

MONEY TALKS: Should I Be Working? Clearing Employment Hurdles

Tackling Taxes Leaders' Guide

AUTHORS

PATTI C. WOOTEN
SWANSON, Nutrition,
Family, and Consumer
Sciences Advisor,
University of
California Cooperative
Extension, San
Diego County;
KATHERINE E. SOULE,
Youth, Families,
and Communities
Advisor, University of
California Cooperative
Extension, San Luis
Obispo and Santa
Barbara Counties

CONTRIBUTORS

SHIRLEY S. PETERSON, University of California Cooperative Extension Emeritus; DRUSILLA M. ROSALES, Nutrition, Family and Consumer Sciences Advisor, University of California Cooperative Extension, Los Angeles and Orange Counties; KRISTEN M. STENGER, Nutrition, Family and Consumer Sciences Advisor, University of California Cooperative Extension, Fresno and Madera Counties; KAREN VARCOE, Consumer Economics Specialist Emeritus, University of California Cooperative Extension

MONEY TALKS TEAM

SUSAN ALGERT, Nutrition Advisor, University of California Cooperative Extension, Santa Clara, San Mateo, and San Francisco Counties; CONSTANCE COSTELLO, EFNEP Program Manager, University of California Cooperative Extension, Riverside, San Bernardino, and San Diego Counties; CHARLES G. GO, 4-H Youth Development Advisor, University of California Cooperative Extension, Alameda and Contra Costa Counties; MYRIAM GRAJALES-HALL, Program Manager, ANR News and Outreach in Spanish, University of California, Riverside; MARGARET CURRAN JOHNS, Nutrition, Family and Consumer Science Advisor, University of California Cooperative Extension, Kern County; KEITH NATHANIEL, 4-H Youth Development Advisor, University of California Cooperative Extension, Los Angeles County

This leaders' guide is designed to accompany the *Tackling Taxes* teen guide. The leader's guide includes learning objectives, background information, activities with accompanying handouts and visuals, and a list of resources for additional information. The background information prepares instructors to teach the unit and provides lecture material to cover with the teens. It is recommended that each teen receive a copy of the teen guide and read it before participating in the activities outlined in this guide.





Savings Tip

When filing their taxes, taxpayers can boost their personal savings by using Form 8888, Allocation of Refund (including Savings Bond Purchases), which directs the IRS to deposit some or all of their tax refund directly into a personal bank account or use the specified amount to purchase Series I Savings Bonds, rather than sending the entire amount as a check (IRS 2015h).

The purpose of *Tackling Taxes* is to help teens understand why and how we pay taxes, with the primary focus on federal income taxes. Lessons prepare teens and young adults to assume their responsibilities as taxpayers, including

- completing Form W-4 when starting a job
- understanding Form W-2 and using it to prepare a tax return
- filing federal income tax returns
- receiving a refund or paying taxes owed.

LEARNING OBJECTIVES

Teens will

- understand why we pay taxes
- know basic information about federal income taxes
- explain the purpose of Form W-4: Employee's Withholding Allowance Certificate
- identify the types and uses of payroll taxes
- be able to read Form W-2: Wage and Tax Statement to find the information needed for tax preparation
- learn about the requirements for filing a tax return
- understand why a person may want to file a tax return even if one is not required
- learn a variety of tax-related terminology

Key points to make

- Governments levy taxes to pay for public goods and services that individuals could not or would not pay for individually.
- Our federal income tax system is sometimes described as a pay-as-you-go system. Workers pay income taxes as they earn money through withholdings from their paychecks or, in the case of the self-employed, through quarterly estimated tax payments.
- Employers deduct payroll taxes from worker paychecks. Payroll taxes include Social Security and Medicare, which provide benefits to retirees and other qualified individuals.

- It is necessary to file an income tax return in order to receive a tax refund.
- Scammers sometimes use individual taxpayer information to steal a person's identity.

BACKGROUND INFORMATION

Many teens work at part-time or summer jobs or earn money through odd jobs such as babysitting or mowing lawns. Others anticipate joining the workforce when they graduate from high school or college. Earning a paycheck eventually leads to the responsibility to pay income taxes.

Teens can benefit from understanding the basics of why and how Americans pay income taxes. It's important for them to recognize the nature and purpose of income taxes and payroll taxes, become familiar with the tax-related forms they will encounter in the workplace, know the process of filing an income tax return, and understand that it is necessary to file a tax return in order to get any refund due to them.

Why We Pay Taxes

Governments provide many goods and services for the common good, such as national defense, police and fire protection, and job training. They collect taxes to pay for these benefits, which many people enjoy but few would be willing or able to pay for on their own. Other examples of tax-funded goods and services include

- roads and highways
- schools (preschool through college)
- hospitals
- health care
- school breakfasts and lunches
- food (e.g., the Supplemental Nutrition Assistance Program [SNAP], which was formerly known as Food Stamps and is called CalFresh in California; and the Special Supplemental Nutrition Program for Women, Infants, and Children [WIC]).

The power of taxing people and their property is essential to the very existence of government.

James Madison,
U.S. President

Did You Know?

Taxpayers who combine e-file and direct deposit can get their refunds in as few as 10 days.

- housing (low-income)
- student loans
- safety regulations (e.g., pesticide application, water testing, food safety inspections)
- judicial system (courts)
- child protective services
- libraries
- local, state, and national parks
- veterans services
- air traffic controllers
- social services, such as drug rehabilitation programs
- medical research
- regulatory agencies, such as the Office of the Comptroller of the Currency that regulates banks

Federal Tax System

To understand the federal tax system, it is helpful to know the sources of government income and how the money is spent (IRS 2015h).

Federal income

Data in Figure 1 indicate that in tax year 2012, the federal government received over half of its income from a combination of

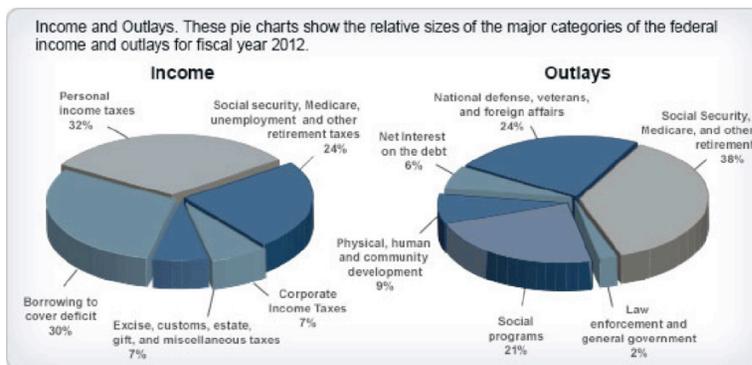


Figure 1. Federal income and outlays for fiscal year 2012. *Source:* IRS 2015h, Activity 3: Citizen's Guide to the Federal Budget, http://apps.irs.gov/app/understandingTaxes/whys/thm01/les01/ac3_thm01_les01.jsp.

personal income taxes (32%) and a combination of Social Security, Medicare, unemployment, and other retirement taxes (24%).

Federal expenses

Three expense categories accounted for almost 85% of federal spending: Social Security, Medicare, and other retirement-related programs (38%), defense-related spending (24%), and social programs (21%).

History of federal income taxes

The U.S. Constitution gave the federal government the power to levy and collect taxes to assist with the costs of operating the government. In 1862, President Abraham Lincoln and the U.S. Congress established the first federal income tax to pay for costs incurred during the Civil War. Congress repealed the legislation after the war (IRS 2015a).

Although attempts were made to reintroduce an income tax, none were successful until 1913, when the 16th Amendment gave Congress the authority to enact an income tax. Congress levied a 1% personal income tax on incomes above \$3,000.

In 1918, personal income tax rates rose to 77% to help pay for World War I, then dropped after the war. During World War II, Congress instituted employee payroll tax withholding and quarterly tax payments for self-employed persons.

Since that time, Congress has approved additional taxes. In the 1950s, the agency responsible for assessing and collecting federal taxes was renamed the Internal Revenue Service. U.S. residents are now taxed on the following sources of income:

- earned income, including wages, salaries, and tips
- income received from a business
- self-employment income
- interest income

How the Federal Tax System Works

The Internal Revenue Service (IRS) collects income taxes from individuals and organizations, issues necessary refunds, and enforces federal tax laws. Information taxpayers submit on their tax returns is private and confidential. Only authorized IRS personnel can review the data.

In fiscal year 2014 (October 1, 2013, to September 30, 2014), the IRS processed nearly 240 million federal tax returns (including individual, corporate, and self-employment returns). The IRS issued refunds to 112.7 million individual income tax filers, and the average refund was \$2,843 (IRS 2015b).

Pay-as-you-go tax collection

The federal government collects income taxes and payroll taxes on a pay-as-you-go system (also referred to as a pay-as-you-earn system). There are two ways to pay, depending on how the income is earned.

- **Withholding.** Most employees pay taxes through regular payroll deductions from wage and salary income. Employers deduct taxes from their employees' paychecks—referred to as withholding—and send the money to the appropriate agency. The amount withheld is based on the number of allowances an employee claims on Form W-2. As the number of allowances increases, the amount withheld from each paycheck decreases. Income taxes may also be withheld from other forms of income, including tips, bonuses, commissions, and gambling winnings. In each case, the amount withheld is paid to the IRS in the taxpayer's name.
- **Estimated tax payments:** Self-employed individuals pay their taxes in regular installments, known as estimated tax payments. People who own their own businesses generally pay their taxes this way.

Taxpayer responsibilities

The U.S. federal income tax system relies on voluntary compliance. This means that taxpayers willingly fulfill their responsibilities to

- declare all of their income
- provide complete and accurate information
- file their income taxes on time (generally April 15 for income earned during the previous calendar year)

Tax evasion, or the failure to report all income and pay taxes, is illegal. Some people evade (or avoid) paying all the tax they owe by (IRS 2016g):

- underreporting (or not reporting at all) tips earned
- not reporting other taxable cash income (for example, cash income of \$400 or more from self-employment such as babysitting, being a nanny, tutoring, or doing yard work must be reported)
- not reporting income from activities such as gambling

Payroll taxes

The Federal Insurance Contributions Act (FICA) mandates two separate taxes, which are referred to collectively as payroll taxes: Social Security tax and Medicare tax. Employers must withhold payroll taxes (as well as income taxes) from employees' pay and send the money to the federal government.

Social Security tax

All employees and self-employed individuals pay Social Security taxes and accrue credits. For those who have accrued sufficient credits, Social Security provides three types of benefits:

- retirement benefits for eligible employees and their spouses
- benefits for the spouse and dependents of retired workers
- benefits for disabled individuals and their dependents

The current tax rate for Social Security is 6.2% for the employer and 6.2% for the employee, or 12.4% total. Self-employed individuals pay the entire 12.4% themselves.

Social Security has a wage base limit, which means that only earnings up to a set dollar amount are taxed. The current wage base is \$118,500 (SSA 2015). Any earnings over that amount (during the tax year) are not subject to Social Security tax. The wage base limit can change annually. For current information, download the publication "Social Security: Understanding the Benefits" from the Social Security website, <https://www.ssa.gov/pubs/EN-05-10024.pdf>.

Medicare tax

This tax provides medical benefits for certain qualified individuals when they reach age 65. Workers, retired workers, and the spouses of

Did You Know?

In tax year 2013 more than 112 million individual income tax return filers received tax refunds. The average refund was \$2,843 (IRS 2015e).

Important Note

Medicare is not the same as Medicaid, which provides health care for qualified low-income individuals of any age. In California, Medicaid is known as Medi-Cal.

Even if a teen is not required to file a tax return, it is necessary to file in order to receive a refund on income taxes that were withheld through paycheck deductions.

workers and retired workers are eligible to receive Medicare when they reach 65 years of age. Medicare also covers certain younger people who are disabled or have permanent kidney failure.

The Medicare tax rate is 1.45% for employees and employers (a total of 2.9%) on all earnings. There is no upper wage limit for Medicare tax (SSA 2015).

State Income Taxes

Most states tax personal income, but each state sets its own rules. Contact the relevant state office or visit the web site for current information.

Two states, New Hampshire and Tennessee, tax only interest and dividend income, not earnings (wages, salaries, bonuses, commissions, tips, or self-employment income). The seven states without a personal income tax are

- Alaska
- Florida
- Nevada
- South Dakota
- Texas
- Washington
- Wyoming

Teens and Income Taxes**Do Teens Need to File a Tax Return?**

In general, age is not the criteria in determining whether a teen is required to file an income tax return. The most important factors are whether the teen is claimed as a dependent by another taxpayer (typically their parents); the amount of income the teen received during the tax year; and the type of income (earned or unearned).

- Is the teen claimed as a dependent? The IRS defines a dependent as a qualifying child or relative who entitles the taxpayer (who claims the dependent) to a dependency exemption, which reduces the taxpayer's taxable income (IRS

2014a). If the teen is claimed as a dependent by another taxpayer, then the requirement for the teen to file is determined by the amount of income earned during the tax year. (The upper limits on earnings can change on an annual basis.)

- What was the teen's annual income? In tax year 2014, a dependent teen was required to file a tax return if *any* of the following applied (Schwab-Pomerantz 2014; IRS 2014a):
 - unearned income (interest and dividends) was more than \$1,000
 - earned income (salary, wages and tips) was more than \$6,200
 - gross income (earned and unearned) was more than the larger of \$1,000 or earned income (up to \$5,850) plus \$350 (IRS 2014a, Table 2).

Definitions

- Unearned income includes taxable interest, ordinary dividends, and capital gains distributions. It also includes unemployment compensation, taxable Social Security benefits, pensions, annuities, and distributions of unearned income from a trust.
- Earned income includes salaries, wages, tips, professional fees, and taxable scholarships, fellowships, and grants.
- Gross income is the total of earned and unearned income.
Source: IRS 2014a Table 2.

A single person (under age 65) who is *not* claimed as a dependent is required to file if their gross income is above a certain level. In tax year 2014, those who earned \$10,150 or more were required to file a personal income tax return (IRS 2014a).

Tip Income

Many teens work at jobs where they receive tips, such as serving food or parking cars. All tip income is taxable and must be reported on the taxpayer's return. This includes tips received directly from customers, tips added to credit card bills, tips received under a tip-splitting agreement with other employees, as well as the cash value of any noncash tips such as passes to a sports event (IRS 2014d).

Did You Know?

In tax year 2013 more than 112 million individual income tax return filers received tax refunds. The average refund was \$2,843 (IRS 2015e).

Employees who receive \$20 or more in tips during a month must report their tips for that month to their employer. The employer is required to withhold income and payroll taxes on the reported tips and indicate the amount of tip income on the employee's Form W-2.

Tips that have been reported to an employer do not need to be reported separately on an employee's income tax return. However, any tips not reported to an employer must be reported on the employee's income tax return.

IRS Publication 1244, *Employee's Daily Record of Tips and Report to Employer*, offers a simple format for documenting tip income. It is available for free download at <https://www.irs.gov/pub/irs-pdf/p1244.pdf>.

Preparing and Filing Income Tax Returns

Anyone whose adjusted gross income is \$60,000 or below (tax year 2015) can prepare and file their federal income taxes online for free using IRS *Free File* brand-name software or *Free File Fillable Forms*, which are available at www.irs.gov/freefile.

Over 90% of individual returns were e-filed in Tax Year 2014 (IRS 2015e). According to the IRS, e-file has several advantages over the traditional method of preparing taxes manually (by hand using a pen and paper form) and mailing the return to the IRS:

- **Easy to use:** With Free File a taxpayer does not need to know which tax form(s) to use. The software chooses the easiest one.
- **Expert assistance:** Free File uses an expert system, or wizard, to guide a taxpayer through the steps of completing a return.
- **More accurate:** E-file calculates the math for the preparer, which results in fewer errors than in manually prepared tax forms.
- **Faster refunds:** E-filers get refunds faster than people who mail their tax returns.

The IRS has a cooperative e-tax-filing effort that allows individuals to use Free File software to file their federal and state taxes to the IRS at the same time. Taxpayers can use the search engine on the IRS Free File website to find the appropriate software.

Taxpayers who earn more than \$60,000 can use the online IRS Free File Fillable Forms (fillable, electronic versions of the paper forms) to complete the required forms, print them, and can submit the returns using e-file.

Getting Ready to File

It's a good idea to collect all the necessary information in one place before starting to complete a tax return. Taxpayers need the following information to prepare their tax returns on e-file or manually.

Taxpayer Identification Number (TIN)

A Taxpayer Identification Number (TIN) is an identification number used by the IRS in the administration of tax laws. This is either the taxpayer's Social Security number or an Individual Taxpayer Identification Number (ITIN) issued by the IRS. If a person has a Social Security number, that will be their taxpayer identification number. If a person does not have or is not eligible for a Social Security number, it is necessary to get an ITIN. Immigration status is not an issue since the ITIN cannot be used for any other purpose than filing taxes. Learn more at the IRS website, <http://www.irs.gov/Individuals/General-ITIN-Information>.

Form W-2 Wage and Tax Statement (W-2)

Taxpayers need the information on their Form W-2 to complete their returns. Employers are required to send W-2 forms to all employees by January 31 each year. If a taxpayer had two or more employers in one year, then the worker will receive W-2 forms from all employers.

All W-2 forms received by an individual must be submitted with their tax return. E-filers input the form electronically. Manual tax preparers mail the W-2 with the completed tax return.

It's a good idea to verify that all information on the W-2 is correct, including the name of the employer. An incorrect employer name on a W-2 may indicate the recipient is a victim of identity theft. (See the discussion at the end of this guide.)

Email address

The IRS notifies e-filers by email when the IRS accepts their return.

Did You Know?

According to the IRS, e-file offers the fastest, safest way for people to receive their tax refunds. E-filing greatly reduces errors because the free tax software does the calculations, flags common errors, and prompts taxpayers for missing information (IRS 2010, 2014b).

Direct deposit information

Direct deposit is the fastest way to get a refund. The IRS considers it safer or more secure than a refund check that can be lost or stolen from the mail. If a taxpayer is due a refund and wants it deposited directly into their bank account (direct deposit), it is necessary to provide information about the account where they want the money to go, including the bank routing number, type of account (checking, saving, or other), and the account number.

E-File identification information

The IRS requires e-filers to verify their identity by submitting either their adjusted gross income (AGI) from the previous year's tax return (if applicable) or by using an electronic filing PIN (personal identification number). The PIN is a self-selected 5-digit number that taxpayers can get on the IRS web site or by calling the IRS at 1-866-704-7388 (see IRS 2015c).

Using E-file to Prepare and File Income Tax Returns

After collecting the necessary information, taxpayers follow these steps to complete their taxes using e-file.

1. Go to the IRS website, <http://www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free>, and choose either Free File tax software or Free File Fillable Forms (FFFF) based on income. Click START for assistance selecting the best software for your situation.
2. Follow the expert system to complete the tax return.
3. E-file the completed tax return for free.

Within 48 hours of receiving an e-file submission, the IRS sends the taxpayer an electronic acknowledgement to indicate that the return was received and accepted for processing.

Manual Tax Preparation

Taxpayers who want to file manually (using a printed tax form) can download forms from the IRS web site. Many public libraries also provide free copies of the most commonly used forms.

Mailing address to submit tax return

Paper forms can be submitted only by mail. The IRS web site, www.irs.gov, provides mailing addresses based on the tax form used and the state where the taxpayer lives.

When taxpayers owe money to the IRS

After completing their tax forms, some teens will find that they owe money to the IRS or their state tax agency. This can happen for several reasons: not reporting tips to their employer, having worked for more than one employer during the year, or claiming a high number of dependents.

When using electronic filing, teens that owe money to the IRS must send a check or money order for the exact amount owed to the agency with their name, address, and Social Security number written on the check or money order. A separate check or money order must be sent to the state tax agency if state taxes are owed. With paper filing, the check or money order can be included when mailing the tax return.

Track the Status of a Tax Refund

Starting 24 hours after submitting their tax returns via e-file, individuals can check the status of their federal tax refund by using the "Where's My Refund" tool on the IRS website, www.irs.gov, or using the free IRS2Go app. See the IRS website for download information.

Recognizing and Avoiding Tax Scams

Some common income tax scams are particularly relevant for teens. It's important for teens to be aware of these because those who recognize a potential scam are less likely to be victimized.

Online Scams: Phishing

Phishing, as in "fishing for confidential information," refers to scams that involve fraudulently obtaining someone's personal or financial information and using it to steal the victim's identity or money. Scammers get information by asking potential victims to give them their confidential information in response to emails, text messages, phone calls, or fraudulent web sites that mimic the IRS website, or social media (IRS 2015c, FDIC 2014).

Consumers can avoid victimization by deleting messages (without opening or clicking on any links in the message) from anyone claiming to represent the IRS. The IRS does not contact taxpayers by email or social media to request personal or financial information, and it does not send emails or other electronic messages indicating that a taxpayer is being audited (IRS 2015f).

Did You Know?

On average, the IRS spent 41 cents to collect \$100 in tax revenue in fiscal year 2013 (IRS 2014c).

Identity Theft

Sometimes, when filing their return, a taxpayer may discover that he or she is a victim of identity theft (IRS 2015d). This can happen in the following ways.

Unreported wages

If someone steals a taxpayer's Social Security number (SSN) and uses it to get a job, the thief's employer may report the income to the IRS using the stolen SSN. When the victim files his or her tax return, it will not include those earnings. IRS records will indicate that the taxpayer failed to report all their income and will send a notice or letter about the unreported income.

Fraudulent tax refunds

Identity thieves may steal someone's personal information, such as a Social Security number, and use the information to file a fraudulent tax return and claim the victim's tax refund. A victim typically discovers the identity theft when trying to file their tax return later in the season, and the IRS notifies them that a tax return has already been filed using their information.

Telephone Scams

The IRS warns consumers about a sophisticated phone scam targeting taxpayers and recent immigrants. Victims are told that they owe money to the IRS and that it must be paid promptly through a preloaded debit card or wire transfer. If the victim refuses to cooperate, the caller threatens them with arrest, deportation, or suspension of a business or driver's license (IRS 2015f).

What To Do If Fraud Is Suspected

If you suspect fraud, notify the IRS immediately. The agency has specialists who help victims file their tax returns, get any refunds they are due, and protect their IRS accounts from identity thieves in the future.

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Savings Bonds

The Series I Savings Bond is a low-risk, liquid savings product sold in amounts from \$25 to \$10,000. **Bonds** earn interest and provide protection from inflation. They can be redeemed for principal and accrued interest at any time after 12 months from the date of issue. The bond accrues interest until it is redeemed or until it reaches final maturity in 30 years. More information is available at the U.S. Department of the Treasury website, www.treasurydirect.gov.

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Resources for Additional Information

- File Your Taxes. Find general information about filing federal and state taxes. USA.gov website, <http://www.usa.gov/Citizen/Topics/Money/Taxes.shtml>.
- Glossary of tax terms. The IRS Understanding Taxes educational program includes a complete glossary of tax terms. IRS website, <http://apps.irs.gov/app/understandingTaxes/teacher/glossary.jsp>.
- IRS Releases the “Dirty Dozen” Tax Scams for 2016. IRS website, <https://www.irs.gov/uac/Newsroom/Dirty-Dozen-2016>.
- Privacy, Please! Teen Guide and Leader's Guide. University of California Cooperative Extension website, <http://moneytalks4teens.ucanr.edu>.
- Reporting Tip Income. IRS website, www.irs.gov/publications/p531/index.html.
- Tax Information for Students Who Take a Summer Job. IRS Special Edition Tax Tip 2014-13, May 19, 2014. IRS website, <http://www.irs.gov/uac/Newsroom/Tax-Information-for-Students-Who-Take-a-Summer-Job>.
- Tax forms for classroom use. Teachers can download tax forms and instructions for classroom use at the IRS website, www.irs.gov/Forms-&-Pubs.
- Tips on Tips: A Guide To Tip Income Reporting For Employees Who Receive Tip Income. IRS website <http://www.irs.gov/pub/irs-pdf/p3148.pdf>.
- Understanding Taxes. This program is a free online educational tool designed for classroom use. It includes teacher resources and interactive tools that are appropriate for middle, high school or community college students. IRS website, <http://apps.irs.gov/app/understandingTaxes/>.

TACKLING TAXES ASSESSMENTS

Activity One Assessment**Knowledge**

1. T/F Workers that receive tips (such as food servers) do not have to report tips as income on their income tax return.
2. T/F The IRS now requires everyone to file income tax returns electronically (online).
3. T/F In order to get a tax refund, it is necessary to file an income tax return even if no taxes are owed.

Comprehension

What is the purpose of the Form W-4 that employers require new employees to complete when starting a job?

Application

Explain why Americans pay taxes and give three examples of tax-funded goods or services that you personally benefit from.

Analysis

How does the number of allowances an employee claims on Form W-2 affect the amount of the worker's take home pay?

Synthesis

How would you explain income tax withholding to someone who is starting a new job?

Evaluation

Do you think tips should be reported as income on a tax return? Why or why not?

Activity Two Assessment

Complete this form at the end of the lesson.

Things I picked up:

	Before doing the Tackling Taxes unit			After doing the Tackling Taxes unit		
	Not at all	A little	Pretty well	Not at all	A little	Pretty well
I understand why we pay taxes.						
I know how to complete the Form W-4.						
I know how to find information on the Form W-2.						

Fact or fiction?

	Before doing the Tackling Taxes unit			After doing the Tackling Taxes unit		
	Fact	Fiction	Not sure	Fact	Fiction	Not sure
A W-2 form is for a calendar year from January 1 to December 31.						
It is not necessary to file an income tax return in order to receive a tax refund.						
"Withholding" refers to money that individuals keep in their savings accounts.						
Most states tax personal income, but each state sets its own rules.						

The things I liked most about the Tackling Taxes Teen Guide and Activities are:

1. The most important things I learned are: _____
2. I will use what I learned by: _____

Activity Three Assessment

1. How much Medicare tax was withheld from Monica L. Lindo's pay in 2013?
2. Who made \$33,255.00 in 2013?
3. What company did Seth W. Wiggins work for in 2013?
4. Whose Social Security number is 222-00-5463?
5. What was Tasha R. Miller's state income tax in 2013?
6. How much Social Security tax was withheld from Seth W. Wiggin's pay in 2013?
7. Who did Anytown Samaritan Emergency employ in 2013?
8. What is Belinda W. Russell's address?
9. How much money did Tasha R. Miller make in 2013?
10. What is the Employer Identification Number (EIN) for R and R Farm?
11. Who had local income tax withheld from their pay?
12. Who had \$4,452.00 withheld from their 2013 pay for federal income taxes?
13. What is the Employer Identification Number (EIN) for Pleasant Garden Home?
14. Who paid the least amount of federal income tax in 2013?
15. What were Seth W. Wiggins' Social Security wages in 2013?
16. What is Belinda W. Russell's Social Security Number?

Answer Keys

Answer Key For Assessment One

Knowledge

1. FALSE. All tip income is taxable. Tips that have been reported to an employer do not need to be reported separately on an employee's income tax return. However, any tips not reported to an employer must be reported on the employee's income tax return.
2. FALSE. The IRS allows everyone the option to file their income tax returns either online or manually (by completing a paper form that is mailed to the IRS).
3. TRUE. In order to get a tax refund, it is necessary to file an income tax return even if no taxes are owed.

Comprehension

A Form W4 tells an employer what percentage of an employee's earnings to send to the IRS for withholding.

Application

Governments provide many goods and services for the common good, such as national defense, police and fire protection, and job training. They collect taxes to pay for benefits such as these, which many people enjoy but few would be willing or able to pay for on their own. There are many possible examples, including roads and highways, schools, hospitals, school breakfasts and lunches, student loans, etc.

Analysis

The more allowances claimed, the fewer dollars deducted from the employee's paycheck.

Synthesis

The federal government collects income taxes on a *pay-as-you-go* system (also referred to as a *pay-as-you-earn* system). It requires employers to deduct income taxes from their employees' paychecks—referred to as withholding—and send the money to the IRS.

Evaluation

Do you think tips should be reported as income on a tax return? Why or why not?

Answer Key for Assessment Two

Fact or Fiction?

	Fact	Fiction
A W-2 form is for a calendar year from January 1 to December 31.	×	
It is not necessary to file an income tax return in order to receive a tax refund.		×
"Withholding" refers to money that individuals keep in their savings accounts.		×
Most states tax personal income, but each state sets its own rules.	×	

Answer Key for Assessment Three

1. \$69.90
2. Belinda W. Russell
3. R and R Farm
4. Monica L. Lindo
5. \$2,480.12
6. \$653.17
7. Monica L. Lindo
8. 5010 Daintree Drive, Anytown, U.S. 10122
9. \$36,206.00
10. 10-8763214
11. No one
12. Tasha R. Miller
13. 10-2315682
14. Monica L. Lindo
15. \$10,535.00
16. 222-00-5589

Source: IRS, Understanding Taxes, <https://apps.irs.gov/app/understandingTaxes>

ACTIVITY ONE: WHY WE PAY TAXES

Activity Summary

In this activity teens will explore the reasons why U.S. residents pay taxes and the types of taxes they are required to pay.

Learning Objectives

- Teens will explain the purpose of taxes.
- Teens will discuss the various types of taxes U.S. residents are required to pay.

Estimated Activity Time

45 minutes

Getting Ready Checklist

- Copy of Handout 1, "How Are Taxes Used?" for each teen.

Supplies Needed

- Visual 1

Extend the lesson supplies:

- Teen access to the Internet (any type of technology that connects to the Internet will work: cell phones, tablets, computers, etc.)

Doing the Activity

1. Review the information from pp. <<fill>> in the leader's guide with the teens. Be sure to cover the following questions.
2. Ask teens, "What type of taxes do we pay?" Remind them of any of the following taxes that are not given: Sales tax, property tax, federal income tax, state income tax, local income tax, and FICA (Social Security tax and Medicare tax).
3. Ask teens, "Why do we pay taxes?" Take answers from the group.
4. Split the class into small groups. Pass out Handout 1. Ask each group to take 2 minutes to brainstorm about how the government uses the taxes that are collected from individuals and businesses. Then ask each group to select one item from their list.
5. In their small groups, have the teens discuss whether they feel that the benefits they receive from that item is worth the cost of paying taxes.
6. Have a representative from each small group share with the entire group the results of the brainstorming activity and summarize their discussion about the tax item they considered.
7. Display Visual 1 showing a collage of the ways tax money is used. Ask teens whether the collage contains any items they hadn't considered.

Extend the Lesson

Remind teens that in addition to federal taxes, most states and local governments also have their own tax requirements.

1. Individually or in small groups (as Internet access allows) have teens connect to the following website: <http://www.statelocalgov.net>. This website, State & Local Government on the Net, allows users to search for the state, county, and city governments in their geographical area.
2. Once teens are on their local website, have them search for the name of the office or department that handles tax-related concerns for their state and their local area.
3. Ask teens:
 - Can people file their taxes through the website for their state's office or department that handles tax-related concerns?
 - What other information is available on the website?
 - Is there any other information on the website for the office or department that handles tax-related concerns?"
4. Conclude this extended activity by explaining that in addition to filing federal taxes, teens may be responsible for filing state taxes as well. Getting familiar with the state and local tax requirements, as well as the tax agency's website, can help teens learn about their state tax responsibilities.
5. Ask teens whether they have ever heard the saying, "In this world nothing can be said to be certain, except death and taxes." This quote comes from a letter Benjamin Franklin wrote in 1789. Does it still apply today?
6. Summarize this activity by reminding teens that although we don't all agree on the best way to spend tax money, we all pay taxes, and these taxes are used to provide a variety of services that most of us could not afford to pay for as individuals.

Activity One Lesson Resources**Handout 1: How Are Taxes Used?**

Instructions: Please list some of the ways the government uses the taxes that are collected from individuals and businesses.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

Select one of the items above to discuss as a group. Write that item here: _____

Are the benefits you receive from the item you listed above worth the cost of paying taxes? _____

Why or why not? _____

Visual 1: Tax Collage



ACTIVITY TWO: CHOOSE YOUR OWN ALLOWANCE

Activity Summary

In this activity, teens will practice filling out Form W-4.

Learning Objectives

- Teens will practice filling out a W-4 Form.
- Teens will list the information required to complete a W-4 Form.
- Teens will discuss how the allowance entered on a W-4 form affects take-home pay and the amount of taxes owed (or refunded) when filing a tax return.

Estimated Activity Time

45 minutes

Getting Ready Checklist

- Provide a copy of the *Tackling Taxes* Teen Guide for each teen.
- Copy Handout 2: Blank W-4 Forms for each teen.

Supplies Needed

- None

Doing the Activity

1. Review the information from pp. <<fill>> in the leader's guide. Be sure to cover the following:
 - W-4 form
 - Withholding allowances
2. Pass out Handout 2: W-4 Form. Ask the teens to take a few minutes to look over the blank W-4 Form and to read the information about the W-4 Form on page 4 of the *Tackling Taxes* teen guide. Suggest they pay special attention to the information about withholding allowances.
3. To assess teens' comprehension, ask them:
 - Will your take home pay be greater if you enter 1 or 2 allowances on your W-4 form? (Answer: 1)

- If you enter more allowances than you can claim on your tax return, will you probably owe more taxes or will you probably receive a refund? (Answer: Probably owe more taxes)
4. Next, ask each teen to fill out the W-4 Form, excluding their Social Security number. Remind them that when they get to the withholding allowances, there is no single right way to determine their allowances; they get to decide for themselves.
 5. Have the teens break into groups of three. In the groups, each teen will explain how they filled out the form and why.
 6. Come back together as a class. Ask the teens to raise their hands if they claimed 1 allowance. Zero allowances? Two or more allowances? Then ask a few teens to explain why they choose that number of allowances. Remember: There is no right answer.
 7. Summarize the lesson by reminding teens that they can choose to enter any number of allowances they want on the W-4 form. However, whatever is entered affects not only their take-home pay, but also how much money they will owe or be refunded when completing their income tax returns.
 - Note: It's important to consider both the take-home pay and the taxes that will be owed or refunded when completing the W-4 form.
 - The fewer allowances entered, the less the take home pay. However, entering fewer allowances than can be claimed on their tax return may result in a tax refund.
 - Entering more allowances than they can claim on their tax return may result in owing more taxes.

Ask teens to think about the following.

- How they would come up with the money if they owed more taxes than was withheld?
- What they would do with a refund if they withheld more taxes than they owed?

Activity Two Lesson Resources
Handout 2: Blank W-4 Form

Form W-4 (2014)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2014 expires February 17, 2015. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$1,000 and example, interest and dividends.

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income: tax credits; or itemized deductions, on his or her tax return.

The exceptions do not apply to supplemental wages greater than \$1,000,000.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, Form W-4 completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2014. See Pub. 505, especially if your earnings exceed \$10,000 (Single) or \$10,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at www.irs.gov/irb.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, Form W-4 completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2014. See Pub. 505, especially if your earnings exceed \$10,000 (Single) or \$10,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at www.irs.gov/irb.

Personal Allowances Worksheet (Keep for your records.)

- A** Enter "1" for yourself if no one else can claim you as a dependent **A**
- B** Enter "1" if:
 • You are single and have only one job; or
 • You are married, have only one job, and your spouse does not work; or
 • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. **B**
- C** Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) **C**
- D** Enter number of dependents (other than your spouse or yourself) you will claim on your tax return **D**
- E** Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) **E**
- F** Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit. (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.) **F**
- G** **Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
 • If your total income will be less than \$65,000 (\$95,000 if married), enter "2" for each eligible child; then less "1" if you have three to six eligible children or less "2" if you have seven or more eligible children.
 • If your total income will be between \$65,000 and \$84,000 (\$95,000 and \$119,000 if married), enter "1" for each eligible child.
 Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) **G**
- H** For accuracy, complete all worksheets that apply.
 • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
 • If you are single and have more than one job or are married and you and your spouse both work and the combined annual having too little tax withheld.
 • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

W-4 Employee's Withholding Allowance Certificate

OMB No. 1545-0074
 Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

2014

1 Your first name and middle initial _____ Last name _____

Home address (number and street or rural route) _____

City or town, state, and ZIP code _____

2 Your social security number _____

3 Single Married Married, but withhold at higher Single rate.
 Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.

4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.

5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) _____

6 Additional amount, if any, you want withheld from each paycheck _____

7 I claim exemption from withholding for 2014, and I certify that I meet both of the following conditions for exemption.
 • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
 • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.
 If you meet both conditions, write "Exempt" here. _____

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employer's signature _____ Date _____

(This form is not valid unless you sign it.)

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) _____

9 Office code (optional) _____ 10 Employer identification number (EIN) _____

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 102220Q

Form W-4 (2014)

Form W-4 (2014)

Page 2

Deductions and Adjustments Worksheet

Note. Use this worksheet only if you plan to itemize deductions or claim certain credits or adjustments to income.

1 Enter an estimate of your 2014 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 10% (7.5% if either you or your spouse was born before January 2, 1950) of your income, and miscellaneous deductions. For 2014, you may have to reduce your itemized deductions if your income is over \$305,050 and you are married filing jointly or are a qualifying widow(er); \$279,650 if you are head of household; \$294,200 if you are single and not head of household or a qualifying widow(er); or \$152,325 if you are married filing separately. See Pub. 505 for details. **1** \$ _____

2 Enter:
 • \$12,400 if married filing jointly or qualifying widow(er)
 • \$9,100 if head of household
 • \$6,200 if single or married filing separately **2** \$ _____

3 Subtract line 2 from line 1. If zero or less, enter "-0-" **3** \$ _____

4 Enter an estimate of your 2014 adjustments to income and any additional standard deduction (see Pub. 505) **4** \$ _____

5 Add lines 3 and 4 and enter the total. (Include any amount for credits from the *Converting Credits to Withholding Allowances for 2014 Form W-4* worksheet in Pub. 505.) **5** \$ _____

6 Enter an estimate of your 2014 nonwage income (such as dividends or interest) **6** \$ _____

7 Subtract line 6 from line 5. If zero or less, enter "-0-" **7** \$ _____

8 Divide the amount on line 7 by \$3,950 and enter the result here. Drop any fraction **8** _____

9 Enter the number from the Personal Allowances Worksheet, line H, page 1 **9** _____

10 Add lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet**, also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1 **10** _____

Two-Earners/Multiple Jobs Worksheet (See Two earners or multiple jobs on page 1.)

Note. Use this worksheet only if the instructions under line H on page 1 direct you here.

1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) **1** _____

2 Find the number in Table 1 below that applies to the **LOWEST** paying job and enter it here. However, if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than "3" **2** _____

3 If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. Do not use the rest of this worksheet **3** _____

Note. If line 1 is less than line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4 Enter the number from line 1 of this worksheet **4** _____

5 Enter the number from line 2 of this worksheet **5** _____

6 Subtract line 5 from line 4 **6** _____

7 Find the amount in Table 2 below that applies to the **HIGHEST** paying job and enter it here **7** \$ _____

8 Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed **8** \$ _____

9 Divide line 8 by the number of pay periods remaining in 2014. For example, divide by 25 if you are paid every two weeks and you complete this form on a date in January when there are 25 pay periods remaining in 2014. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck **9** \$ _____

Table 1				Table 2			
Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$6,000	0	\$0 - \$6,000	0	\$0 - \$74,000	\$590	\$0 - \$37,000	\$590
6,001 - 13,000	1	6,001 - 16,000	1	74,001 - 150,000	990	37,001 - 60,000	990
13,001 - 24,000	2	16,001 - 25,000	2	150,001 - 200,000	1,110	60,001 - 175,000	1,110
24,001 - 26,000	3	25,001 - 34,000	3	200,001 - 355,000	1,300	175,001 - 385,000	1,300
26,001 - 33,000	4	34,001 - 43,000	4	355,001 - 400,000	1,380	385,001 and over	1,560
33,001 - 43,000	5	43,001 - 70,000	5	400,001 and over	1,560		
43,001 - 49,000	6	70,001 - 85,000	6				
49,001 - 60,000	7	85,001 - 110,000	7				
60,001 - 75,000	8	110,001 - 125,000	8				
75,001 - 80,000	9	125,001 - 140,000	9				
80,001 - 100,000	10	140,001 and over	10				
100,001 - 115,000	11						
115,001 - 130,000	12						
130,001 - 140,000	13						
140,001 - 150,000	14						
150,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine use of this information includes giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorists.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

ACTIVITY THREE: READING A W-2 FORM

Activity Summary

In this activity, teens will learn how to read and find information on a W-2 form.

Learning Objectives

- Teens will practice reading a Form W-2.
- Teens will find tax information on a Form W-2.
- Teens will list which taxes are deducted from their paychecks.

Estimated Activity Time

40 minutes

Getting Ready Checklist

- Provide one copy of the *Tackling Taxes* teen guide for each teen.
- Copy Handout 3: Sample W-2 Forms for each teen.

Supplies Needed

- W-2 Form Trivia Questions

Doing the Activity

1. Review the information from pp. <<fill>> in the leader's guide with the teens. Ask the teens to review p. 6 in the *Tackling Taxes* teen guide. Be sure to cover the following:
 - W-2 Form
2. Pass out Handout 3: Sample W-2 Forms. Ask the teens to take a few minutes to look over their completed W-2 forms.
3. Divide the teens into small groups. Ask the groups the questions

from the W-2 Form Questions. When a group knows the answer, they should raise their hands. The group with the first right answer gets a point. The group with the most points at the end wins.

4. As a group, ask the teens, "What taxes could be deducted from your paycheck?" Be sure they list Federal income tax, Social Security tax, Medicare tax, state income tax, local income tax.
5. Summarize the lesson by explaining that
 - employers are required to provide employees with W-2 forms if employees earned \$600 or more in a year.
 - a W-2 form reports earnings for the calendar year (January through December).
 - employers must provide the W-2 forms to employees by January 31 in the year after the money was earned.
 - employers can provide W-2 forms to employees by hand, mail, e-mail, or by asking employees to go to a company website to download their individual W-2 forms.
 - employers send copies of all W-2 forms to the federal and state government. Governments use this information to verify the information that employees submit on their tax returns.
 - Employees use the W-2 forms to complete their tax returns.
 - Since the government knows what an employee earned, it's important to complete tax returns honestly and accurately.

Adapted from: Internal Revenue Service online educational tool, Understanding Taxes, <https://apps.irs.gov/app/understandingTaxes/>.

Activity Three Lesson Resources

Handout 3: Sample Forms W-2

a Employee's social security number 222-00-0008		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 10-8763214		1 Wages, tips, other compensation 10535	2 Federal income tax withheld 368		
c Employer's name, address, and ZIP code R AND R FARM 21 BEECH TREE FARM ANYTOWN, US 10111		3 Social security wages 10535	4 Social security tax withheld 653.17	5 Medicare wages and tips 10535	6 Medicare tax withheld 152.76
d Control number 222-00-2314		7 Social security tips	8 Allocated tips		
e Employee's first name and initial Last name SETH W. WIGGINS		11 Nonqualified plans		12a See instructions for box 12	
2611 NORTH ASH DRIVE ANYTOWN, US 10012		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
f Employee's address and ZIP code		14 Other		12c	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				19 Local income tax	
				20 Locality name	

Form **W-2 Wage and Tax Statement** **2013** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

a Employee's social security number 222-00-2222		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 10-000003		1 Wages, tips, other compensation 36206	2 Federal income tax withheld 4452		
c Employer's name, address, and ZIP code JOB CENTER 30 ASH GROVE ANYTOWN, US 00100		3 Social security wages 36206	4 Social security tax withheld 2244.77	5 Medicare wages and tips 36206	6 Medicare tax withheld 524.99
d Control number		7 Social security tips	8 Allocated tips		
e Employee's first name and initial Last name TASHA R. MILLER		11 Nonqualified plans		12a See instructions for box 12	
285 LINDEN AVENUE ANYTOWN, US 00100		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
f Employee's address and ZIP code		14 Other		12c	
15 State Employer's state ID number US 20-0000000		16 State wages, tips, etc. 36206		17 State income tax 2480.12	
				19 Local income tax	
				20 Locality name	

Form **W-2 Wage and Tax Statement** **2013** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

a Employee's social security number 222-00-5589		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 10-2315682		1 Wages, tips, other compensation 33255	2 Federal income tax withheld 3000		
c Employer's name, address, and ZIP code PLEASANT GARDEN HOME 7500 SHADY TREE LANE ANYTOWN, US 10123		3 Social security wages 33255	4 Social security tax withheld 2061.81	5 Medicare wages and tips 33255	6 Medicare tax withheld 482.20
d Control number		7 Social security tips	8 Allocated tips		
e Employee's first name and initial Last name BELINDA W. RUSSELL		11 Nonqualified plans		12a See instructions for box 12	
5010 DAINTREE DRIVE ANYTOWN, US 10122		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
f Employee's address and ZIP code		14 Other		12c	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				19 Local income tax	
				20 Locality name	

Form **W-2 Wage and Tax Statement** **2013** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

a Employee's social security number 222-00-5463		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 10-5570912		1 Wages, tips, other compensation 4821	2 Federal income tax withheld 47		
c Employer's name, address, and ZIP code ANYTOWN SAMARITAN EMERGENCY 5 CENTER CIRCLE ANYTOWN, US 10103		3 Social security wages 4821	4 Social security tax withheld 298.90	5 Medicare wages and tips 4821	6 Medicare tax withheld 69.90
d Control number		7 Social security tips	8 Allocated tips		
e Employee's first name and initial Last name MONICA L. LINDO		11 Nonqualified plans		12a See instructions for box 12	
21 PECAN GROVE ANYTOWN, US 10103		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
f Employee's address and ZIP code		14 Other		12c	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				19 Local income tax	
				20 Locality name	

Form **W-2 Wage and Tax Statement** **2013** Department of the Treasury—Internal Revenue Service
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ACTIVITY FOUR: TAX MINGLE

Activity Summary

In this activity, teens will learn a variety of tax terminology.

Learning Objectives

- Teens will define at least 3 tax terms.
- Teens will discuss the importance of understanding tax terms.

Estimated Activity Time

45 minutes

Getting Ready Checklist

- One copy of the Tackling Taxes teen guide for each teen
- Tax Mingle Cards (enough for each teen to have one card; if there are more than six teens in the group, repeat the cards as needed)

Supplies Needed

Music teens will enjoy (not supplied)

Doing the Activity

1. Review the information in the leader's guide. Be sure to cover the following:
 - Form W-2
2. Have teens complete the activity on p. <<fill>> of the *Tackling Taxes* teen guide.
3. Pass out one Tax Mingle card to each teen. Tell the teens to take a minute to read the tax term on the front of their card and the definition on the back.
4. Ask the teens to stand up and help make space in the room to mingle (if needed).
5. As you play music, the teens can mingle around the room. When you stop the music, each teen finds the teen closest to them and each shares the tax term and definition that is on their card. When you resume playing the music, the teens should mingle again. When you stop the music, the teens again share with the closest teen. Repeat as time allows.
6. After the class comes back together, have each teen stand up and share the definition on their card. The rest of the class should call out the corresponding tax term.
7. Ask the teens what new tax terms they learned from this activity. Ask, "How will knowing these tax terms help you complete your tax forms?" Summarize by stating that recognizing tax terms can increase teen's confidence and ability to fill out tax forms correctly.

Activity Four Lesson Resources:

Tax Mingle Index Cards

Form W-2

Form 1040 (Schedule C-EZ)

Form 1-9

Form W-4

This form is used when individuals complete their taxes to show how much money they made and their withholdings.

People who are self-employed use this tax return form.

This form is used to verify that an individual is legally allowed to work in the United States.

When individuals start a new job, they complete this form so that their employer will know how much money to deduct from their paychecks and send to the IRS.

Form 1040EZ

Form 1099-INT

This is the simplest tax form to complete.

This form is used when completing taxes to indicate how much interest an individual made.

CONTENTS

Learning Objectives	2
Background Information.....	2
Why We Pay Taxes.....	2
Federal Tax System	3
State Income Taxes.....	5
Teens and Income Taxes	5
Preparing and Filing Income Tax Returns	6
Recognizing and Avoiding Tax Scams.....	7
References	8
Resources for Additional Information.....	9
Tackling Taxes Assessments.....	10
Activity One Assessment	11
Activity Two Assessment	13
Activity Three Assessment	15
Answer Keys	17
Activity One: Why We Pay Taxes.....	18
Activity One Lesson Resources.....	19
Activity Two: Choose Your Own Allowance.....	23
Activity Two Lesson Resources.....	25
Activity Three: Reading a W-2 Form	27
Activity Three Lesson Resources.....	29
Activity Four: Tax Mingle	31
Activity Four Lesson Resources:.....	33

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University of California
Agriculture and Natural Resources
Communication Services
1301 S. 46th Street, Building 478 - MC 3580
Richmond, CA 94804-4600

Telephone 1-800-994-8849, 510-665-2195, FAX 510-665-3427
E-mail: anrcatalog@ucanr.edu

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