

Tax Questions

Does everyone need to file a tax return?

Almost everyone needs to file an income tax return, except for people who earn very little. For single people who cannot be claimed as dependents (meaning that someone else pays over half of their living costs), you must turn in your taxes if you make more than \$7050. For married couples turning in the same tax form, you must turn in your taxes if you make more than \$12,700.

If you make less than these amounts, it still might be worth it for you to fill out the forms and turn them in. Even if you don't owe the government money, it may owe you. See if you are eligible to get the Earned Income Tax Credit (EITC) or the Child Tax Credit (CTC). (See the handouts "Do You Qualify for the Earned Income Tax Credit" and "Tax Help for People With Children.")

There is nothing wrong with not turning in a form if you don't owe taxes, but if you do owe money, it's a crime not to file. The government will require you to pay what you owe, plus fines.

Even if you don't have the money to pay all of the taxes you owe, you should file anyway. There are ways that you can get extensions and pay in installments.

Should I still turn in my forms by the deadline if I don't have the money to pay my taxes?

It is definitely in your best interest to at least turn in your forms by the deadline, even if you can't pay for your taxes then. The penalty not turning in your form by the deadline is 5% per month of the taxes you owe and for each month you're late, you are charged interest on a growing amount. But if you turn in your form by the deadline, even without paying, the penalty is less. If you can, include a check with your form, even if it is not for the whole amount you owe. This will lessen your penalty even further.

What Happens if I Don't Get My Taxes in on Time?

If you file late and don't ask for an extension (using tax forms 2688 or 4648) you'll get a penalty fee for each month the return is late. The government will also charge interest on the tax you owe.

How Do I know my Income for the Year?

At the beginning of each year you should get IRS Form W-2, Wage and Tax Statement, sent from your employer. This form tells you how much you earned for the year, as well as how much money the government took out for your taxes. If you have more than one employer, each is responsible for sending you a W-2 by the end of January. You should keep one copy of your W-2, you send in one with your tax form and one with your state tax form.

Should I Turn In My Taxes Early or Wait Until the Deadline?

If you expect to receive a refund on your taxes because you had too much money withheld from your paycheck it might be in your best interest to file early. The earlier you file, the sooner you will get the money the government owes you and refunds take less time to process when you file ahead of everyone else. If you expect to owe taxes, it might make more sense to wait until closer to the deadline to file. That way you can budget for the amount you are going to have to pay.

What If I'm Paid in cash, or "Under the Table"?

Unless you are paid a very small amount, what you and your employer is doing is against the law. If you are self employed, you are responsible for taxes if you earn more than \$400. If you are paid in cash you and your employer are responsible for taxes after \$1300. Your employer is breaking the law and costing you important benefits. When you are paid legally, money for these benefits is taken out of your pay. If you were to become unemployed, for example, if you and your employer have been paying the proper taxes, you are eligible for 50% of your salary for up to 3 months while you look for a new job. If you haven't paid these taxes, you can't get this benefit. When you reach retirement age, you are eligible for Social Security, based on how much you worked and contributed to your future benefits through taxes. You'll get a lot more money you'll need later if you pay your taxes now. Employment history is also important for your credit record. You'll need an employment history to get loans for a car, a house and education. You also can't qualify for important tax benefits, like the Earned Income Tax Credit (see the handout "Do You Qualify for the Earned Income Tax Credit?") if you don't have any legal income. Even though it seems like a pain, it is really in your best interest to pay taxes. Ultimately, however, it is your choice.

What if I'm in College?

You do not have to file if you are a student and your parents claim you on their tax returns and you made less than \$4,300 in earned income. If you made more than this, or you are not a dependent and earn more than \$7450, you need to file taxes.

This worksheet was compiled based on information from:

<http://www.taxgaga.com>

<http://www.irs.gov>

<http://www.breedlove-online.com>