

Table of Contents

Overview	1
Filing Requirements	1
Individuals.....	2
Dependents	3
Self-employed.....	5
Other Situations.....	5
Which Form to File	6
Form 1040EZ.....	6
Form 1040A.....	10
Form 1040	13
Due Dates	13
General Rule	13
Extensions	14
Heading	21
Tax Year	21
Name	22
Address	22
Identification Number.....	23
Separate Returns—Nonresident Spouse	24
Undocumented Workers.....	24
Presidential Election Campaign Fund	25
Overview and Heading Review Questions	27
Overview and Heading Review Answers	29
Filing Status.....	31
Marital Status	31
Unmarried.....	32
Married	32
Filing Status.....	33
Single.....	33
Married Filing Jointly.....	34
Married Filing Separately.....	35
Head of Household.....	37
Qualifying Widow(er) With Dependent Child	40
Death or Birth	41
Filing Status Review Questions.....	43
Filing Status Review Answers	45
Exemptions	47
Personal Exemptions	47
Joint Return	48
Separate Return	48
Death of Spouse.....	48

Divorced or Separated Spouse	49
Dependency Exemptions	49
General Tests	49
Qualifying Child	50
Tie-breaker Test	57
Qualifying Relative.....	59
Child of Divorced or Separated Parents	63
Social Security Numbers for Dependents.....	65
Exemptions Review Questions.....	67
Exemptions Review Answers	70
Income.....	73
Rounding	73
Method of Accounting.....	74
Cash Method	74
Accrual Method.....	76
Wages, Salaries, Tips, etc.....	77
Form W-2.....	78
Tips.....	79
Household Employee	80
Garnished Wages.....	80
Scholarships	81
Interest Income.....	82
Taxable Interest.....	83
U.S. Savings Bonds.....	86
Tax-exempt Interest.....	91
Dividends.....	91
Ordinary Dividends	91
Qualified Dividends.....	94
Reporting Requirements.....	95
Refunds, Credits or Offsets	95
Alimony.....	98
Business Income or (Loss).....	99
Capital Gain or Loss	99
Other Gains or (Losses)	99
IRA Distributions.....	99
Traditional IRA.....	100
Roth IRA.....	101
Reporting Requirements.....	102
Rollovers.....	102
Pension Distribution	103
Reporting Requirements.....	104
Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.....	105
Farm Income or (Loss)	105
Unemployment Compensation	105

Social Security Benefits.....	107
Other Income.....	112
Gambling Winnings	112
Prizes and Awards.....	112
Coverdell Education Savings Account or Qualified Tuition Program Distributions..	113
Jury Duty	114
Cancelled Debts	114
Income Review Questions.....	117
Income Review Answers	122
Adjustments to Income.....	127
Educator Expenses	127
Expenses of Reservists, Performing Artists, and Fee-basis Government Officials.....	128
Health Savings Account Deduction	128
Moving Expenses	128
Standard Mileage Rate	128
Tests for Deductibility of a Move	129
Deductible Part of Self-employment Tax.....	130
Self-employed SEP, SIMPLE, and Qualified Plans.....	131
Self-employed Health Insurance Deduction	131
Penalty on Early Withdrawal of Savings.....	131
Alimony Paid	132
IRA Deduction	133
Student Loan Interest Deduction.....	140
Tuition and Fees Deduction	143
Domestic Production Activities Deduction	146
Other Adjustments.....	147
Adjustments to Income Review Questions.....	149
Adjustments to Income Review Answers	151
Standard Deduction vs. Itemized Deductions	155
Standard Deduction.....	155
Age and Blindness Component of Standard Deduction	156
Standard Deduction Amounts.....	157
Itemized Deductions.....	158
Medical and Dental Expenses	161
Taxes.....	164
Interest.....	167
Charitable Contributions	170
Casualty and Theft Losses	173
Miscellaneous Deductions — Subject to 2%	174
Miscellaneous Deductions — Not Subject to 2%	184
Nondeductible Expenses.....	184
Exemption Deduction	185
Standard Deduction vs Itemized Deductions Review Questions	187
Standard Deduction vs Itemized Deductions Review Answers.....	192

Tax and Nonrefundable Credits	197
Tax Computation	197
Children Subject to Kiddie Tax	197
Tax Table.....	198
Tax Computation Worksheet.....	198
Other Taxes.....	200
Alternative Minimum Tax.....	200
Nonrefundable Credits	201
Foreign Tax Credit.....	202
Child and Dependent Care Credit	202
Education Credits	210
Retirement Savings Contributions Credit	221
Child Tax Credit.....	225
Residential Energy Credits	232
Credit for the Elderly or the Disabled.....	233
Adoption Credit.....	233
District of Columbia First-Time Homebuyer Credit.....	236
Tax and Nonrefundable Credits Review Questions	237
Tax and Nonrefundable Credits Review Answers.....	241
Other Taxes, Payments and Refundable Credits	247
Other Taxes.....	247
Federal Income Tax Withholding.....	248
Estimated Tax Payments	248
Refundable Credits.....	248
Earned Income Credit.....	249
EIC Due Diligence	256
Additional Child Tax Credit.....	259
American Opportunity Tax Credit	265
Amounts Paid With Extension	265
Excess Social Security Withheld	266
Credit for Federal Tax on Fuels.....	266
Other Payments	266
Minimum Tax Credit	266
Other Taxes, Payments and Refundable Credits Review Questions.....	267
Other Taxes, Payments and Refundable Credits Review Answers	270
Completing the Return.....	273
Refund.....	273
Owe Tax	273
Estimated Tax Penalty.....	274
Submitting the Return.....	274
Amending the Return	275
Case Study.....	277
Appendix	299
Index.....	323