Math of Finance – Unit 6 Review

Name: KEY

1. Jake and Gloria are married, filing jointly. Their taxable income without deductions was $120,440. They were able to reduce their total income by $25,381 using Form 1040 and Schedule A. How much did they save in tax by claiming these deductions? Use the tax tables in the Appendix. (TB p.333)

120440: (120440 x .28) − 8317 = 25406.20

120440 − 25381 = 95059 : 16456

25406 − 16456 = 8950

2. Determine the tax for each filing status and taxable income amount listed using the tax tables in the Appendix.
   a. single $97,642

      21,313

   b. head of household $95,100

      18,844

   c. married filing jointly $99,999

      17,681

   d. married filing separately $99,002

      22,099

   e. Given a taxable income amount t = $97,226, express the tax table line that would be used in compound inequality notation.

      between 97,200 and 97,250

   f. Given the taxable income amount t = $95,656, express the tax table line that would be used in interval notation.

      between 95,650 and 95,700

3. Use the table to answer the questions below.

Schedule Y-1— If your filing status is **Married filing jointly or Qualifying widow(er)**			
If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
$0	$16,050	--------- 10%	$0
16,050	65,100	$1,605.00 + 15%	16,050
65,100	131,450	8,962.50 + 25%	65,100
→ 131,450	200,300	25,550.00 + 28%	131,450
200,300	357,700	44,828.00 + 33%	200,300
357,700	---------	96,770.00 + 35%	357,700

   a. What is the tax for taxpayers filing jointly with a combined taxable income of $134,786?

      25550 + .28(134,786 − 131,450) = 26484.08

   ~~b. A married couple's tax is approximately $30,000. What is their approximate taxable income?~~

Math of Finance – Unit 6 Review Name: KEY

4. Ann's W-2 form reported total Medicare Wages as \$88,340. She contributed \$50 per weekly paycheck to her FSA and \$90 per weekly paycheck to her retirement plan. She received a 1099 form from her bank for her savings account interest in the amount of \$800 and a 1099 form from a book publisher for royalties in the amount of \$3,700. What is Ann's adjusted gross income?

   50+90=140 140×52=7280

   88340−7280+800+3700 = 85560

5. Mike pays \$8,000 in property taxes, but receives a 28% tax deduction for it. What is Mike's net expense for property taxes? 8000 ×.28=2240

   8000−2240=5760

For each exercise, complete the indicated forms to find adjusted gross income, taxable income, tax due, and amount of refund or amount owed. If appropriate, find the total itemized deductions, and the interest and ordinary dividends. Round all answers to the nearest dollar. Use the tax tables in the Appendix.

6. Katie and Ken are married with three children. The following information was reported on their W-2 forms. They received \$924.78 in interest on bank deposits and \$1,011 in stock dividends. Fill out a Form 1040A for Katie and Ken.

	Katie	Ken	
Federal income tax withheld	\$ 9,800	\$11,500	21300
Wages	\$49,000	\$52,000	101000

   See attached

7. Von is a single taxpayer. His wages for the year are \$66,200. The amount withheld for federal taxes was \$9,930. His bank interest is \$1,200. Fill in his 1040EZ form.

   See attached

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Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return (99) 2015
IRS Use Only—Do not write or staple in this space.

OMB No. 1545-0074

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name	Foreign province/state/county	Foreign postal code

Filing status
Check only one box.

1 ☐ Single
2 ☑ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (see instructions)

Exemptions
6a ☑ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a.
b ☑ **Spouse**

Boxes checked on 6a and 6b: 2

c **Dependents:**

If more than six dependents, see instructions.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
Sally			☐
Bob			☐
Emily			☐
			☐
			☐
			☐

No. of children on 6c who:
• lived with you: 3
• did not live with you due to divorce or separation (see instructions):
Dependents on 6c not entered above:

d Total number of exemptions claimed. Add numbers on lines above ▶ 5

Income

Attach Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	101000
8a	**Taxable** interest. Attach Schedule B if required.	8a	925
b	**Tax-exempt** interest. **Do not** include on line 8a.	8b	
9a	Ordinary dividends. Attach Schedule B if required.	9a	1011
b	Qualified dividends (see instructions).	9b	
10	Capital gain distributions (see instructions).	10	
11a	IRA distributions. 11a — 11b Taxable amount (see instructions).	11b	
12a	Pensions and annuities. 12a — 12b Taxable amount (see instructions).	12b	
13	Unemployment compensation and Alaska Permanent Fund dividends.	13	
14a	Social security benefits. 14a — 14b Taxable amount (see instructions).	14b	
15	Add lines 7 through 14b (far right column). This is your **total income.** ▶	15	102936

Adjusted gross income

16	Educator expenses (see instructions).	16	
17	IRA deduction (see instructions).	17	
18	Student loan interest deduction (see instructions).	18	
19	Tuition and fees. Attach Form 8917.	19	
20	Add lines 16 through 19. These are your **total adjustments.**	20	0
21	Subtract line 20 from line 15. This is your **adjusted gross income.** ▶	21	102936

Tax, credits, and payments

22	Enter the amount from line 21 (adjusted gross income).	22 102936
23a	Check if: ☐ **You** were born before January 2, 1951, ☐ Blind; ☐ **Spouse** was born before January 2, 1951, ☐ Blind. **Total boxes checked** ▶ 23a ☐	
b	If you are married filing separately and your spouse itemizes deductions, check here ▶ 23b ☐	
24	Enter your **standard deduction.**	24 12600
25	Subtract line 24 from line 22. If line 24 is more than line 22, enter -0-.	25 90336
26	**Exemptions.** Multiply $4,000 by the number on line 6d. (x 5)	26 20000
27	Subtract line 26 from line 25. If line 26 is more than line 25, enter -0-. This is your **taxable income.** ▶	27 70336
28	**Tax,** including any alternative minimum tax (see instructions). 28 10269	
29	Excess advance premium tax credit repayment. Attach Form 8962. 29	
30	Add lines 28 and 29.	30 10269
31	Credit for child and dependent care expenses. Attach Form 2441. 31	
32	Credit for the elderly or the disabled. Attach Schedule R. 32	
33	Education credits from Form 8863, line 19. 33	
34	Retirement savings contributions credit. Attach Form 8880. 34	
35	Child tax credit. Attach Schedule 8812, if required. 35	
36	Add lines 31 through 35. These are your **total credits.**	36 0
37	Subtract line 36 from line 30. If line 36 is more than line 30, enter -0-.	37 10269
38	Health care: individual responsibility (see instructions). Full-year coverage ☐	38
39	Add line 37 and line 38. This is your **total tax.**	39 10269
40	Federal income tax withheld from Forms W-2 and 1099. 40 21300	
41	2015 estimated tax payments and amount applied from 2014 return. 41	
42a	**Earned income credit (EIC).** 42a	
b	Nontaxable combat pay election. 42b	
43	Additional child tax credit. Attach Schedule 8812. 43	
44	American opportunity credit from Form 8863, line 8. 44	
45	Net premium tax credit. Attach Form 8962. 45	
46	Add lines 40, 41, 42a, 43, 44, and 45. These are your **total payments.** ▶	46 21300

Standard Deduction for—
- People who check any box on line 23a or 23b or who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $6,300

Married filing jointly or Qualifying widow(er), $12,600

Head of household, $9,250

If you have a qualifying child, attach Schedule EIC.

Refund

47	If line 46 is more than line 39, subtract line 39 from line 46. This is the amount you **overpaid.**	47 11031
48a	Amount of line 47 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐	48a
▶ b	Routing number ▶ c Type: ☐ Checking ☐ Savings	
▶ d	Account number	
49	Amount of line 47 you want **applied to your 2016 estimated tax.** 49	

Direct deposit? See instructions and fill in 48b, 48c, and 48d or Form 8888.

Amount you owe

50	**Amount you owe.** Subtract line 46 from line 39. For details on how to pay, see instructions. ▶	50
51	Estimated tax penalty (see instructions). 51	

Third party designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete the following. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid preparer use only

Print/type preparer's name	Preparer's signature	Date	Check ▶ ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

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Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) 2014

OMB No. 1545-0074

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	▲ Make sure the SSN(s) above are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name	Foreign province/state/county	Foreign postal code

Income

Attach Form(s) W-2 here.

Enclose, but do not attach, any payment.

1	Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.	1	66200
2	Taxable interest. If the total is over $1,500, you cannot use Form 1040EZ.	2	1200
3	Unemployment compensation and Alaska Permanent Fund dividends (see instructions).	3	
4	Add lines 1, 2, and 3. This is your **adjusted gross income.**	4	67400
5	If someone can claim you (or your spouse if a joint return) as a dependent, check the applicable box(es) below and enter the amount from the worksheet on back. ☐ **You** ☐ **Spouse** If no one can claim you (or your spouse if a joint return), enter $10,150 if **single;** $20,300 if **married filing jointly.** See back for explanation.	5	10150
6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your **taxable income.** ▶	6	57250

Payments, Credits, and Tax

7	Federal income tax withheld from Form(s) W-2 and 1099.	7	9930
8a	**Earned income credit (EIC)** (see instructions)	8a	
b	Nontaxable combat pay election. 8b		
9	Add lines 7 and 8a. These are your **total payments and credits.** ▶	9	
10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table in the instructions. Then, enter the tax from the table on this line.	10	10663
11	Health care: individual responsibility (see instructions) Full-year coverage ☐	11	
12	Add lines 10 and 11. This is your **total tax.**	12	10663

Refund

Have it directly deposited! See instructions and fill in 13b, 13c, and 13d, or Form 8888.

13a	If line 9 is larger than line 12, subtract line 12 from line 9. This is your **refund.** If Form 8888 is attached, check here ▶ ☐	13a	
▶ b	Routing number ▶ c Type: ☐ Checking ☐ Savings		
▶ d	Account number		

Amount You Owe

14	If line 12 is larger than line 9, subtract line 9 from line 12. This is **the amount you owe.** For details on how to pay, see instructions. ▶	14	733

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Joint return? See instructions.

Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶		Firm's EIN ▶		
Firm's address ▶		Phone no.		