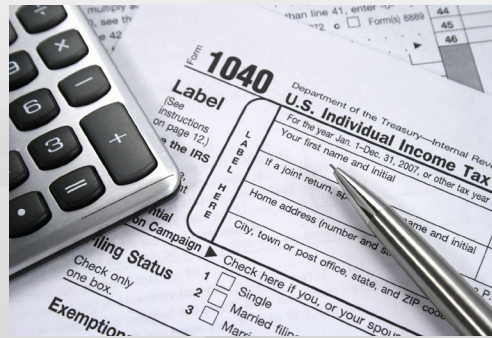




All About Taxes



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Today's Talk



- Types of Taxes
 - Payroll taxes
 - State income taxes
 - Federal income taxes
- Filing Requirements for Income Taxes
- New Hire Tax Forms
- Common Pitfalls to Avoid

Types of Taxes for Individuals



- Payroll taxes
- State income taxes
- Federal income taxes

Payroll Taxes



- Payroll tax withholdings
 - Withheld from paycheck
- Also called FICA taxes
 - Federal Insurance Contribution Act
- 2022 Rate = 7.65%
 - Social Security rate – 6.2% (on the first \$147,000 earned)
 - Medicare rate – 1.45%

State Income Taxes



- Most states have an individual state income tax
 - *Exceptions: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming*
 - Withheld from paycheck (if employed)
- File an **annual** state income tax form
 - Report income
 - Calculate state income tax liability
 - Subtract what you have already paid (through payroll withholdings) and calculate remaining tax due or over payment (refund)

State Income Taxes



- Virginia
 - Progressive tax system – tax rate increases as income increases
 - Form 760
 - Due on or before May 1st each year
 - Required to file if you have Virginia adjusted gross income of
 - \$11,950 if single or married filing separately
 - \$23,900 if married filing jointly
 - VA Form 760 *Individual State Income Tax Return*

<https://www.tax.virginia.gov/sites/default/files/taxforms/individual-income-tax/2021/760-2021.pdf>

Federal Income Taxes



- U.S. requires payment of federal income taxes
 - Progressive tax system
 - Tax rate increases as the amount of income increases
 - Withheld from paycheck if employed
 - Self employed may need to pay quarterly estimated taxes
- File an annual individual income tax form
 - Report income
 - Calculate federal income tax liability
 - Subtract what you have already paid (through payroll withholdings) and calculate remaining tax due or over payment (refund)

Filing Individual Income Tax Returns



- Federal income tax return
 - Form 1040 *Individual Tax Return*
 - Reports income you have earned during the year
 - Form W-2 (earnings from employer)
 - Form 1099 (earnings as an independent contractor)
 - Form 1099-INT (interest earnings)
 - Form 1099-DIV (dividend earnings)
 - Form 1099-B (capital gains from sales of stock/investments)
 - » Capital gain = amount received in sale minus the amount paid
 - » Only taxed on the gain
 - Due on or before April 15th each year
 - Form: <https://www.irs.gov/pub/irs-pdf/f1040.pdf>

Filing Individual Income Tax Returns



- Required to file if your income is higher than the standard deduction
 - \$12,550 for a single taxpayer
 - \$25,100 for joint taxpayers (married filing jointly)
 - \$18,800 for head of household (must be single but provide a household for a qualifying person)
 - *Additional rules for minor children with income*
 - *Additional standard deduction amounts for above the age of 65 and blindness*

How to File Annual Income Taxes



- File yourself online through Turbo Tax, H&R Block, etc.
 - May be free depending on income
 - Recommend if you have easy taxes, one source of income, W-2, interest earnings, etc.
 - Online software walks you through a series of questions.
- If earned \$57,000 or less, may be eligible for free state and federal preparation and filing through the IRS VITA (Volunteer Income Tax Assistance) program
- CPA firms and other tax preparation places such as Jackson Hewitt
- IRS provides links: <https://apps.irs.gov/app/freeFile>

New Hire Tax Forms



- Federal W-4 *Employee's Withholding Certificate*
 - Complete so employer can withhold the correct federal income tax from your pay
 - Based on how much you plan to earn, including second jobs, and your planned filing status
 - Be sure to update your W-4 when your personal or financial situation changes
- Form:

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

New Hire Tax Forms



- *VA-4 Employee Withholding Exemption Certificate (or other state's equivalent)*
 - Complete in the state you are working in, so employer can withhold the correct state income tax from your pay
 - Be sure to update your VA-4 (or other state) when your personal or financial situation changes
- Form:
<https://www.tax.virginia.gov/sites/default/files/taxforms/withholding/any/va-4-any.pdf>

New Hire Tax Forms



- Federal I-9 Form *Employment Eligibility Verification*
 - Used to verify the identity and employment authorization of individuals hired for employment in the United States
 - On the form, an employee must attest to his or her employment authorization.
 - The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization.
- Form:
<https://www.uscis.gov/sites/default/files/document/forms/i-9-paper-version.pdf>

Pitfalls to Avoid

- Payroll tax awareness
 - If you earn a salary of \$40,000, your paychecks will not add up to \$40,000 for the year
 - Be sure to find out how much your actual take-home pay is **before** making your personal budgeting decisions
 - Remember: Payroll deductions and withholdings
 - Payroll taxes 7.65%
 - State income taxes withheld
 - Federal income taxes withheld
 - Other deductions:
 - Retirement
 - Healthcare



Pitfalls to Avoid

For example, you earn a \$40,000 per year salary.

- $\$40,000/12$ months = \$3,334 per month **BEFORE** any taxes or deductions

Paycheck before deductions & taxes	\$3,334
FICA payroll tax withholdings	(255)
Est. state income tax withholdings	(300)
Est federal income tax withholdings	(334)
Retirement (5%)	(167)
Est Healthcare	<u>(600)</u>
Est. paycheck after deductions & taxes	\$1,678



Pitfalls to Avoid



- Save tax forms and documentation
 - Remember – Student loan interest paid is deductible
- Be aware of taxable transactions
 - Earning income?
 - Venmo & PayPal transactions
 - Robinhood or other stock exchange apps
- Update withholding forms when you have changes (W-4 and VA-4)
- Tax return due dates
 - State of Virginia – May 1st
 - Federal – April 15th
 - If you owe money and file late, you will owe penalties and interest

Pitfalls to Avoid



- What is a tax refund?
 - A refund of state and/or federal taxes over paid.
 - You will **not** receive a refund of payroll taxes regardless of your annual tax return filings.
 - You are only able to receive refunds for overpayment amounts.
- Is your parent claiming you as a dependent or qualifying child? Know this **before** you file your own taxes.

Pitfalls to Avoid



- May want to file taxes even if not required
 - If you are due a refund for taxes overpaid, you must file to receive the refund
 - The government does not require you to file if you earn less than the standard deduction (*unless minor or other exception*) because you would owe \$0 in taxes.
 - However, if you paid any taxes, you would get a refund, but you must file a return to receive a refund of what you've paid.
 - Example: You received a W-2 for earning \$3,000. You had \$450 of Federal income taxes withheld. If you are single and not a minor, then you are not required to file because you earned less than the standard deduction. However, you paid \$450 of Federal income taxes through payroll deductions. You did not owe this amount and are due a refund, but you will not receive it unless you file a tax return showing and requesting the refund.

Pitfalls to Avoid



Questions?

If you need or want more information or to discuss something, contact me at:

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