

# Skills for Everyday Living

## Unit Preview

Unit 4 is about skills for independent living. You will learn how to read your paycheck and how to pay taxes to the government. You will learn how to handle your money so that you can buy what you need. You will learn the basics of computer hardware and software. Then you will think about and learn how to plan for an independent future.







## Reading Preview

These are the topics in this unit. What do you know about them now?

### Chapter 13

#### Your Paycheck and Your Taxes

- Understanding Your Paycheck
- Filing Your Taxes

### Chapter 14

#### Managing Your Money

- Making a Budget
- Understanding Banking and Credit

### Chapter 15

#### Using Technology

- Technology Basics
- Computer Applications

### Chapter 16

#### Planning Your Future

- Living on Your Own
- Being Part of Your Community

# Chapter 13

## Your Paycheck and Your Taxes

### You Already Know...

- there are many kinds of taxes
- different people pay different amounts of taxes
- you need to fill out forms when you start a new job

### You Will Learn...

- the types of information to look for on your paycheck
- why money is taken from your earnings
- how the government uses your tax money
- the purpose of Form W-4, Form W-2, and Form 1040EZ
- how to get help filling out tax forms

### Personal Career Portfolio Preview

For your portfolio, you will fill out Form W-4. As you read, think about the information you will need to fill out this form.







### Before You Read

**Set a Purpose** With a partner, write an end to this statement: “Learning about taxes will help me to \_\_\_\_\_.” Write down as many things as you can.

## Section 13.1

# Understanding Your Paycheck

### Ready, Set, Read

#### Key Terms

taxes  
gross pay  
net pay  
deduction  
FICA  
Social Security  
income tax  
Internal  
Revenue  
Service (IRS)  
Form W-4  
dependent

#### Main Idea

Your employer will take tax money out of your paycheck and send it to the government. Your paycheck shows how much you earned and how much tax you paid.

#### Thought Organizer

Copy the chart below. As you read, write down several things that taxes pay for.

Taxes		
roads		

**taxes** ■ Money that you must pay to the government.

### Taxes Are Payments to the Government

Many new workers are surprised when they get their first paycheck. They know how much money per hour to expect. They know how many hours they worked. The amount on the paycheck should be the two numbers multiplied together, right? Not quite.

Why? Because money was taken from your paycheck to pay taxes. **Taxes** are money that you must pay to the government. Taxes keep the government running. Tax money pays for services such as education, roads, public transportation, police, prisons, and national defense. Your tax money funds government programs that provide services such as payments and health care for retired and low-income workers.

## Point of View



### Organizing Your Paperwork

Amy Mokri of Cary, Illinois, works at a movie theater. “I only work part-time, but I still have a lot of financial paperwork to keep track of,” Amy says. “I decided to set up a filing system for my financial records. That way when I have to file income taxes, I’ll have all the information I need.”

Amy bought a plastic box and six file folders. She labeled each file folder. These are the labels Amy used: pay stubs, W-2 forms, W-4 forms, insurance info, tax info, and miscellaneous info.

“When I get my paycheck, I tear off the stub and put it into the folder labeled pay stubs right away. It can easily get lost if I wait.” Amy keeps her portable file box on her desk so it will be handy when she is ready to file something.

**It’s Your Turn** Create a filing system for your financial papers. In place of file folders, you can use regular notebook paper folded in half. Use a cardboard shoebox to hold your financial records.

For help completing this activity, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and go to the *Smart Tip* for the Chapter 13 *Point of View*.

## Payroll Taxes Are Withheld From Your Pay

There are many kinds of taxes. Taxes that are taken from your pay are called *payroll taxes*. Every worker has to pay payroll taxes.

The law says that your employer must withhold taxes from your pay. *Withhold* means take out for taxes. Your employer withholds tax money and sends it to the government.





## Read Your Paycheck

Read your paycheck each time you are paid. Your paycheck has important information about your pay and your taxes.

Your paycheck will have two parts. The bottom part is the check itself. You can take your paycheck to a bank to exchange it for cash or put it into savings.

The top part is the pay stub. The *pay stub* shows how much you earned and how much you were paid. Read the pay stub in **Figure 13.1**.

## Your Pay Stub Shows Your Gross Pay and Your Net Pay

**gross pay** ■ The amount of pay you earn.

**net pay** ■ The amount of pay you receive on your check.

Read your pay stub to find your gross pay and your net pay. **Gross pay** is the amount you earn. **Net pay** is the amount you receive. Net pay is sometimes called take-home pay.

Look at Viridiana Sanchez's pay stub. She worked 28 regular hours at a rate of \$12.00 per hour. She worked 4 overtime hours at \$18.00 per hour. How much is her gross pay for this week?

**Figure 13.1**

### Pay Stub

Employee Name		Employee SSN		Pay Period Ending
Viridiana Sanchez		448-10-5453		12/15/09
Earnings	Hours	Rate	Amount	
Regular	28	12.00	336.00	
Overtime	4	18.00	72.00	
Gross Pay			408.00	
Deductions				
Federal Income Tax			25.84	
State Income Tax			18.56	
FICA (Social Security)			31.21	
Health Insurance			10.00	
Dental Insurance			5.00	
Total Deductions			85.61	
Net Pay			322.39	

Please detach and retain this statement. It is a record of earnings and deductions as reported to the federal and state governments.

**Gross Pay and Net Pay** Gross pay is what you earn. Net pay is what you receive. **How many total hours did Viridiana Sanchez work this week?**

## Your Pay Stub Shows Your Deductions

Your pay stub also lists all of your deductions. A **deduction** is an amount taken from your gross pay.

Most deductions are for taxes. You may have deductions besides taxes, however. Some workers put money into savings. Some workers pay for health care. They pay some and the employer pays some. When you cash your paycheck, part of your expenses are already paid.

**deduction** ■ An amount taken from your gross pay.

## FICA Tax Is One Type of Payroll Tax

You will also see taxes on your pay stub. FICA tax is one type of tax you will see on your pay stub. **FICA** means Social Security tax. FICA stands for Federal Insurance Contribution Act. **Social Security** is a government program that helps disabled and retired people.

FICA tax is a little less than 8 percent of your pay. That means you pay about \$8.00 for every \$100.00 you earn.

**FICA** ■ Social Security tax.

**Social Security** ■ A government program that helps disabled and retired people.

**You Get Credits for Paying FICA Tax** You and your employer both make FICA tax payments. Your employer puts in the same amount as you do. He or she sends the whole amount to the government.

The government keeps a record of the months you work and pay FICA tax. You get credit for the months you work. You must work a certain number of months before you can get Social Security benefits.

## Social Security Helps Disabled and Retired People

The Social Security program gives four main types of benefits. Disability benefits help injured workers who will not be able to work for a year or more. Survivor benefits help the families of workers who have died. Retirement benefits help older people who no longer work.

Medical benefits help elderly people, people with disabilities, and people with kidney disease. These benefits are called *Medicare* and *Medicaid*.

## While You Read

**Question** Why does the government keep track of how long you have paid FICA tax?



## Income Tax Is Another Kind of Payroll Tax

**income tax** ■ Tax on the money you earn.

**Internal Revenue Service (IRS)** ■ The part of the federal government that collects taxes.

Another type of tax is income tax. **Income tax** is tax on the money you earn, or your *income*. The U.S. government has an income tax. Most states have an income tax. Some large cities have an income tax, too.

Federal income tax goes to the Internal Revenue Service, or IRS. The **Internal Revenue Service (IRS)** is the part of the federal government that collects taxes. State and local income tax goes to your state and local tax offices.

Look at **Figure 13.1** again. How much did Viridiana Sanchez pay in federal income tax? How much did she pay in state income tax?

### While You Read

**Question** What things make your income tax rate go up or down?

**Income Tax Rates Vary** The amount of income tax you must pay is known as your income tax rate. Your tax rate depends on how much money you earn. The more you earn, the higher your tax rate will probably be.

Your tax rate depends on other things too. For example, your tax rate changes if you get married. Your tax rate changes if you have children.

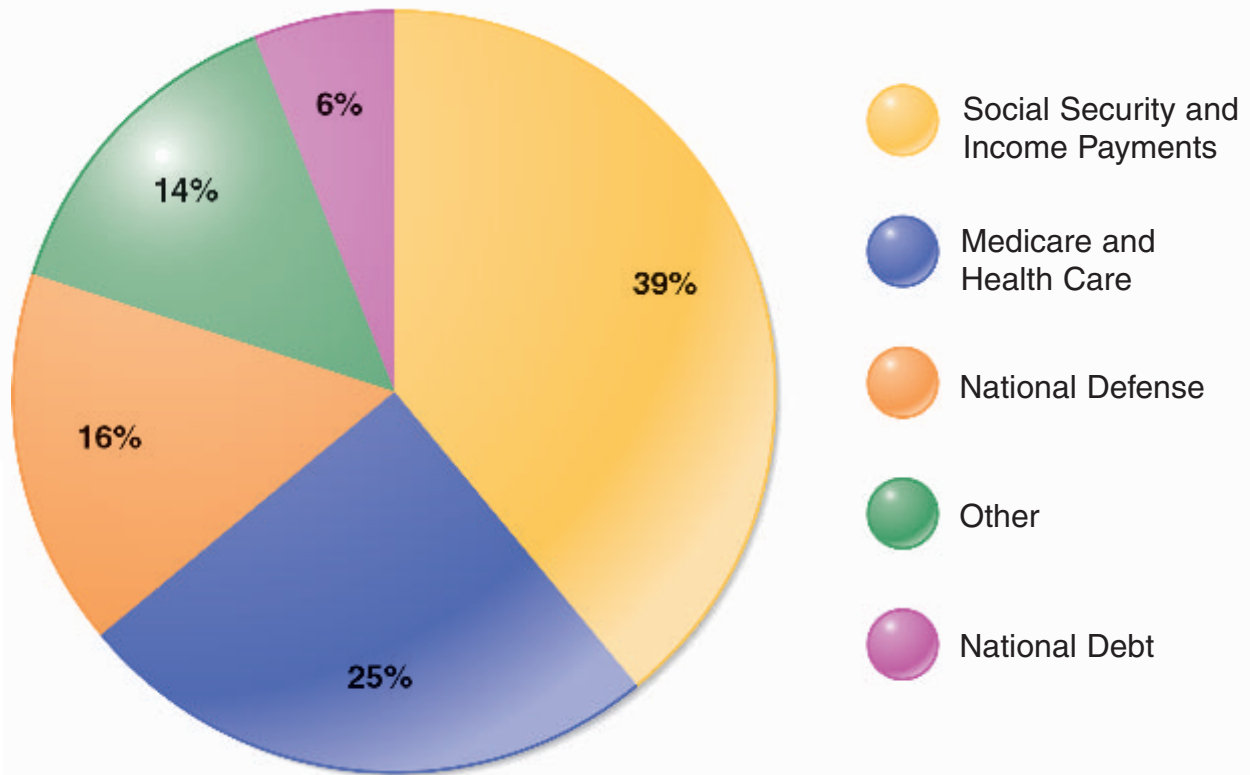
**Tax Rates** Getting married affects your taxes. Having or adopting a child also affects your taxes.

Why do you think that people who have children pay less tax than people who do not have children?



**Figure 13.2**

## Where Your Federal Tax Money Goes



**Government Services** The government funds thousands of services such as education, science, crime prevention, and national parks. **What is the government's largest expense?**

**Income Taxes Pay for Government Services** What happens to the income tax you pay? The government spends this money on hundreds of services. For example, state income taxes pay for schools, state roads, libraries, courts, police, and prisons. State income taxes also pay for welfare programs, job services, and health services.

Federal taxes pay for programs across the country. For example, the federal government pays for Congress, national parks, national roads, the military, and health care for the poor and elderly.

**Figure 13.2** shows where your federal tax money goes.

## Form W-4 Affects Your Income Taxes

**Form W-4** ■ A form that tells your employer how much money to withhold for taxes.

How does your employer know how much money to take from your pay? Your employer uses Form W-4. The **Form W-4** is a form that tells your employer how much money to withhold for taxes.

Look at **Figure 13.3** on the facing page. It shows the Form W-4 of William Yi, a young worker.

### While You Read

**Question** What is the top half of the W-4 called?

**dependent** ■ A person who is supported by someone else.

### Start With the Worksheet

All new employees must fill out a Form W-4. Your boss will ask you to fill out the form when you start work. Start with the top half of the form. This half is called the “Personal Allowances Worksheet.”

**A Dependent Is a Person Who Is Supported by Someone Else** Start with line A. Leave the line blank if you are a dependent. A **dependent** is a person who is supported by someone else. Children are dependents. If your parents or guardians pay most of your expenses, you are a dependent. If you support yourself, you are not a dependent. Write “1” if you are not a dependent.

**A Spouse Is a Husband or Wife** Go on to line B of the W-4. Write “1” if you are married and have only one job and if your spouse does not work. Spouse means husband or wife. Write “1” if your wages from a second job or your husband’s or wife’s wages are \$1,000 or less. Leave line B blank if these things are not true for you.

Are you married? If so, enter “1” on line C.

Line D asks you how many dependents you have. Write the number. If you have no dependents, leave lines D through G blank.

**Add Up Lines A Through G** Add up all the numbers on lines A through G of your W-4. Write the total on line H. The higher the number, the less tax will be taken from your paycheck.



Figure 13.3

## Form W-4

**Personal Allowances Worksheet** (Keep for your records.)

**A** Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . **A** 1

**B** Enter "1" if:   
 • You are single and have only one job; or   
 • You are married, have only one job, and your spouse does not work; or   
 • Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less. . . . . **B** 1

**C** Enter "1" for your **spouse**. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . . **C** \_\_\_\_\_

**D** Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . . **D** \_\_\_\_\_

**E** Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . . . . . **E** \_\_\_\_\_

**F** Enter "1" if you have at least \$1,500 of **child or dependent care expenses** for which you plan to claim a credit . . . . . **F** \_\_\_\_\_

(Note: Do **not** include child support payments. See **Pub. 503, Child and Dependent Care Expenses**, for details.)

**G** **Child Tax Credit** (including additional child tax credit):   
 • If your total income will be between \$15,000 and \$42,000 (\$20,000 and \$65,000 if married), enter "1" for each eligible child plus 1 additional if you have three to five eligible children or 2 additional if you have six or more eligible children.   
 • If your total income will be between \$42,000 and \$80,000 (\$65,000 and \$115,000 if married), enter "1" if you have one or two eligible children, "2" if you have three eligible children, "3" if you have four eligible children, or "4" if you have five or more eligible children. . . . . **G** \_\_\_\_\_

**H** Add lines A through G and enter total here. (Note: This may be different from the number of exemptions you claim on your tax return. ► **H** 2)

For accuracy, complete all worksheets that apply.   
 • If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.   
 • If you have **more than one job or are married and you and your spouse both work** and the combined earnings from all jobs exceed \$35,000, see the **Two-Earner/Two-Job Worksheet** on page 2 to avoid having too little tax withheld.   
 • If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

---

Form **W-4** OMB No. 1545-0043  
 Department of the Treasury  
 Internal Revenue Service

**Employee's Withholding Allowance Certificate**

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

1 Type or print your first name and middle initial Last name William T. Yi

2 Your social security number 899 51 1636

Home address (number and street or rural route) 432 S. Elm Street

City or town, state, and ZIP code San Ramon, CA 94580

3 ☒ Single ☐ Married ☐ Married, but withheld at higher Single rate.   
 (Note: If married/legally separated, or spouse is a nonresident alien, check the "Single" box.)

4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a new card. ► ☐

5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) **5** 2

6 Additional amount, if any, you want withheld from each paycheck **6** \$ \_\_\_\_\_

7 I claim exemption from withholding for 2003, and I certify that I meet **both** of the following conditions for exemption:   
 • Last year I had a right to a refund of **all** Federal income tax withheld because I had **no** tax liability **and**   
 • This year I expect a refund of **all** Federal income tax withheld because I expect to have **no** tax liability.   
 If you meet both conditions, write "Exempt" here . . . . . **7** Exempt

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.

Employee's signature William Yi Date September 6, 2007

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)

9 Office use only (optional)

10 Employer identification number

Cat. No. 10229C

**Form W-4** Form W-4 has directions to help you. If you are not sure what to write, ask for help.

**What is the purpose of the W-4?**

## Study Tip

When you work, you have a lot of forms to keep organized. Getting organized is a skill you can develop at school. Pick one place to put your papers for each subject. Always put them there. Keep your papers in time order. That way you will always be able to find what you need.

## Fill Out the Certificate

Now fill out the bottom half of Form W-4. This half is called the “Employee’s Withholding Allowance Certificate.” Items 1 and 2 ask for your name, address, and Social Security number. Item 3 asks whether you are single or married.

Copy the number from line H into the box for item 5. On line 6 you can ask to have extra money taken from your paycheck.

Low-income workers may have no tax money held back at all. They are exempt from taxes. *Exempt* means free from a duty. Ask your boss if this might be true for you. If you are exempt, write EXEMPT on line 7.

Finally, sign and date the form. Your employer will fill out items 8, 9, and 10. You are done with your W-4.

## Making Good Choices

### To Cheat or Not to Cheat?

Melissa Peters volunteers at an animal shelter. She sometimes uses her own car to transport animals. The mileage between shelters is tax-deductible. This means that the government will take the amount of mileage and use it to reduce her taxable income. Melissa will then pay less tax. Melissa is preparing her income tax. She is thinking about reporting more miles than she actually drove.

Every year the Internal Revenue Services (IRS) examines some income tax reports. This is called an *audit*. If Melissa is caught cheating on her taxes, she could be fined or even arrested. It is illegal to cheat on your taxes.

**You Make the Call** Do you think it is okay to cheat on your income tax return? Why do you think people cheat even if it is illegal?

For help in answering this question, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and select the *Smart Tip* for the Chapter 13 *Making Good Choices*.



## Section 13.1

### Review

Check your answers online by visiting [ewow.glencoe.com/review](http://ewow.glencoe.com/review) and selecting the Section 13.1 Review.

### After You Read

#### Retell

1. Define *deduction* and list five types of deductions that you might see on your pay stub.
2. Explain who benefits from Social Security.

#### Think Critically

3. Your employer has to withhold tax money from your pay and send it to the government. Why do you think the government does not let you take all your pay and send your tax money on your own?

### Math Practice

Answer the multiple-choice math questions at [ewow.glencoe.com/math](http://ewow.glencoe.com/math).

### Deductions

Each week your gross pay is \$280. Each week \$10 is withheld from your paycheck to help pay for health insurance. Other deductions, including taxes and FICA, total 20% of your gross pay minus health insurance. What is your weekly net pay?

#### Step 1

Subtract the insurance deduction from your gross pay.  
 $\$280 - \$10 = \$270$

#### Step 2

Calculate your other deductions.  
 $0.20 \times \$270 = \$54$

#### Step 3

Subtract the adjusted pay by the total dollar amount of other deductions.  
 $\$270 - \$54 = \$216$

#### Result

Your net pay is \$216 each week.

### Figure It Out

You are promoted and move into a different tax rate bracket. Your new salary pays \$1,000 a week, gross. What is your new income tax rate if each week \$280.00 is deducted? What will your net pay be each month?





## Section 13.2

# Filing Your Taxes

### Ready, Set, Read

#### Key Terms

income tax  
return  
tax liability  
Form W-2  
tax preparer  
Form 1040EZ  
refund

#### Main Idea

Each year you must fill out an income tax form to figure out how much tax you owe. There are several ways to get help filling out your income tax forms.

#### Thought Organizer

Copy the chart below. As you read, list the facts you need to know in order to fill out your income tax return.

my income

Facts I  
Need to  
Know

## You Need to File an Income Tax Return

**income tax return** ■ A form that you fill out to show how much income tax you owe.

Every year you must file an income tax return. An **income tax return** is a form that you fill out to show how much income tax you owe. To *file* a tax return means to fill out the form and send it in. Your tax return reports your income for the year that has just ended.

You must file your tax return each year by April 15. You will pay a fine if you do not file a tax return. You will also pay a fine if you file your tax return late.

## Your Tax Liability Is the Amount You Owe

**tax liability** ■ The amount of tax you owe.

The purpose of the income tax return is to figure out your tax liability. **Tax liability** means the amount of tax you owe. The W-4 form helps your employer guess your tax liability. You do not know your exact tax liability until you fill out your return.

# You Need a Completed Form W-2 to File Your Return

The first step to fill out your return is to get your completed Form W-2. **Form W-2** is a form that shows how much you earned and how much your employer withheld for taxes. You need this information to fill out your tax return.

Your employer must fill out your Form W-2 and have it ready by January 31. You may get it in the mail or you may need to pick it up. You will get three copies of your W-2. You send one to the IRS. You send one to your state tax office. You keep one for your records.

**Figure 13.4** shows the Form W-2 that William Yi received from his employer.

**Form W-2** ■ A form that shows how much you earned and how much your employer withheld for taxes.

Figure 13.4

## Form W-2

a. Control number 22222		b. Employer identification number 09-X12X0X0		1. Wages, tips, other compensation \$ 23,475		2. Federal income tax withheld \$ 2,792	
c. Employer's name, address, and ZIP code Bayview Health Systems 300 Commerce Park San Ramon CA 94583				3. Social security wages \$ 23,475		4. Social security tax withheld \$ 1,455.45	
d. Employer's social security number 899-51-1636				5. Medicare wages and tips \$ 23,475		6. Medicare tax withheld \$ 340.39	
e. Employee's first name and initial William T.				7. Social security tips \$ 23,475		8. Alternative tips \$	
f. Employee's address and ZIP code 432 S. Elm Street San Ramon, CA 94580				9. Advanced EIC payment \$		10. Dependent care benefits \$	
g. Employee's address and ZIP code CA 94580				11. Health plan \$		12a. See instructions for line 12 \$	
14. State income tax \$ 1200.85				15. State income tax \$ 1200.85		16. Local income tax \$ 135	
17. Total wages, tips, etc. \$ 23,475				18. Total wages, tips, etc. \$ 23,475		19. Total income tax \$ 135	
20. Locality name San Ramon							

**W-2 Wage and Tax Statement** (2018)

Department of the Treasury - Internal Revenue Service  
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

**Wage and Tax Statement** You need Form W-2 to fill out your income tax return. Which part of the W-2 gives information about state income tax?

## You Need a Federal Income Tax Form to File Your Federal Return

The second thing you need is a federal income tax form. The IRS has several tax forms. Form 1040 is an income tax form that all taxpayers can use.

Make sure you have an up-to-date tax form. You can get tax forms at many post offices and libraries. You can order forms from the IRS by calling 1-800-TAX-FORM.

You can also get tax forms at the Web site of the Internal Revenue Service. Find the form you want and print it. Forms are also available in Braille and in spoken format.

### While You Read

**Connect** Does your state have income tax?

### You Need a State Income Tax Form to File Your State Return

You may need a state income tax form too. You will need to file a state income tax return if you paid state income tax.

Get a state income tax form from your state tax office. Look in the blue pages of your phone book for your state's tax board or department of revenue.

## You Can Get Help Filing Your Taxes

Tax forms can be complicated. Luckily, you can get help filling them out.

**Tax Preparers Provide Tax Help for a Fee** Many people hire tax preparers to fill out their tax forms. A **tax preparer** is a person you can pay to fill out your tax forms.

**tax preparer** ■ A person you can pay to fill out your tax forms.

**The IRS Offers Free Tax Help** You can also get free help with your taxes. You can call the IRS at 1-800-829-1040. You can ask questions about how to file your taxes. You can get help in English or Spanish. You can get help over a TDD machine. *TDD* stands for Telephone Device for the Deaf.

The IRS has Taxpayer Assistance Centers that offer help. Find the address and phone number of your local Taxpayer Assistance Center in the blue pages of your phone book.





### Getting Tax Help

The IRS offers free tax help. Call the IRS to find out where you can get help in your community. **Would you pay a tax preparer to fill out your tax forms? Why or why not?**

## You Can Learn to File Your Taxes Yourself

You can also file your taxes yourself. It just takes some time and practice.

Every tax form comes with directions. The directions tell you how to fill out the form. Read the directions before you fill out the form. Fill out the form slowly. Work line by line. Make sure you fill in every line.

### The 1040EZ Is the Easiest Income Tax Form

One easy way to file your taxes is to use Form 1040EZ.

**Form 1040EZ** is the simplest federal income tax form. It is only one page. You can use the 1040EZ if:

- you are single or you and your spouse are filing your return together
- you have no dependents
- you are not blind
- you make less than \$50,000 a year
- you received \$1,500 or less in interest (money from savings) that year

Are these things true for you? They are true for William Yi. He used the 1040EZ. Turn to page 325 to see his 1040EZ in **Figure 13.5**.

### While You Read

**Question** How long is Form 1040EZ?

**Form 1040EZ** ■ The simplest federal income tax form

## Study Tip

Being punctual is an important skill. Plan how much time you will need for a form or project. Then work backwards from the due date. Write down exactly what you must do each day so that you finish on time.

## Fill Out Your Form 1040EZ Line by Line

Fill out Form 1040EZ line by line. Start with the top of the 1040EZ. Print or type your name, address, and Social Security number.

You can also use the address label on the outside of your tax form. The label has your name and address. You will have an address label if your form came to you in the mail.

## Add Up Your Income

Write your earnings on line 1. Find your earnings on your W-2. You will have more than one W-2 if you have more than one job.

Did you receive any income from interest payments? Write the amount on line 2. Did you receive payments from the government for being unemployed? Write the amount you received on line 3. Line 4 asks you to add lines 1, 2, and 3. What is William Yi's total for line 4?

**Are You a Dependent?** Line 5 asks whether you are a dependent. You are not a dependent if you support yourself. Check "yes" if you are a dependent. Turn the 1040EZ form over. The worksheet on the back tells you what to do.

Check "no" on line 5 if you are not a dependent. Enter the number for whether you are single or married. Subtract line 5 from line 4. This is your taxable income. Enter the number on line 6.

## While You Read

**Connect** Will you pay income tax this year?

## Figure Out How Much Tax You Paid

Write how much federal income tax you paid on line 7. Copy the number from line 2 of your W-2.

Line 8 asks about the Earned Income Credit. The *Earned Income Credit* allows low-income workers to pay little or no tax. The 1040EZ directions tell you whether you can get the Earned Income Credit.

Line 9 asks you to add lines 7 and 8. This number is the amount of tax you have paid. How much income tax did William Yi pay last year?

Figure 13.5

## Form 1040EZ

Form **1040EZ** Department of the Treasury—Internal Revenue Service  
**Income Tax Return for Single and Joint Filers With No Dependents** (99)

OMB No. 1545-0047

**Label** (See page 12.) Use the IRS label. Otherwise, please print or type.

**First name and initial** William T. **Last name** Yi **Your social security number** 899-51-1636

**Address** (If you have a PO box, see page 12.) 432 S. Elm St. **City, town or post office, state, and ZIP code** (If you have a foreign address, see page 12.) San Ramon, CA 94580

**Important!** You must enter your SBN(s) above.

**Presidential Election Campaign** (page 12) ☐ Yes ☒ No

**Income** Attach Form(s) W-2 here. Otherwise, but do not attach any payment.

**1** Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2. \$23,475

**2** Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ. 0

**3** Unemployment compensation and Alaska Permanent Fund dividends (see page 14). 0

**4** Add lines 1, 2, and 3. This is your adjusted gross income. \$23,475

**5** Can your parents (or someone else) claim you on their return? ☐ Yes ☒ No. If single, enter \$7,800. If married filing jointly, enter \$15,600. See back for explanation. \$7,800

**6** Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your taxable income. \$15,675

**Payments and tax**

**7** Federal income tax withheld from box 2 of your Form(s) W-2. \$2,792

**8** Earned income credit (EIC). 0

**9** Add lines 7 and 8. These are your total payments. \$2,792

**10** Tax. Use the amount on line 6 above to find your tax in the tax table on pages 24-28 of the booklet. Then, enter the tax from the table on this line. \$2,001

**Refund** Have I already deposited? See page 18 and 19 in 1040EZ, and 11d.

**11a** If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund. \$701

**b** Routing number 123456789 **c** Type: ☐ Checking ☐ Savings

**d** Account number 12345678901234567890

**Amount you owe** **12** If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. For details on how to pay, see page 20. \$2,001

**Third party designee** Do you want to allow another person to discuss this return with the IRS (see page 20)? ☐ Yes. Complete the following. ☒ No

**Sign here** Under penalty of perjury, I declare that I have prepared this return and its attachments truthfully, correctly, and accurately reflecting all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on information of which the preparer has knowledge.

**Your signature** William Yi **Date** 4/15/08 **Your occupation** Home Health Care Aide **Daytime phone number** 415-555-6702

**Spouse's signature** (If a joint return, both must sign.) **Date** **Spouse's occupation**

**Paid preparer's use only** Preparer's signature **Date** Check if self-employed ☐ **Preparer's EIN or PTIN**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. **Ca. No. 1132576** Form **1040EZ** (2007)

**The Simplest Tax Form** Doing your taxes is easy if you use the 1040EZ. It is only one page long. What were William Yi's total payments to the IRS this year?



## Look Up Your Tax Liability in the Tax Tables

You know how much you have paid. Now you need to find out how much you owe. Find the tax tables in the 1040EZ direction booklet. Tax tables are a list of tax liability. Go to the line that has your taxable income. Find the number to the right of your income. This is the amount of tax you owe. **Figure 13.6** shows a tax table with the amount of money William Yi owes.

### While You Read

**Question** Why would you get an income tax refund?

**refund** ■ A return of money.

### You May Get a Tax Refund

Have you paid more tax than you owe? If so, you will get a tax refund. A **refund** is a return of money. Write your refund amount on line 11 of the 1040EZ. You will get a check from the government after you file your return.

Have you paid less tax than you owe? If so, you will owe more tax. Write the amount you owe on line 12 of the 1040EZ. Send this money with your return.

Figure 13.6

### Tax Tables

If Form 1040EZ, line 6, is—				And you are—				If Form 1040EZ, line 6, is—				And you are—				If Form 1040EZ, line 6, is—				And you are—			
At least		But less than		Single	Married filing jointly	At least		But less than		Single	Married filing jointly	At least		But less than		Single	Married filing jointly	At least		But less than		Single	Married filing jointly
Your tax is—						Your tax is—						Your tax is—						Your tax is—					
9,000				12,000				15,000				18,000											
9,000	9,050	1,004	903	12,000	12,050	1,464	1,203	15,000	15,050	1,904	1,554	18,000	18,050	2,354	2,004								
9,050	9,100	1,011	905	12,050	12,100	1,467	1,206	15,050	15,100	1,911	1,561	18,050	18,100	2,361	2,011								
9,100	9,150	1,019	913	12,100	12,150	1,469	1,213	15,100	15,150	1,919	1,569	18,100	18,150	2,369	2,019								
9,150	9,200	1,026	915	12,150	12,200	1,476	1,218	15,150	15,200	1,926	1,576	18,150	18,200	2,376	2,026								
9,200	9,250	1,034	925	12,200	12,250	1,484	1,223	15,200	15,250	1,934	1,584	18,200	18,250	2,384	2,034								
9,250	9,300	1,041	928	12,250	12,300	1,491	1,228	15,250	15,300	1,941	1,591	18,250	18,300	2,391	2,041								
9,300	9,350	1,049	933	12,300	12,350	1,499	1,233	15,300	15,350	1,949	1,599	18,300	18,350	2,399	2,049								
9,350	9,400	1,056	935	12,350	12,400	1,506	1,238	15,350	15,400	1,956	1,606	18,350	18,400	2,406	2,056								
9,400	9,450	1,064	943	12,400	12,450	1,514	1,243	15,400	15,450	1,964	1,614	18,400	18,450	2,414	2,064								
9,450	9,500	1,071	945	12,450	12,500	1,521	1,248	15,450	15,500	1,971	1,621	18,450	18,500	2,421	2,071								
9,500	9,550	1,079	953	12,500	12,550	1,529	1,253	15,500	15,550	1,979	1,629	18,500	18,550	2,429	2,079								
9,550	9,600	1,086	955	12,550	12,600	1,536	1,258	15,550	15,600	1,986	1,636	18,550	18,600	2,436	2,086								
9,600	9,650	1,094	963	12,600	12,650	1,544	1,263	15,600	15,650	1,994	1,644	18,600	18,650	2,444	2,094								
9,650	9,700	1,101	965	12,650	12,700	1,551	1,268	15,650	15,700	2,001	1,651	18,650	18,700	2,451	2,101								
9,700	9,750	1,109	973	12,700	12,750	1,559	1,273	15,700	15,750	2,009	1,659	18,700	18,750	2,459	2,109								
9,750	9,800	1,116	975	12,750	12,800	1,566	1,278	15,750	15,800	2,016	1,666	18,750	18,800	2,466	2,116								
9,800	9,850	1,124	983	12,800	12,850	1,574	1,283	15,800	15,850	2,024	1,674	18,800	18,850	2,474	2,124								
9,850	9,900	1,131	985	12,850	12,900	1,581	1,288	15,850	15,900	2,031	1,681	18,850	18,900	2,481	2,131								
9,900	9,950	1,139	993	12,900	12,950	1,589	1,293	15,900	15,950	2,039	1,689	18,900	18,950	2,489	2,139								
9,950	10,000	1,146	995	12,950	13,000	1,596	1,298	15,950	16,000	2,046	1,696	18,950	19,000	2,496	2,146								

**Your Tax Liability** William Yi has a taxable income of \$15,675. He looks in the tax table to find his tax liability. He is single. **How much does William owe the IRS?**

## Real-World Connection



### Using the E-File System

Do you want to file your return electronically? The IRS Web site makes it easy. The first thing to do to file your income taxes online is to collect all your information. The IRS Web site will tell you what information you will need. The IRS also provides tax experts to answer any questions you have. Their help is free.

Some tax preparation and e-filing services have formed partnerships with the IRS. These services will help you file your tax return online.

**Take the Next Step** Work with a partner. Use a computer to access the IRS Web site. Read the information about using the e-filing system. Outline the information.

For help doing this activity, go to [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and find the *Smart Tip* for the Chapter 13 *Real-World Connection*.

**Send in Your Form** Sign and date your 1040EZ. Write your occupation and phone number. Make two photocopies of the form. Keep one copy. You may need to attach the other copy to your state income tax return. Then send the form to the IRS.

### You Can File by Phone or Over the Internet

You do not have to fill out a paper income tax return. You can file your tax return by phone or over the Internet.

You can fill out a tax form on the computer and submit it over the Internet. The IRS calls this the *e-file* system.

Another way to file your return is to use the telephone. The IRS calls this the *TeleFile system*. You need a TeleFile tax package from the IRS to use TeleFile. Call (800) 829-1040 to ask for a TeleFile package.



## Section 13.2

### Review

Check your answers online by visiting [ewow.glencoe.com/review](http://ewow.glencoe.com/review) and selecting the Section 13.2 Review.

### After You Read

#### Retell

1. Explain why you need to fill out an income tax return after you have already filled out a Form W-4.
2. Explain why you need a completed Form W-2 to file your income tax return. Also explain how many copies of the W-2 you need, and why.

#### Think Critically

3. Good tax preparers have experience. Good tax preparers also know a lot about tax laws. List five ways you could find out whether a certain tax preparer has experience and knowledge.

### Math Practice

Answer the multiple-choice math questions at [ewow.glencoe.com/math](http://ewow.glencoe.com/math).

### Tax Liability

Your total tax liability is \$4,030 for the year. You paid \$5,000. By what percentage did you overpay the Internal Revenue Service?

#### Step 1

Subtract what you owed from what you paid.  
 $\$5,000 - \$4,030 = \$970$

#### Step 2

Divide the difference by the total amount paid.  
 $\$970 \div \$4,030 = 0.24$

#### Step 3

Convert the decimal point to a percentage.  
 $0.24 \times 100 = 24\%$

#### Result

You overpaid by 24%.

### Figure It Out

Your tax liability is \$1,625, but you only paid \$1,500. By what percentage did you underpay your taxes?





# Career Talk

## Owner of Lang Builders

**Mark Lang**

Texas



**Career Cluster: Manufacturing**



### What does Lang Builders do?

“We design and build custom wheelchair ramps for people with disabilities. We work with individuals and for some companies. I have four employees and two government contracts.”

### Why did you choose a career manufacturing wheelchair ramps?

“I have a spinal cord injury from an accident when I was 15. I’m a wheelchair user. I tried different jobs, but I left them because they weren’t fulfilling. I did community-service work as a volunteer to build wheelchair ramps. That’s how it started. I found a career I love. I have fun at work.”

### What obstacles have you overcome?

“At first people aren’t sure I can do the work. I consider myself lucky. I’m doing better than I ever thought I would. Everything may not go well 100 percent of the time, but there’s more good than bad.”

### What advice do you have for students?

“Find something you enjoy doing. At the end of the day—or after 40 years—it helps if you’re happy.”

# Career Facts

## Owner of Lang Builders

### Training

Most manufacturing jobs require at least a high-school diploma or GED.

### Skills and Talents

Designing and manufacturing a product requires conceptual skills. Mechanical skills and math skills also are needed. Knowledge of civil engineering may be needed. People skills also are helpful.

### Career Outlook

Most manufacturing jobs are expected to decrease over the next several years through 2012.

### Learn More About It

Many manufacturing jobs are now being done in other countries. Some people think this is a good idea for American workers. Some people think this is a bad idea. Research the issue. Write a one-page editorial that takes one side of the issue. Read your editorial to the class.

For help with this activity, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips).



[ewow.glencoe.com/tips](http://ewow.glencoe.com/tips)

# Chapter 13 Review and Activities



Go to [ewow.glencoe.com](http://ewow.glencoe.com) to find online games and activities for Chapter 13.

## Key Term Review

taxes (p. 310)	Form W-4 (p. 316)
gross pay (p. 312)	dependent (p. 316)
net pay (p. 312)	income tax return (p. 320)
deduction (p. 313)	tax liability (p. 320)
FICA (p. 313)	Form W-2 (p. 321)
Social Security (p. 313)	tax preparer (p. 322)
income tax (p. 314)	Form 1040EZ (p. 323)
Internal Revenue Service (IRS) (p. 314)	refund (p. 326)

## Check Your Understanding

1. List the information that appears on a pay stub.
2. Why does your employer take money from your earnings before paying you?
3. Explain how the government uses FICA and income tax money.
4. Describe the purpose of Form W-4, Form W-2, and Form 1040EZ.
5. List two ways to get help filling out tax forms.

## Write About It

6. **Write About Taxes** You may be comfortable doing your own taxes. It can be a fun challenge, like a math puzzle. But should you really be doing your own taxes? Have you ever thought about hiring a tax professional to file for you? Write a paragraph describing whether you would prefer to file your taxes yourself or if you would rather hire a tax professional to do it for you. Explain your opinion.



## Role Play

- 7. Be a Tax Preparer** Work in pairs. Start with two blank 1040EZ forms. One partner pretends to be a tax preparer. The other partner pretends to be a customer. As the tax preparer, explain how to file an income tax return. Explain what documents the customer needs. Help the customer fill out each line of the 1040EZ. Switch roles with your partner.

## Teamwork Challenge

- 8. Find Tax Help Near You** Find out about tax help in your community. Choose either a tax preparer or a free service. Find out the name and phone number of the preparer or service. Call or visit and ask questions. For example, what tax services are offered? How much do the services cost? Prepare a report to share with your classmates.

### Computer Lab



**Learn About State Income Tax** Learn about your state's income tax. Visit the Web site of the income tax office for your state. Find out how much income tax your state collected last year. Then find out how your state spent this money. Make a pie chart to show how your state spent income tax last year.

### Personal Career Portfolio

**Fill Out Form W-4** Visit the Web site of the IRS. Find the section called "Fill-In Form W-4." Find this form by searching in Forms and Publications for "W-4." Fill out the form online. Print it out, sign and date it, and place it in your Personal Career Portfolio.

Go to [ewow.glencoe.com/portfolio](http://ewow.glencoe.com/portfolio) for help.

