

Money TALKS

Should I Be Listening?

Tackling Taxes

When starting a new job, you will probably feel excited and maybe a little nervous. You'll be meeting new people, reviewing company policies, and learning some new skills. You might also feel a bit overwhelmed when asked to fill out tax and employment forms. These feelings are all part of starting a new job. The good news is that you can prepare to fill out those forms with confidence. Keep reading for information that will help you complete tax and employment forms accurately, and learn what you need to know to file a tax return.

STARTING A NEW JOB

UNDERSTANDING THE W-4 FORM

WHERE DID MY MONEY GO?

TAX TIME

Should I File a Tax Return?

How Do I File a Tax Return?

REFUND

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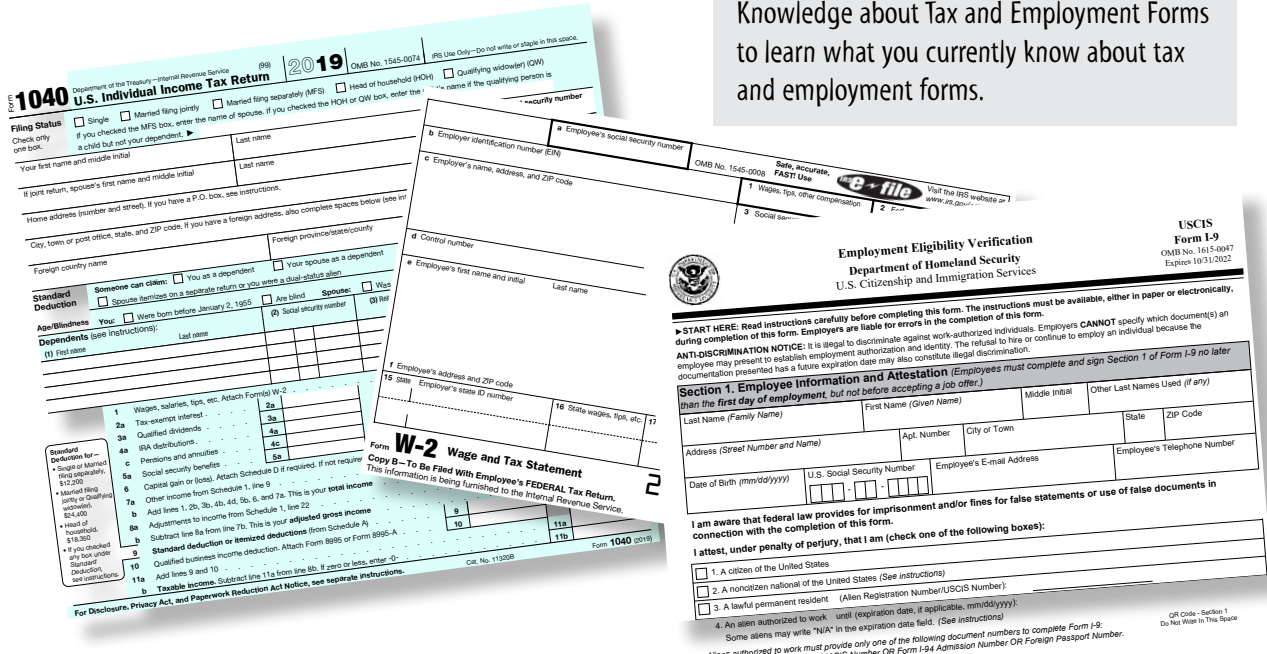
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My Knowledge about Tax & Employment Forms

A good place to start is by reviewing what you already know. Complete the following My Knowledge about Tax and Employment Forms to learn what you currently know about tax and employment forms.



For each of the following statements, answer True, False, or Not sure.

- I have to bring two forms of picture ID on my first day of work. True False Not sure
- Since I don't make enough money to file a tax return, there is no reason I should file one. True False Not sure
- Tips are a gift and I don't have to report them as income on my tax return. True False Not sure
- My employer must send me a W-2 form by March 1st each year. True False Not sure
- Employers can't fire me if I refuse to take a drug test. True False Not sure
- If I get paid \$12 an hour and work 10 hours, my take-home pay will be \$120. True False Not sure
- The IRS doesn't know how much money I get paid from my job. True False Not sure
- I have to file my taxes electronically. True False Not sure
- I have to go to the bank to set up direct deposit for my paycheck. True False Not sure

Did you select True for some of these statements? Read on to find out why all these statements are false.

Did you know they were all false? Nice work. Keep reading to see if you can learn anything new.

Starting A New Job

On your first day of work, your new employer will have some paperwork for you to complete. Your company may ask you to read and sign specific company policies and provide emergency contact information. Most likely, you will fill out employment forms before you actually start working. A few of these forms will require ID such as a current U.S. passport, Social Security card, or birth certificate, or some form of picture ID such as a driver's license, school ID, or a state ID card. One form you complete will determine the amount of income taxes you pay on the money you earn. After all, now that you are working you will probably be paying taxes.

Wonder why we pay taxes? Just look around. For most of us, taxes pay for our streets, our schools, our parks, safe drinking water, first responders, and many other things that as individuals we cannot afford to pay for ourselves. To be sure we have the important services we need, the government collects taxes and uses the taxes to pay for these services.

To make it easier for us to pay income taxes, the government uses a pay-as-you-earn system for collecting taxes from our income. That means some taxes are taken out of each paycheck. A good thing about paying taxes from each paycheck is that we pay our taxes in little payments all year long. Most people think this is a better way than trying to find the money to pay all their taxes once a year. What do you think? If you worked and owed \$500 in taxes, would you rather have \$10 taken out of each weekly paycheck all year long or would you rather save up money and pay the \$500 once a year?

Important to Know— Using Your Full Name

When filling out an employment or tax form, always use your full name as listed on your Social Security card. Using a nickname or a different name than what is on your Social Security card may result in problems when you start a new job, file taxes, or claim Social Security benefits.



I-9 Form

You will be asked to fill out an I-9 form before you start working. Although not a tax form, this form asks for information that verifies your identity and legal residence and confirms you are legally allowed to work in the United States. Ask your employer what documentation you need to bring to complete the I-9 form. If your I-9 is not completed within 3 days of starting a new job, your employer is not allowed to let you work.

Background Check, Drug Test

Before you start a new job, some employers may run a criminal and financial background check on you or require drug testing. You may also be asked to sign a company policy stating that you agree to random drug tests. The only way you'll pass these tests is to be drug-free. You don't have to agree to take a drug test, but your employer can treat you the same as if you failed the test—which means you'll probably lose your job.

Understanding the W-4 Form

IRS

The Internal Revenue Service is the federal agency that collects income tax on the money you earn. States and local governments that collect income taxes have similar agencies.

The first tax form you'll need to complete is a W-4 form. The W-4 form provides information so that you pay your taxes a little at a time. That's why the IRS (Internal Revenue Service) requires all employees to complete this form when starting a new job. If you live in a state, county, and/or city that collect income taxes, you will need to fill out similar forms for your state and local governments.

The W-4 form is used to estimate how much income tax you owe each pay period. The money taken out of your paycheck for taxes is called withholdings. Your employer sends your withholdings directly to the IRS for you.

The W-4 form includes five steps. Most teens will need to complete only Steps 1 and 5. To complete your W-4 form, do the following:

- In Step 1, fill in your name, address, and Social Security number, and check if you are single, married, or head of a household. **Be sure to write your name exactly as it is written on your Social Security card.**
- Complete Steps 2, 3, and 4 only if they apply to you. Fill in Step 2 if you have more than one job. Step 3 is used when someone has children or other dependents, and Step 4 provides an option to list other income that isn't taxed when it's received.
- In Step 5, sign and date your form to indicate the information you provided is truthful and accurate.

The paper version of the W-4 form can be a little confusing to complete, because it's several pages long, so you may want to complete the form online using the IRS W-4 estimator.

Since the W-4 form only helps to estimate how much you owe for income taxes, you will probably find that when it's time to file your yearly tax return, you actually paid too much or too little. If you paid more taxes than you owed, you will get money back when you file a tax return. However, if you did not pay enough to cover the taxes you owe, you will need to pay the rest when you file your tax return.



Where Did My Money Go?

Understanding Paycheck Deductions

Your new boss tells you that you will be making \$12 per hour to bag groceries. You worked 20 hours during your first pay period, so you were expecting your first check to be for \$240. But you only got \$206.

You may wonder why you didn't get as much money as you expected. Did your boss cheat you? Nope. Employers must put aside money from your paycheck for taxes and other deductions. The money taken out of your paycheck is known as deductions.

Tax Deductions

Most employers are required to deduct money from employee paychecks to cover taxes. Known as withholdings, these tax deductions include

- federal income tax
- state and local income tax
- Medicare tax
- Social Security tax

Other Deductions

Depending on your job and benefits, your employer might also take money out of your paycheck for state disability insurance (SDI), union dues, health insurance, retirement, or savings.

Different states have laws about other potential paycheck deductions for items like uniforms, tools, equipment, meals and lodging, or if you break store merchandise or come up short on cash in your register. If any of these deductions might be a part of your job, ask about these policies on your first day of work so you know what to expect.

Earning Statement

When you get paid, you will also have access to an earning statement that shows

- the number of hours you worked.
- your pay rate.
- all the deductions that were taken out of your pay.

Reviewing your earning statement will help you know exactly what deductions were taken from your paycheck. Your employer may give you a paper copy, or your earning statement may be available only online.

Gross versus Net

Gross pay is the total amount of money that you earn before any deductions are taken out. For example, if you worked for 12 hours and made \$11 per hour at a fast-food restaurant, your gross pay would be \$132. Your net pay is the amount of money you actually get to take home after deductions are taken out. For example, the fast-food restaurant takes deductions for federal income tax, state income tax, Social Security tax, and Medicare tax. While your *gross pay* was \$132, your *net pay* might be \$110.

Good to Know

Direct deposit is when your employer deposits your paycheck directly into a bank account rather than giving you a paper check. This is a fast and safe way to get paid. These are the benefits:

- You can't lose your paycheck (or have it stolen).
- You get and can use your money faster.
- You don't have to go to the bank.
- Many banks offer free accounts for customers with direct deposit.

If this is an option at your work, ask your employer for a direct deposit form.

Tax Time

Visit the IRS website at www.irs.gov/efile

Safe, accurate, FAST! Use **e-file**

OMB No. 1545-0008

Department of the Treasury—Internal Revenue Service

20XX

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


Every year your employer will send you a W-2 form by January 31. If you worked for more than one company during the previous calendar year, you will receive a W-2 form from each company you worked for. Your W-2 form is basically a summary of the income you earned and the taxes you paid. It states

- your gross earnings for the year.
- any tips your employer collected for you.
- the amount of federal, state, and local taxes your employer withheld from your pay.
- your Social Security and Medicare earnings and taxes for the calendar year.

Your employer will also send this information to the IRS.

If you didn't make a certain minimum amount of money, your employer isn't required to give you a W-2 form. The minimum has been \$600, but it can change from year to year. Be aware that even if your income is below the minimum, it is reported to the IRS so you need to include it when you file your tax return.

Tips need to be reported on your tax return, even if your employer doesn't include them in your W-2. Keeping a record of the tips you earn will make it easy to report them at tax time.



Should I File a Tax Return?

Most teens who work will want to file yearly tax returns, even though they may not have earned enough money to actually owe taxes. If you find that your income is below the amount required to pay taxes, you don't legally need to file a tax return. However, you might want to take the time to file a tax return regardless of your income. If taxes were taken from your paycheck, you might be eligible for a refund. The only way to get that refund is to file a tax return.

Tax Updates

Tax laws change all the time. Check out the IRS website at www.irs.gov for tax updates or to find answers to questions you have about filing your own taxes. Each state and local government that collects income tax has its own tax laws. Since these laws can also change, be sure to check tax information for your state and local government before you file.

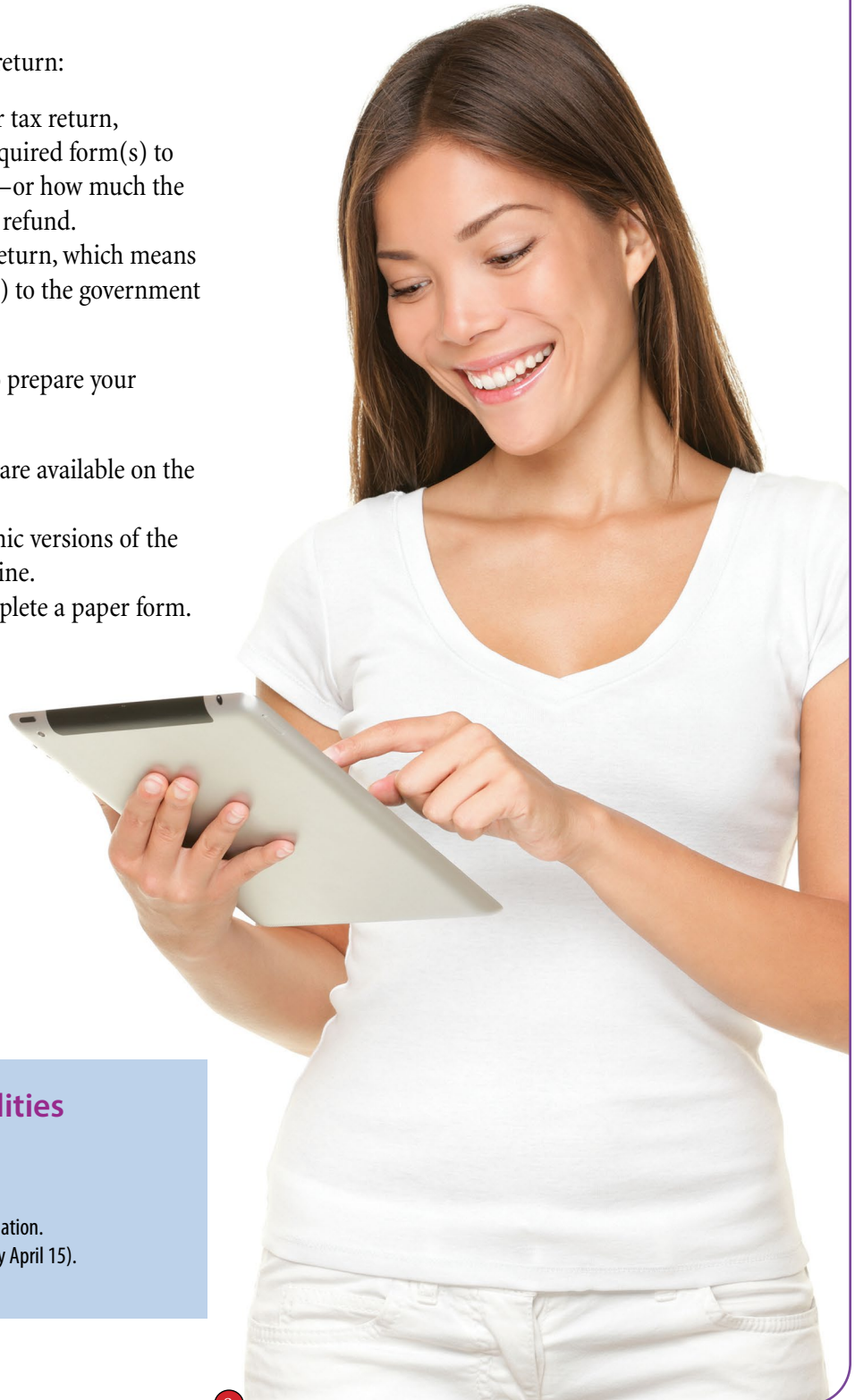
How Do I File a Tax Return?

There are two steps in filing a tax return:

- First, you need to prepare your tax return, which means filling out the required form(s) to calculate how much you owe—or how much the government owes you as a tax refund.
- Second, you submit your tax return, which means sending the completed form(s) to the government for processing.

You can choose from three ways to prepare your federal tax return:

- Online—using Free File software available on the IRS website.
- Fillable forms—using electronic versions of the IRS paper forms to fill out online.
- By hand—using a pen to complete a paper form.



Taxpayers' Responsibilities

Taxpayers should

- report all income.
- provide complete and accurate information.
- file taxes on time each year (usually by April 15).

Which Form Do I Use



Most people will use the 1040 form to file their federal taxes; however, some people will need to complete additional tax forms. If you

- use an IRS Free File program, the software will decide which tax forms you will use and calculate the numbers for you.
- prepare your taxes by hand or by using fillable forms, you'll use the 1040 form you find online.
- are self-employed, you will also need to fill out Schedule C. This form is used to report your self-employment income and expenses, and has to be submitted with your 1040 form.

All federal tax forms can be found at www.irs.gov.

Interest on Savings

If you receive more than \$10 a year in interest income on a savings account, you will receive a 1099-INT form from each bank or other financial institution where you have accounts that pay you interest income. This interest is taxable and is reported to the IRS. The 1040 form includes a line for you to report interest income.

Filing Taxes & Claiming a **REFUND**



Federal Income Tax

If you use Free File, you can submit your tax return online by using the secure IRS e-file at www.irs.gov. It's easy, and if you are entitled to a refund you'll probably get it within 21 days. Taxpayers who use the electronic IRS fillable forms can also use e-file to submit their returns. If you decide to submit by mail, go to www.irs.gov to find the correct address for where to send your tax return. Be sure to sign and date your tax return before mailing.

State Income Tax

If you live in a state that has a personal income tax, you may be able to prepare and submit your state income tax at the same time as your federal income tax using IRS Free File and e-file.

e-file

Most taxpayers use IRS e-file to submit their tax return.

My Refund

After you file your tax return, you might be lucky enough to get a refund—that's money back because you paid more taxes than you owed. What will you do with your tax refund? Maybe you would like to buy a new smart phone or get concert tickets. Whatever you want to do with the money, consider spending some and saving some. Your tax refund is an easy way to start or increase your savings. Regardless of what you do with your tax refund, avoid getting yourself in debt. If your tax refund won't pay for the entire price of what you want to buy, like a new cell phone, save the money and add to it until you have enough to buy what you want. You'll enjoy your new item a lot more knowing that it's totally paid for!

Match the Form CHALLENGE



You just learned a lot of information about tax and employment forms. Review and test your understanding of this new information by matching the form with the number of the correct definition.

- | | |
|----------------------|--|
| W-2 form | 1. This tax form shows how much interest you received on a savings account. |
| I-9 form | 2. This form is provided by your employer and states your wages, tips, and tax withholdings. |
| 1040 form | 3. Fill out this form when you start a job to show you are legally allowed to work in the United States. |
| Schedule C | 4. Fill out this form when you start a job so your employer knows how much money to withhold and send to the IRS for your taxes. |
| W-4 form | 5. This is the federal tax form most people use to file their tax return. |
| 1099-INT form | 6. This tax form is used by self-employed people to report their income and expenses when filing taxes. |

How many pairs did you match correctly? Check the last page for the answers.

5-6 right answers—great work! Looks like you have a good understanding of tax and employment forms.

3-4 right answers—you might want to re-read about the few you missed to be sure you know what forms you might need to fill out when you start your new job or file your tax return.

1 or 2 right answers—it seems like you could use some more review before you start your first day of work. Try the challenge again after you re-read this guide.

Final thoughts: A job is a great way to gain work experience and earn a little money. In the process, you'll also learn a lot about employment and tax forms and how to file a tax return. Start your new job with confidence knowing that you now have some extra knowledge and tools to help you understand and complete those forms and file your tax return.

Tax Scams

The IRS reports that tax scams are on the rise. Protect yourself by keeping your Social Security number confidential. And remember, the IRS will never call asking for your Social Security number or threatening you with jail for unpaid taxes. If the IRS has a question about your taxes, they will mail you a request for additional information.

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Answers to Match the Form Challenge:

W-2 form – 2

1040 form – 5

W-4 form – 4

I-9 form – 3

Schedule C – 6

1099-INT form – 1