

Transcript

How To Fill Out A 1040EZ

Filling out your taxes can be intimidating for anyone, and especially if you've never done it before, so what I want to do in this video is really show you an example of filling out your taxes, and hopefully giving you a little bit of context for why the form looks like it does, or where you might find the relevant information.

I'm going to start with, at least in this video, I'm going to use the most simple of the IRS forms, 1040EZ, literally I guess because it's supposed to be easy. And this isn't going to be for everyone. It tends to not be for people with parents or people with an income over \$100,000 or homeowners, or people who have I guess more complex either income or they have a lot of deductions that they might want to itemize, but it tends to be a pretty good tax form for folks who are filing their taxes for the first time, might only have one job, and have a fairly simply financial picture. So let's just through this, and then obviously it might get more complex or it will get more complex as you decide that you can't use this form that you have to use a more fancy form.

So up here is just your basic information, so let's see. I'm just going to assume that I'm filling this out as a single individual but you could also fill it out as married, but let's say my name. My first name, let's say it's Joe, and my last name, I'm Joe Singleguy. I guess it'll be a strange name once I get married but I'll just go with it.

My social security number, 123456789. I hope I don't experience any identity theft by giving this away. And let's see, I'm assuming he's single so there's no spouse name over for this line, and then the address, so 123 Main Street, and I live in Big City – let me write a little bit neater, the IRS needs to be able to read this – Big City, California, and my zip code is 12345, which I don't think is an actual zip code in California but I think you get the picture. I'm trying to prevent identity theft here.

So let's see what else here, foreign country name, well, we're just assuming that I'm Joe Singleguy, I'm based in the U.S., so I wouldn't fill out any of this. And then check here if you or your spouse, if filing jointly, want \$3 to go to this fund for Presidential elections. Checking a box below will not change your tax refund. Well, let's just say you don't want to do that, and so let's just get to the meat of the actual form now.

So wages, salaries, and tips. This should be shown in box 1 of your form or forms W-2. Attach your forms W-2. So we have another video on the W-2 form. This will come from your employer, if you have one employer. If you had multiple employers in the previous year, then you will have multiple W-2s, and the W-2, you should get it in the beginning of the new year. So if we're filing taxes for 2013, we should be filling out this form sometime in early 2014 after we got our W-2, and you usually get your W-2 in January of the new year, so probably January of 2014.

So when I look at my form and I look at box 1, my wages, salaries, and tips, I have an even \$40,000. Now taxable interest, if the total is over \$1,500, you cannot use form 1040EZ. So your taxable interest, and you tend to get this information from your banks, they will give you a 1099-Interest form, so these are the types of things that you will be getting in the mail after that first year of work. You'll get these in the new year. You should get a W-2, you should get the 1099 forms, and these give you all the information you need to actually fill out these boxes.

And so in my 1099 form, I had \$57.50 of interest from my savings account. And then box number 3 here, unemployment compensation and Alaska Permanent Fund dividends, well, I didn't get any unemployment benefits so I'll just leave that blank.

Add lines 1, 2, and 3, this is your adjusted gross income, and we'll talk a little bit about why they're saying gross income because we're essentially going to talk about taxable income in a few lines from now, but let's just add

these. So this plus this is going to be \$40,057.50. Is that right? Yeah, that's right.

And then if someone can claim you or your spouse, if a joint return, as a dependent, check the applicable boxes below and enter the amount from the worksheet on the back. So we're assuming that I, as Joe Singleguy, I live by myself. My parents can't claim me as a dependent any more. I don't live with them. I'm not dependent on the financial support from them. I'm surviving based on my own work and productivity, so I'm not going to check either of those out.

Then they say, "If no one can claim you or your spouse, if a joint return, enter \$10,000 if single, \$20,000 if married filing jointly." So I am single, so I'm going to put \$10,000 over here. And then they say, "Subtract line 5 from 4. If line 5 is larger than line 4, enter zero. This is your taxable income." So this is interesting. I had my gross income, which is what I got from my W-2 plus interest, so this is my gross income, now they're allowing me to subtract this out. So if I subtract \$10,000 from that, I get – oh, what is this? I have an update available on my computer. Let me close that. I get \$30,057.50.

Now what just happened here? Why did they reduce it by \$10,000? Well, the way our tax code works, we're allowed a certain amount of they call it a personal exemption. So just the fact that you are kind of having to support yourself, it allows you to reduce your taxable income, and there is also something called a standard deduction.

The standard deduction is essentially, even if you didn't give to charity and you have all of these other itemized deductions, you can instead pick the standardized deduction, if you have kind of a simple situation like Joe Singleguy right over here, and the combination of the personal exemption and the standard deduction for a single individual is \$10,000, and so it reduces my taxable income by \$10,000. So one way to think about it is this right over here is what I'm going to pay my taxes on.

So now let's think about, now let's go to the payments part. So this is my taxable income, now we have to figure out what I've already paid, and then what I owe, and then essentially before April 15th or I guess right on April 15th, I've got to pay the difference.

So Federal income tax withheld from Form W-2s, so once again, this is something that you go to your W-2 that you got from your employer and the 1099s, and it'll say how much Federal tax was withheld. So you take the total amount that was withheld from the W-2s and 1099s, and you put it here. This is essentially the tax that you already paid during the year, and let's say you look it up and let's say it's \$6,341.50. Let's just say that's the amount of tax that you already paid.

Now earned income credit, so this starts to kick in if you make a fairly low income or if you have a lot of dependents and you still have a reasonably low income, but for this individual it's not going to kick in – we'll do a future video on that – so we'll leave that blank. Nontaxable combat pay election, we'll assume that that doesn't apply. Add lines 7 and 8a. These are your total payments and credits, so this is essentially how much have I paid in total in taxes so far. \$6,341.50.

Now I have to figure out how much should I have paid. Use the amount on line 6 above – so this amount right over here, \$30,057.50 – to find your tax in the tax table in the instructions, then enter the tax from the table on this line. So let's see, let me get the tax table, and you can find this online. It's actually a fairly large document.

This right over here is a tax table, and they go literally, they go by \$50 increments but they give every possible taxable income here, and so let me just remember what my taxable income was before I take my screen. So \$30,057, that's my taxable income. If I round it up, it would be \$30,058. \$30,058, so I just have to remember that. So \$30,058, let me scroll down a little bit.

So let's see, \$30,050, so the next increment would be \$30,100, so in this zone right here, so this is the line that applies to me, and if you look at the key up here, this is the tax if I'm single, this is the tax if I'm married, and we're married filing jointly. So this is Joe Singleguy, single, \$4,065 in taxes is what I should have paid. So \$4,065, so let me fill that in. So let's see, that's \$4,065.00.

And they say if line 9 is larger than line 10, which is the case, this is larger than that, this is your refund because I overpaid. This is the amount I should have paid but I paid all of this through my employee withholding and my bank withheld from the interest, so I essentially overpaid, so I put the difference down down here. So let me get my calculator out to calculate that difference.

So let's see, I have 6,341.50 minus 4,065, and so this is the amount that I overpaid. I overpaid by \$2,276.50. \$2,276.50, so let me fill that out right over here. So that's \$2,276.50, now let me scroll down, and this is essentially what my refund is going to be. I expect to get this. Maybe I could save it, and that's probably the most prudent thing to do, or buy something nice for myself, or maybe a combination of it.

And then over here, they're essentially saying, well, how do you want to get that refund? So you can get your information from your bank, if you want to put it to your checking account. This information is actually on your checks, the routing number and the account number, and you fill that out.

So once again, this is not going to be an accurate routing number, and it's definitely not going to be an accurate account number, but just to feel the satisfaction of filling in a fake tax form, I'll do a little bit of it. Actually, it's not going to have two-digit numbers in it, so I'll just fill out the whole thing. It might not take up all of this space. 12035, and let's say this is a checking account, and once again, this might not be the accurate number of digits. It might be different, depending on what your check book looks like.

So this is your refund. This is what you're going to get. Now if it was the other way around, if you owed more money than you paid, then you would have to actually write a check, and you would do it right over there.

And then you go down over here, so do you want to allow another person to discuss this return with the IRS? So if you do, you click yes. This could be either a family member who's very knowledgeable or it could be your accountant of some kind, but if you have not too complicated taxes, then you might not need that.

And then you sign to kind of say that, hey, this is all real. Under penalties of perjury, which you don't want to find out what they are, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

So let me sign this. So Joe Singleguy, and let's say I've procrastinated, I waited for the last possible date to do this, and let's say these are my taxes for 2013, so I'm going to do this on 2014, April 15th. And my occupation, I don't know, let's say I'm an Engineer, and my daytime phone number is, once again, I will make this up, 4567890.

And I'm essentially done! This area right over here is if you have an accountant, a paid preparer, they would fill that out, but if I'm just Joe Singleguy with fairly straightforward financials, I just filled out my taxes in about 14 minutes.