



Chapter 15 Real World Activity Finding and Completing Tax Forms

Name _____
Class _____

Before becoming an independent young adult, you may have completed an income tax return. As an independent working adult, you will be filing income tax returns even if you have no tax due. In this activity, you will find and complete a Form W-4, Form 1040, and your state's 1040, if applicable. In real life, you complete a W-4 for your employer when hired. You would file your Form 1040s with the federal and state governments.

To download forms, go to irs.gov. Scroll over or click on the Forms and Instructions tab. There you will be able to download Form W-4 and the federal Form 1040. Your teacher will instruct you whether to complete the forms on the IRS website and save them as a PDF or print a copy. Or, they may ask you to download a blank form and complete it by hand.

To download your state Form 1040 or equivalent, use a browser to search the name of your state and "Form 1040". Most states offer a fillable PDF version. Follow your teacher's instructions on how to complete and submit your form. Skip this step if you are in Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming. Those states have no state income tax.

Completing a Form W-4

Form W-4 is relatively simple. After downloading it, complete it using the instructions and the following assumptions. DO NOT write your Social Security number or actual date of birth on any practice tax forms.

1. You will be earning less than \$200,000 if single, \$400,000 if married.
2. You are single and living independently.
3. If you expect to have a "side hustle" where you are earning money, estimate that amount on 4a. If you expect to have interest or investment income, include that as well. The IRS considers a job to be working for someone else. Earning money on your own or as an independent contractor is other income.
4. You will be using the standard deduction, so you will not enter a figure for 4b.

Note that the IRS does not automatically tell you how much will be withheld from your pay for taxes once you complete the form. Your employer uses that information to calculate withholding.

Completing Your Form 1040s

Form 1040 is more complicated than Form W-4. You may download and refer to the instructions, or your teacher may help you complete the different portions of the forms. Unless your teacher provides you with an alternative, you will be using your W-2 generated in the Budget Challenge simulation. The W-2 will be available after your first paycheck in the simulation. You can find it under the Employer Tab on your student homepage.

Based on your simulation activity, the Form W-2 estimates a year's pay, 401(k) contributions, and health insurance deductions. Consequently, your W-2 may be different from your classmates' W-2s due to the difference in your 401(k) contributions.

One of the advantages of contributing to your 401(k) is that contributions reduce your taxable income. Complete your Form 1040 based on the following assumptions unless otherwise instructed by your teacher.

1. You are single and living independently.
2. You will be taking the standard deduction.
3. If you plan to earn income from a “side hustle”, estimate the annual amount and include it as other income.
4. Assume your interest income will be \$10 and that you will not have taxable dividends or capital gains. The assumption is that any investments you make will be in tax-advantaged accounts.

After completing your federal Form 1040, complete your state 1040 as instructed by your teacher. Then answer the following questions.

1. Why do you think the IRS asks you to include other income when completing your Form W-4?
2. After completing your federal Form 1040, did you have to pay a balance due, or are you receiving a refund?
3. How did the amount of tax paid to your state compare to the amount paid to the federal government? Based on the information in Chapter 15, what might explain the difference?

Extending the Learning

Some local units of government impose their own income tax. Research the local governments where you live and surrounding communities. Do they have a local income tax? If so, how is it determined? Predict how the tax due would compare to federal and state income tax.