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## Welcome to Baruch VITA!

"Taxes 101"  
November 2009

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## VITA Training Timeline

You are **HERE!**

Recommended	November	22	"Taxes 101"
Mandatory	December	27	Pre-Test
Mandatory	January	2-3	Federal tax I
Mandatory	January	9-10	Federal tax II
Mandatory	January	16-17	NYS tax
Mandatory	January	23-24	Post-Test

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## "Taxes 101"

- Explain training timeline & requirements
  - Explain client interview & volunteer tax preparation process
  - Introduce basic taxation concepts
  - Prepare one easy return
  - Make everyone excited and energized about the Baruch VITA Program
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## After this session...

- Baruch VITA Textbook
    - Available after December 11<sup>th</sup>
    - Sold during Fall 2009 finals week
    - Must bring for January training
  - Pre-Test
    - Online after December 11<sup>th</sup>
    - Passing is 25 out of 30 MC questions
    - Two attempts, **Due Dec. 27**
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## Interview process (1)

- Client comes in with their documents
  - Client signs in and fills out **Client Intake Sheet**
  - **Interview:** go over the Client Intake Sheet and the client documents
  - **Screen:** make sure client's situation is within the scope of Baruch VITA
  - **Prepare:** fill out tax forms in front of the taxpayer (asking any follow up questions as needed)
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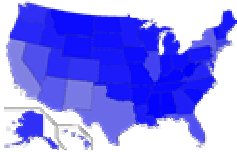
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## Interview process (2)

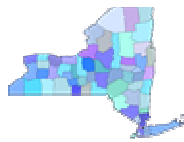
- **Review:** give completed return to a site manager for review
  - **Explain:** inform client about tax return outcome (refund, balance due, any tax credits)
  - **Mail:** taxpayer signs the return in your presence and you tell them where to mail it
  - **Count:** fill out VITA Statistics Sheet
  - Next!!!
- 
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## Federal



Enacted by: Congress  
Enforced by: Internal Revenue Service (IRS)

## NY State



Enacted by: NYS Legislature  
Enforced by: NYS Dept of Taxation and Finance

## Don't memorize

- Know the general guidelines
- Look everything else up in instruction booklets available for each form
- Find instructions in the Reference Library on our website  
[www.baruch.cuny.edu/vita](http://www.baruch.cuny.edu/vita)

## What is a "tax return"?

Main form + supporting forms  
+ client documents

## Main forms

- Federal
  - Form 1040EZ - shortest
  - Form 1040A
  - **Form 1040** - longest
- New York State
  - **Form IT-150** - shortest
  - **Form IT-201** - longest

Use of one form or another **DOES NOT**  
affect amount of refund or tax due

## Supporting forms

- Federal
  - Schedules (A, B, C, SE, etc)
  - Forms (2441, 8917, etc)
- NYS
  - Forms IT-X... (213, 214, 215, etc)

These are attached to the main form

## Need help with a form?

Look for instructions!  
Every form will have one

(links to all instructions are posted in  
the Reference Library on our website)

## Client Documents

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- IRS has copies of most income items
    - W2: Regular wages/salaries
    - 1099-INT: Interest income
    - 1099-DIV: Dividend income
    - 1099-MISC: Self-employment income
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## When “must” a taxpayer file?

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- Bad excuses:
  - “Dog ate my tax return”
  - “I owe no taxes”
  - “I am too young”
- The **only** valid reason is:
  - “I did not have enough income as per income limits available in instructions”



## When “should” a taxpayer file?

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- To claim a refund of withheld taxes
  - To claim refundable credits
    - Earned Income Tax Credit
      - up to \$5,657 per tax return
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**So if a taxpayer doesn't file,  
they won't get a refund,  
even if they qualify?**

**YES!**

No return = no refund

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## Filing status

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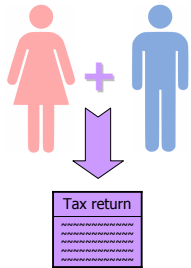
- Category of taxpayers that determines eligibility for and amounts of
    - Tax deductions
    - Tax credits
    - Tax rates
    - Etc.
  - Depends on marital status
    - As of December 31st, 2009
- 

## Filing status

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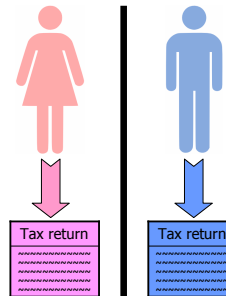
- For married couples
    - MFJ: Married Filing Jointly
    - MFS: Married Filing Separately
  - For singles
    - Single
    - HOH: Head of Household
    - QW: Qualifying Widow(er)
-

## MFJ: Married Filing Jointly



- Husband and wife file one return
- Combine all income and expenses
- Even if one spouse has no income
- **Best** tax rates and biggest tax credits

## MFS: Married Filing Separately

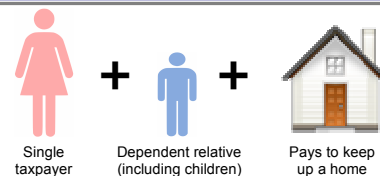


- Husband and wife each file separate returns
- Do not combine income or expense
- Only when they cannot stand each other
- **Worst** filing status

## Single

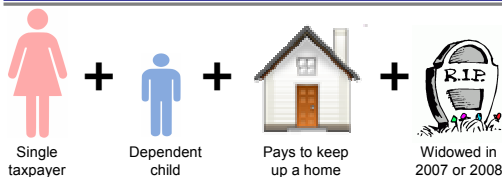
- You just have to be single
  - Never married
  - Legally divorced
  - Widowed (in 2008 or before)

## HOH: Head of Household



- Most complex
- Designed for single parents
- Better status than single

## QW: Qualifying Widower



- Very rare
- Better status than Head of Household

## Case scenarios

- 26-year-old single bartender who lives by himself
- 29-year-old married man, wife does not work and has no income
- 30-year-old woman who is going through a messy divorce
- 35-year-old single mother supports her child and pays for a home
- 46-year-old man lives with 10-year-old son, wife died in 2007

## Federal Tax Formula

**Gross Income (add all taxable receipts)**

Less: Adjustments to Income

**Adjusted Gross Income (AGI)**

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

**Taxable Income**



**Calculate Tax Liability using tax tables**

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

## Step 1: Income

**Gross Income (add all taxable receipts)**

Less: Adjustments to Income

**Adjusted Gross Income (AGI)**

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

**Taxable Income**



**Calculate Tax Liability using tax tables**

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

## So which income is taxable?

Fully taxable	Depends	Non-taxable
Wages, salaries, tips, gratuities	Social Security Benefits	Supplemental Security Income
Bonuses, commissions	Pensions and annuities	Veteran benefits
Almost all forms of interest	IRA distributions	Municipal bond interest
Dividends		
Business income		
Hobby income		
Alimony received		Child support received
Gains from sale of property		
Rents and royalties		
Unemployment compensation	Disability income	Worker's compensation
Gambling, lottery winnings	State tax refunds	Gifts and inheritances
Jury duty pay	Scholarships	

## So many? And I have to know them all?

Form 1040 has a line for every type of income, adjustments, credits, etc.  
You are **NOT** responsible for all of them!!!

## "Outside VITA scope"

- You are not responsible for these items
- They are too complex
- Refer clients to paid preparers

## Where do I find income amounts?

- Taxpayer will bring you a bunch of forms
  - Prepared by employers, banks, etc.
  - Received by taxpayer in mail in January
  - Most of them will report income
  - Most popular: W-2, 1099-INT, 1099-MISC
  - Copy amounts from these forms to the tax forms you are preparing

## Form W-2: Wages

a Employee's social security number 001-02-0003	1 Wages, tips, other compensation 14,250.00	2 Federal income tax withheld 280.00
b Employer identification number (EIN) 20-1234567	3 Social security wages 14,250.00	4 Social security tax withheld 893.50
c Employer's name, address, and ZIP code Baruch College 17 Lexington Ave, 2nd FL New York, NY 10010	5 Medicare wages and tips 14,250.00	6 Medicare tax withheld 206.63
d Control number	7 Social security tips	8 Allocated tips
e If Employee's name, address, and ZIP code Bernard M. Baruch 45 W 23rd St. #5A New York, NY 10010	9 Advance EIC payment	10 Dependent care benefits
	11 Nonqualified plans	12a
	13 Statutory employee Retirement Plan X Third-party sick pay X	12b
	14 Other	12c
		12d
15 State Employer's state ID NY 20-1234567	16 State wages 14,250.00	17 State income tax 150.00
	18 Local wages 14,250.00	19 Local income tax 80.00
		20 Locality NYC

**Form W-2: Wage and Tax Statement** 2009 **Copy 2 To Be Filed With Employee's State, City or Local Income Tax Return**  
Department of the Treasury - Internal Revenue Service OMB No. 1545-0008

## Wages and salaries

- Most popular type of income
  - Every employee receives one
- Reported by employer on Form W-2
- Almost always have tax withheld
  - Found in box 2
  - Tax withheld = tax already paid
  - Can get refund if income was low

## Investment income

- Interest → Form 1099-INT
- Dividends → Form 1099-DIV
  - Ordinary and qualified
- Capital gains → Form 1099-B
  - Outside VITA scope
  - Includes gains on sale of stock, bonds, mutual funds, etc.

## Retirement income

- IRA distributions → Form 1099-R
- Pensions and annuities → Form 1099-R
- Social Security Benefits (SSB)
  - Form SSA-1099
  - Might be taxable
  - Complete SSB Worksheet
- Supplemental Security Income (SSI)
  - Never taxable

## Form 1099-MISC: Business

CORRECTED (if checked)

<b>Form 1099-MISC: Miscellaneous Income</b> 2009		<b>Copy B: For Recipient</b>	
PAYER'S name, street address, ZIP code Avanti Consulting Corp. 1007 Park Ave. 12th Floor New York, NY 10038		RECIPIENT'S name, street address, ZIP code Bernard M. Baruch 45 W 23rd St. #5A New York, NY 10010	
PAYER'S federal identification number 30-1231230		RECIPIENT'S identification number 001-02-0003	
1 Rents	2 Royalties	3 Other income	4 Federal income tax withheld
5 Fishing boat proceeds	6 Medical health care payments	7 Nonemployee compensation 2,200.00	8 Substitute payments in lieu of dividends or interest
9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ▶	10 Corp insurance proceeds	11 Excess golden parachute payments	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.
14 Proceeds paid to attorney	15a Section 408A deferrals	15b Section 408A income	
16 State tax withheld	17 State/Payer's state no. NY / 30-1231230	18 State income 2,200.00	

Department of the Treasury - Internal Revenue Center OMB No. 1545-0115 (keep for your records)

## Business income

- Many names for the same...
  - Independent contractors
  - Self-employment
  - Freelancers
  - Work for myself
  - Side job
  - Job pays in cash "under the table"

## Self-employment tax

Gross self-employment income

Less: Expenses

Net self-employment income

↓                      ↓  
Regular tax      +      Self-employment tax =

(from tax tables)

(from Schedule SE, 15.3%)



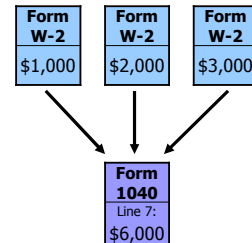
## Help!

Taxpayer brought multiple forms!

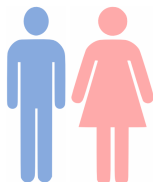
## Add the amounts up if...

The forms are for  
the same person or married couple  
and  
the same type of income

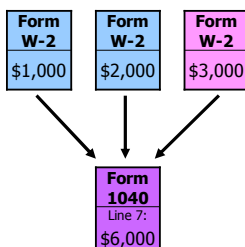
## Multiple forms: add



## Multiple forms: add



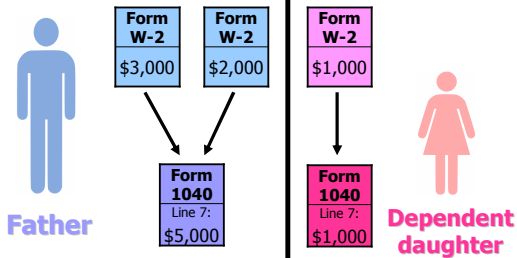
Married



## Different person (not MFJ)?

Do **not** add up the amounts!  
Report on separate returns

## Multiple persons: do NOT add



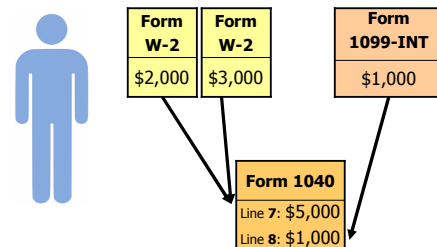
## So dependent children file their own returns?

Yes! Their income is **NEVER** added to the parents' return

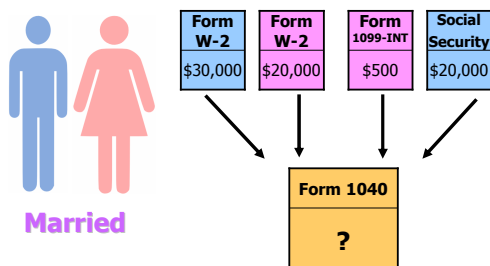
## Different types of income?

Do **not** add up the amounts!  
Report them on separate lines

## Multiple types of income: do NOT add



## Can you figure this out?



## Step 2: Adjustments

### Gross Income (add all taxable receipts)

Less: Adjustments to income

### Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

### Taxable Income

Calculate Tax Liability using tax tables

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**IF POSITIVE → BALANCE DUE**

**IF NEGATIVE → REFUND**

## Examples of adjustments

- Educator Expenses Deduction
  - For teachers who buy school supplies for classroom use out of own pocket
- Student Loan Interest Deduction
  - For paying back student loans
- Tuition & Fees Deduction
  - For paying college tuition

## So what's the purpose of adjustments?

To lower your Gross Income...  
...which then lowers your tax

Gross income is \$40,000  
adjustments are \$4,000...

... then Adjusted Gross Income is...

## So once I get to AGI?

Lower income MORE by the amount of...

- Standard OR itemized deduction
- Personal AND dependency exemptions

## Step 3: Deductions

**Gross Income (add all taxable receipts)**

Less: Adjustments to Income

**Adjusted Gross Income (AGI)**

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

**Taxable Income**



**Calculate Tax Liability using tax tables**

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

## Standard vs Itemized

### Standard

- Flat pre-determined amount based on filing status and age
- Figured out on a worksheet in instructions
- Can be claimed by Baruch VITA volunteers

### Itemized

- Depends on various expenses (like medical or mortgage)
- Figured out on Schedule A
- **Cannot** be claimed by Baruch VITA volunteers (too complex)

## So, standard or itemized?

- It's taxpayer's choice
- Choose whichever is higher
- Higher the income, higher the chances that taxpayer should itemize

## Can you figure this out?

- Married couple with \$30,000 in AGI
- Medical bills – \$5,000
- **\$5,000 < \$11,400**
- They should take standard deduction
- Prepare this return
- Married couple with \$80,000 in AGI
- Mortgage interest payments – \$15,000
- **\$15,000 > \$11,400**
- They should itemize
- Send them away

## Step 4: Exemptions

### Gross Income (add all taxable receipts)

Less: Adjustments to Income

### Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

### Taxable Income

### Calculate Tax Liability using tax tables

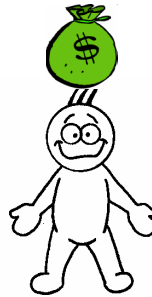
Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**IF POSITIVE → BALANCE DUE**

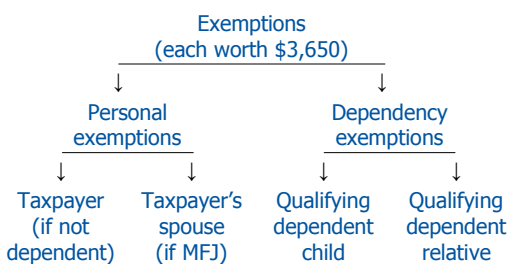
**IF NEGATIVE → REFUND**

## What's an "exemption"?



- Each person has **one** bag of \$\$\$ on their heads
- That bag = \$3,650 of tax subtractions
- Question: who gets the bag?

## So, how many exemptions?



## Personal exemptions

- For taxpayer
  - If his/her exemption is not claimed by anyone else
- For taxpayer's spouse
  - If Married Filing Jointly (MFJ)

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## Maximum number of personal exemptions?

Two:  
for taxpayer + spouse if MFJ

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## Dependency exemptions

- Dependents = people that are financially supported by the taxpayer
  - Two types of dependents:
    - Qualifying dependent child
    - Qualifying dependent relative
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## Qualifying Dependent Child

- Taxpayer's child: (grand)child, (step)sibling
  - Age test:
    - under 19 **or**
    - under 24 and full-time student
  - Did not provide 50% or more of own support
  - Lived with taxpayer for more than 6 months
    - Temporary absences allowed for school, etc.
    - Child born/died - as if lived entire 2009
  - No income limits
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## Qualifying Dependent Relative

- Relationship test:
    - Relative (does not have to live with taxpayer)
    - Member of household who lived with taxpayer for the entire year
  - Had less than \$3,650 in gross income
  - Taxpayer must provide more than 50% of support
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## Test your knowledge

Randy's 18-year-old son Paul earned \$4,300 last year. Paul started college as a full-time student in September 2009.

Does Paul's earned income of \$4,300 preclude Randy from claiming Paul as a dependent?

No, there is **no gross income limit** for qualifying children

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**So a full-time student can earn \$20,000 from an internship, and still be a dependent?**

**Yes**, if they don't pay more than 50% of their expenses

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## So the dependent gets away from paying taxes?

**NO!** Who are you kidding?

Dependents may need to file their own return since their income is **never** included on the parents' return!!!

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## Each individual has only one \$3,650 bag of money on their heads ...

... so, if someone takes it, others cannot take again

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## ... that means ...

- Dependents get **zero** personal exemptions
    - They are taken by the parents
  - Separated parents need to decide who will claim the kids
    - Sometimes according to rules both spouses could claim the kids
    - Only one spouse can actually take the \$3,650 bag
- 
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## Exemptions: example

- Married couple has three children
  - They get 5 exemptions:
    - One for husband
    - One for wife
    - One for each kid (total: 3)
  - Each exemption is worth \$3,650
    - $5 \times \$3,650 = \$18,250$
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## Can you multiply \$3,500 by...

- 1) Married couple
  - 2) Married couple with twin girls
  - 3) Married couple with twin girls and a father-in-law living with the couple
  - 4) Single parent with a 6-year old boy and a dog
  - 5) Just widowed (in Oct. 2009) Joe, with no children
  - 6) Student, claimed as a dependent
  - 7) Student, not claimed as a dependent
  - 8) Student, living with a roommate
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## Step 5: Tax Calculation

### Gross Income (add all taxable receipts)

Less: Adjustments to Income

### Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

### Taxable Income

↳ **Calculate Tax Liability using tax tables**

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

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## Tax tables

- If you are single and your taxable income is \$8,820...
- ... your tax is \$933

If line 43 (taxable income) is —		And you are —			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your tax is —					
8,000					
8,000	8,050	813	803	813	803
8,050	8,100	820	808	820	808
8,100	8,150	828	813	828	813
8,150	8,200	835	818	835	818
8,200	8,250	843	823	843	823
8,250	8,300	850	828	850	828
8,300	8,350	858	833	858	833
8,350	8,400	865	838	865	838
8,400	8,450	873	843	873	843
8,450	8,500	880	848	880	848
8,500	8,550	888	853	888	853
8,550	8,600	895	858	895	858
8,600	8,650	903	863	903	863
8,650	8,700	910	868	910	868
8,700	8,750	918	873	918	873
8,750	8,800	926	878	926	878
8,800	8,850	933	883	933	883
8,850	8,900	940	888	940	888
8,900	8,950	948	893	948	893
8,950	9,000	955	898	955	898

## Lowering tax

- You can further subtract:
  - Non-refundable credits
  - Refundable credits
  - Tax withholdings (tax already paid)

## Step 6: Credits

### Gross Income (add all taxable receipts)

Less: Adjustments to Income

### Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

### Taxable Income

Calculate Tax Liability using tax tables

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

If POSITIVE → BALANCE DUE

If NEGATIVE → REFUND

## Credits... all the same?

- Non-refundable credits
  - Good, but not best
  - Can lower tax to \$0 but not below
  - Does not generate refund
- Refundable credits
  - The best!
  - Can lower tax to below \$0
  - Generate refund

## Case in point

- Tax: \$500
- Non-refundable credit: \$600
- Refund: \$0



- Tax: \$500
- Refundable credit: \$600
- Refund: \$100



## Non-refundable credits

- Child and Dependent Care Credit
  - For child care expenses (like daycare)
- Education Credits
  - For paying college tuition (like Baruch College)
- Retirement Savings Contribution Credit
  - For saving for retirement (like 401k pensions)
- Child Tax Credit
  - For raising children under age 17

## Refundable credits

- Additional Child Tax Credit
  - If did not claim full Child Tax Credit
- Earned Income Credit (EIC)
  - For working poor
  - Largest anti-poverty program in the U.S.
  - By far most important credit for VITA
- Making Work Pay Credit
- American Opportunity Credit

## Case scenarios

Case	1	2	3	4
Tax	\$1,000	\$1,000	\$1,000	\$1,000
Non-refundable credits	\$300	\$1,300	-	\$1,300
Refundable credits	-	-	\$1,300	\$300
Owe/Refund?				

## Is there any way to pay even less?

Yes, if the taxpayer paid taxes during the year, then you can **subtract** their **withholdings** from their balance owed

## Step 7: Withholdings

### Gross Income (add all taxable receipts)

Less: Adjustments to Income

### Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: Personal and Dependency Exemptions

### Taxable Income



### Calculate Tax Liability using tax tables

Less: Non-refundable/Refundable Credits

Less: Tax Withholdings

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

## Tax withheld is...

... tax already paid

**After all is said and done, Mary's tax from the tables was \$1,200 and withholdings during the year were \$4,200.**

Does Mary owe? Does she get a refund?

## Are you done with Mary's return? Can she go home?



Don't I have to prepare another set of forms for New York State?

## NYS Tax Formula

<b>Federal Gross Income</b>
Less: Federal Adjustments
<b>Federal Adjusted Gross Income (AGI)</b>
Plus: New York State additions
Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
Less: Standard or Itemized Deduction
Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
➔ <b>Calculate NYS &amp; NYC Tax Liability using tax tables</b>
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

## Step 1: Copy federal AGI

- Copy all federal income items
- Copy all federal adjustments
- Calculate federal AGI
  - That's where NYS differences start...
  - That's why very important to get federal return correctly...

## Step 2: NYS adjustments

<b>Federal Gross Income</b>
Less: Federal Adjustments
<b>Federal Adjusted Gross Income (AGI)</b>
Plus: New York State additions
Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
Less: Standard or Itemized Deduction
Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
➔ <b>Calculate NYS &amp; NYC Tax Liability using tax tables</b>
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

## NYS adjustment: example

- Social Security are non-taxable on NYS return
- |                    |            |
|--------------------|------------|
| • Wages:           | \$10,000   |
| • Social Security: | \$15,000   |
| • Federal AGI:     | \$25,000   |
| • NY subtraction:  | (\$15,000) |
| • NYS AGI:         | \$10,000   |

## Step 3: Deductions

<b>Federal Gross Income</b>
Less: Federal Adjustments
<b>Federal Adjusted Gross Income (AGI)</b>
Plus: New York State additions
Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
Less: Standard or Itemized Deduction
Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
➔ <b>Calculate NYS &amp; NYC Tax Liability using tax tables</b>
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

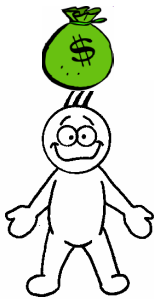
## NYS standard deduction

Filing status	NYS standard deduction
Single (dependent)	\$3,000
Single (not dependent)	\$7,500
Married Filing Separately	\$7,500
Head of Household	\$10,500
Married Filing Jointly	\$15,000
Qualifying Widower	\$15,000

## Step 4: Dependency exemptions

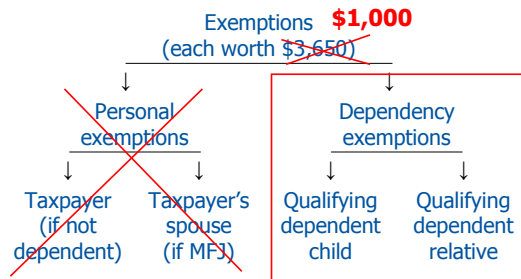
<b>Federal Gross Income</b>
Less: Federal Adjustments
<b>Federal Adjusted Gross Income (AGI)</b>
Plus: New York State additions
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<b>NYS Taxable Income</b>
→ Calculate NYS & NYC Tax Liability using tax tables
Less: Non-refundable NYS & NYC household credits
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<b>If NEGATIVE → REFUND</b>

## NYS dependency exemptions



- Each ~~person~~ **dependent** has one bag of \$\$\$ on their heads
- That bag = ~~\$3,650~~ of tax subtractions **\$1,000**

## So, how many dependency exemptions?



## NYS Exemptions: example

- Married couple has three children
  - They get:
    - ~~One for husband~~
    - ~~One for wife~~
    - One for each kid (total: 3)**
  - Each exemption is worth ~~\$3,650~~ **\$1,000**
    - ~~5 x \$3,650 = \$18,250~~
- **3 x \$1,000 = \$3,000**

## Can you multiply \$1,000 by...

- Married couple
- Married couple with twin girls
- Married couple with twin girls and a father-in-law living with the couple
- Single parent with a 6-year old boy and a dog
- Just widowed (in Oct. 2009) Joe, with no children
- Student, claimed as a dependent
- Student, not claimed as a dependent
- Student, living with a roommate

## Step 5: Tax calculation

<b>Federal Gross Income</b>
Less: Federal Adjustments
<b>Federal Adjusted Gross Income (AGI)</b>
Plus: New York State additions
Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
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Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
→ Calculate NYS & NYC Tax Liability using tax tables
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

## Two tax tables? Yes!

If your taxable income is –		And you are –			If your taxable income is –		And you are –		
At least	But less than	Single or Married filing separately	Married filing jointly	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly	Head of a household
22,000	22,050	Your New York State tax is:			22,000	22,050	Your New York City tax is:		
22,050	22,100	1,115	914	1,024	22,050	22,100	705	645	690
22,100	22,150	1,119	917	1,027	22,100	22,150	707	647	692
22,150	22,200	1,122	919	1,030	22,150	22,200	709	648	694
22,200	22,250	1,125	922	1,033	22,200	22,250	710	650	696
22,250	22,300	1,129	924	1,036	22,250	22,300	712	652	697
22,300	22,350	1,132	927	1,039	22,300	22,350	714	654	699
22,350	22,400	1,136	930	1,042	22,350	22,400	716	655	701
22,400	22,450	1,139	932	1,045	22,400	22,450	717	657	703
22,450	22,500	1,143	935	1,048	22,450	22,500	719	659	704
22,500	22,550	1,146	938	1,051	22,500	22,550	721	661	706
22,550	22,600	1,149	940	1,054	22,550	22,600	723	662	708
22,600	22,650	1,153	943	1,057	22,600	22,650	724	664	710
22,650	22,700	1,156	945	1,060	22,650	22,700	726	666	711
22,700	22,750	1,160	948	1,063	22,700	22,750	728	668	713
22,750	22,800	1,163	951	1,066	22,750	22,800	730	670	715
22,800	22,850	1,167	953	1,069	22,800	22,850	732	671	717
22,850	22,900	1,170	956	1,072	22,850	22,900	733	672	719
22,900	22,950	1,173	959	1,075	22,900	22,950	735	675	720
22,950	23,000	1,177	961	1,078	22,950	23,000	737	677	722

## Step 6: Non-Refundable Credits

<b>Federal Gross Income</b>
Less: Federal Adjustments
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Plus: New York State additions
Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
Less: Standard or Itemized Deduction
Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
→ Calculate NYS & NYC Tax Liability using tax tables
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

## Household credits

- Only two non-refundable credits on NYS return
  - NYS Household Credit
  - NYC Household Credit
- Three requirements
  - NYS/NYC resident
  - Not a dependent
  - Income below limits

## Step 7: NYS & NYC Withholdings

<b>Federal Gross Income</b>
Less: Federal Adjustments
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Less: New York State subtractions
<b>NYS Adjusted Gross Income (AGI)</b>
Less: Standard or Itemized Deduction
Less: NYS Dependency Exemptions
<b>NYS Taxable Income</b>
→ Calculate NYS & NYC Tax Liability using tax tables
Less: Non-refundable NYS & NYC household credits
<b>Total Tax Liability</b>
Less: NYS & NYC withholdings
Less: Refundable credits
<b>If POSITIVE → BALANCE DUE</b>
<b>If NEGATIVE → REFUND</b>

## NYS & NYC withholdings

- Concept same as federal withholding
  - It's NYS/NYC tax already paid
- Found on taxpayer forms
  - E.g.: Form W-2, boxes 17 and 19

## Step 8: Refundable Credits

### Federal Gross Income

Less: Federal Adjustments

### Federal Adjusted Gross Income (AGI)

Plus: New York State additions

Less: New York State subtractions

### NYS Adjusted Gross Income (AGI)

Less: Standard or Itemized Deduction

Less: NYS Dependency Exemptions

### NYS Taxable Income

#### ➔ Calculate NYS & NYC Tax Liability using tax tables

Less: Non-refundable NYS & NYC household credits

### Total Tax Liability

Less: NYS & NYC withholdings

Less: Refundable credits

**If POSITIVE → BALANCE DUE**

**If NEGATIVE → REFUND**

## Refundable credits

- Empire Child Tax Credit
  - Similar to federal child tax credit
  - For raising children under 17
- NYS/ NYC Child and Dependent Care Credit
  - Similar to federal child and dependent care credit
  - For paying child care expenses (like daycare)
- NYS/ NYC Earned Income Credit
  - Percentage of federal EIC
  - For working poor

## Refundable credits

- Real Property Tax Credit
  - No federal equivalent
  - If rent is less than \$450 per month
- College Tuition Credit
  - Similar to federal education credits
  - Only for undergraduate tuition expenses
- NYC School Tax Credit
  - No federal equivalent
  - For all NYC residents (except dependents)
  - Flat \$145/\$290 amount based on filing status

## Finishing touches

- Taxpayer **MUST** sign the return
  - Volunteers **NEVER EVER** sign any returns
  - Signatures = legal liability for errors
- Tax return assembled and mailed
  - Attach all supporting forms and schedules
  - VITA does not keep any forms
  - Everything is returned to the client
  - They need to make copies for their records

## Site Identification Number

- Every return **must** have a **SIDN**
  - Tracks VITA progress
  - Affects our funding
  - Different for each site
  - Looks like: S1501-0000

## The number of returns we prepare...

...affects our funding.

Please make sure that we can have Baruch VITA for 2010-2011 season