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Singles - What You Ought to Know About Taxes

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Failure to file an estimated tax form or underestimating the amount of tax due carries a severe penalty.

Who must file?
Single people who are under 65 must file an income tax return if their gross pay (quoted salary) is at least $3000. If over 65, income must be $4300 to file. If you are self-employed and have earned $400 or more from your business, you are required to file a tax return. Individuals who, in their occupations, receive tips from which Social Security tax is not withheld are required to file even though they do not make $3300 in gross income.

If you do not earn enough to be required to file a tax return, you should file if tax was withheld during the tax year. If you do not file for the refund, the government does not automatically refund your money. You must file to get the refund that is owed to you.

How do you file?
Single taxpayers may use the new Form 1040-EZ, Form 1040A, or Form 1040 to file Federal income tax. The new 1040-EZ may be used by singles only, with NO dependents. The single taxpayer must not be claiming exemptions for being over 65 or blind. He/she must have income under $50,000, have only wages, salaries, tips, and other employee compensations, interest income ($400 or less) and no dividend income. The 1040A (short form) can be used if all your income was from wages, salaries, tips, and other employee compensation, or from dividends and interest. You are now allowed a deduction for charitable contributions on the 1040A. If you itemize your deductions, you may not use 1040A. The regular form 1040 is used if (1) you have income other than those listed above, (2) you itemize your deductions, (3) you can be claimed as a dependent on your parents’ return and had interest, dividends, or other income of $1,000 or more, (4) you are a qualifying widow(er) with a dependent child, (5) you were a nonresident alien and do not file a joint return, (6) you receive any nontaxable dividends, (7) take any adjustments to income, such as moving or business expenses. Most singles can use the short forms 1040-EZ or 1040A unless they have business or moving expenses. Again, reading the publication which is mailed to you each tax year with the tax form is helpful in answering many questions.

Where do you pay your taxes?
Taxes may be picked up at the regional office of your tax area. Many towns also have Internal Revenue Service branch offices and many forms are available at local banks. You send your annual federal tax forms to the regional office of your tax area. The region for Indiana is Memphis, Tennessee. Send state tax forms to the Indiana Department of Revenue at the state capitol in Indianapolis. The addresses are provided in the publication you receive, along with a self-addressed envelope for your mailing convenience. However, you must provide the postage.

Where can you get additional information?
For help in filing your Federal tax returns, the Internal Revenue Service issues hundreds of free publications that answer a variety of questions you might have. These are available for the asking and will be mailed to you free of charge.

Branch offices located throughout Indiana for use are good sources for help. You can go to these offices for a personal meeting and answers to your questions. There is a toll-free number to call when you have questions not answered in IRS publications. The IRS is also willing to provide group assistance with filing out tax forms. There is self-help available and questions will be answered.

VITA/TCE—Volunteer Income Tax Assistance and Tax Consulting for the Elderly will be available at special locations. These services are arranged by the Taxpayer Service Division. Their phone number is (317) 269-6326. The IRS new toll-free number for general questions is 1-800-829-1040.

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Singles... what you ought to know about taxes!

Do you enjoy driving your car over smooth, chuckhole-free roads?
Do you enjoy the summer afternoon swims at the city pool?
Were you happy when your stolen bike was returned to you by the city police?
Have you enjoyed listening to the records you borrow from the city library?

How do these good things come about? The simple answer is taxes— the taxes you and others pay at local, state, and federal levels. Taxes provide you with these and many more benefits that are available for use by all individuals.

County and city income come primarily from property tax plus sales tax and local option income tax to support many local public services such as the city police, the city library, the community fire station, and the city cultural arts program, to name a few.

Money for state revenue is collected from various sources, including a state sales tax on purchases, property taxes, a state income tax for residents, and a gasoline tax. This money helps repair and build roads, gives support to needy families, provides revenue for state and local parks and other recreational sites, and supports many other valuable services.

Federal revenue is gathered by federal income tax, federal estate tax, gift tax, and business taxes, just to name a few. Federal taxes support public transportation of all kinds, income security programs such as Social Security and Aid to Families with Dependent Children, education, and national defense, and contribute many other benefits to citizens.

Since you will pay taxes most of your life, knowing how the tax system works will be beneficial. The average American works 122 days out of the year to pay federal, state, and local taxes. Many people say they work for "Uncle Sam" the first four months of each year, and then work for themselves the remaining eight months. But tax money provides goods and services for the taxpayers, so you might consider it as working for yourself and others those four months of each year.

**How are taxes collected?**
Taxes are collected in various ways. The federal government uses the paycheck deduction method to collect the major portion of its revenue. This method involves removing your tax dollars before you receive your paycheck. The state government also uses the withholding method for state income tax, as do the counties that have the county option tax. The county where you own property uses the lump sum method to collect the property taxes you owe. State and local sales tax and gasoline tax are collected "bit-by-bit"; you pay the tax when you purchase goods and services.

**Your Social Security number**
Before you begin working at a job, you will be required to have a Social Security number. You can get a number from the Social Security office in your town. If your community does not have an office (or a contact station which is open a few days each month), you can call collect to the area Social Security office and ask them to mail you a form which you can complete and return by mail. A Social Security number will then be assigned to you, and you will receive it through the mail. If you are over 18, you will need to include proof of age by sending some form of identification with the application form.

**The W-4 Form**
Your Social Security number will be used to complete all tax forms, including Form W-4. Form W-4 is used by employers in determining how much money to withhold from your paycheck for federal and state taxes. Most important in completing Form W-4 is claiming the right number of exemptions. Many claim fewer exemptions than they are entitled to so they will receive a tax refund every spring. However, you must remember that you are not receiving any interest on your money while the government "holds" it for you. Therefore, the best method in claiming exemptions is to have only the money needed for your annual tax payment withheld. Getting the "windfall refund check" in the spring is actually costing you interest money or spending power you could have had if the government had not been holding your money. The fewer exemptions you claim, the more the government withholds from your paycheck. Usually a single person claims one exemption for withholding.

In completing Form W-4, give your name, your Social Security number, your home address, and the number of exemptions you wish to claim. Dating the form and signing your legal name is the final step in completing Form W-4.

**When do you pay taxes?**
Federal income tax is paid on an annual basis. Most people file by the April 15 deadline. However, each taxpayer has the option to determine the filing date that best suits his/her own situation. Most taxpayers use the January 1 to December 31 calendar year. Self-employed people—farmers or business owners—should be sure to see IRS publications, the Farmers Tax Guide (Pub 225) or the Employers Tax Guide (Pub 534), for special tax and deadline regulations that may apply to these groups. The deadline most taxpayers use for filing the annual return is three and one-half months after the tax year ends.

**Estimated taxes**
Only people employed by others have taxes withheld. People who are self-employed or retired must file an estimated tax form, 1040 ES, to predict or estimate the coming year's tax. This rule applies to persons having income from agriculture, labor, domestic service, interest, dividends, rent, etc., or to business and professional people whose income is not subject to withholding.

The taxpayer files a statement on this form on or before April 15 of each year, stating what he/she expects his/her income and tax to be for the coming year. After the person files a declaration of estimated income, quarterly tax payments are expected on April 15, June 15, September 15, and January 15. Individuals earning more than estimated may amend the estimated form from one quarter to the next.