

Leader's Guide

Part of the *Should I Be Working?* module in the *Money Talks* series

Tackling Taxes

This leader's guide is designed to accompany the *Tackling Taxes* teen guide. It is recommended that each participant receive a copy of the *Tackling Taxes* teen guide.

Included in this leader's guide are learning objectives, background information, activities with accompanying handouts and visuals, a glossary, and a list of additional resources. The *Background Information* is meant to prepare instructors to teach the unit and to provide discussion materials for use with the participants. It also corresponds with the five activities included in the leader's guide and the teen guide.

The *Tackling Taxes* unit is part of the extensive *Money Talks* series. For more information on the entire project, see *Money Talks* on p. 26 in the *Additional Resources* section of this leader's guide.

The purpose of *Tackling Taxes* is to help teens understand new employee forms and why and how we pay taxes, with the primary focus on federal income taxes. Lessons prepare teens to assume their responsibilities as taxpayers, including

- completing a W-4 form when starting a job.
- understanding a W-2 form and using it to prepare a tax return.
- filing a federal income tax return.
- receiving a refund or paying taxes owed.

As an instructor, you have an opportunity to help participants understand why we pay taxes and that paying taxes is a responsibility. Many teens work at part-time or summer jobs. Others anticipate joining the workforce when they graduate from high school or college. Teens might earn money by working for someone else, such as in a restaurant or store, or by developing

CONTENTS

Overall Learning Objectives	–2
Background Information	–2
History of Federal Income Taxes	–2
Why Pay Taxes	–3
How the Federal Tax System Works	–4
When Starting a New Job	–4
Where Did the Money Go? Understanding Paycheck Deductions	–7
Federal Tax Return	–10
Filing Requirements for Teens	–12
Getting Ready to File	–14
Filing a Tax Return	–16
Recognizing and Avoiding Tax Scams	–19
Summary	–21
Glossary	–22
Additional Resources	–26
References	–27
Activity One: Why We Pay Taxes	–29
Activity Two: Understanding Employment Forms	–35
Activity Three: Reading and Understanding a W-2 Form	–44
Activity Four: Completing a Federal Tax Return	–54
Activity Five: Tax and Employment Forms Mingle	–69

Overall Learning Objectives

Teens will

- explore why we pay taxes.
- discuss basic information about federal income taxes.
- review employment forms for new employees.
- explain the purpose of the W-4 form—Employee's Withholding Certificate.
- identify the types and uses of payroll taxes.
- review the W-2 form—Wage and Tax Statement, to find the information needed for tax preparation.
- discuss the requirements for preparing and filing a tax return.
- explain why a person may want to file a tax return even if one is not required.
- define a variety of tax-related terminology.

their own business, such as repairing computers, childcare, pet sitting, gardening, or some other activity that pays them money. Since earning money usually leads to the responsibility of paying income taxes, a good time for teens to learn about and understand income tax is before they start working.

BACKGROUND INFORMATION

Teens can benefit from understanding the federal tax system in the United States and the basics of how and why people in the United States pay income taxes. It's important for them to understand the history of federal income taxes while also recognizing the nature and purpose of income and payroll taxes, becoming familiar with the tax-related forms they will encounter in the workplace, knowing the process of preparing and filing an income tax return, understanding that filing a tax return is usually required for workers, and knowing it is necessary to file a tax return in order to get any refund due.

History of Federal Income Taxes

The U.S. Constitution gave the federal government the power to levy and collect taxes to assist with the costs of operating the government. In 1862, President Abraham Lincoln and the U.S. Congress established the first federal income tax to pay for costs incurred during the Civil War. Congress repealed the legislation after the war (IRS 2020a).

Although attempts were made to reintroduce an income tax, none were successful until 1913, when the 16th Amendment gave Congress the authority to enact an income tax. Congress levied a 1 percent personal income tax on incomes above \$3,000.

In 1918, personal income tax rates rose to 77 percent to help pay for World War I, then dropped after the war. During World War II, Congress instituted employee payroll tax withholding and quarterly tax payments for self-employed persons.

Since that time, Congress has approved additional taxes. In the 1950s, the agency responsible for assessing and collecting federal taxes was renamed the Internal Revenue Service (IRS). U.S. residents are now taxed on the following sources of income:

- earned income, including wages, salaries, and tips
- income received from a business
- self-employment income
- unearned income such as interest and dividend income

Why Pay Taxes

Governments levy taxes to pay for public goods and services that individuals need and enjoy but could not or would not pay for individually. Governments provide many goods and services for the common good, such as national defense, first responders, and job training. Other examples of tax-funded goods and services include roads and highways, schools (preschool through college), hospitals, health care, school breakfasts and lunches, air traffic controllers, and local, state, and national parks.

Governments collect a variety of taxes to pay for these services. Some taxes are determined by the federal government, other taxes are determined by state, county, or local governments. Taxes commonly paid include

- **Sales tax.** Most states collect sales tax on items purchased. The sales tax rate and the items that are taxed vary among states and are determined by each state and local government.
- **Property tax.** Most states collect property tax on residential and business real estate. Each state individually determines if property tax is required and how to calculate the property tax.
- **Income tax.** The federal government, most state governments, and some local governments collect income taxes on wages earned and other earnings such as interest on savings accounts. For most working individuals, this is the largest tax they pay.
- **Payroll tax.** The federal government collects payroll taxes on wages earned to fund Social Security and Medicare programs. Employees and employers both pay this tax based on what an employee earns. The federal government determines the tax rates for each program and the portions that the employee and employer pay.
- **Other.** Some states, counties, and local governments collect additional taxes, such as gasoline and cell phone usage taxes.





Good to Know

It is a good practice for teens to keep a copy of the completed W-4 form for personal records.



How the Federal Tax System Works

The IRS collects income taxes from individuals and businesses, issues necessary refunds, and enforces federal tax laws. These taxes are collected on a pay-as-you-go system (also referred to as a pay-as-you-earn system). There are two ways to pay, depending on how the income is earned:

- **Withholding.** Most employees pay taxes through regular payroll deductions from wage and salary income. Employers deduct taxes from their employees' paychecks—referred to as withholding—and send the money to the appropriate agency. The amount withheld is based on an employee's income and the information provided on their W-4 form. Income taxes may also be withheld from other forms of income, including tips, bonuses, commissions, and gambling winnings. In each case, the amount withheld is paid to the IRS in the taxpayer's name.
- **Estimated tax payments.** Self-employed individuals pay their taxes in regular quarterly installments, known as estimated tax payments.

When Starting a New Job

For teens, starting a new job and possibly earning money for the first time is exciting. The idea that they will have money in their pocket to do with as they wish is very compelling. They are probably not thinking about paying taxes or all the employment forms they may have to fill out on their first day of work.

Understanding the variety of forms that need to be completed when starting a new job will help teens know what information is needed, how to accurately complete the forms, and serve as a reminder that employees pay taxes on their earnings.

It is very important that a new employee fills out all forms completely, accurately, and with the employee's correct name as listed on their Social Security card. Nicknames should not be used on any government employment forms. Using an incorrect name can cause problems with filing taxes and receiving government benefits. This is especially important for teens as

the federal government reports that incorrect names on forms completed by young people are a major reason that tax forms are returned to these taxpayers.

The most important forms usually required when starting a new job are

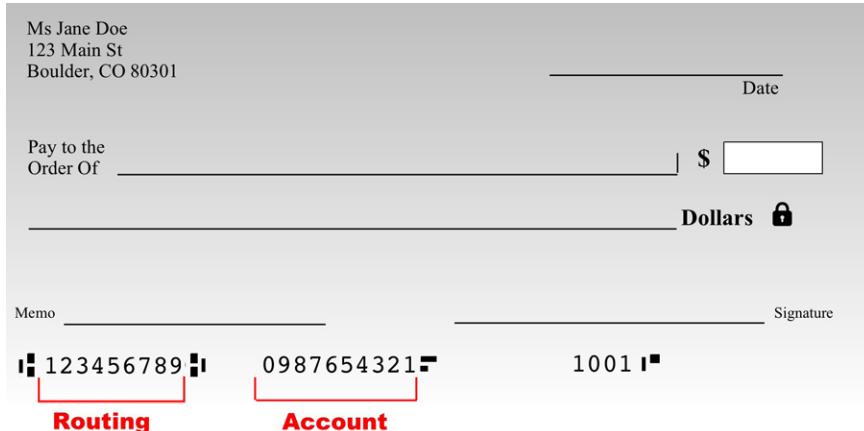
- **I-9 form—Employment Verification Form.** All employees are asked to fill out an I-9 form when they start working. This is not a tax form, but it is a requirement as it verifies identity and confirms someone is legally allowed to work in the United States. To complete this form, teens will need to provide documentation such as a current U.S. passport. If someone does not have a U.S. passport, they can show a Social Security card or U.S. birth certificate along with a picture ID such as a driver's license, a state ID, or a school ID card. Non-U.S. citizens must also verify their identity and show proof of residing legally in the United States. It is important for a new employee to ask their employer what documentation is required so the form can be completed accurately and in a timely manner. If the I-9 is not completed within 3 days of starting a new job, a new employee will not be allowed to continue working. To summarize, the I-9 form
 - must be completed within the first 3 days of starting a job.
 - is used to confirm someone is eligible to work in the United States.
 - requires proof of identity.
 - requires proof of legal residency in the U.S.
- **Direct deposit form.** Many employers prefer to not pay employees with paper paychecks. Instead, the pay is automatically deposited into an account with a financial institution—a bank, credit union, or financial brokerage house. A new employee completes a direct deposit form to provide details of their bank and account number, so the employer can make the deposits. If a teen does not have an account with a financial institution, they may need to find a financial institution of their choice and set up a new account. To do this, they will need the same type of ID as they provide for the I-9 form. They may also need a beginning deposit; some institutions may accept as little as \$10. Once the account is established, the teen will need to note the financial

Good to Know

When filling out any employment or tax forms, employees should list their full name as shown on their Social Security card. Using a nickname or a different name than what is on their Social Security card may result in problems when starting a new job, filing taxes, and claiming Social Security benefits.

institution's routing number and their new account number to complete the direct deposit form. These numbers can be found on the bottom of the account holder's check or can be provided by the financial institution. The advantages of direct deposit include the following:

- This is a safe way to be paid.
- Teens will usually have access to their money sooner.
- There is no need to go to the bank.
- Many employers prefer to deposit employees' earnings directly into employees' accounts.



Important to Know

It is a good practice for teens to keep a copy of the completed W-4 form for personal records.

- **Background check form, drug testing.** Some employers conduct financial and criminal background checks to be sure that there are no major financial problems or legal problems regarding new employees. Potential employees will probably be given a form to complete. Many employers now also require drug testing and may require the signing of company policy agreeing to random drug testing before making a job offer. The potential employee does not have to take the drug test; however, if they don't, the employer is not required to make a job offer. Also, if they fail a drug test later, they can lose their job.
- **W-4 form—Employee's Withholding Certificate.** The W-4 form is one of the most important forms employees complete when they start a new job. The employer uses the information on the W-4 form to determine the amount of taxes to withhold from an employee's pay each pay period and send to the government for the employee's taxes. Our government

uses a pay-as-you-earn system to collect income taxes. This helps employees pay their taxes a little at a time rather than owing a large tax bill when they file their yearly tax return. The W-4 is

- a form an employee is required to complete when starting a new job.
- used by the employee to claim dependents for tax purposes.
- used by the employer to determine how much money to deduct from an employee's paycheck and send to the IRS for their taxes.

Since completing the W-4 form can be confusing, teens may want to complete the W-4 online and use the online estimator to complete the form accurately. Similar forms for withholding taxes may be required for state and local income taxes.

Where Did the Money Go? Understanding Paycheck Deductions

When teens begin work, they will receive an earning statement for each pay period they work. For example, if their pay period is every week, they will receive an earning statement at the end of the week. The statement itemizes their earnings as well as the deductions that were taken from their pay. It includes

- the number of hours worked.
- the rate of pay.
- all the deductions taken out of the pay.

Teens expect their first paycheck to include everything they earned. For example, if they were being paid \$12 per hour and they worked 20 hours, they expect their pay to be \$240. Unfortunately, this is typically not the case. Employers are required by law to take deductions from employees to cover the taxes the employee owes for the pay period. These deductions are reported on their earning statement.

The employer may provide a written copy of the earning statement or require that employees access the statement online. More and more employers are providing information about earnings only online. Reviewing the earning statement will



Did You Know?

For many young employees, the amount of earnings may be low enough each pay period that no income taxes are taken out of the wages.

help teens know exactly what deductions were taken from the paycheck.

Income Taxes

Employers withhold federal income taxes on employee's earnings. Income taxes may also be withheld for state or local income taxes if the state and community they live in assess income taxes. The amount of tax due is determined by how much the employee earned in wages, tips, and bonuses and the number of dependents. The employer sends the employee's income taxes to the IRS and the appropriate state, county, and city agencies. Self-employed individuals pay taxes on their income minus their business expenses.

Payroll Taxes

Employers are also required to deduct two separate taxes often referred to as payroll taxes. These taxes, mandated by the Federal Insurance Contributions Act (FICA), are Social Security and Medicare taxes. Employers must withhold these taxes from employees' pay and send the money to the federal government. Self-employed persons also must pay these taxes.

Social Security Tax

All employees and self-employed individuals pay Social Security taxes. The current tax rate for Social Security is 6.2 percent for the employer and 6.2 percent for the employee (a total of 12.4 percent). Self-employed individuals pay the entire 12.4 percent themselves (SSA 2019).

Social Security has a wage base limit, which means that only earnings up to a set dollar amount are taxed. The wage base for 2020 is \$137,700 (SSA 2020). Any earnings over that amount during the tax year are not subject to Social Security tax. The wage base limit can change annually. For current information, download the publication *Social Security: Understanding the Benefits* from the Social Security website, <https://www.ssa.gov/pubs/EN-05-10024.pdf>.

Employees receive one Social Security credit for every quarter they work and earn the required amount of money (\$1,410 per quarter in 2020). The dollar amount required to earn a quarter

of credit goes up each year. An employee working for 1 year and earning the required amount would earn four credits. For those who have accrued the required 40 credits, Social Security provides three types of benefits:

- retirement benefits for eligible employees and their spouses
- benefits for the eligible spouse and dependents of retired workers
- benefits for disabled individuals and their dependents

Medicare Tax

All employees and self-employed individuals pay Medicare taxes. The Medicare tax rate is 1.45 percent for employees and employers (a total of 2.9 percent) on all earnings. There is no upper wage limit for Medicare tax. Self-employed individuals pay the entire 2.9 percent themselves (SSA 2019).

This tax provides medical benefits for qualified individuals when they reach age 65. Workers, spouses of workers, and retired workers are eligible to receive Medicare when they reach 65 years of age. Medicare also covers younger people who are disabled or have permanent kidney failure.

Summary of Taxes Withheld from Earnings

The taxes that will be withheld from a paycheck will probably include

- **Federal income tax.** In the pay-as-you-earn system in the United States, the employer deducts an amount based on earnings, tips, and bonuses and what the employee listed on their W-4 form. Depending on where an employee lives, state and local taxes may also be taken out.
- **Social Security tax.** All employees, regardless of age, are required to pay into Social Security at the current rate of 6.2 percent. The employer also must pay an additional 6.2 percent.
- **Medicare tax.** All employees, regardless of age, are required to pay into the Medicare system, currently 1.45 percent for the employee. The employer must contribute an additional 1.45 percent.

Did You Know?

Information taxpayers submit on their tax return is private and confidential. Only authorized IRS personnel can review the data.

Did You Know?

Self-employed individuals typically pay their taxes quarterly. They are also responsible for paying the full 12.4 percent Social Security tax and the 2.9 percent Medicare tax.

Other Deductions

There are a number of other deductions that could be taken from an employee's paycheck, depending on the type of job and the benefits provided:

- If the company has a health insurance plan, the employee might be offered the opportunity to be part of the plan. In most instances, the employee pays for some or all of the health insurance coverage. This cost is typically deducted from the paycheck.
- State disability insurance (SDI) plans may be required or offered by employers. The employee pays to participate in these plans.
- If the employee is part of a union, the employee might be required to pay union dues. Sometimes this is optional, so it is important to ask about an option to "opt out" of paying union dues.
- An employee may want to put a portion of their pay into a savings or retirement plan of their choice. If so, they can designate an amount of money to be taken out of their paycheck and deposited into that plan.
- Some employers may make deductions for cash registers that don't balance, broken merchandise, uniforms, tools, and equipment.

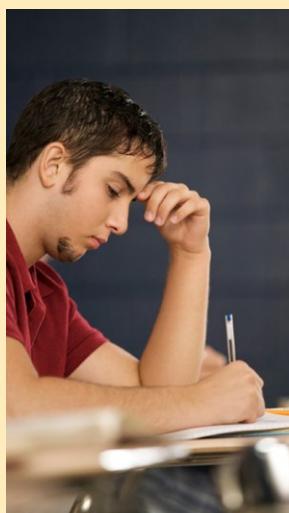
Federal Tax Return

Taxpayer responsibilities. The U.S. federal income tax system relies on voluntary compliance. This means that taxpayers willingly fulfill their responsibilities to

- declare all of their income.
- provide complete and accurate information.
- file their income taxes on time (generally April 15 for income earned during the previous calendar year).

People who work are required to prepare and submit a tax return. Filing a tax return is the process of

- listing all income earned, interest and dividends received, and all taxes withheld for the previous calendar year (January 1 to



- December 31) on appropriate IRS forms, usually the 1040.
- determining if additional taxes are owed to the government or a refund is owed to the taxpayer.
 - submitting the completed and signed tax documents to the IRS.

1040 Form—U.S. Individual Income Tax Return

This is the form that most taxpayers use to submit their tax return to the IRS. Taxpayers use the form to summarize their wages, tips, self-employment income, interest earned on financial accounts, and taxes withheld from their pay. The financial information listed is for the calendar year from January 1 through December 31 of the previous year. The taxpayer uses this information to calculate their adjusted gross income (AGI), along with any additional tax owed or the amount of a refund.

The 1040 form must be completed, signed, and dated when the taxpayer files a tax return. If the tax return is manually completed and submitted with no signature or date, the IRS will return the form and not accept the filing. Many taxpayers use e-file programs to prepare and file their taxes. When e-filing, an Identity Protection PIN (personal identification number) is required that serves as the taxpayer ID and verifies their electronic signature.

1099-INT Form—Interest Income

In addition to money earned from wages, salary, and tips, money can also be made from other sources such as interest or dividends on investments. Information on interest or dividends is provided by financial institutions to the account holder on the 1099-INT form. If taxpayers have accounts in more than one financial institution, they should receive a 1099-INT form from each institution. The exception is when an account earned less than \$10 per year. When this occurs, the financial institution is not required to provide a 1099-INT to the account holder.

The information on a 1099-INT form is for the calendar year and is made available to account holders by the following January 31. Taxpayers list the 1099-INT income on their 1040 form. The IRS also receives this information from the financial institution and compares it to what taxpayers report on their tax return.



Get More Info

For more information about federal taxes and all federal tax forms, download Publication 17, *Your Federal Income Tax*, from www.irs.gov.



Schedule C—Profit or Loss from Business

This form is used by self-employed taxpayers to provide information on income earned and expenses for running their business. Taxpayers are allowed to subtract certain eligible expenses from the money earned. Examples of self-employment include working for oneself repairing computers or running a pet-sitting service. The net profit or loss calculated on Schedule C is entered on the 1040 form and the Schedule C is submitted to the IRS along with the 1040 form. A taxpayer who earned more than \$400 net profit or had a loss from their business would enter this information on their 1040 form. A loss from Schedule C can be deducted from other income.

Filing Requirements for Teens

In general, age is not one of the criteria in determining whether or not someone is required to file an income tax return (Schwab-Pomerantz 2018). The most important factors for teens are

- whether the teen is claimed as a dependent by another taxpayer (typically their parent or guardian)
- the amount of income the teen received during the tax year
- the type of income (earned or unearned)

Dependency Decision

The IRS defines a dependent as a qualifying child or relative who entitles the taxpayer to a dependency exemption. A qualifying child or relative can be claimed as a dependent by a taxpayer if the taxpayer pays at least half of the dependent's living expenses. Therefore, teens often qualify as a dependent and will be claimed on the parent's or guardian's tax return. The benefit for the parent or guardian is a reduction (dependency exemption) in their own taxable income and the amount of taxes they pay (IRS 2020b).

- Since each person can only be claimed as a dependent one time each year, a decision needs to be made whether the teen or the teen's parent or guardian should claim the teen as a dependent. For many teens, the answer is clear—the parent or guardian will claim the teen as it will be to the parent's or guardian's benefit to do so.

- If the teen has a child, it may change the situation and the teen may decide to claim themselves as well as their child. Or the parent or guardian of the teen may claim the teen if the teen and their child or children are still living with the parent or guardian who provides over half their living expenses.
- Teens and their parent or guardian should discuss and agree who will claim the teen and any children prior to filing taxes, as there will be a financial benefit to whoever claims the teen or their child.

Amount and Type of Income

Teens, like other taxpayers, must report

- earned income, which includes wages, salaries, tips, professional fees, self-employment income, and taxable scholarships, fellowships, and grants.
- unearned income, which includes taxable interest, dividends, and capital gains distributions. It also includes unemployment compensation, taxable Social Security benefits, pensions, annuities, and distributions of unearned income from a trust.

In the tax year 2020, a teen who was claimed as a dependent on someone else's tax return was required to file a tax return if any of the following applied (IRS 2020b):

- Earned income (salary, wages, and tips) was more than \$12,400.
- Unearned income (interest and dividends) was more than \$1,100.
- Earned and unearned income combined (gross income) equaled \$12,400 or more.

In 2020, a teen who was not claimed as a dependent by someone else was required to file a personal income tax return only if they had a gross income of \$12,400 or more (IRS 2020c). It is important for teens to note that they may want to file a tax return even if they are not required to. If they worked and paid taxes and made less than the amount of money that requires a tax return, they will probably be eligible for a refund of the taxes they paid.

Note to leader. *These amounts can change annually. Please check the IRS website for the most current information.*



Get More Info

More information on the amount of money that requires a tax return to be filed can be found at www.irs.gov.

Wise Counsel

To make it easier to file taxes, teens may want to keep

- earning statements.
- statements of interest or dividends income.
- records of tips and bonuses.



More Info

IRS Publication 1244, *Employee's Daily Record of Tips and Report to Employer*, offers a simple format for documenting tip income. It is available for free download at <https://www.irs.gov/pub/irs-pdf/p1244.pdf>.

What about Tip Income?

Many teens work at jobs, such as serving food or parking cars, where they receive tips. All tip income is taxable and must be reported on the tax return. This includes tips received directly from customers, tips added to credit card bills, tips received under a tip-splitting agreement with other employees, as well as the cash value of any non-cash tips such as passes to a sports event (IRS 2019a).

Employees who receive \$20 or more in tips during a month must report their tips for that month to their employer. The employer is required to withhold income and payroll taxes on the reported tips and indicate the amount of tip income on the employee's W-2 form. Teens may find tips that are split with other employees will be listed on their W-2 form as "allocated tips."

Tips that have been reported to an employer do not need to be reported separately on an employee's tax return. However, any tips not reported to an employer must be reported on the employee's tax return.

Getting Ready to File

Before starting to complete a 1040 form and file a tax return, it is helpful to collect all the necessary information in one place. Taxpayers need the following information to be ready.

W-2 Form—Wage and Tax Statement

The W-2 is an IRS form that summarizes an employee's wages and tax withholdings for a calendar year. Employers complete this form for the period from January 1 to December 31 and provide it to employees by January 31 of the following year. Employers are not required to send a W-2 form to employees who earned less than a minimum amount of wages during the year. For 2019, the IRS set the minimum amount at \$600, but this can change from year to year. Many employers provide a W-2 form to all employees regardless of wages earned. This same information is sent to the IRS.

Employees need the information on their W-2 form to complete

their 1040 form and file their tax return. The W-2 form provides information about the following:

- wages, tips, and other compensation
- federal income tax withheld
- Social Security wages
- Social Security tax withheld
- Medicare wages
- Medicare tax withheld
- Social Security tips
- allocated tips (tip sharing)
- state and local wages, tips, and income taxes withheld, if applicable

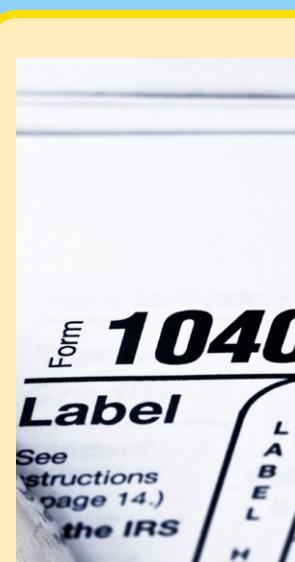
The W-2 form also includes this information:

- employee's Social Security number
- employer's ID number
- employer's name and address
- employee's name and address

It is a good practice for teens to verify that all information on a W-2 is correct, including the name of the employer. An incorrect employer name, ID number, or address on a W-2 may indicate the recipient is a victim of identity theft.

If someone works for more than one employer during a calendar year, they will receive a W-2 form from each employer. If someone is self-employed, they will not receive a W-2 form. Teens working for others on short-term contracts (i.e., the gig economy) should receive 1099 MISC forms from their employers.

All W-2 forms received by an individual must be submitted with their tax return. In many instances, the W-2 form may be available only at the company's website. The company will probably send out an alert to employees and ex-employees by January 31 of the year following their employment to tell them their W-2 is available. If an employee does not receive a W-2 through the mail or a notice of it being available online, they will want to contact the company and ask how they can receive a copy. This is important as an employee needs all their W-2 forms to file taxes and to claim refunds due. E-filers will upload or input the form electronically. Manual tax preparers will mail the W-2 with their completed tax return.



Important to Know

Teens may wish to have a filed tax return on record as some government financial assistance programs for colleges and universities may request a copy of the return as part of the application process for financial aid.



Individual Taxpayer Identification Number (ITIN)

An individual taxpayer ID number (ITIN, or sometimes just TIN) is used by the IRS in the administration of tax laws. If a person has a Social Security number, that will be their ITIN. If a person does not have or is not eligible for a Social Security number, it is necessary to get an ITIN issued by the IRS. Immigration status is not an issue since the ITIN cannot be used for any other purpose than filing taxes. Learn more at the IRS website, www.irs.gov/Individuals/General-ITIN-Information.

Filing a Tax Return

Filing a tax return is the process of preparing and submitting income tax forms. Teens can prepare and submit (i.e., file) their tax return online or complete paper forms and mail them. Once the return is ready for filing, they will see whether they owe money to the IRS or are owed a refund.

E-Filing

The IRS offers access to free software for preparing and filing federal taxes. Teens can go to the IRS website, www.irs.gov, and choose either Free File tax software or Free File fillable forms. E-filers can follow the instructions to prepare their tax form(s) and e-file the completed federal tax return.

When entering the Free File site, there will be several tax return software programs to choose from. Some of them automatically offer a software upgrade for a fee. In most instances, teens will be filing a simple tax return and will not need to pay for the upgrade.

While all software programs available on Free File will file federal returns for free, not all programs file state returns for free. The programs will calculate the state return but some may charge to file the return. Teens can save money by using a software program that does not charge to file a state return. It is recommended that teens evaluate the IRS software options carefully and select a program that coordinates with the IRS Free File program to file their state return at no charge.

Good to Know

Some states offer their own software so taxpayers can file their state tax return for free.

E-File Identification

The IRS requires e-filers to verify their identity by submitting either their adjusted gross income (AGI) from the previous year's tax return (if applicable) or by using an electronic filing Identity Protection PIN. The PIN is a self-selected five-digit number that taxpayers can obtain on the IRS website or by calling the IRS at 1-866-704-7388 (IRS 2019b). **It is very important for filers to keep a copy of their completed return and to know their 5-digit Identity Protection PIN.** The IRS uses the AGI on the previous year's return or Identity Protection PIN to verify the identity of the filer and ensure that someone else is not trying to file a false return.

Email Notification

The IRS notifies e-filers by email when the IRS accepts their return. Within 48 hours of receiving an e-file submission, the IRS sends the taxpayer an electronic acknowledgement to indicate that the return was received and accepted for processing.

Manual Filing

Taxpayers who want to file manually (using a printed tax form) can download forms from the IRS website. Paper forms can be submitted only by mail. The IRS website, www.irs.gov, provides mailing addresses based on the tax form used and the state where the taxpayer lives.

Applying for a Refund

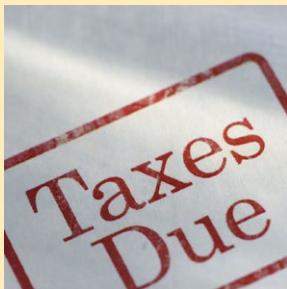
For many young employees, the amount of their pay may be low enough that no income taxes are taken out each pay period by the employer and filing a tax return will not be required. However, if even a small amount of income taxes were taken out, teens will probably want to file a return to apply for a refund for the amount that was taken out. Social Security and Medicare taxes will always be taken out even if the pay is low. These taxes are never refundable.

For 3 Previous Years

If teens have not filed a return in previous years but were employed and paid federal or state taxes, they may go back and



Encourage teens to keep a copy of each year's tax return in a safe place.



file returns for up to 3 previous years. This will allow them to claim any money they might be owed as a refund for those years. However, copies of the W-2 forms for the previous years will be required.

Tracking the Status of a Refund

Starting 24 hours after submitting their tax return via e-file, individuals can check the status of their federal tax refund by using the “Where’s My Refund” tool on the IRS website, www.irs.gov, or using the free IRS2Go app. See the IRS website for download information.

Paying Money Owed

In some cases, teens may find that they owe money after completing their tax forms. This can happen for several reasons, such as not reporting tips to their employer or having several small jobs, so no taxes were withheld on their earnings during the year. In these instances, they will be required to file a return and pay the U.S. Treasury and/or the state the amount owed. For most teens, even self-employed teens, this will not be the situation as their earnings will be well below the amount where filing a tax return is required.

Teens using e-filing have two options for paying the money owed: They can make an electronic transfer giving the IRS or the state access to their checking account, or they can send a check or money order for the exact amount owed, with their name, address, and Social Security number written on the check or money order. A separate check or money order must be sent to the state tax agency if state taxes are owed. Teens filing a paper tax return can include the check or money order when mailing their tax return.

Tax Evasion

Most people are honest and pay the taxes they owe. However, some people intentionally do not pay taxes or report all their income. Some people evade (or avoid) paying all the tax they owe by

- underreporting (or not reporting at all) tips earned.
- not reporting other taxable cash income. For example, cash

- income or net profits of \$400 or more must be reported.
- not reporting income from activities such as gambling.

Underreporting or not reporting income is known as tax evasion, and it is illegal. Individuals found guilty of tax evasion will have to pay back taxes owed, interest on taxes owed, and fines, and in extreme cases they can face jail time (2020b).

Recognizing and Avoiding Tax Scams

The IRS reports that income tax scams are increasing and advises all taxpayers and Social Security cardholders to be aware and cautious of possible scams. Some common income tax scams are particularly relevant for teens. It's important for teens to be aware of these because those who recognize a potential scam are less likely to be victimized.

If fraud is suspected, teens should notify the IRS immediately. The agency has specialists who help victims file their tax return, get any refunds they are due, and protect their IRS accounts from identity thieves in the future.

Phishing

Phishing, as in “fishing for confidential information,” refers to scams that involve fraudulently obtaining someone’s personal or financial information and using it to steal the victim’s identity or money. Scammers get information by asking potential victims to give them their confidential information in phishing emails, text messages, social media messages, phone calls, or fraudulent websites that mimic the IRS website (FDIC 2014).

Teens can avoid victimization by deleting messages (without opening or clicking on any links in the messages) from anyone claiming to represent the IRS. The IRS does not contact taxpayers by email, social media, or phone to request personal or financial information. It also does not leave phone messages or send emails or other electronic messages indicating that a taxpayer is being audited or being threatened with jail time (IRS 2020d). **The only way the IRS will contact taxpayers is by mail through the U.S. Postal Service (USPS).**





Phone Threats

The IRS warns consumers about a sophisticated phone scam targeting taxpayers and recent immigrants. Victims are told they owe money to the IRS and that it must be paid promptly through a preloaded debit card or wire transfer. If the victim refuses to cooperate, the caller threatens them with arrest, deportation, or suspension of a business or driver's license ([USA.gov](#) 2020). These phone calls are fraudulent.

Identity Theft

Sometimes, when filing their return, a taxpayer may discover that they are a victim of identity theft (IRS 2020e). The discovery can happen in the following ways:

- **Unreported wages.** If someone steals a taxpayer's Social Security number and uses it to get a job, the thief's employer may report the thief's income to the IRS using the stolen Social Security number. When the victim files their tax return, it will not, of course, include those earnings. IRS records will indicate that the victim failed to report all their income and the IRS will send the victim a notice or letter about the unreported income.
- **Tax return already filed.** Identity thieves may steal someone's personal information, such as their Social Security number, and use it to file a fraudulent tax return and claim the victim's tax refund. The victim typically discovers the identity theft when trying to file their tax return and the IRS notifies them that a tax return has already been filed using their information.

Summary

Taxes is a complicated topic, yet it's important for teens to have a basic understanding of taxes. This unit has provided information on

- the employment and tax forms that teens will be required to complete when starting a new job.
- how to complete a W-4 form.
- claiming dependents.
- paycheck deductions.
- paying Social Security and Medicare taxes.
- using the information on a W-2 form.
- preparing and submitting a tax return.
- using e-file to submit taxes.
- recognizing and avoiding tax scams.

The activities that follow will help teens understand employment and tax forms and the process of filing taxes.



GLOSSARY

1040 form. Tax form that most people use to file their federal income taxes.

1099-INT form. Financial institutions send this form to their individual account holders annually to report interest income.

Adjusted gross income. A figure used to determine how much of a taxpayer's income is taxable. It is determined by subtracting allowable tax deductions from gross income.

Allocated tips. Tips that are split among all food service workers. The employer assigns an amount to each worker and reports it as income on their W-2 form.

Dependent. A qualifying child or relative, other than the taxpayer and their spouse, for whom the taxpayer can claim an exemption because they provide over half of their living expenses.

Earned income. Income from wages, salaries, tips, and net earnings from self-employment.

Earning statement. A statement an employee receives each pay period that indicates hours worked, gross pay, deductions, and net pay (take-home pay).

FICA. A federal payroll tax employers and workers pay to fund the Social Security program (Federal Insurance Contributions Act).

Gross income. Earned and unearned income that must be reported on a tax return.

Gross pay. Wages and tips a person receives before any deductions are taken.

I-9 form. Completed when an employee starts a job to verify that the employee is legally allowed to work in the United States. Known also as the Employment Verification Form.

Identity Protection PIN. A number required to file a tax return electronically through Free File. The number serves as the taxpayer's ID to verify their electronic signature and stays the same each year.

Income tax. A tax all working individuals are required to pay on their annual wages and other income to the federal government. Most states also require workers to pay state income taxes.

Individual taxpayer identification number (ITIN). A tax processing number issued by the IRS to individuals who are required to have a U.S. taxpayer identification number but are not eligible for a Social Security number.

Interest income. Interest a person receives from money on deposit in accounts at financial institutions.

IRS (Internal Revenue Service). The federal agency that collects income taxes in the United States.

Medicare tax. A payroll tax used to provide medical benefits for certain individuals when they reach age 65. A small percentage is taken from an employee's paycheck to fund this benefit. Employers also pay a matching amount.

Net pay. Remainder of employee's earned income after payroll deductions for items such as state and federal income taxes, Social Security taxes, SDI, union dues, and benefits like health insurance premiums and retirement plans. Also known as take-home pay or net income.

Payroll taxes. Taxes withheld from employees' paycheck to fund Social Security and Medicare. Employers may also contribute to these taxes.

Refund. Money owed to taxpayers when their total tax payments were greater than the total tax due.

Salary. A fixed amount of money paid regularly for work.

Sales tax. Tax on items purchased. Each state has its own tax rate. There are also differences among states as to which consumer goods are subject to tax. Some local governments collect additional sales tax.

Schedule C. A form used by self-employed people to list business income and expenses. It is submitted with the 1040 form when filing federal taxes.

SDI. State disability insurance is a state payroll tax that provides temporary benefits payments to workers who can't work due to illness, injury, or pregnancy. Only five states (California, Hawaii, New Jersey, New York, and Rhode Island) have this tax and each calculates the amount of withholding differently. It is also called TDI, temporary disability insurance.

Self-employment income. Income earned while working for yourself rather than for an employer.

Social Security tax. A payroll tax used to support the Social Security program, which provides supplemental income to senior citizens and disabled individuals. Also known as FICA.

Take-home pay. Remainder of employee's earned income after payroll deductions for items such as state and federal income taxes, Social Security and Medicare taxes, and benefits like health insurance premiums and retirement plans have been deducted. Same as net income or net pay.

Tax deduction. Something, like charitable donations or contributions to a retirement plan, that lowers taxable income and thus reduces one's tax liability.

Tax return. Report filed with the IRS or with the state or local tax collection agency containing information used to calculate income tax or other taxes.

Tip income. Money and goods received for services performed by food servers, delivery persons, hairstylists, and others. Tips go beyond the stated amount of the bill and are given voluntarily.

Unearned income. Income from sources unrelated to employment, including interest from savings accounts, bond interest, alimony, and dividends from stocks.

W-2 form. This form tells employees how much money they earned and how much they paid in taxes in the previous year. Employers provide this form to each employee by January 31.

W-4 form. New employees complete this form so their employer knows how much money to deduct from their paycheck for federal taxes.

Wages. Compensation received by employees for services performed.

Withholding. Employers withhold money from employees' paychecks for federal income taxes, Social Security and Medicare taxes, and also for state and local income taxes in some states and localities. These funds are sent to the IRS, state, or local entity as part of the U.S. pay-as-you-earn taxation system.

ADDITIONAL RESOURCES

IRS (Internal Revenue Service) is the best source of up-to-date information on federal income taxes. The website contains all the forms and instructions needed to file a tax return or check on the status of a tax refund. <http://www.irs.gov>.

Money Talks is a financial literacy website developed by the University of California Cooperative Extension for teens and young adults. Teen guides are available in both English and Spanish. Topics include simple ways to save, money matters, car buying, food buying, banking, credit, privacy, and finding a job. Educators and leaders can access the teen guides as well as the leader's guides, which include background information, lesson plans, and activities. UCCE Money Talks website, <http://moneytalks.ucanr.edu>.

Understanding Taxes is a free online educational tool designed for classroom use. It includes teacher resources and interactive tools that are appropriate for middle school, high school, or community college students. <http://apps.irs.gov/app/understandingTaxes/>.

[USA.gov](#) is a website created to organize the vast quantity of government information and services and make them accessible to the public anytime and anywhere. A variety of topics, including taxes, can be searched.

What is FICA? is a one-page flyer explaining the purpose and cost of the FICA tax.

<https://www.ssa.gov/thirdparty/materials/pdfs/educators/What-is-FICA-Infographic-EN-05-10297.pdf>.

REFERENCES

- [FDIC] Federal Deposit Insurance Corporation. 2014. You can fight identity theft. <https://www.fdic.gov/consumers/consumer/fighttheft/>.
- [IRS] Internal Revenue Service. 2019a. Publication 531 (2019), Reporting tip income. www.irs.gov/publications/p531/index.html.
- IRS. 2019b. Validating your electronically filed tax return. <http://www.irs.gov/Individuals/Electronic-Filing-PIN-Request>.
- IRS. 2020a. Historical highlights of the IRS. <https://www.irs.gov/newsroom/historical-highlights-of-the-irs>.
- IRS. 2020b. Publication 17, Your federal income tax for individuals. <https://www.irs.gov/pub/irs-pdf/p17.pdf>.
- IRS. 2020c. Publication 501, Dependents, standard deductions, and filing information for use in preparing 2019 returns. <https://www.irs.gov/pub/irs-pdf/p501.pdf>.
- IRS. 2020d. Report phishing and online scams. <https://www.irs.gov/privacy-disclosure/report-phishing>.
- IRS. 2020e. Taxpayer guide to identity theft. <https://www.irs.gov/newsroom/taxpayer-guide-to-identity-theft>.
- Schwab-Pomerantz, Carrie. 2018. Does your teen need to file a tax return? <https://www.schwab.com/resource-center/insights/content/teen-tax-return>.
- [SSA] U.S. Social Security Administration. 2019. OASDI and SSI program rates & limits, 2020. https://www.ssa.gov/policy/docs/quickfacts/prog_highlights/index.html.
- [SSA] [USA.gov](https://www.usa.gov). 2020. IRS scams. <https://www.usa.gov/irs-scams>.

Second edition, 2021:

KAREN VARCOE, University of California Cooperative Extension Consumer Economics Specialist, Emeritus;

SHIRLEY PETERSON, University of California Cooperative Extension Advisor, Emeritus;

CONNIE COSTELLO, Community Education Specialist, University of California Cooperative Extension;

KATHERINE E. SOULE, Director of Cooperative Extension and Youth, Families and Communities Advisor, University of California Cooperative Extension, San Luis Obispo and Santa Barbara Counties;

MONEY TALKS WORKGROUP;

KERRY DECKER, Graphic Designer.

First edition, 2016:

PATTI WOOTEN SWANSON, University of California Cooperative Extension Advisor, Emeritus;

KATHERINE E. SOULE, Director of Cooperative Extension and Youth, Families and Communities Advisor, University of California Cooperative Extension, San Luis Obispo and Santa Barbara Counties;

MONEY TALKS WORKGROUP;

KERRY DECKER, Graphic Designer.

To order or obtain UC ANR publications and other products, visit the UC ANR online catalog at <https://anrcatalog.ucanr.edu/> or phone 1-800-994-8849. Direct inquiries to

UC Agriculture and Natural Resources

Publishing

2801 Second Street

Davis, CA 95618

Telephone 1-800-994-8849

E-mail: anrcatalog@ucanr.edu

© 2016, 2021 The Regents of the University of California. This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

Publication 8556

ISBN-13: 978-1-62711-143-0

The University of California, Division of Agriculture and Natural Resources (UC ANR) prohibits discrimination against or harassment of any person in any of its programs or activities on the basis of race, color, national origin, religion, sex, gender, gender expression, gender identity, pregnancy (which includes pregnancy, childbirth, and medical conditions related to pregnancy or childbirth), physical or mental disability, medical condition (cancer-related or genetic characteristics), genetic information (including family medical history), ancestry, marital status, age, sexual orientation, citizenship, status as a protected veteran or service in the uniformed services (as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 [USERRA]), as well as state military and naval service.

UC ANR policy prohibits retaliation against any employee or person in any of its programs or activities for bringing a complaint of discrimination or harassment. UC ANR policy also prohibits retaliation against a person who assists someone with a complaint of discrimination or harassment, or participates in any manner in an investigation or resolution of a complaint of discrimination or harassment. Retaliation includes threats, intimidation, reprisals, and/or adverse actions related to any of its programs or activities.

UC ANR is an Equal Opportunity/Affirmative Action Employer. All qualified applicants will receive consideration for employment and/or participation in any of its programs or activities without regard to race, color, religion, sex, national origin, disability, age or protected veteran status.

University policy is intended to be consistent with the provisions of applicable State and Federal laws.

Inquiries regarding the University's equal employment opportunity policies may be directed to: Affirmative Action Compliance and Title IX Officer, University of California, Agriculture and Natural Resources, 2801 Second Street, Davis, CA 95618, (530) 750-1343. Email: titleixdiscrimination@ucanr.edu. Website: http://ucanr.edu/sites/anrstaff/Diversity/Affirmative_Action/.

An electronic copy of this publication can be found at the UC ANR catalog website, <http://anrcatalog.ucanr.edu/>.



This publication has been anonymously peer reviewed for technical accuracy by University of California scientists and other qualified professionals. This review process was managed by UC ANR Associate Editor for 4-H Youth Development Kendra Lewis.

web-X/20-ED/DES

Activity One

Why We Pay Taxes

Estimated Activity Time: 45- to 60-minute session

In this activity, teens explore why they pay taxes and the types of taxes they are required to pay. In small groups, teens list services provided by taxes and discuss whether or not these services are worth the cost. Teens reflect on their answers by comparing their answers to an extensive list of services provided by taxes.

LEARNING OBJECTIVES

Teens will ...

- explain the purpose of taxes.
- list three to five types of taxes that individuals pay.
- identify services paid for by taxes.
- evaluate if the services paid for by taxes are worth the cost of taxes paid.

Doing the Activity

1. Begin the activity by asking teens

- What type of taxes do we pay?
- Why do we pay taxes?

Acknowledge their answers by indicating that

- we pay several types of taxes.
- the taxes we pay provide a variety of services that we want or need but that most of us could not afford to pay for as individuals.

2. Display **Visual 1—Taxes We Pay**. Using the *Why Pay Taxes* information on p. 3 of the *Background Information* in this leader's guide, explain the following types of taxes:

- **Sales tax**—most states collect sales tax on items purchased. The sales tax rate and the items that are taxed

Supplies Needed

- Visual 1—*Taxes We Pay*
- Visual 2—*Tax Collage*
- Equipment to project visuals
- Handout 1—*How Are Taxes Used?*

Getting Ready Checklist

- Read through the entire activity before presenting it.
- Set up equipment to project visuals.
- Visual 1—*Taxes We Pay*
- Visual 2—*Tax Collage*
- Handout 1—*How Are Taxes Used?*—copy one per teen

vary among states and are determined by each state. Some counties and cities collect additional sales taxes.

- **Property tax**—most states collect property tax on residential and business real estate. Each state determines if a property tax is required and how to calculate the property tax.
- **Federal income tax**—all employees and self-employed individuals are required to pay taxes to the federal government on earned income.
- **State income tax**—most states require employees to pay taxes on wages earned. Each state determines if a state income tax is required and the state tax rate.
- **Local income tax**—some counties and cities collect income taxes. Local governments determine if a local income tax is required and the local tax rate.
- **Social Security tax**—all employees, employers, and self-employed individuals pay a tax for Social Security to the federal government.
- **Medicare tax**—all employees, employers, and self-employed individuals pay a tax for Medicare to the federal government.
- **Other**—some states, counties, and cities collect additional taxes such as gasoline and cell phone usage taxes.

Summarize the list by indicating that some taxes are determined by federal government and other taxes are determined by state or local governments.

3. Divide the group into small groups of three or four teens. Distribute a copy of **Handout 1—How Are Taxes Used?** to each teen.

Explain that the goal of this activity is to discuss why we pay taxes and how the tax money is used. Ask the small groups to

- brainstorm about how the government uses the taxes that are collected and to list their ideas on the handout.
- select one item from their list and in their small groups discuss whether they feel that the benefits they receive from that item are worth the cost of paying taxes.
- choose a representative from their small group to share with the entire group their list of ideas and a summary of their discussion about the tax item they considered, including their agreements and disagreements.

4. After the small groups have completed their handouts, call on the group representatives and have them present to the entire group. Summarize the activity by acknowledging that although we are required to pay taxes we may not always agree on how tax money should be spent.
5. Display **Visual 2—Tax Collage**. Using the *Why Pay Taxes* information on p. 3 of the *Background Information* in this leader's guide, explain that taxes we pay provide many services, such as the following:
 - streets
 - schools
 - libraries
 - safe drinking water
 - first responders
 - military expenses
 - court (judicial) systems
 - hospitals
 - child protective services
 - health care
 - air traffic controllers
 - job training for unemployed
 - Medicare and Medicaid (medical services for retirees and low-income individuals)
 - parks and recreation
 - supplemental food (school meals, WIC, SNAP, etc.)
 - housing (for low-income families)
 - Social Security
 - Supplemental Security Income—SSI (for disabled individuals)
 - student loans
 - safety regulations (pesticide use, workplace safety, etc.)

Ask teens

- How does your list of how government uses taxes compare to the services listed on this visual?
 - What are your reactions to the number of services provided by taxes?
6. Conclude this activity by reminding teens that although we don't all agree on the best way to spend tax money, we all are required to pay taxes, and these taxes are used to provide a variety of services that most of us could not afford to pay for as individuals.

Taxes We Pay

- Sales
- Property
- Federal income
- State income
- Local income (county or city)
- Social Security
- Medicare
- Other (e.g., auto license, gasoline, cell phone usage)





Visual 2

Instructions

As a group discuss some of the ways our government uses taxes. List your group's answers on this handout, then select one item from your list to discuss in more detail. As a group, determine if the benefits you receive from the item selected are worth the cost of paying taxes. Choose one member of your group to present your list, the item you chose, and a summary of your discussion to the entire group.

Handout 1

How Are Taxes Used?

1. Taxes are used in the following ways:

2. The one item from the above list we chose to discuss as a group is

As a group, we decided the benefits we receive from this item are worth the cost of paying taxes: (circle one)

Yes No Not sure

(Explain your answer) _____

Everyone in our group agrees that the benefits of this item are worth the cost of taxes?

Yes No Not sure

3. Choose one member of your group to present your list, the item you selected, and your discussion regarding if this item is worth the cost of paying taxes.

Activity Two

Understanding Employment Forms

Estimated Activity Time: 45- to 60-minute session

In this activity, teens explore employment forms. They assess their knowledge of taxes and employment forms by completing a knowledge assessment activity. They review the IRS W-4 form and practice completing the form. Additionally, they discuss the importance of keeping their personal information safe and how the IRS will contact them if additional information is needed about their taxes.

LEARNING OBJECTIVES

Teens will ...

- assess their current understanding of employment and tax forms.
- practice filling out a W-4 form.
- explain the importance of using their full name as listed on their Social Security card when completing employment and tax forms.
- discuss the importance of keeping personal information safe.
- explain how the IRS contacts taxpayers when additional information is needed.

Doing the Activity

1. Begin the activity by explaining to teens
 - there are many forms that need to be completed when starting a new job.
 - they are related to eligibility to work in the United States, paying taxes, and receiving a paycheck by direct deposit.

Supplies Needed

- Visual 3—*Employment Forms*
- Visual 4—*W-4 Form*
- Visual 5—*How to Complete a W-4 Form*
- Equipment to project visuals
- *Tackling Taxes* teen guide
- Handout 2—*W-4 Form*
- Computers, tablets, or cell phones with internet connection

Getting Ready Checklist

- Read through the entire activity before presenting it.
- Set up equipment to project visuals.
- Visual 3—*Employment Forms*
- Visual 4—*W-4 Form*
- Visual 5—*How to Complete a W-4 Form*
- *Tackling Taxes* teen guide—one per teen
- Handout 2—*W-4 Form*—copy one per teen
- Computers, tablets, or cell phones with internet connection

2. To help teens evaluate their current understanding of tax and employment forms, ask them to complete the *My Knowledge about Tax and Employment Forms* on p. 2 of the *Tackling Taxes* teen guide.
3. Once they have completed the assessment, have them reflect on the activity. Ask
 - How challenging was it to complete the activity?
 - What new information did you learn?Summarize the activity by acknowledging there are a lot of forms to complete when starting a new job and it is helpful to understand them before starting a job.
4. Emphasize that teens should always use their full name:
 - The employee's full name, as listed on their Social Security card, should be used whenever employment and tax forms are completed.
 - Using a nickname or other name may cause problems when being hired, filing taxes, or receiving Social Security benefits.
5. Display **Visual 3—Employment Forms**. Using the *When Starting a New Job* information on pp. 4-7 of the *Background Information* in this leader's guide, describe some common forms and requirements when starting a new job:

I-9—Employment Verification Form

- Must be completed within the first 3 days of starting a job.
- Used to determine if someone is eligible to work in the United States.
- Requires proof of legal residency in the United States.
- Requires proof of identity such as a U.S. passport.
- If someone does not have a U.S. passport, they can show a Social Security card or U.S. birth certificate along with a picture ID, such as a driver's license, state ID card, or a school ID card.
- Non-U.S. citizens must show proof of identity and legal residence.

Direct Deposit Form

- Many employers offer or prefer to deposit an employee's paycheck directly into the employee's bank account.
- Employees must have a savings or checking account to use direct deposit.
- To sign up, employees must complete an employer's direct deposit form and provide an account number and financial institution routing number.
- This is a safe and fast way to be paid.

Background Check Form and Drug Testing

- Some employers conduct financial and criminal background checks to be sure a potential employee has no major financial problems or legal problems.
- Some employers also require drug testing. Potential employees do not have to take the drug test, but if they don't or they fail the test they may not be hired.

Share that the *Tackling Taxes* teen guide has information about these topics that can be helpful when starting a new job.

W-4 Form

Indicate that one of the most important forms a new employee needs to complete is the W-4 form. Using the *W-4 form—Employee's Withholding Certificate* information on pp. 6-7 of the *Background Information* in this leader's guide, explain how the W-4 form is essential to paying taxes:

- Our government uses a pay-as-you-earn system to pay income taxes.
- A small amount of tax is collected from each paycheck.
- Most people think this is an easier way to pay taxes than to have to pay all the taxes they owe once a year.
- Employers send the collected tax to the government for the employee's taxes.
- The W-4 form is used to help employers determine how much federal tax needs to be withheld from an employee's paycheck.
- Similar forms for withholding taxes may be required for state and local income taxes.

6. Display **Visual 4—W-4 Form**. Ask

- Who has filled out a W-4 form?
- How easy or challenging would you describe the process of completing the W-4 form?

Acknowledge their answers and indicate that the remainder of this activity will focus on how to accurately complete a W-4 form.

Refer teens to the *Understanding the W-4 Form* information on p. 4 of the *Tackling Taxes* teen guide and review the W-4 form:

- The W-4 form has 5 steps.
- Most teens will need to complete only steps 1 and 5.
- It is important that they enter their name and Social Security number on the form exactly as they are written on their Social Security card.

Introduce the steps:

- Step 1 is completed by all employees. It asks for your name, address, and Social Security number. It also asks you to check if you are single, married, or head of household. A head of a household is someone who is financially responsible for someone else—for example, a parent of a child or children under 18 years of age.
- Steps 2, 3, and 4 are completed only if they apply. Fill in step 2 if you have more than one job. Step 3 is used when someone has children or other dependents, and step 4 provides an option to list other income that isn't taxed when it's received.
- In step 5, you sign and date the form indicating that the information you provided is truthful and accurate.

Explain that employers may ask employees to complete the W-4 form online using the IRS W-4 estimator.

7. Give each teen a copy of **Handout 2—W-4 Form**. Explain that teens will now have an opportunity to complete a W-4 form. Ask them to take a few minutes to look over the blank W-4 form.

Display **Visual 5—How to Complete a W-4 Form**. Explain that they will use the personal information about Alex Lee on this visual, not their own personal information, to complete the handout. When all the teens have completed the form, answer any questions they may have.

8. Conclude the activity by asking
 - Why were you asked to not use your personal information to complete the W-4 form?

Acknowledge their answers.

Using the *Recognizing and Avoiding Tax Scams* information on pp. 19-20 of the *Background Information* in this leader's guide, warn teens about tax scams. Include these points:

- Personal identity theft and IRS scams are common and increasing rapidly.
- Always protect personal information. A Social Security number should only be shared with employers and others who must have the information for employment purposes.
- The IRS will never call and ask for anyone's Social Security number, threaten them, or ask for money.
- If the IRS wants to contact someone about their taxes, the IRS will send a letter requesting additional information.

Employment Forms

- I-9 – Employment Verification Form
 - *verifies identity, legal residency, and eligibility to work in U.S.*
- Direct deposit form
 - *safe and fast way to be paid*
- Financial and criminal background check form and drug testing
 - *used to look for major financial or legal problems*
 - *drug testing may be required*

Visual 4

W-4 Form Department of the Treasury Internal Revenue Service	Employee's Withholding Certificate <p style="text-align: right;">OMB No. 1545-0074</p> <p style="text-align: right;">20XX</p> <p>► Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ► Give Form W-4 to your employer. ► Your withholding is subject to review by the IRS.</p>			
Step 1: Enter Personal Information	(a) First name and middle initial	Last name	(b) Social security number	
	Address			
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			
Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.				
Step 2: Multiple Jobs or Spouse Works	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ► <input type="checkbox"/>			
	TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.			
	Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)			
	Step 3: Claim Dependents	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ► \$ _____ Multiply the number of other dependents by \$500 ► \$ _____ Add the amounts above and enter the total here 3 \$ _____		
Step 4 (optional): Other Adjustments				
(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____				
(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____ (c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____				
Step 5: Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete. ► Employee's signature (This form is not valid unless you sign it.) ► Date			
	Employers Only Employer's name and address		First date of employment	Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Cat. No. 10220Q

Form **W-4** (20XX)



How to Complete a W-4 Form

- Step 1: Enter personal information

Alex Lee

222 A Street

My Town, CA 95678

Social Security number 987-65-4321
Single person

- Step 5: Sign and date

Employee's Withholding Certificate	
Form W-4, Employee's Withholding Certificate, must be filed with your employer. We keep your original copy. You can file it online or mail it to us. If you change jobs, we'll keep your copy for you. If you leave your job, we'll give you a copy to take with you.	
Step 1: Personal Information	
Address: City, State, Zip, and County (if applicable)	
Phone: Daytime, evenings, and evenings	
Spouse: Name, address, and phone number	
Dependents: Name, address, and phone number	
Other: Name, address, and phone number	
Step 2: Adjustments:	
Claim Dependents: Check if you have dependents. If you do, enter the total number of dependents you claim. If you don't have dependents, enter zero.	
Adjustments: Enter the amount of additional tax you expect to owe or receive. If you expect to owe tax, enter a minus sign (-) before the amount. If you expect to receive tax, enter a plus sign (+) before the amount.	
Step 3: Sign Here:	
Employee's signature: (With Form W-4, attach a copy of your signature.) Employee's name in block letters Employee's signature	
For Privacy Act and Paperwork Reduction Act Notice, see page 3.	
Form W-4 (2011)	

Handout 2: Completing a W-4 Form

Instructions: Use the information displayed in Visual 5 to complete the following W-4 form.

Form W-4 Department of the Treasury Internal Revenue Service	<div style="text-align: center;"> Employee's Withholding Certificate ► Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ► Give Form W-4 to your employer. ► Your withholding is subject to review by the IRS. </div> <div style="text-align: right; margin-top: -20px;"> OMB No. 1545-0074 20XX </div>										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top; padding: 5px;"> Step 1: Enter Personal Information </td> <td style="width: 35%; padding: 5px;"> (a) First name and middle initial _____ Address _____ City or town, state, and ZIP code _____ </td> <td style="width: 35%; padding: 5px;"> Last name _____ (b) Social security number ► Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov. </td> </tr> <tr> <td colspan="3" style="padding: 5px;"> (c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.) </td> </tr> </table>				Step 1: Enter Personal Information	(a) First name and middle initial _____ Address _____ City or town, state, and ZIP code _____	Last name _____ (b) Social security number ► Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)				
Step 1: Enter Personal Information	(a) First name and middle initial _____ Address _____ City or town, state, and ZIP code _____	Last name _____ (b) Social security number ► Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .									
(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)											
<p>Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top; padding: 5px;"> Step 2: Multiple Jobs or Spouse Works </td> <td style="width: 85%; padding: 5px;"> Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ► <input type="checkbox"/> </td> </tr> <tr> <td colspan="2" style="padding: 5px;"> TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator. </td> </tr> </table>				Step 2: Multiple Jobs or Spouse Works	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ► <input type="checkbox"/>	TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.					
Step 2: Multiple Jobs or Spouse Works	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ► <input type="checkbox"/>										
TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.											
<p>Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top; padding: 5px;"> Step 3: Claim Dependents </td> <td style="width: 85%; padding: 5px;"> If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ► \$ _____ Multiply the number of other dependents by \$500 ► \$ _____ Add the amounts above and enter the total here 3 \$ _____ </td> </tr> <tr> <td colspan="2" style="padding: 5px;"> Step 4 (optional): Other Adjustments </td> </tr> <tr> <td rowspan="3" style="vertical-align: top; padding: 5px;"> Step 4 (optional): Other Adjustments </td> <td style="padding: 5px;"> (a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____ </td> </tr> <tr> <td style="padding: 5px;"> (b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____ </td> </tr> <tr> <td style="padding: 5px;"> (c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____ </td> </tr> </table>				Step 3: Claim Dependents	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ► \$ _____ Multiply the number of other dependents by \$500 ► \$ _____ Add the amounts above and enter the total here 3 \$ _____	Step 4 (optional): Other Adjustments		Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____	(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____
Step 3: Claim Dependents	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ► \$ _____ Multiply the number of other dependents by \$500 ► \$ _____ Add the amounts above and enter the total here 3 \$ _____										
Step 4 (optional): Other Adjustments											
Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____										
	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____										
	(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____										
Step 5: Sign Here	<p>Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.</p> <p style="text-align: center;">► Employee's signature (This form is not valid unless you sign it.) ► Date</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> Employers Only Employer's name and address </td> <td style="width: 25%; padding: 5px;"> First date of employment </td> <td style="width: 25%; padding: 5px;"> Employer identification number (EIN) </td> </tr> </table>			Employers Only Employer's name and address	First date of employment	Employer identification number (EIN)					
Employers Only Employer's name and address	First date of employment	Employer identification number (EIN)									
For Privacy Act and Paperwork Reduction Act Notice, see page 3.											
Cat. No. 10220Q Form W-4 (20XX)											

Supplies Needed

- Visual 6—*Information on a W-2 Form*
- Visual 7—*More Information on a W-2 Form*
- Equipment to display visuals
- Handout 3—*Sample W-2 Forms*
- Handout 4—*W-2 Form Trivia Game Questions and Answers*

Getting Ready Checklist

- Read through the entire activity before presenting it.
- Set up equipment to display visuals.
- Visual 6—*Information on a W-2 Form*
- Visual 7—*More Information on a W-2 Form*
- Handout 3—*Sample W-2 Forms*—copy the 3 pages single-sided, one set per small team
- Handout 4—*W-2 Form Trivia Questions and Answers*—copy one for the leader
- Small prize for the team that wins the *W-2 Form Trivia Game* (optional)

Activity Three

Reading and Understanding a W-2 Form

Estimated Activity Time: 45- to 60-minute session

In this activity, teens explore the IRS W-2 form. They learn how to read a W-2 form and discuss information listed on the form. They participate in a team game that requires them to locate specific information on W-2 forms.

LEARNING OBJECTIVES

Teens will ...

- discuss why employees receive W-2 forms.
- identify the type of information included on a W-2 form.
- practice reading a W-2 form.
- locate specific tax information on a W-2 form.

Doing the Activity

1. Begin the activity by asking teens

- What is a W-2 form?
- Who prepares the W-2 form?
- What information is on the W-2 form?

Acknowledge their answers. Using the *Getting Ready to File* information on pp. 14-16 of the *Background Information* in this leader's guide, review the form:

- A W-2 form is an IRS form.
- It is prepared by an employer for each employee who earns at least \$600 during a calendar year. (However, some employers send W-2 forms to all employees regardless of the amount earned.)
- It is a summary of the employee's wages earned and taxes

- withheld for the previous calendar year—January 1 to December 31.
- The form must be given to each employee by January 31 each year. It can be provided by hand, mail, email, or posted on the company website.
2. Display **Visual 6—Information on a W-2 Form** and explain what information is included on a completed W-2 form:
- Employee's Social Security number
 - Employer's identification number (EIN)
 - Employer's name and address
 - Employee's name and address
 - Wages, tips, and other compensation
 - Federal income tax withheld
3. Display **Visual 7—More Information on a W-2 Form**. Continue to explain the information included on the form:
- Social Security wages
 - Social Security tax withheld
 - Medicare wages and tips
 - Medicare tax withheld
 - Social Security tips
 - Allocated tips (tips shared among employees)
 - Any state and local wages, tips, and income taxes withheld
- Complete the explanation of the W-2 form:
- The employer sends the information on the W-2 form to the IRS, and to state tax agencies if state income taxes are collected.
 - The employee uses this information to complete their federal, state, and local tax returns.
 - The W-2 form is part of the employee's tax return.
 - If an employee does not receive a W-2 form, they need to request one from their employer as all W-2 forms are necessary to file a tax return and possibly receive a refund.
 - If an employee had multiple jobs, all W-2 form wages must be added together to determine if they earned enough money during the calendar year to require filing a tax return.

- If an employee earns less than \$600 from an employer in a calendar year, they may not receive a W-2 form. This amount may change from year to year, so it is important to check the IRS website.
- Be aware that even if an employee does not receive a W-2 form, because their income was below \$600, that income is reported to the IRS by the employer, so it needs to be included when filing a tax return.

Answer any questions about the W-2 form.

4. Divide the group into teams of two to four people. Give each team a copy of **Handout 3—Sample W-2 Forms**. Explain that teens will now have an opportunity to practice finding information on a W-2 form. Ask the teams to take a few minutes to look over the four W-2 forms in the handout.

Introduce the *W-2 Form Trivia Game*. Explain that you will be asking questions about the W-2 forms. The goal of the game is to win a point for being the first team to find the correct answer. Explain that they should raise a hand to indicate they have found the answer. The first team to state a correct answer earns 1 point. The team with the highest score at the end of the game wins.

5. Refer to **Handout 4—W-2 Form Trivia Questions and Answers** and begin the game by asking the first question. Award a point to the first team to raise a hand and state the correct answer. When all questions have been asked and answered correctly, tally the team scores and announce the winning team. If you decided to award a small prize to the winning team, present it.
6. Review the W-2 information just presented by asking teens
 - What taxes could be deducted from your paycheck? (Answers should include federal income tax, Social Security tax, Medicare tax, state income tax, local income tax.)
 - What do you think would happen if someone reported a different amount of wages, tips, or withholdings than what the W-2 form states?
7. Acknowledge their answers and remind teens

- Employers can provide W-2 forms to employees by hand, mail, or email, or by asking employees to go to a company website to download their W-2 form.
- Employers send copies of all W-2 forms to the federal and appropriate state governments. Governments use this information to verify the information that employees submit on their tax return.
- Even if an employee's income is below the minimum that requires an employer to send a W-2 form, the income is reported to the IRS.
- Since the government knows an employee's income, it is important to complete a tax return honestly and accurately.

Answer any questions.

8. Conclude this activity by acknowledging the importance of understanding the W-2 form and using the information to accurately complete a tax return.



Information on a W-2 Form

- Employee's Social Security number
- Employer's identification number
- Employer's name and address
- Wages, tips, other compensation
- Federal income tax withheld

a Employee's social security number	Safe, accurate, IRS e-file Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)	OMB No. 1545-0008 Form FAST! Use	1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code			
d Control number	9	10 Dependent care benefits	
e Employee's first name and initial	Last name	Suff.	11 Nonqualified plans
f Employee's address and ZIP code	12a See instructions for box 12		
15 State	Employee's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	
		19 Local income tax	
		20 Locality name	

W-2 Wage and Tax Statement
Form Copy B – To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.
20XX
 Department of the Treasury—Internal Revenue Service



More Information on a W-2 Form

- Social Security wages
- Social Security tax withheld
- Medicare wages and tips
- Medicare tax withheld
- Social Security tips
- Allocated tips (tip sharing)
- State and local wages, tips, and income taxes withheld

a Employee's social security number	OMB No. 1545-0003	Safe, accurate, IRS e-file FAST! Use	Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)	1 Wages, tips, other compensation	2 Federal income tax withheld			
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld			
d Control number	5 Medicare wages and tips	6 Medicare tax withheld			
e Employee's first name and initial	7 Social security tips	8 Allocated tips			
f Employee's address and ZIP code	9	10 Dependent care benefits			
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

W-2 Wage and Tax Statement
Form W-2 Wage and Tax Statement
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.
20XX
 Department of the Treasury—Internal Revenue Service

Handout 3

Sample W-2 Forms

Instructions

Use the information on these four sample W-2 forms to play the *W-2 Form Trivia Game*. When your team finds a correct answer, raise your hands. The team with the first correct answer wins a point. The team with the most points at the end of the game wins.

a Employee's social security number 222-00-5589	Safe, accurate, FAST! Use		Visit the IRS website at www.irs.gov/efile		
OMB No. 1545-0008					
b Employer identification number (EIN) 10-2315682	1 Wages, tips, other compensation \$33,255.00	2 Federal income tax withheld \$3,000.00			
c Employer's name, address, and ZIP code PLEASANT GARDEN HOME 7500 SHADY TREE LANE ANYTOWN, US 10123	3 Social security wages \$33,255.00	4 Social security tax withheld \$2,061.81			
	5 Medicare wages and tips \$33,255.00	6 Medicare tax withheld \$482.20			
d Control number 9	7 Social security tips	8 Allocated tips			
e Employee's first name and initial Last name BELINDA W. RUSSELL 5010 DAINTREE DRIVE ANYTOWN, US 10122	Suff. 11 Nonqualified plans	10 Dependent care benefits 12a See instructions for box 12			
	13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b 12c 12d			
f Employee's address and ZIP code	14 Other				
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

20XX

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.

continued on next page



a Employee's social security number 222-00-5453	Safe, accurate, FAST! Use Visit the IRS website at www.irs.gov/efile				
b Employer identification number (EIN) 10-5570912		1 Wages, tips, other compensation \$4,821.00	2 Federal income tax withheld \$47.00		
c Employer's name, address, and ZIP code ANYTOWN SAMARITAN EMERGENCY 5 CENTER CIRCLE ANYTOWN, US 10103		3 Social security wages \$4,821.00	4 Social security tax withheld \$298.90		
		5 Medicare wages and tips \$4,821.00	6 Medicare tax withheld \$69.90		
		7 Social security tips	8 Allocated tips		
d Control number MONICA L. LINDO 21 PECAN GROVE ANYTOWN, US 10103		9	10 Dependent care benefits		
		11 Nonqualified plans	12a See instructions for box 12 CODE		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b CODE		
		14 Other	12c CODE		
			12d CODE		
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax

Form **W-2** Wage and Tax Statement

20XX

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.

a Employee's social security number 222-00-2314	Safe, accurate, FAST! Use Visit the IRS website at www.irs.gov/efile				
b Employer identification number (EIN) 10-8763214		1 Wages, tips, other compensation \$10,535.00	2 Federal income tax withheld \$368.00		
c Employer's name, address, and ZIP code R AND R FARM 21 BEECH TREE FARM ANYTOWN, US 10111		3 Social security wages \$10,535.00	4 Social security tax withheld \$653.17		
		5 Medicare wages and tips \$10,535.00	6 Medicare tax withheld \$152.76		
		7 Social security tips	8 Allocated tips		
d Control number SETH W. WIGGINS 2611 NORTH ASH DRIVE ANYTOWN, US 10012		9	10 Dependent care benefits		
		11 Nonqualified plans	12a See instructions for box 12 CODE		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b CODE		
		14 Other	12c CODE		
			12d CODE		
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax

Form **W-2** Wage and Tax Statement

20XX

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.

continued on next page



a Employee's social security number 222-00-2222	Safe, accurate, FAST! Use Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 10-000003	1 Wages, tips, other compensation \$36,206.00	2 Federal income tax withheld \$4,452.00	
c Employer's name, address, and ZIP code JOB CENTER 30 ASH GROVE ANYTOWN, US 00100	3 Social security wages \$36,206.00	4 Social security tax withheld \$2,244.77	
	5 Medicare wages and tips \$36,206.00	6 Medicare tax withheld \$524.99	
	7 Social security tips	8 Allocated tips	
d Control number	9	10 Dependent care benefits	
e Employee's first name and initial TASHA R. MILLER 285 LINDEN AVENUE ANYTOWN, US 00100	Suff.	11 Nonqualified plans	12a See instructions for box 12
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
		14 Other	12c
			12d
f Employee's address and ZIP code			
15 State Employer's state ID number US 20-0000000	16 State wages, tips, etc. \$36,206.00	17 State income tax \$2,480.12	18 Local wages, tips, etc.
			19 Local income tax
			20 Locality name

Form **W-2 Wage and Tax Statement**

20XX

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.

Handout 4 (for leader only)**W-2 Form Trivia Game Questions and Answers****Instructions for leader**

Divide the group into teams of two to four teens. Distribute **Handout 3—Sample W-2 Forms** to each team. Each team should receive all four W-2 forms in **Handout 3**. Give the teams a few minutes to review the W-2 forms.

Explain that the group will be playing a game. As the leader, you will call out a question that can be answered by looking at the information in **Handout 3—Sample W-2 Forms**. When team members find the correct answer, they raise their hands.

Ask the first question and allow the teams to find the correct answer. Award a point to the first team with the correct answer. Repeat with the remaining questions. Keep a tally of the points earned for each team. At the end of the game announce the winner. If you decided to award a small prize to the winning team, present it.

1. How much Medicare tax was withheld from Monica L. Lindo's pay in 20XX? **\$69.90**
2. Who made \$33,255.00 in 20XX? **Belinda W. Russell**
3. What company did Seth W. Wiggin's work for in 20XX? **R and R Farm**
4. Whose Social Security number is 222-00-5463? **Monica L. Lindo**
5. What was Tasha R. Miller's state income tax in 20XX? **\$2,480.12**
6. How much Social Security tax was withheld from Seth W. Wiggin's pay in 20XX? **\$653.17**
7. Who worked for Anytown Samaritan Emergency in 20XX? **Monica L. Lindo**
8. What is Belinda W. Russell's address? **5010 Daintree Drive, Anytown, US 10122**
9. How much money did Tasha R. Miller make in 20XX? **\$36,206.00**
10. What is the Employer's identification number (EIN) for R and R Farms? **10-8763214**
11. Who had local income tax withheld from their pay? **No one**
12. Who had \$4,452.00 withheld from their 20XX pay for federal income taxes? **Tasha R. Miller**
13. What is the Employer's identification number (EIN) for Pleasant Garden Home? **10-2315682**
14. Who paid the least amount of federal income tax in 20XX? **Monica L. Lindo (\$47)**
15. What were Seth W. Wiggin's Social Security wages in 20XX? **\$10,535.00**
16. What is Belinda W. Russell's Social Security number? **222-00-5589**

Adapted from: IRS online educational tool *Understanding Taxes*,
<https://apps.irs.gov/app/understandingTaxes/>.

Supplies Needed

- Visual 8—*W-2 Form Review*
- Visual 9—*1099-INT Form*
- Visual 10—*1040 Form*
- Visual 11—*Schedule C*
- Equipment to display visuals
- Handout 5—*Completing a Federal Tax Return Case Study*
- Handout 6—*Completing a Federal Tax Return Case Study Answers*

Getting Ready Checklist

- Read through the entire activity before presenting it.
- Set up equipment to display visuals.
- Visual 8—*W-2 Form Review*
- Visual 9—*1099-INT Form*
- Visual 10—*1040 Form*
- Visual 11—*Schedule C*
- Handout 5—*Completing a Federal Tax Return Case Study*—copy one per teen
- Handout 6—*Completing a Federal Tax Return Case Study Answers*—copy one per teen

Activity Four

Completing a Federal Tax Return

Estimated Activity Time: 45- to 60-minute session (If the activity takes longer than expected, it can be divided into two sessions of 45 minutes each.)

In this activity, teens expand their knowledge of federal tax forms by discussing the 1099-INT form, 1040 form, and Schedule C. They also review the W-2 form. With their new knowledge, they use a case study and samples of the 1040 form, W-2 form, and 1099-INT form to complete a federal tax return.

LEARNING OBJECTIVES

Teens will ...

- review the W-2 form and determine how to use it when filing a federal tax return.
- recall why it is important for taxpayers to use their full name as listed on their Social Security card when completing tax forms.
- discuss the 1099-INT form, 1040 form, and Schedule C to determine how to use them when filing a federal tax return.
- apply their knowledge of federal taxes by completing a federal tax return.

Doing the Activity

1. Begin the activity by asking teens
 - What do you recall about the W-2 form?Acknowledge their answers.
Display **Visual 8—W-2 Form Review**. Using the *Getting Ready to File* information on pp. 14-16 of the *Background Information* in this leader's guide, remind teens
 - Employers complete the W-2 form to indicate how much

- money an employee earned and how much money was withheld from the employee's paycheck for taxes.
- The earnings and taxes paid are listed on the W-2 form for the previous calendar year—January 1 to December 31.
 - Employers are required to provide a W-2 form to employees
 - by January 31 of the following year.
 - if they earned at least \$600.
 - Employees use their W-2 form(s) to complete their tax return.
 - An employee with multiple W-2s must add together the wages from all their W-2 forms to determine if they earned enough to be required to file a tax return.
 - The IRS also receives this information and compares it to what taxpayers list on their tax return.
2. Display **Visual 9—1099-INT Form**. Using the *1099-INT Form—Interest Income* information on p. 11 of the *Background Information* in this leader's guide, explain that this form may also be needed to complete a tax return:
- The 1099-INT form lists the amount of interest income someone received on financial accounts.
 - Banks, credit unions, and other financial institutions complete this form for account holders.
 - The interest income is for a calendar year—January 1 to December 31.
 - Financial institutions are required to provide a yearly 1099-INT form to account holders earning \$10 or more in interest for the calendar year.
 - Financial institutions are required to provide the 1099-INT form by January 31 each year.
 - Account holders use the 1099-INT form to complete their tax return.
 - The IRS also receives this information and compares it to what taxpayers list on their tax return.
3. Display **Visual 10—1040 Form** and ask
- Has anyone completed a 1040 form?
 - How challenging was it to complete the form?

Using the *1040 Form—U.S. Individual Income Tax Return*

information on p. 11 of the *Background Information* in this leader's guide, review the 1040 form. Include these points:

- Used by most taxpayers to submit their tax return to the IRS.
- Should include the employee's full name as listed on their Social Security card to prevent problems when filing their tax return.
- Lists yearly income—wages, interest, other income.
- Lists the following federal taxes withheld:
 - income tax
 - Social Security tax
 - Medicare tax
- Lists deductions.
- Calculates adjusted gross income (AGI).
- Calculates additional taxes owed or refund.
- Must be signed and dated.
- Is due around April 15 each year.
- May be completed online and submitted electronically.
- May not need to be completed by employees who do not earn enough money to file a tax return.
- Must be filed to get a refund of taxes paid.

Acknowledge that was a lot of information about the 1040 form. Answer any questions teens have about the 1040 form.

4. Begin discussion of the Schedule C:

- How many of you work for yourselves?
- If you work for yourself, what federal tax form would you need to complete?

Acknowledge their answers.

Display **Visual 11—Schedule C**. Using the *Schedule C—Profit or Loss from Business* information on p. 12 of the *Background Information* in this leader's guide, review the Schedule C form. Include these points:

- Used to report self-employment income, such as income from repairing computers for others.
- Requires that income and itemized expenses be listed. Examples of itemized expenses include

- tools and equipment—items used in the business
- travel costs—such as taking paid transportation to meet a client
- office supplies—such as designing and printing business cards
- advertising—such as the cost of paid internet ads
- Is submitted along with the 1040 form.
- Should include the employee's full name, as listed on their Social Security card, to prevent problems arising with their tax return.

Acknowledge that you just covered a lot of information about tax forms. Ask teens if there are any questions.

5. Distribute one copy to each teen of **Handout 5—Completing a Federal Tax Return Case Study**. Explain that practice using tax forms will make it easier to complete their tax return when it comes time for them to submit one. They will now have an opportunity to complete a 1040 form using a case study.

Review the instructions. Tell teens

- You will work individually to file a tax return for Haley Cruz.
- Haley's personal information is on the first page of the handout.
- Haley's W-2 form and 1099-INT form are on second page of the handout.
- Using the information and the forms, complete the blank 1040 form on the last two pages of the handout.

After teens have completed the case study, ask

- How challenging was it to complete Haley's 1040 form?
- How well do you think you did in completing it?

Acknowledge their answers.

6. Distribute one copy to each teen of **Handout 6—Completing a Federal Tax Return Case Answers**. Review the correct answers and answer any questions. Then ask
 - Now that you have seen the answers, how challenging will it be to complete your own tax return in the future?

- What other information would help you complete your own tax return accurately?
- Where could you get additional information to help you complete your tax return?

Acknowledge their answers. Remind them that depending on where they live, they may also need to complete state and local tax returns.

7. Review how teens can submit their tax return. Using the *Filing a Tax Return* information on pp. 16-19 of the *Background Information* in this leader's guide, include the following points:
 - The IRS Free File computer program can be helpful in completing both a federal and state return.
 - The software will decide for you the tax forms you need to use and calculate the numbers, so you can avoid making math errors.
 - The tax return can be submitted online.
 - Most taxpayers submit their tax return online as it is easy to do, doesn't require paying postage, and any refund will be received sooner.
 - An Identity Protection PIN is set up when submitting taxes online.
 - It is important to keep the Identity Protection PIN because you need it every year when filing federal taxes.
 - Be sure to keep a copy of each year's tax return, as some of the information may be needed to complete future tax returns.
8. Conclude the activity by indicating that there is a lot of information to learn to accurately complete tax forms. Their practice completing them will help them when they complete their own tax forms. Remind teens
 - Always use your full name, as listed on your Social Security card, when completing tax forms. Do not use nicknames or other names.
 - It is okay to ask others with experience in completing tax forms for guidance when you need to submit your own tax return.

W-2 Form Review

- Employers complete.
- You receive it by January 31.
- You must have earned \$600 to receive form.
- Lists your wages and withholdings for previous year.
- Use to complete your tax return.
- Also sent to IRS.

A photograph of a W-2 tax form from 20XX. The form is a white document with black text and several boxes for filling in information. It includes sections for employee details, employer details, and various tax withholdings and credits. The year '20XX' is printed at the bottom right of the form.



moneytalks.ucanr.edu

1099-INT Form

- Completed by financial institutions.
- Given to account holders by January 31.
- Lists interest income for previous year.
- You must earn \$10+ in interest to receive form.
- Use to complete your tax return.
- Also sent to IRS.

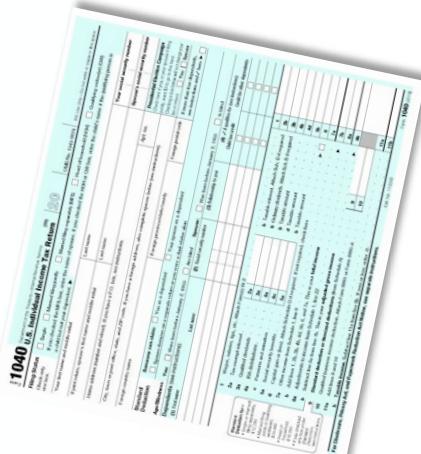
[Leave blank if not applicable]		CORRECTED (if checked)	
Name of bank, city or town, state or province, country, ZIP or postage paid code, and telephone no.		Form No. 1099-INT	
		1 Microcheck indicator	2 @ XX
		\$	Form 1099-INT
		2. Any withholding penalty	
		Copy B	
		For Recipient	
		Interest	
		Income	
		1099-INT	
NAME OF INT		RECEIVED IN INT	
TELEGRAPHIC ADDRESS		3 Interest and 15 Savings Bonds and Trusts, dividends	
STATE OR PROVINCE		4 Interest in stocks, bonds held 5 Dividends received	
CITY OR TOWN, STATE OR PROVINCE, COUNTRY, AND ZIP OR POSTAGE PAID CODE		6 Interest in mutual funds 7 Interest in U.S. government	
SPECIAL ADDRESS (including apt. no.)		8 Interest in trust fund 9 Special for savings bond	
		10 Market value of interest 11 Bond premium	
		12 Business or money market 13 Brokerage at the end of year	
Account number (see reverse)		14 Tax-exempt bond tax exempt 15 State 16 State or territorial 17 Sales tax withheld	
		\$ _____ \$ _____ \$ _____	
Form 1099-INT		(Keep for your records) www.irs.gov/Form1099INT Department of the Treasury - Internal Revenue Service	

Visual 9



moneytalks.ucanr.edu

1040 Form



- Use to submit personal tax return.
- Use to calculate taxes owed or refund due.
- Include your full name as listed on Social Security card.
- Due around April 15 each year.
- May be completed online and submitted electronically.



moneytalks.ucanr.edu

Schedule C

A photograph of a Schedule C tax form. The form is titled "Profit or Loss from Business" and includes sections for business name, address, Social Security number, and various expense categories. It is filled with handwritten numbers and has several checkboxes checked.

- Use to report self-employment income.
- Include full name as listed on Social Security card.
- Requires income and itemized expenses to be listed.
- Submit with 1040 form.



Handout 5

Completing a Federal Tax Return Case Study

Haley Cruz is a 19-year-old single teen who attends trade school part-time. It's February 15 and Haley knows she needs to file her tax return. She worked in retail sales, for The Craft Store, all last year. She worked 10 hours a week at \$10.50/hour. She was paid every 2 weeks, and her earnings were \$210 each pay period. Haley's employer deducted tax withholdings for federal and state taxes, along with Social Security tax and Medicare tax. After the deductions, Haley's take-home pay was \$191.32 each paycheck.

At the end of January, her employer sent her a W-2 form showing her wages and tax withholdings. Since Haley is saving for a graduation trip she puts money into savings each time she gets paid. So she also received a 1099-INT form from her financial institution, showing the interest she earned on her savings account. Haley's Social Security number is 12345XXXX. She is claimed as a dependent by her parent.

She thinks she may get a tax refund, which is why she is filing a tax return. She wants the IRS to put the refund into her savings account at My Bank. The routing number is 66677XXXX.

Complete Haley's 1040 form using

- her name as listed on the first page of the 1040 form
- today's date
- her occupation
- her phone number, 216-743-xxx
- her email, haley@thecruzfamily.net
- her Identity Protection Pin, 171819

Haley will use e-file to submit her tax return.

Instructions

Use the following information about Haley Cruz and her W-2 and 1099-INT forms to complete her 1040 form.

a Employee's social security number 123-45-XXXX	Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile				
OMB No. 1545-0008		1 Wages, tips, other compensation \$5,720.00	2 Federal income tax withheld \$54.60		
b Employer identification number (EIN) 99-888XXXX	3 Social security wages \$5,720.00	4 Social security tax withheld \$338.52			
c Employer's name, address, and ZIP code THE CRAFT STORE 100 BROADWAY AVE MYTOWN, CA 95000	5 Medicare wages and tips \$5,720.00	6 Medicare tax withheld \$79.30			
d Control number	7 Social security tips	8 Allocated tips			
e Employee's first name and initial HALEY N. CRUZ 999 MAIN ST MYTOWN, CA 95000	Suff.	9	10 Dependent care benefits		
		11 Nonqualified plans	12a See instructions for box 12		
		13 Statutory employee <input type="checkbox"/>	12b Retirement plan <input type="checkbox"/>		
		14 Other	12c Third-party sick pay <input type="checkbox"/>		
			12d <input type="checkbox"/>		
f Employee's address and ZIP code					
15 State Employer's state ID number CA 444-XXXX	16 State wages, tips, etc. \$5,720.00	17 State income tax \$13.26	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

W-2 Wage and Tax Statement

20XX

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.

<input type="checkbox"/> CORRECTED (if checked)					
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)		OMB No. 1545-0112	
MY BANK PO BOX 101 MYTOWN, CA 95000				20XX	
				Form 1099-INT	
PAYER'S TIN 98-0765XXXX		RECIPIENT'S TIN 123-45-XXXX		Interest Income	
				Copy B	
RECIPIENT'S name HALEY NICHOLLE CRUZ		1 Interest income \$ 10.00		For Recipient	
Street address (including apt. no.) 999 MAIN ST		2 Early withdrawal penalty \$			
City or town, state or province, country, and ZIP or foreign postal code MYTOWN, CA 95000		3 Interest on U.S. Savings Bonds and Treas. obligations \$			
		4 Federal income tax withheld \$		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
		6 Foreign tax paid \$			
		8 Tax-exempt interest \$			
		10 Market discount \$			
		12 Bond premium on Treasury obligations \$			
Account number (see instructions) 00567XXXX		14 Tax-exempt and tax credit bond CUSIP no.		15 State CA 16 State identification no. \$	
				17 State tax withheld \$	

Form 1099-INT

(keep for your records)

www.irs.gov/Form1099INT

Department of the Treasury - Internal Revenue Service

Form 1040

Department of the Treasury—Internal Revenue Service

(99)

20XX

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status
 Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)

 Check only
one box.

If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ►

Your first name and middle initial	Last name		Your social security number			
If joint return, spouse's first name and middle initial	Last name		Spouse's social security number			
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	Presidential Election Campaign		
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).					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.	
Foreign country name	Foreign province/state/county	Foreign postal code	If more than four dependents, see instructions and ✓ here ►			
Standard Deduction	Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien					
Age/Blindness	You: <input type="checkbox"/> Were born before January 2, 1955 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1955 <input type="checkbox"/> Is blind					
Dependents (see instructions): (1) First name Last name		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit Credit for other dependents		
				<input type="checkbox"/>	<input type="checkbox"/>	
				<input type="checkbox"/>	<input type="checkbox"/>	
				<input type="checkbox"/>	<input type="checkbox"/>	
				<input type="checkbox"/>	<input type="checkbox"/>	
				<input type="checkbox"/>	<input type="checkbox"/>	
Standard Deduction for—						
• Single or Married filing separately, \$12,200						
• Married filing jointly or Qualifying widow(er), \$24,400						
• Head of household, \$18,350						
• If you checked any box under Standard Deduction , see instructions.						
1	Wages, salaries, tips, etc. Attach Form(s) W-2					1
2a	Tax-exempt interest					2b
3a	Qualified dividends					3b
4a	IRA distributions					4b
c	Pensions and annuities					4d
5a	Social security benefits					5b
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here ►					6
7a	Other income from Schedule 1, line 9					7a
b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income					7b
8a	Adjustments to income from Schedule 1, line 22					8a
b	Subtract line 8a from line 7b. This is your adjusted gross income					8b
9	Standard deduction or itemized deductions (from Schedule A)					9
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A					10
11a	Add lines 9 and 10					11a
b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-					11b

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040

continued on next page

12a	Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	12a		12b	
b Add Schedule 2, line 3, and line 12a and enter the total ►					
13a	Child tax credit or credit for other dependents	13a		13b	
b Add Schedule 3, line 7, and line 13a and enter the total ►					
14	Subtract line 13b from line 12b. If zero or less, enter -0-			14	
15	Other taxes, including self-employment tax, from Schedule 2, line 10			15	
16	Add lines 14 and 15. This is your total tax			16	
17	Federal income tax withheld from Forms W-2 and 1099			17	
18	Other payments and refundable credits:				
a	Earned income credit (EIC)	18a			
b	Additional child tax credit. Attach Schedule 8812	18b			
c	American opportunity credit from Form 8863, line 8	18c			
d	Schedule 3, line 14	18d			
e	Add lines 18a through 18d. These are your total other payments and refundable credits			18e	
19	Add lines 17 and 18e. These are your total payments			19	
Refund	20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid			20	
Direct deposit? See instructions.	21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here ► <input type="checkbox"/>			21a	
	► b Routing number [REDACTED] ► c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings				
	► d Account number [REDACTED]				
Amount You Owe	22 Amount of line 20 you want applied to your 2020 estimated tax	22			
Third Party Designee (Other than paid preparer)	23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions			23	
	24 Estimated tax penalty (see instructions)	24			
Sign Here	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No				
Joint return? See instructions. Keep a copy for your records.	Designee's name ►	Phone no. ►	Personal identification number (PIN) ►		
	Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) [REDACTED]	
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) [REDACTED]	
Paid Preparer Use Only	Phone no.	Email address			
	Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
	Firm's name ►		Phone no.		
	Firm's address ►			Firm's EIN ►	

Go to www.irs.gov/Form1040 for instructions and the latest information.Form **1040**

Handout 6

Completing a Federal Tax Return Case Study Answers

Instructions

Here is Haley's completed 1040 form with the answers highlighted. Compare it to your completed 1040 form.

Form 1040		Department of the Treasury—Internal Revenue Service (99)	20XX	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.																																																												
Filing Status <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying widow(er) (QW) Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ►																																																																	
Your first name and middle initial Haley N.		Last name Cruz		Your social security number 123 45 XXXX																																																													
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number																																																													
Home address (number and street). If you have a P.O. box, see instructions. 999 MAIN STREET			Apt. no.		Presidential Election Campaign																																																												
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). MYTOWN, CA 95000					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																																																													
Standard Deduction Someone can claim: <input checked="" type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien																																																																	
Age/Blindness You: <input type="checkbox"/> Were born before January 2, 1955 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1955 <input type="checkbox"/> Is blind																																																																	
Dependents (see instructions): (1) First name _____ Last name _____		(2) Social security number _____		(3) Relationship to you _____																																																													
				(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit _____ Credit for other dependents _____																																																													
<table border="1"> <tr> <td>1</td> <td>Wages, salaries, tips, etc. Attach Form(s) W-2</td> <td>1</td> <td>5720</td> </tr> <tr> <td>2a</td> <td>Tax-exempt interest</td> <td>2a</td> <td>10</td> </tr> <tr> <td>3a</td> <td>Qualified dividends</td> <td>3a</td> <td></td> </tr> <tr> <td>4a</td> <td>IRA distributions</td> <td>4a</td> <td></td> </tr> <tr> <td>c</td> <td>Pensions and annuities</td> <td>4c</td> <td></td> </tr> <tr> <td>5a</td> <td>Social security benefits</td> <td>5a</td> <td></td> </tr> <tr> <td>6</td> <td>Capital gain or (loss). Attach Schedule D if required. If not required, check here</td> <td>6</td> <td></td> </tr> <tr> <td>7a</td> <td>Other income from Schedule 1, line 9</td> <td>7a</td> <td>5730</td> </tr> <tr> <td>b</td> <td>Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income</td> <td>7b</td> <td></td> </tr> <tr> <td>8a</td> <td>Adjustments to income from Schedule 1, line 22</td> <td>8a</td> <td></td> </tr> <tr> <td>b</td> <td>Subtract line 8a from line 7b. This is your adjusted gross income</td> <td>8b</td> <td>5730</td> </tr> <tr> <td>9</td> <td>Standard deduction or itemized deductions (from Schedule A)</td> <td>9</td> <td></td> </tr> <tr> <td>10</td> <td>Qualified business income deduction. Attach Form 8995 or Form 8995-A</td> <td>10</td> <td></td> </tr> <tr> <td>11a</td> <td>Add lines 9 and 10</td> <td>11a</td> <td></td> </tr> <tr> <td>b</td> <td>Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-</td> <td>11b</td> <td>5730</td> </tr> </table>						1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	5720	2a	Tax-exempt interest	2a	10	3a	Qualified dividends	3a		4a	IRA distributions	4a		c	Pensions and annuities	4c		5a	Social security benefits	5a		6	Capital gain or (loss). Attach Schedule D if required. If not required, check here	6		7a	Other income from Schedule 1, line 9	7a	5730	b	Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income	7b		8a	Adjustments to income from Schedule 1, line 22	8a		b	Subtract line 8a from line 7b. This is your adjusted gross income	8b	5730	9	Standard deduction or itemized deductions (from Schedule A)	9		10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10		11a	Add lines 9 and 10	11a		b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	11b	5730
1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	5720																																																														
2a	Tax-exempt interest	2a	10																																																														
3a	Qualified dividends	3a																																																															
4a	IRA distributions	4a																																																															
c	Pensions and annuities	4c																																																															
5a	Social security benefits	5a																																																															
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here	6																																																															
7a	Other income from Schedule 1, line 9	7a	5730																																																														
b	Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income	7b																																																															
8a	Adjustments to income from Schedule 1, line 22	8a																																																															
b	Subtract line 8a from line 7b. This is your adjusted gross income	8b	5730																																																														
9	Standard deduction or itemized deductions (from Schedule A)	9																																																															
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10																																																															
11a	Add lines 9 and 10	11a																																																															
b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	11b	5730																																																														
Standard Deduction for— • Single or Married filing separately, \$12,200 • Married filing jointly or Qualifying widow(er), \$24,400 • Head of household, \$18,350 • If you checked any box under Standard Deduction , see instructions.																																																																	
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040																																																																	

continued on next page

12a Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____		12a	12b	
b Add Schedule 2, line 3, and line 12a and enter the total				
13a Child tax credit or credit for other dependents		13a	13b	
b Add Schedule 3, line 7, and line 13a and enter the total				
14 Subtract line 13b from line 12b. If zero or less, enter -0-			14	
15 Other taxes, including self-employment tax, from Schedule 2, line 10			15	
16 Add lines 14 and 15. This is your total tax			16 0	
17 Federal income tax withheld from Forms W-2 and 1099			17 55	
18 Other payments and refundable credits:				
a Earned income credit (EIC)		18a		
b Additional child tax credit. Attach Schedule 8812		18b		
c American opportunity credit from Form 8863, line 8		18c		
d Schedule 3, line 14		18d		
e Add lines 18a through 18d. These are your total other payments and refundable credits			18e	
19 Add lines 17 and 18e. These are your total payments			19 55	
Refund		20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid	20 55	
21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here			21a 55	
► b Routing number 6 6 6 7 7 X X X X ► c Type: <input type="checkbox"/> Checking <input checked="" type="checkbox"/> Savings				
► d Account number 0 0 5 6 7 X X X X				
22 Amount of line 20 you want applied to your 2020 estimated tax		22		
Amount You Owe		23 Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions	23	
24 Estimated tax penalty (see instructions)		24		
Third Party Designee <small>(Other than paid preparer)</small>		Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. <input type="checkbox"/> Yes. Complete below. <input checked="" type="checkbox"/> No		
Designee's name ►		Phone no. ►	Personal identification number (PIN) ►	
Sign Here		Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Joint return? See instructions. Keep a copy for your records.		Your signature Date Your occupation RETAIL SALES If the IRS sent you an Identity Protection PIN, enter it here (see inst.) 1 7 1 8 1 9		
Spouse's signature. If a joint return, both must sign.		Date Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)	
Phone no. 216-743-XXXX		Email address haley@thecruzfamily.net		
Preparer's name		Preparer's signature	Date PTIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's name ►		Phone no.		Firm's EIN ►
Firm's address ►				

Go to www.irs.gov/Form1040 for instructions and the latest information.Form **1040**

Activity Five

Tax and Employment Forms Mingle

Estimated Activity Time: 45- to 60-minute session

In this activity, teens define and review a variety of tax and employment forms. Using an interactive, musical activity, teens share their knowledge of these forms with other teens. Teens conclude the activity by individually assessing their tax and employment forms knowledge by completing the *Match the Form Challenge*.

LEARNING OBJECTIVES

Teens will ...

- review six tax and employment forms.
- discuss the importance of understanding tax and employment forms.
- recall why it is important for employees to use their full name, as listed on their Social Security card, when completing employment and tax forms.

Doing the Activity

1. Begin the activity by asking teens
 - Which federal tax and employment forms can you recall?
 - What is the purpose of each form?Acknowledge their answers.
2. Display **Visual 12—Tax and Employment Forms**. Using the *When Starting a New Job* information on pp. 4-7, the *Federal Tax Return* information on pp. 10-12, and the *Getting Ready to File* information on pp. 14-16 of the *Background Information* in this leader's guide, review the following six federal forms:

Supplies Needed

- Music teens will enjoy (not supplied)
- Audio equipment with speakers to play music
- Visual 12—*Tax and Employment Forms*
- Equipment to display visual
- *Tackling Taxes* teen guide
- Handout 7—*Tax and Employment Forms Mingle Cards*

Getting Ready Checklist

- Read through the entire activity before presenting it.
- Set up audio equipment to play music.
- Visual 12—*Tax and Employment Forms*
- Set up equipment to project visual.
- *Tackling Taxes* teen guide—one copy per teen
- Handout 7—*Tax and Employment Forms Mingle Cards*—copy single-sided enough for each teen to have one card; fold and cut as indicated; if there are more than six teens in the group, repeat the cards as needed.
- Have music cued to play when needed.

I-9: Employment Verification Form

- Used to determine if a new employee is eligible to work in the United States.
- Must be completed within the first 3 days of starting a job.
- Requires proof of legal residency in the United States.
- Requires proof of identity such as a U.S. passport.
- If someone does not have a U.S. passport, they can show their Social Security card or U.S. birth certificate along with a picture ID such as a driver's license, state ID card, or school ID card.
- Non-U.S. citizens must show proof of identity and legal residence in the United States.

W-4 Form

- Employees complete this required tax form when starting a new job.
- Employer uses the information on the form to determine how much to withhold from an employee's paycheck and send to the IRS for their taxes.
- Important that full name, Social Security number, and address are entered correctly. Do not use nicknames.

W-2 Form

- Employers complete this form to report an employee's wages and how much money was withheld for taxes.
- The reported amounts are for a calendar year—January 1 to December 31.
- Employers are required to provide the form to employees by January 31 of the following year.
- Employers need to provide the form only to employees who earned more than a minimum amount in the previous year. The minimum amount was \$600 for 2019, but it can change each year.
- Employees use this form to complete their tax return and submit it with their tax return.
- The IRS also receives this information and compares it to what taxpayers list on their tax return.

1040 Form

- The form most people use to calculate their taxes and submit their tax return to the IRS.
- Used to list wages and other income, taxes already paid, and any allowable deductions for the previous year.

Schedule C

- The form used to report self-employment income and expenses to the IRS.
- Example of self-employment income—money received from repairing computers for others.
- Submitted with the 1040 form when filing a tax return.

1099-INT Form

- A form that a financial institution sends to an account holder.
- Lists the amount of interest income received on money in an account at a financial institution for the calendar year—January 1 to December 31.
- Must be provided to account holders yearly by January 31.
- Information on this form is used by the taxpayer to complete the 1040 form.
- The IRS also receives this information and compares it to what taxpayers list on their tax return.

3. Distribute the *Tax and Employment Forms Mingle Cards*.

- Give each teen one card.
- Ask teens to take a minute to read and familiarize themselves with the name of the form listed on the front of their card and the definition on the back.
- Ask teens to stand up and help make space in the room to mingle (if needed).
- Explain that while you are playing the music they can mingle around the room.
- When you stop the music, each teen finds the teen closest to them and they share with each other the form names and definitions that are listed on their cards.
- When you resume playing the music, teens mingle again. When you stop the music, teens again share with the closest teen. The process will repeat as time allows.

4. After the class comes back together, lead a discussion about the importance of knowing and understanding these tax and employment forms:
 - Why is it important to know and understand these forms?
 - How will knowing these tax and employment forms help you complete your taxes?
 - If you want more information about these forms, where could you find it?

Summarize the activity by stating that knowing and understanding tax and employment forms will increase their confidence and ability to fill out tax and employment forms correctly.

5. Distribute a copy of the *Tackling Taxes* teen guide to each teen. Explain that teens will now individually complete a challenge that will help them assess how well they understand the tax and employment forms that were discussed. Ask them to complete the *Match the Form Challenge* on p. 11.
6. When all teens have completed the challenge, review the answers on the last page of the teen guide. Ask
 - What forms were the easiest for you to define? Why were those easy for you?
 - What forms were the most challenging? What could you do to help you remember the more challenging forms?

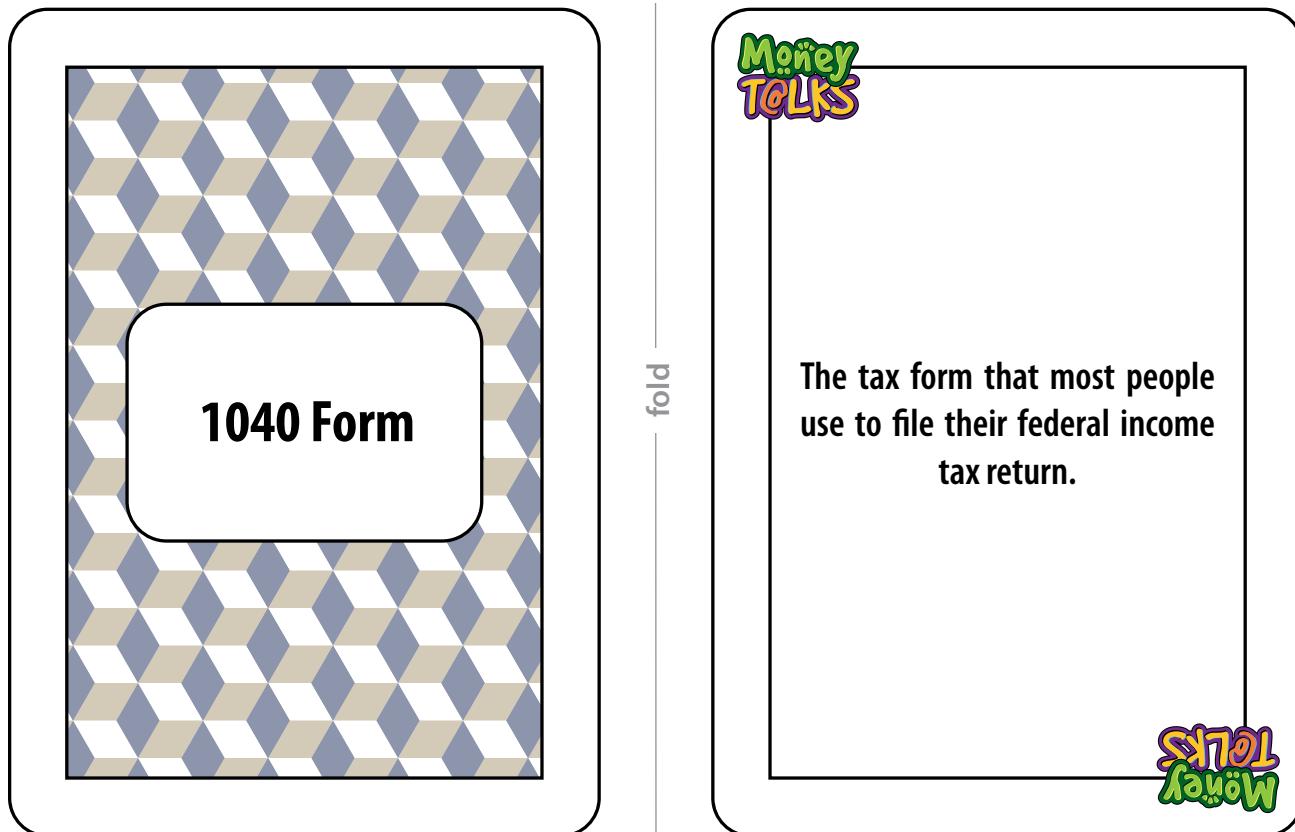
Answer any questions teens have about the challenge activity and tax and employment forms.

7. Conclude the activity with these reminders:
 - There are many tax and employment forms they will want to become familiar with when working and filing taxes.
 - Knowing how to complete these forms can be helpful when applying for future jobs and filing their tax returns.
 - It's important to always use their complete name, as written on their Social Security card, and not to use a nickname or other name they go by.

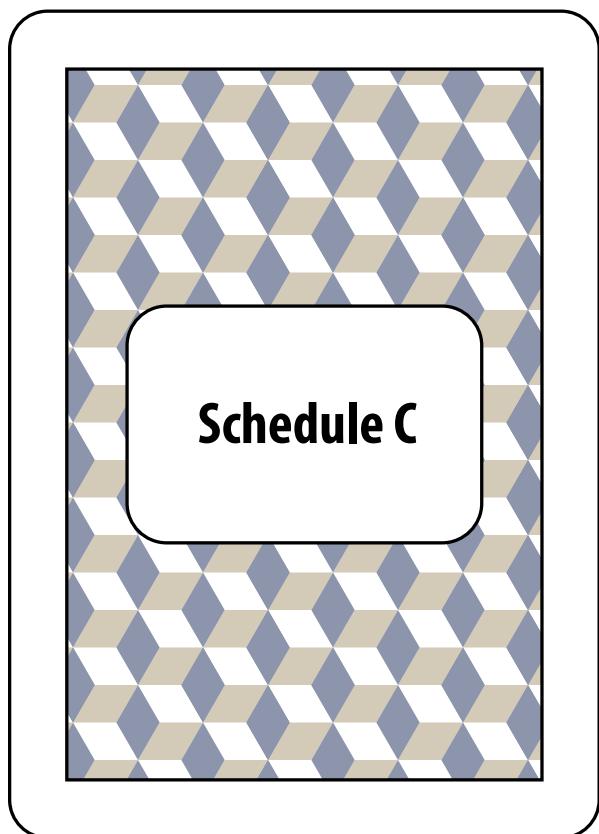
Tax & Employment Forms

- I-9 form
 - W-4 form
 - W-2 form
 - 1040 form
 - Schedule C
 - 1099-INT form
-

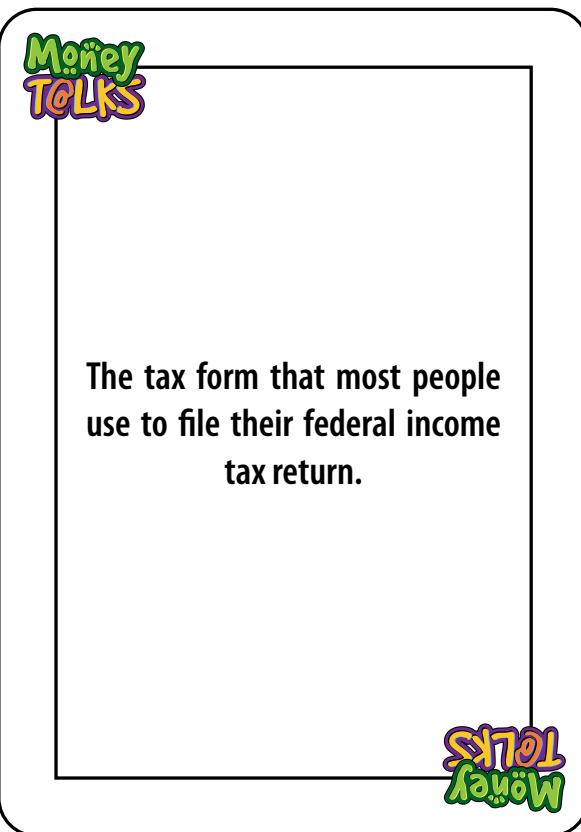
Handout 7: Tax and Employment Forms Mingle Cards



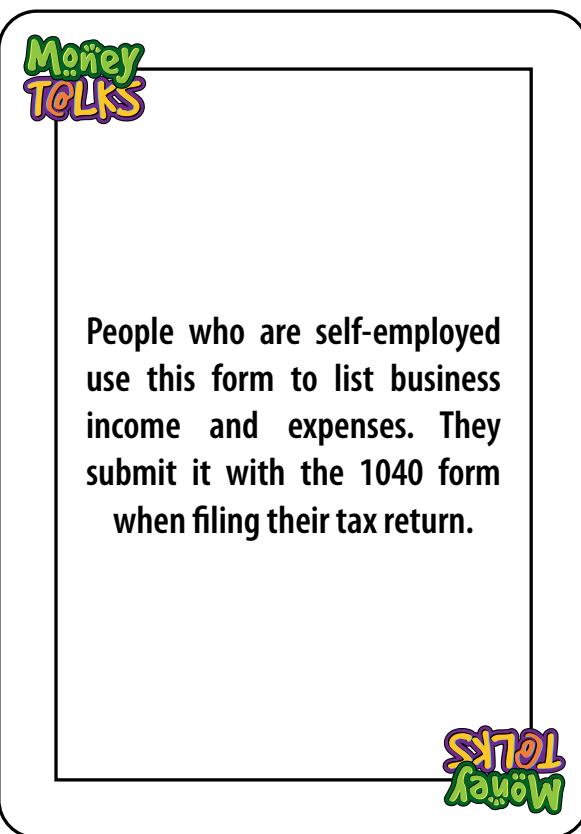
cut



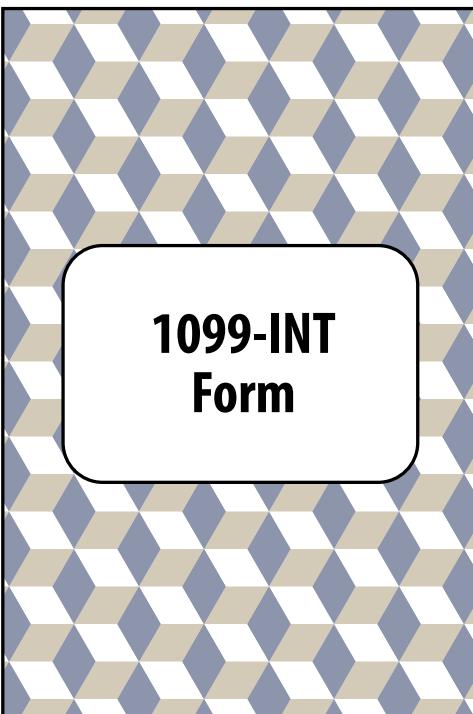
fold



cut



continued on next page



1099-INT Form



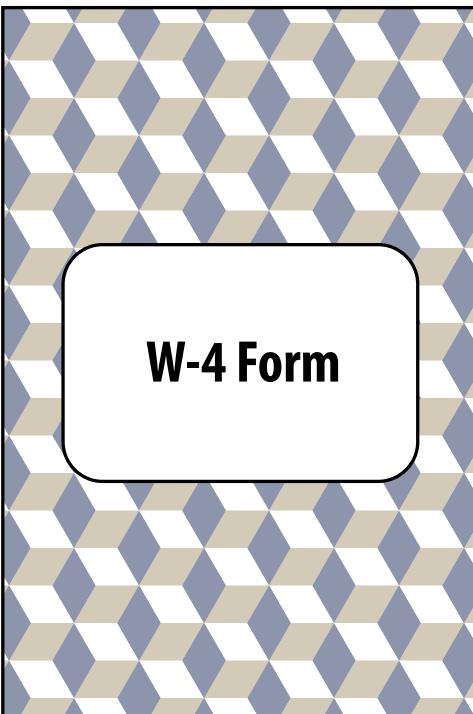
fold

Financial institutions send this form annually to tell account holders how much interest income they received on their account(s) so they can report it on their tax return. The IRS also receives this information.



cut

cut



W-4 Form

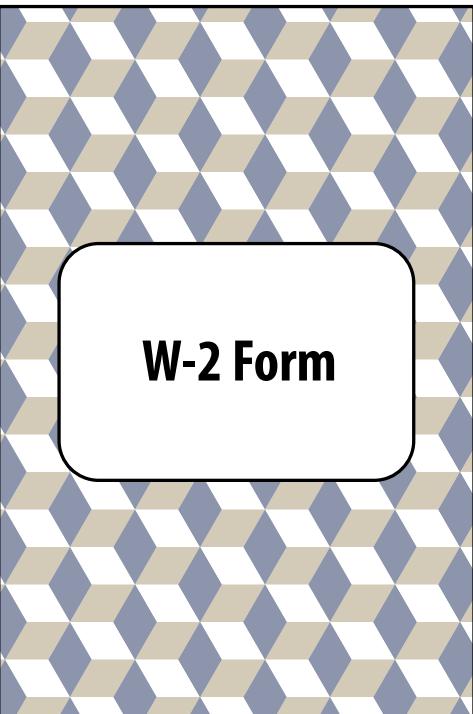


fold

New employees complete this form so their employer knows how much to withhold from their paycheck for federal taxes.



continued on next page



W-2 Form

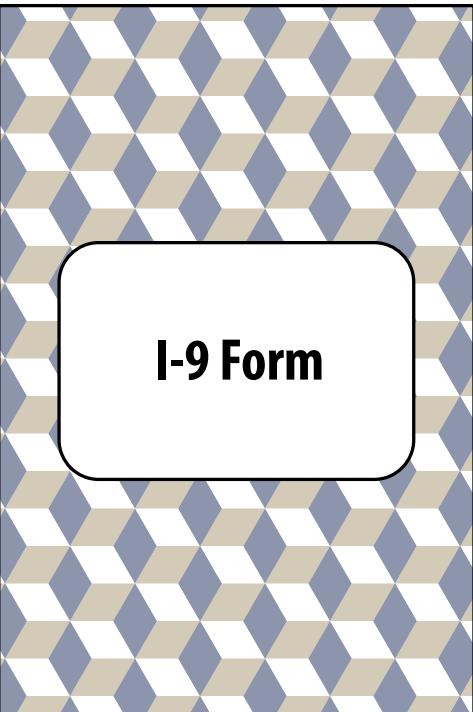
fold



This form tells an employee how much they earned and how much they paid in taxes for the previous year so they can report it on their tax return. The employer provides this form by January 31. The IRS also receives this information.



cut



I-9 Form

fold



Known as the Employment Verification Form, this form is completed by new employees to show they are eligible to work in the United States. They must verify their identity and legal residence in the United States.

