

- One year file Itemized
 - Paying two years of property taxes
 - Paying two years of contributions
 - Or high medical expenses
- Next year file standard
 - Paying no property taxes
 - Paying minimal contributions & medical

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Other Taxes

- Self-employment tax
- Social security and Medicare taxes on tip income
- Additional taxes on IRAs and other qualified retirement plans
- Repayment of first-time homebuyer credit
- SRP for health insurance

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Additional Tax on IRAs, etc. Form 5329

- Distributions before 59½ not rolled-over (“early distribution”) (Pt I) – 10% additional tax
- Required Minimum Distribution (RMD) not taken after 70½ (Pt IX) – 50% additional tax
- There are exceptions

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Types of Payments

1040 page 2

- Federal income tax withheld
- Estimated payments
- Amounts applied from prior year
- Earned income credit
- Additional child tax credit (Form 8812)
- American opportunity credit (Form 8863)
- Premium tax credit (Form 8962)
- Payments made with request for extension
- Excess social security or tier 1 RRTA tax withheld

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Estimated Payments

- Typically made if:
 - Self-employed
 - Investment income
 - Projected balance due >\$1,000 (to avoid penalty)
- Payments made periodically by taxpayer

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Refund Options

- Receive refund by check – no action needed
- Direct Deposit
 - One account -OR-
 - Add Form 8888 for split refund
 - Up to three different accounts
 - Can receive a portion in a check
 - Can purchase US Series I Savings Bond
- Apply some or all to next year’s tax

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Direct Deposits

- Use Direct Deposit
 - Faster (1-2 weeks versus 3+ weeks by mail)
 - Safer
- For checking account, get routing number and account number from bottom of check

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Direct Deposits

- IRS will send refund to savings account, but its routing transit number is often not easy to locate
- Direct deposit of refund may only go to account (or accounts) in taxpayer’s name
- Financial institutions may not allow joint refund to be deposited into an individual account

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Payment Due Options

- Due by April 15 (or later if extended due to weekends or holidays; 2018–April 18)
 1. Check or money order mailed with Form 1040-V, Payment Voucher
 2. Electronic funds transfer (ACH)
 3. IRS Direct Pay
 4. Credit card (may have additional fee)

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Line 77 Estimated Tax Penalty

- If tax owed is \$1,000 or more AND
- Withholding and estimated payments less than the smaller of:
 - 90% of tax shown on current tax return
 - OR
 - 100% of tax shown on 2015 tax return
- Possible penalty may be due

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Record Keeping

- Basic record keeping requirements
 - Taxpayer should keep copy of all records used to file tax return
 - Three years from date return was filed
 - Two years from date tax was paid
 - See [Pub 17](#) for additional requirements

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Tax Return Preparation

- Verify and clarify information which appears to have changed from last year's tax return
- Verify you have all needed documents by comparing to last year's documents
- Verify accuracy of documents and receipts (e.g. correct year)

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Quality Review Your Return

- Look for typos, transposed digits, missing information, misspellings, etc.
- If not using tax software, check your math
- Does the return look similar to last year and does it have similar results?
- Did you do anything new this year that you didn't include?

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Quality Review Your Return

- Verify adjustments
- Verify deductions (Schedule A)
- Verify credits – including required forms
- Verify correct entry of withholding and any estimated payments
- Verify direct deposit information
 - Bank routing number and account number

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AARP Foundation Tax-Aide

- Nationwide non-profit program administered by AARP Foundation
- Helps low-to-moderate income taxpayers with special attention to age 60+
- Free confidential service
- Committed to high-quality service
- Answers tax questions/prepares returns
- Funding from AARP Foundation and IRS

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Next Year's Taxes

- Medical deduction > 7.5% (10% in 2019)
- Increased standard deduction
- Eliminates personal exemptions
 - These two changes combined may be good or bad
- Changed tax brackets, lowered %s
- Child Tax Credit increased from \$1,000 to \$2,000 (\$1400 refundable)

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Next Year's Taxes (continued)

- Added \$500 non-ref for other dependents
- Alimony has no tax affect for divorces > 2018
- SRP reduced to zero after 2018
- 529 educ plans for primary, secondary or >
- Lower debt limit for new home mortgage ded
- Repealed deduction for home equity loans
- State/local tax deduction limited to \$10,000

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Introduction to Income Tax

Questions...



Comments...



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