


Visual 2.1: Form W-2 Wage and Tax Statement

John Dough received a Form W-2 Wage and Tax Statement from his employer, ABC Mart, before January 31 of the current year for his work the previous year, as required by the IRS. His completed Form W-2 is below.

XXXX		a Employee's social security number 123-45-6789		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile .	
b Employer identification number (EIN) XXXX				1 Wages, tips, other compensation \$5,140		2 Federal income tax withheld \$514.00			
c Employer's name, address, and ZIP code ABC Mart 10 Washington St. Our Town, USA 12345				3 Social security wages \$5,140		4 Social security tax withheld \$318.68			
				5 Medicare wages and tips \$5,140		6 Medicare tax withheld \$74.53			
				7 Social security tips		8 Allocated tips			
d Control number				9 Advance EIC payment		10 Dependent care benefits			
e Employee's first name and initial John A. Dough		Last name 123 Main Street		Suff. Our Town, USA 12345		11 Nonqualified plans		12a See instructions for box 12	
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Three-party sick pay <input type="checkbox"/>		12b			
				14 Other		12c			
						12d			
15 State Employer's state ID number XX XXXX		16 State wages, tips, etc. \$5,140		17 State income tax \$107.94		18 Local wages, tips, etc. XX		19 Local income tax XX	
								20 Locality name XX	

Form **W-2** Wage and Tax Statement **2013** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

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Form **1040EZ**

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

2016

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.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).			Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/state/county	Foreign postal code	

Income Attach Form(s) W-2 here.	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 \$10,350 if single ; \$20,700 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.

Joint return? See instructions.	Your signature	Date	Your occupation	Daytime phone number
Keep a copy for your records.	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.			

Use this form if

- Your filing status is single or married filing jointly. If you are not sure about your filing status, see instructions.
- You (and your spouse if married filing jointly) were under age 65 and not blind at the end of 2016. If you were born on January 1, 1952, you are considered to be age 65 at the end of 2016.
- You do not claim any dependents. For information on dependents, see Pub. 501.
- Your taxable income (line 6) is less than \$100,000.
- You do not claim any adjustments to income. For information on adjustments to income, use the Tax Topics listed under *Adjustments to Income* at www.irs.gov/taxtopics (see instructions).
- The only tax credit you can claim is the earned income credit (EIC). The credit may give you a refund even if you do not owe any tax. You do not need a qualifying child to claim the EIC. For information on credits, use the Tax Topics listed under *Tax Credits* at www.irs.gov/taxtopics (see instructions). If you received a Form 1098-T or paid higher education expenses, you may be eligible for a tax credit or deduction that you must claim on Form 1040A or Form 1040. For more information on tax benefits for education, see Pub. 970.

Caution: If you can claim the premium tax credit or you received any advance payment of the premium tax credit in 2016, you must use Form 1040A or Form 1040.

- You had only wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, or Alaska Permanent Fund dividends, and your taxable interest was not over \$1,500. But if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your Form W-2, you may not be able to use Form 1040EZ (see instructions). If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see instructions.

Filling in your return

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the instructions before filling in the form. Also, see the instructions 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.

For tips on how to avoid common mistakes, see instructions.

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

Worksheet for Line 5 — Dependents Who Checked One or Both Boxes

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married filing jointly) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, see Pub. 501.

A. Amount, if any, from line 1 on front	+ 350.00	Enter total ▶	A. _____
B. Minimum standard deduction			B. <u>1,050</u>
C. Enter the larger of line A or line B here			C. _____
D. Maximum standard deduction. If single , enter \$6,300; if married filing jointly , enter \$12,600			D. _____
E. Enter the smaller of line C or line D here. This is your standard deduction			E. _____
F. Exemption amount.			} F. _____
• If single, enter -0-.			
• If married filing jointly and — —both you and your spouse can be claimed as dependents, enter -0-. —only one of you can be claimed as a dependent, enter \$4,050.			
G. Add lines E and F. Enter the total here and on line 5 on the front			G. _____

(keep a copy for your records)

If you did not check any boxes on line 5, enter on line 5 the amount shown below that applies to you.

- Single, enter \$10,350. This is the total of your standard deduction (\$6,300) and your exemption (\$4,050).
- Married filing jointly, enter \$20,700. This is the total of your standard deduction (\$12,600), your exemption (\$4,050), and your spouse's exemption (\$4,050).

Mailing Return

Mail your return by **April 18, 2017**. Mail it to the address shown on the last page of the instructions.

Handout 2.3: Assessment (Page 1 of 4)

Directions: An actual Form W-4 is provided below. Read the information, review the form, and answer the questions that follow.

Form W-4 (2013)

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 2014 expires February 17, 2015. 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 \$1,000 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 2014. 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: { 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. • If your total income will be less than \$65,000 (\$95,000 if married), enter "2" for each eligible child; then less "1" if you have three to six eligible children or less "2" if you have seven or more eligible children. • If your total income will be between \$65,000 and \$84,000 (\$95,000 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.

- 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		Employee's Withholding Allowance Certificate 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.		OMB No. 1545-0074 2013
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
6 Additional amount, if any, you want withheld from each paycheck				6 \$
7 I claim exemption from withholding for 2014, and I certify that I meet both of the following conditions for exemption. • 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 ►				7
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)	

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 102200

Form W-4 (2014)

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Handout 2.3: Assessment (Page 2 of 4)

1. What do the words "exempt" and "exemption" mean on the form?

2. Parents claim their children as dependents on their tax returns. In terms of the amount of taxes paid, what does it mean to claim someone as a dependent?

3. Angela Smith is a 23-year-old college graduate with her first job. She is not married, and she has no children. Her parents no longer claim her as a dependent. She is having trouble filling out her W-4 form. Write Angela an e-mail telling her why she must fill it out. Restate the information and instructions in the W-4 form to make it easier for her to complete.

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Handout 2.3: Assessment (Page 3 of 4)

Directions: Review Angela's second pay stub below and answer the questions on the next page.

		Allowances	
Grayline Electric	Angela Smith	Federal	1
SSN	234-56-7890	State	1
Employee ID	56789		
Pay Period	2/1/13 to 2/28/13		
Pay Date	3/3/13		
Earnings			
		This Period	YTD
Regular Pay		\$4,125.00	\$8,250.00
Vacation		\$0.00	\$0.00
Total Income/Pay		\$4,125.00	\$8,250.00
Before Tax Deductions			
		This Period	YTD
Medical Insurance		\$90.00	\$180.00
Retirement [401(k)]		\$247.50	\$495.00
Total Before Tax Deductions		\$337.50	\$675.00
Tax Deductions			
		This Period	YTD
Federal Income Tax		\$598.87	\$1,197.74
Social Security Tax (FICA)		\$255.75	\$511.50
Medicare Tax (FICA)		\$59.81	\$119.62
Total		\$914.43	\$1,828.86
Summary			
		This Period	YTD
Gross Pay		\$4,125.00	\$8,250.00
Total Deductions		\$1,125.93	\$2,503.86
Net Pay		\$2,873.07	\$5,746.14

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Handout 2.3: Assessment (Page 3 of 4)

1. What is Angela's gross pay for this pay period? _____
2. What is Angela's net pay for this pay period? _____
3. Define net pay:

4. Define taxes:

5. For what do governments use tax revenues?

6. How much has Angela paid in FICA taxes so far this year? _____
7. What does FICA stand for, and how are FICA taxes collected used?

8. How much did Angela pay in federal income tax this pay period? _____

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