

It's Tax Time



It's tax time, and you're the accountant! Your task is to prepare a tax return for a family of five. The parents, Bob and Judy Woodward, have three children: Lori (3), Sara (7), and Todd (14). All the financial information that you need is provided below. As you organize the materials, you may find that some data will not be used.

Income For the Year

<u>Wages</u>		<u>Investment income</u>	
Bob	\$21,645	Savings interest.....	\$27
Judy	\$34,780	CD interest	\$67
		Stock dividend	\$295

Expense Receipts This Year

<u>Donations</u>	<u>Child Care</u>	<u>Local Property Tax Paid</u>
Church	Kinder Care	Tax bill
(Gift of money)	\$4,020	School assessment...\$1,163
Cancer Fund	<u>Retirement Investment</u>	
(Gift of money)	IRA Fund	<u>Home Mortgage Interest Paid</u>
Firefighter's Fund	\$2,000	First NA Bank.....\$5,712
(Gift of money)	<u>Medical & Dental Expenses</u>	
Donated car	Children's	<u>Job Expenses</u>
(Gift of property)	Hospital	Mileage
\$2,850	Dental Plaza.....\$190	Clothing
		Union Dues.....\$475

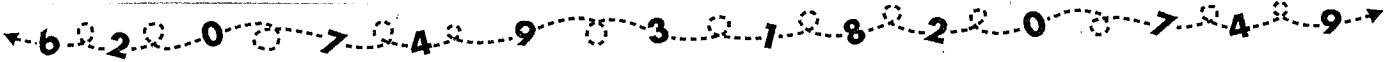
W4 Withholding Statement

(Current percentages being withheld)

<u>State withholding</u>	<u>Federal withholding</u>
4% of income.....	6.5% of income . . .
\$2,257	\$3,668

Other Directions

Round off all money totals to the nearest dollar (whole number) when necessary.



State Tax Form OK-EZ

- 1. Wages \$ _____
- 2. Interest on savings \$ _____
- 3. Interest on CD's \$ _____
- 4. Dividends from stock \$ _____
- 5. Add lines 1 through 4 (This is the amount of your taxable income) \$ _____

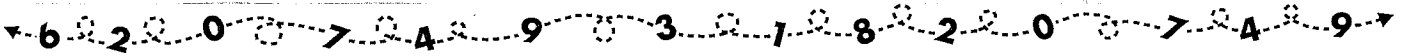
- 6. Dependent deduction. Number of children (under 18) = x \$50 = . . . \$ _____
- 7. Property tax deduction (property tax paid this year) = \$ _____
- 8. Married couple deduction 2% of line 5 (Round to the nearest dollar) \$ _____
- 9. Add lines 6 through 8 (This is the total of your deductions) \$ _____

- 10. Subtract line 9 from line 5 (This is you net taxable income) \$ _____
- 11. Amount of declared tax = 13% of line 10 (Round to the nearest dollar) \$ _____
- 12. Earned income credit = 7.5% of line 1 (Round to the nearest dollar) \$ _____
- 13. Homestead credit = 12% of line 7 (Round to the nearest dollar) \$ _____
- 14. Add line 12 and 13 together (Total tax credits) \$ _____
- 15. Subtract line 14 from line 11 (This is the net declared state tax bill) \$ _____
- 16. Total State income tax withheld \$ _____
(See state withholding statements on W4)
- 17. If line 16 is larger than line 15, subtract line 15 from line 16.
This is the amount of refund \$ _____
- 18. If line 15 is larger than line 16, subtract line 16 from line 15.
This is the amount that you still owe \$ _____

Sign Here _____ Date _____

Under penalties of law, I declare that this return and all information are true, correct and complete to the best of my knowledge.

There can be a penalty applied to any tax return that is turned in after the deadline.



FORM 1040 U.S. Income Tax Return

Income

- 1. Wages \$ _____
- 2. Interest on savings \$ _____
- 3. Interest on CD's \$ _____
- 4. Dividends from stock \$ _____
- 5. Add lines 1 through 4 (This is the amount of your taxable income) \$ _____

Deductions

Use Schedule A: Itemized Deductions to calculate these totals

- 6. Medical and dental expense deduction = \$ _____
- 7. Charitable donation deduction = \$ _____
- 8. Taxes you paid = \$ _____
- 9. Miscellaneous deductions = \$ _____
- 10. Add lines 6 through 9 (total itemized deductions). \$ _____

Adjusted Income

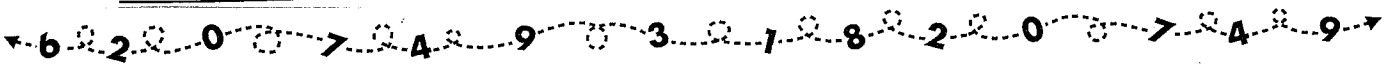
- 11. Subtract line 10 from line 5 (This is your net taxable income.) \$ _____

Tax Computation

- 12. Amount of declared tax =
 Tax rate x Total of line 11 (Round to the nearest dollar) \$ _____

Tax Rate Schedule

- If adjusted income is between \$0 - \$12,000 = 18% tax rate
- If adjusted income is between \$12,000 - \$40,000 ... = 24% tax rate
- If adjusted income is between \$40,000 - \$95,000 ... = 28% tax rate
- If adjusted income is over \$95,000 = 33% tax rate



FORM 1040 U.S. Income Tax Return (cont.)

Tax Credits

- 13. Dependent credit. Number of children (under 18) = _____ x \$500 ... \$ _____
- 14. Credit for elderly dependent care \$ _____
- 15. Earned income credit = 4 % of line 1 \$ _____
- 16. Homestead credit = 10.5 % of line 8 (Itemized deductions) \$ _____
(Round to the nearest dollar)
- 17. Add lines 13 through 16 together (Total tax credits) \$ _____

Declared Tax

- 18. Subtract line 17 from line 12 of Form 1040. \$ _____
(This is the net declared tax.)

Payments

- 19. Total Federal income tax withheld \$ _____
(See Federal withholding statements on W4.)

Refund

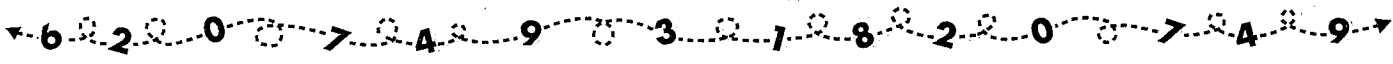
- 20. If line 19 is larger than line 18, subtract line 18 from line 19.
This is the amount of refund. \$ _____

Amount You Owe

- 21. If line 18 is larger than line 19, subtract line 19 from line 18.
This is the amount that you still owe. \$ _____

Sign Here _____ Date _____

Under penalties of law, I declare that this return and all information are true, correct and complete to the best of my knowledge.
There can be a penalty applied to any tax return that is turned in after the deadline.



Schedule A: Itemized Deductions

Medical and dental expenses

1. Medical and dental expenses =\$ _____
2. Multiply line 1 by 76.8 % (Round to the nearest dollar) ...\$ _____
3. Use the line 2 total if line 2 is greater than 12 % of \$30,000.
Use the minimum deduction of \$600 if line 2 is less than 12 % of \$30,000.
4. Medical and dental deduction taken\$ _____

Charity and other donations

5. Gifts of money =\$ _____
6. Gifts of property =\$ _____
7. Total donations =\$ _____
8. Use the line 7 total, if line 7 is greater than 6 % of \$30,000.
Use the minimum deduction of \$2,250 if line 7 is less than 6 % of \$30,000.
9. Charity and other donations taken\$ _____

Taxes you paid

10. State taxes (Line 15 of the state tax return) =\$ _____
11. Total property taxes =\$ _____
12. Add lines 10 and 11. Total other taxes paid =\$ _____

Miscellaneous deductions

13. Day care costs =\$ _____
14. Total job expenses =\$ _____
15. Mortgage interest paid =\$ _____
16. Retirement investment (IRA) =\$ _____
17. Add lines 13 through 16
(Total miscellaneous deductions)\$ _____

Total itemized deductions

18. Add lines 4, 9, 12, and 17\$ _____