Today:
- Federal taxes

Next Week:
- Virginia Taxes
- Tax record keeping
Form 1040
Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return

2008

Part 1

Label
(See instructions on line 14.) Use this IRS label. Otherwise, please print or type.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund (see page 14). □

Filing Status
1. Single □
2. Married filing jointly (even if only one had income) □
3. Married filing separately. Enter spouse’s SSN above and full name here. □
4. Head of household (with qualifying parents) (see page 15). If the qualifying person is a child but not your dependent, enter this child’s name here. □

Exemptions
6a. You, yourself, or your spouse if filing jointly, cannot claim you as a dependent, do not check box. □
6b. Spouse □
6c. Dependents. Enter dependents’ names and social security numbers below. □

If more than four dependents, see page 17.

Income
7. Wages, salaries, tips, etc. Attach Form(s) W-2 □
8a. Taxable interest. Attach Schedule B if required □
8b. Tax-exempt interest. Do not include on line 8a □
9a. Ordinary dividends. Attach Schedule B if required □
9b. Qualified dividends (see page 21) □
10. Taxable refunds, credits, or offsets of state and local income taxes (see page 22) □
11. Dividends □
12. Capital gain or loss. Attach Schedule D if required. If not required, check here □
13. Other gains or (losses). Attach Form 4797 □
14a. IRAs distributions □
14b. Taxable amount (see page 23) □
15a. Pensions and annuities □
15b. Taxable amount (see page 24) □
16a. Social security benefits □
16b. Taxable amount (see page 25) □
17. Other income. List type and amount (see page 26) □
18. Add the amounts in the first column for lines 7 through 26. This is your total income □

Adjusted Gross Income
19. Educator expenses (see page 29) □
20. Certain business expenses of individuals, partners, and sole proprietors, and qualified government officials. Attach Form 2106 or 2126-EZ □
21. Health savings account deduction. Attach Form 8889 □
22. Moving expenses. Attach Form 3903 □
23. One-half of self-employment tax. Attach Schedule SE □
24. Self-employed SEP, SIMPLE, and qualified plans □
25. Self-employed health insurance deduction (see page 29) □
26. Self-employment health insurance deduction (see page 29) □
27. Penalty on early withdrawal of savings □
28. IRA deduction (see page 30) □
29. Student loan interest deduction (see page 29) □
30. Tuition and fees deduction. Attach Form 8917 □
31. Add lines 29 through 30 and 32 through 37 □
32. Subtract line 31 from line 28. This is your adjusted gross income □

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 89.
Cat. No. 11320B
Form 1040 (2008)
### DEDUCTIONS

- **Standard Deduction**
  - **For—**
    - **People who checked any box on line 38, 39a, or 39c**
    - **All others**
    - Single or Married Filing Separately: $6,600
    - Married Filing Jointly or Qualifying Widow(er): $12,300
  - **Limit of household: $65,000**

### CREDITS

- **Foreign tax credit**: Attach Form 1116 if required.
- **Credit for child and dependent care expenses**: Attach Form 2441.
- **Credit for the elderly**: Attach Schedule R.
- **Education credits**: Attach Form 8863.
- **Retirement savings contributions credit**: Attach Form 8890.
- **Child tax credit**: Attach Form 8814 if required.
- **Credits from forms**: Attach Form 8812.
- **Other credits from forms**: Attach Form 8812.

### PAYMENTS

- **Self-employment tax**: Attach Schedule SE.
- **Unreimbursed social security and Medicare tax from Form W-2**: Attach Form 8960.
- **Social security and Medicare tax from Form W-2**: Attach Form 8960.
- **Federal income tax withheld from Forms W-2 and 1099**: Attach Form 8960.
- **2008 estimated tax payments and amount applied from 2007 return**: Attach Form 8960.
- **Earnings income credit (EIC)**: Attach Form 8812.
- **Nonaddable combat pay deduction**: Attach Form 8812.
- **Excess social security and Div 1 (NASA) tax withheld (see page 8)**: Attach Form 8812.
- **Additional child tax credit**: Attach Form 8812.
- **Amount paid with request for abatement to file (see page 9)**: Attach Form 8812.
- **Credits from Form 8**: Attach Form 8812.
- **First-time homebuyer credit**: Attach Form 5405.
- **Recovery rebate credit**: Attach Form 8812.
- **Add line 52 through 70. These are your total payments**.

### Other Taxes

- **Add lines 56 through 60. This is your total tax**.
- **Federal income tax withhold from Forms W-2 and 1099**: Attach Form 8960.
- **2008 estimated tax payments and amount applied from 2007 return**: Attach Form 8960.
- **Earnings income credit (EIC)**: Attach Form 8812.
- **Nonaddable combat pay deduction**: Attach Form 8812.
- **Excess social security and Div 1 (NASA) tax withheld (see page 8)**: Attach Form 8812.
- **Additional child tax credit**: Attach Form 8812.
- **Amount paid with request for abatement to file (see page 9)**: Attach Form 8812.
- **Credits from Form 8**: Attach Form 8812.
- **First-time homebuyer credit**: Attach Form 5405.
- **Recovery rebate credit**: Attach Form 8812.
- **Add line 52 through 70. These are your total payments**.

### Refund

- **If line 71 is more than line 76, subtract line 71 from line 76. This is the amount you owe**.
  - **Amount of line 72 you want refunded to you. If Form 8889 is attached, check here**:
    - **a** Routine
    - **b** A type
    - **c** Refund
  - **Account number**
  - **Amount line 72 you want applied to your 2008 estimated tax**
  - **Amount you owe. Subtract line 71 from line 76. For details on how to pay, see page 56**.
  - **Estimated tax payment (see page 56)**

### Third Party Designee

- **Do you want to allow another person to discuss this return with the IRS (see page 6)?**
  - **No**
  - **Yes**
  - **Complete the following. No**
  - **Designee's name**
  - **Phone number**
  - **Personal identification number**

### Sign Here

- **Joint return**
  - **Your signature**
  - **Date**
  - **Your occupation**
  - **Date**
  - **Spouse's signature, if a joint return, both must sign.**
  - **Spouse's occupation**

### Prepared

- **Preparer's signature**
  - **Date**
  - **Check if self-employed**
  - **Preparer's SSN or PTIN**
  - **Phone number**
SOME SENIOR-RELATED TAX ISSUES

- Filing Status
- Interest & Dividends
- Capital Gains including Sale of Home
- IRA Distributions
- Pensions
- Social Security
- Itemized Deductions
- Estimated Taxes & Penalties
NEW FOR 2013

- Higher taxes for the “wealthy”
  - Applies to AGI’s > $400/450K
  - Ordinary income rate up to 39.6%
  - Dividend & Cap Gains up to 20%
  - Exemption/Deduction phase out from $250/300K
- Payroll tax for all back to 6.2%
- Medical expense threshold 10% of AGI
- Estate tax rate up to 40% on estates > $5m

Special Topics Later for 2013/2014
NEED I FILE?

- Who *must* file?
- Who *should* file?
- *How* should I file?
  - Form 1040EZ, 1040A or 1040?
  - Do it myself or ???
FILING STATUS

- Why is Filing Status important?
- Affects:
  - Tax
  - Standard Deduction
  - Eligibility forCredits
- More than one may apply
- One of most common errors
FILING STATUS OPTIONS

1. Single
2. Married Filing Jointly
   - Best
   - Valid if spouse died during TY
3. Married Filing Separately - bad!
4. Head of Household
   - Better
   - Single with a qualifying dependent
5. Qualifying Widow(er)
   - Spouse died during prior two years
   - With a qualifying dependent child
INTEREST & DIVIDENDS

- 1099-INT, 1099-DIV or 1099-OID
- Watch for:
  - Muni Bond interest - tax exempt
  - Treasury Bond interest - taxable
  - Savings Bond interest taxable unless used for education
  - **Qualified** dividends - CG tax rate
CAPITAL GAINS

- Broker’s Statements (1099-B) changed again
- Report transactions on form 8949 (6)
- Totals go to Schedule D
- Inherited Stock (basis stepped up - except 2010?)
- Don’t forget Loss Carryover
- Capital Gain Distributions
SALE OF HOME

- 1099-S received from broker if reportable
- Can exclude $250/500K of gain if:
  - Main home
  - Ownership and use tests met
  - If spouse dies and house sold within 2 years, $500K exclusion applies
- Basis = Cost + Improvements
- Report net gain (if any) on Schedule D
- Loss not allowed
FORECLOSURES

- If foreclosed, Form 1099-A received
  - Must report on Sch D
- If debt cancelled, Form 1099-C is received
  - Report on Form 982 to exclude from income
- Cannot claim a loss
IRA DISTRIBUTIONS

- Form 1099-R received
- Roth IRA distributions not taxable (usually)
- Traditional IRA distributions usually taxable (Code 7 in Box 7)
- Note codes and read instructions
  - May not be taxable, but:
  - May be a penalty e.g. early distributions (code 1)
- Remember RMD’s
PENSIONS

- Forms: 1099-R, RRB-1099R or CSA-1099R

- Usually “Taxable Amount” shown in Box 2

- If not, and if contributions (Box 9b) made:
  - Use “Simplified Method” worksheet if pension started after July 1, 1986

- Disability Pay (Code 3)

- Medical Expenses (Box 5)
SOCIAL SECURITY OR EQUIVALENT

- Social Security
  - Reported on SSA-1099
- Railroad Retirement Tier 1
  - Reported on RRB-1099
  - Equivalent to Social Security
  - Same rules as Social Security
- Up to 85% may be taxable - use worksheet
- Note insurance premiums & tax withholdings
ITEMIZED DEDUCTIONS
Schedule A

- Medical Expenses (if > 7.5% or 10.0%)
- Some taxes paid
- Interest paid
- Gifts to Charity
- Miscellaneous Expenses
Medical Expenses

- Expenses must be:
  - Qualified - see instructions
  - Un-reimbursed
  - Paid by and for TP, spouse or dependents

- Expenses include:
  - Medical and dental insurance premiums
  - LTC premiums up to age related limit

- But only to extent they exceed 7.5%/10.0 of AGI
DEDUCTIBLE TAXES

- State and Local Income or Sales taxes
- Real Estate taxes (generally reported by mortgage company on Form 1098)
- Personal Property taxes (if based on value of property/car)
- Compare Taxable Refunds
DEDUCTIBLE INTEREST

- Home Mortgage Interest:
  - Interest reported on form 1098
  - Points on initial loan
  - Ratable points after refinancing
  - Qualified Mortgage Insurance premiums

- Investment Interest paid
CHARITABLE CONTRIBUTIONS

- **Cash:**
  - Receipts or bank records required

- **Non-cash contributions require:**
  - Receipt
  - Form 8283 if total over $500
  - Appraisal if over $5000
  - Form 1098-C if a car (some exceptions)
  - Clothing, etc. - Must be in “good or better” condition

- **Out-of-pocket expense:**
  - Travel @ 14¢/mile
  - Tolls, parking, can be included
MISCELLANEOUS DEDUCTIONS

- To the extent they exceed 2% of AGI:
  - Tax Preparation Fees
  - Certain investment expenses
  - Other - See Schedule A Instructions

- Other Miscellaneous Deductions:
  - Gambling losses up to extent of winnings
CREDITS

- Foreign Tax Credit - form 1116 if > $300/600
- Credit for the Elderly - no-one qualifies!
- Education Credits
  - American Opportunity Credit (1st 4 years of College)
  - Life Time Learning Credit (Job related)
- Residential Energy Credit ($500 max)
- Repayment of 2008 Home Buyers Credit
UNDERPAYMENT PENALTY

- Due if tax owed exceeds $1000, unless:
  - Withholdings* exceed:
    - 90% of current year tax liability, or
    - 100% of prior year tax liability, or
    - 110% of prior year tax liability if AGI is over $150,000
  - Consider quarterly estimated tax payments

- Estimated Taxes to avoid penalties
What’s New

- See Publication 17, page 1.
- Additional Medicare Tax
- Net Investment Tax
- Limited Itemized Deductions
- Highest Tax Rate 39.6%
- Same-Sex Marriage
FINALLY
BEWARE THE AMT!

- Depends on:
  - Income level
  - Type of income
  - Deductions

- Has a complex effect on deductions
- Requires a complicated form - 6251
The hardest thing in the world to understand is income tax!

Albert Einstein