

Introduction to Taxes

WARM-UP

Why do we pay taxes?

Where does this money go?

****Get a little blue calculator****

Federal Taxpayer Receipt

- Starting in 2011- President Obama promised that American Taxpayers would be able to go online and see exactly how their federal tax dollars are spent.
- Your Federal Taxpayer Receipt (Found online)

Estimated Taxes

If you make \$25,000 and file Single

Social Security Tax: \$1,550.00

- Pays for Social Security

Medicare Tax: \$363.00

- Pays for Medicare

Income Tax Total: \$1,683.00

- ?????

Where does this \$1,683.00 go?

Where does this \$1,683.00 go?

- National Defense \$417.22
 - Military personnel salaries and benefits
 - Ongoing operations, equipment, and supplies
 - Research, development, weapons, and construction
 - Atomic energy defense activities
 - Defense-related FBI activities and additional national defense
- What percent of our money goes to National Defense?

Where does this \$1,683.00 go?

- Health Care \$423.95
 - Medicaid and Children's Health Insurance Program
 - Medicare doctor payments and prescription drug payments.
 - Health research and food safety
 - Disease control and public health services
 - Additional health care activities
- What percent of our money goes to Health Care?

Where does this \$1,683.00 go?

- Job and Family Security \$315.90
 - Unemployment insurance
 - Food and nutrition assistance
 - Housing assistance
 - Earned Income, Making Work Pay, and child tax credits
 - Supplemental security income
 - Federal military and civilian employee retirement and disability
 - Child care, foster care, and adoption support
 - Temporary assistance for needy families
 - Railroad retirement and additional income security.
- What percent of our money goes to Job and Family Security?

Where does this \$1,683.00 go?

- Education and Job Training \$47.97
 - Elementary, secondary, and vocational education.
 - Student financial aid for college
 - Job training and employment services
 - Employment training for people with disabilities and additional education and job services
- What percent of our money goes to Education and Job Training?

Where does this \$1,683.00 go?

- Veterans Benefits \$91.56
 - Income and housing support
 - Health care
 - Education, training, and additional veterans benefits
- What percent of our money goes to Veterans Benefits?

Where does this \$1,683.00 go?

- Natural Resources, Energy, and Environment
\$32.31
 - Water and land management
 - Energy supply and conservation
 - Environmental protection and other energy and natural resources
- What percent of our money goes to Natural Resources, Energy, and Environment?

Where does this \$1,683.00 go?

- International Affairs \$30.63
 - Development and humanitarian assistance
 - Security assistance
 - Foreign affairs, embassies, and additional international affairs.
- What percent of our money goes to International affairs?

Where does this \$1,683.00 go?

- Science, Space, and Technology programs
\$19.02
 - NASA
 - National Science Foundation and additional science research and laboratories
- What percent of our money goes to Science, Space, and Technology programs?

Where does this \$1,683.00 go?

- Immigration, Law Enforcement, and Administration of Justice
\$34.67
- What percent of our money goes to Immigration, Law Enforcement, and Administration of Justice?

Where does this \$1,683.00 go?

- Agriculture
\$19.35
- What percent of our money goes to Agriculture?

Where does this \$1,683.00 go?

- Community, Area, and Regional Development
\$6.23
- What percent of our money goes to Community, Area, and Regional Development?

Where does this \$1,683.00 go?

- Response to Natural Disasters
\$15.15
- What percent of our money goes to Response to Natural Disasters?

Where does this \$1,683.00 go?

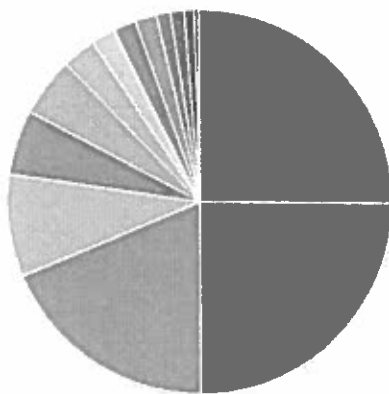
- Additional Government Programs
\$83.81
- What percent of our money goes to Additional Government Programs?

Where does this \$1,683.00 go?

- Net Interest
\$145.41
- What percent of our money goes to Net Interest?

Where does this \$1,683.00 go?

Overall Federal Spending



Health Care : 25.19 %
National Defense : 24.79 %
Jobs and Family Security : 18.77 %
Net Interest : 8.64 %
Veterans Benefits : 5.44 %
Additional Government Programs : 4.93 %
Education and Job Training : 2.85 %
Immigration, Law Enforcement, and Administration of Justice : 2.06 %
Natural Resources, Energy and Environment : 1.92 %
International Affairs : 1.82 %
Agriculture : 1.15 %
Science Space and Technology Programs : 1.13 %
Response to National Disasters : 0.9 %
Community, Area, and Regional Development : 0.37 %

We found out where our FEDERAL
taxes go....

- What about our STATE taxes???
- Worksheet.

Name: _____

Date: _____

How YOUR Income Tax Dollars Were Spent
In the state of Maryland

If you paid \$2,000 in taxes:

Aid for Higher Education	\$122
The Judicial system	\$42
Education	\$500
Licensing and regulation	\$18
Human Resources	\$164
Health and mental hygiene:	\$636
Agriculture, environment and natural resources	\$24
Transportation	\$204
Public Safety	\$134
Housing, business and economic development	\$28
Intergovernmental	\$40
Interest on Maryland Debt	\$32
General Government	\$56

What percent of Maryland Taxes were spent on Aid for Higher Education?

What percent of Maryland Taxes were spent on The Judicial system?

What percent of Maryland Taxes were spent on Education?

What percent of Maryland Taxes were spent on Licensing and regulation?

What percent of Maryland Taxes were spent on Human Resources?

What percent of Maryland Taxes were spent on Health and mental hygiene?

What percent of Maryland Taxes were spent on Agriculture, environment and natural resources?

What percent of Maryland Taxes were spent on Transportation ?

What percent of Maryland Taxes were spent on Public Safety?

What percent of Maryland Taxes were spent on Housing, business and economic development?

What percent of Maryland Taxes were spent on Intergovernmental?

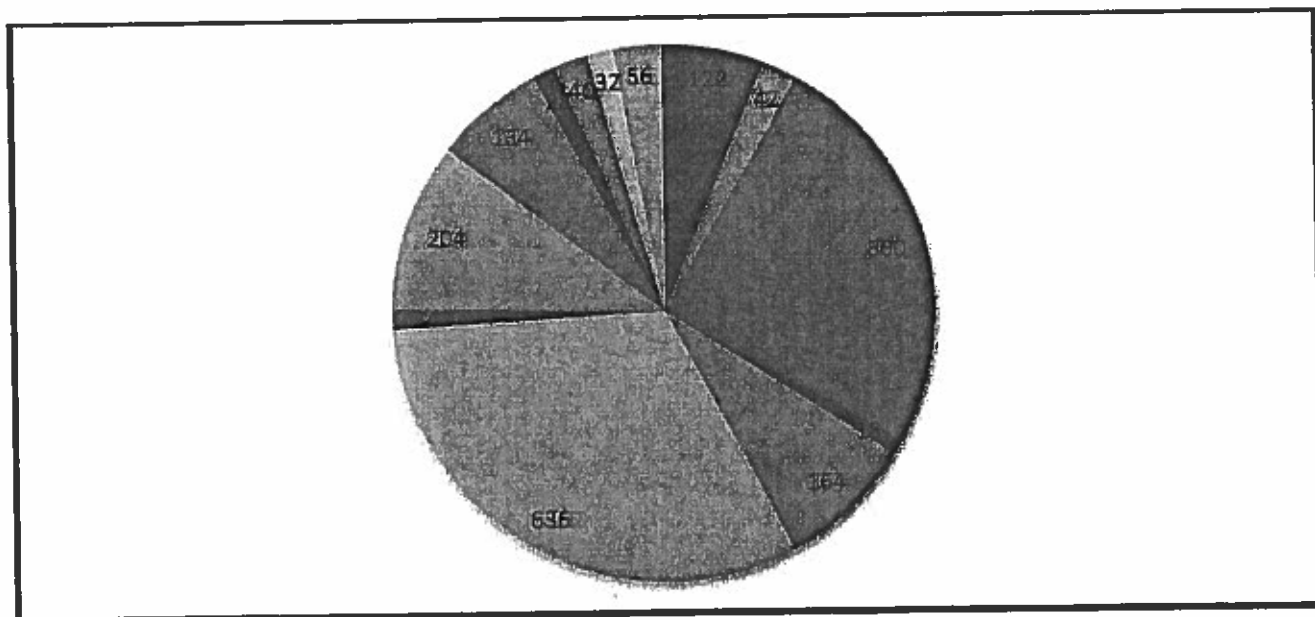
What percent of Maryland Taxes were spent on Interest on Maryland Debt?

What percent of Maryland Taxes were spent on General Government?

Where did most of Maryland's Tax money go towards?

Where did the least amount of Maryland's Tax money go towards?

Label the following pie chart with the name of the category and the percent.



W4 and W2

Warmup

What do you already know about the forms: W4 and W2.

W4

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.

W4

A Enter "1" for **yourself** if no one else can claim you as a dependent

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.

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.)

W4

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)

W4

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.)

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 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children.
- If your total income will be between \$65,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child...

W4

H 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.) ►

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 **Employee's Withholding Allowance Certificate** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service **2015**

► 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.

1 Your first name and middle initial Last name		2 Your social security number
3 Home address (number and street or rural route) City or town, state, and ZIP code		4 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box. 5 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. <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		6 \$
7 I claim exemption from withholding for 2015, 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. <input type="checkbox"/> 7		

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.

Employee's signature (This form is not valid unless you sign it.) ► Date ►

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)
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For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 102200 Form W-4 (2015)

a Employee SSAN	1 Wages, tips, other compensation 3103.50	2 Federal income tax withheld 189.00
b Employer ID Number 52-2294368	3 Social security wages 3103.50	4 Social security tax withheld 192.42
	5 Medicare wages and tips 3103.50	6 Medicare tax withheld 44.99
c Employer's name, address, and ZIP code Riverside Ice, LLC 108 Marlboro Rd Easton MD 21801		
d Control number 0002		
e Employee's first name and initial Jennifer R.	f Last name Bishop	g Suffix
7 Social security type		
8 Allocated tips		
9		
10 Dependent care benefits		
11 Nonqualified plans		
12a See instructions for box 12		
12b		
12c		
12d		
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		
14 Other		
15 State Employer's state ID MD 13754068		
16 State wages, tips, etc. 3103.50		
17 State income tax 80.58		

W2: United States federal tax form issued by employers and stating how much an employee was paid in a year.

a Employee SSAN		1 Wages, tips, other compensation 3103.50		2 Federal income tax withheld 189.00	
b Employer ID Number 52-2294368		3 Social security wages 3103.50		4 Social security tax withheld 192.42	
		5 Medicare wages and tips 3103.50		6 Medicare tax withheld 44.99	
c Employer's name, address, and ZIP code Riverside Ice, LLC 106 Marlboro Rd Easton MD 21601					
d Control number 0002					
e Employee's first name and initial Jennifer R.		Last name Bishop		Suff.	
7 Social security tips		8 Allocated tips		9	
10 Dependent care benefits		11 Nonqualified plans		12a See instrs. for box 12	
13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>				12b	
14 Other				12c	
				12d	
15 State Employer's state ID MD 13754068		16 State wages, tips, etc. 3103.50		17 State income tax 80.58	

1. What was Mrs. Bishop's gross income at Rita's?

2. How much did Mrs. Bishop pay in Federal income tax?

3. What was the Federal income tax rate? (Hint: its a percent)

a Employee SSAN		1 Wages, tips, other compensation 3103.50		2 Federal income tax withheld 189.00	
b Employer ID Number 52-2294368		3 Social security wages 3103.50		4 Social security tax withheld 192.42	
		5 Medicare wages and tips 3103.50		6 Medicare tax withheld 44.99	
c Employer's name, address, and ZIP code Riverside Ice, LLC 106 Marlboro Rd Easton MD 21601					
d Control number 0002					
e Employee's first name and initial Jennifer R.		Last name Bishop		Suff.	
7 Social security tips		8 Allocated tips		9	
10 Dependent care benefits		11 Nonqualified plans		12a See instrs. for box 12	
13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>				12b	
14 Other				12c	
				12d	
15 State Employer's state ID MD 13754068		16 State wages, tips, etc. 3103.50		17 State income tax 80.58	

4. How much did Mrs. Bishop pay in State Taxes?

5. What was the state tax rate?

a Employee SSAN	1 Wages, tips, other compensation	2 Federal income tax withheld
	3103.50	189.00
b Employer ID Number	3 Social security wages	4 Social security tax withheld
	3103.50	192.42
52-2294388	5 Medicare wages and tips	6 Medicare tax withheld
	3103.50	44.99
c Employer's name, address, and ZIP code		
Riverside Ice, LLC 108 Marlboro Rd Easton MD 21601		
d Control number		
0002		
e Employee's first name and initial		Last name, Suffix
Jennifer R.		Bishop
7 Social security tips	8 Allocated tips	9
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	
14 Other	12c	
	12d	
15 State Employer's state ID	16 State wages, tips, etc.	17 State income tax
MD 13754068	3103.50	80.58

6. How much did Mrs. Bishop pay in Social Security Taxes?

7. What was the Social Security tax rate?

8. How much did Mrs. Bishop pay in Medicare Taxes?

9. What was the Medicare tax rate?

a Employee SSAN	1 Wages, tips, other compensation	2 Federal income tax withheld
	3103.50	189.00
b Employer ID Number	3 Social security wages	4 Social security tax withheld
	3103.50	192.42
52-2294388	5 Medicare wages and tips	6 Medicare tax withheld
	3103.50	44.99
c Employer's name, address, and ZIP code		
Riverside Ice, LLC 108 Marlboro Rd Easton MD 21601		
d Control number		
0002		
e Employee's first name and initial		Last name, Suffix
Jennifer R.		Bishop
7 Social security tips	8 Allocated tips	9
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	
14 Other	12c	
	12d	
15 State Employer's state ID	16 State wages, tips, etc.	17 State income tax
MD 13754068	3103.50	80.58

10. What was Mrs. Bishop's net income?

Name: Your Name

Address:

123 Main Street

Anywhere, USA 10000

Social Security Number: 123-45-6789

**Single and you are claimed as a dependent by
your parents.**

**Additional money wanted withheld from each
paycheck: \$14.00**

No dependents. Not head of household.

No child care or dependent care expenses.

Form W-4 (2015)

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 2015 expires February 16, 2016. 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 \$1,050 and includes more than \$350 of unearned income (for 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.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

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 when all allowances are claimed on the Form W-4 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, before 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 2015. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (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/w4.

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: <table border="0"> <tr> <td>• You are single and have only one job; or</td> <td rowspan="3">} B _____</td> </tr> <tr> <td>• You are married, have only one job, and your spouse does not work; or</td> </tr> <tr> <td>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</td> </tr> </table>	• You are single and have only one job; or	} B _____	• 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.
• You are single and have only one job; or	} B _____				
• 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.					
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. <ul style="list-style-type: none"> • If your total income will be less than \$65,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children. • If your total income will be between \$65,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child 	G _____			
H	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.) ►	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 earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid 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.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate		OMB No. 1545-0074 2015
▶ 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.				
1 Your first name and middle initial _____ Last name _____		2 Your social security number _____		
Home address (number and street or rural route) _____		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code _____		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. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) _____		5 _____		
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____		
7 I claim exemption from withholding for 2015, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • 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 ► 7 _____				
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.				
Employee's signature (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) _____

Name: _____

Reading a W2 Worksheet

Date: _____

1. What was Mr. Bishop's gross income at Rita's?

a Employee's social security number	1 Wages, tips, other compensation 11465.04	12 Federal income tax withheld 1362.49
b Employer identification number (EIN) 710794409	3 Social security wages 11465.04	4 Social security tax withheld 710.83
c Control Number	5 Medicare wages and tips 11465.04	9 Medicare tax withheld 166.24

2. How much did Mr. Bishop pay in Federal income tax?

e Employer's name, address and ZIP code KAL-MART ASSOCIATES, INC. 702 S.W. 8TH ST BENTONVILLE, AR 72716-0135		
7 Social security tips	8 Allocated tips	6 Advance EIC payment

3. What was the Federal income tax rate?

10 Dependent care benefits	11 Nonqualified plans	13a
14 Other PA 601	7.26	13b
		13c
		13d

4. How much did Mr. Bishop pay in State Taxes?

e Employer's name, address, and ZIP code ANDREW T BISHOP		
13a	13b	13c
13d	13e	13f

5. What was the state tax rate?

2008	16 State PA	Employer's state ID, no. 710794409	18 State wages, tips, etc. 11465.04
f W-2 Wage and Tax Statement Copy 2 To Be Filed With Employee's State, City, or Local Income Tax Return.		17 State income tax 351.93	19 Local wages, tips, etc. 11465.04
		20 Local income tax 114.66	21 Locality name BENTONVILLE, AR

6. How much did Mr. Bishop pay in Social Security Taxes?

Department of the Treasury
Internal Revenue Service

7. What was the Social Security tax rate?

8. How much did Mr. Bishop pay in Medicare Taxes?

9. What was the Medicare tax rate?

10. What was Mr. Bishop's net income?