

Review Your 1040 (2015)

Income feels good, except when we have to pay taxes on it! The IRS has many tools that will reduce taxable income and taxes owed especially when we invest in ourselves, take care of our health, and save for our future. Sorting through the tools is complicated but can be easier with a basic understanding of key tax items. In this worksheet, enter the numbers from your actual 1040 or 1040A as indicated so you can see how the tools may help your situation.

Key Item	Your Numbers	
	Where?	Entry
Filing Status It's more like "family status" that affects deductions/credits, tax table, etc.	See first section below name, address, and SS#'s	Filing Status: _____
Exemptions This is the number of people in your household that are supported with your income.	See section below Filing Status	# of Exemptions: _____
Income Everyone is subject to tax on income.	1040 line 22 -or- 1040A line 15	Total Income: \$ _____
Adjustments Some expenses are <i>encouraged</i> and allowed to reduce income.	1040 line 36 -or- 1040A line 20	Adjustments: \$ _____
Adjusted Gross Income (AGI) AGI is used for certain tax calculations.	1040 line 37 -or- 1040A line 21	AGI: \$ _____
Deductions Certain other expenses are allowed to reduce income. You are entitled to a deduction whether or not you have these expenses.	1040 line 40 -or- 1040A line 24	Deductions: \$ _____
Exemptions Everyone entitled to income that is exempt from taxes. For 2015, it's \$4,000 per person.	1040 line 42 -or- 1040A line 26	Exemptions: \$ _____
Taxable Income This is the amount upon which the initial tax calculation is based.	1040 line 43 -or- 1040A line 27	Taxable Income: \$ _____
Compare your Total Income to Taxable Income		
Calculate the percentage of your income that <i>is actually</i> subject to tax.		
(Taxable Income ÷ Total Income) x 100 = _____% of Income Subject to Federal Income Taxes		

Key Item and Why	Your Numbers	
	Where?	Entry
Tax This is your initial tax calculation.	1040 line 47 -or- 1040A line 30	Tax: \$ _____
Credits Certain expenses paid and savings qualify to reduce the taxes owed.	1040 line 55 -or- 1040A line 36	Total Credits: \$ _____
Other Taxes One more chance for taxes on special items.	1040 line 63 -or- 1040A line 39	*Total Tax: \$ _____
Payments Taxes that you have already paid towards your total tax during the year.*	1040 line 74 -or- 1040A line 46	Payments: \$ _____
Refund or Payment Due The final result.	1040 line 75 -or- 1040A line 47	Refund: \$ _____
	1040 line 78 -or- 1040A line 50	Payment Due: \$ _____

Your Withholding Comparison

$$\begin{array}{rcccl}
 \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\
 \text{Federal tax withheld*} & & \text{Total Tax} & & \text{Comparison} \\
 \text{(1040 line 64 -or- 1040A line 40)} & & & &
 \end{array}$$

(1) If your comparison is a **positive** number, it means you are sending the IRS too much from your wages. If you think about that in terms of a monthly basis, it means you are sending \$_____ per month more than necessary. Think about what how your money map could be improved by keeping that money now instead of waiting until the end of the year to get it back from the IRS.

You can make adjustments to your withholding by changing your W-4 Employee’s Withholding Allowance Certificate. Your employer’s personnel department will have this form. Visit www.irs.gov/individuals/IRS-Withholding-Calculator to see what you should be claiming and submit the new form to your employer. Keep in mind that if you do change your withholding, your tax refund will be less. Also, revisit your withholding on annual basis or if your family status changes to keep your withholding on track and are not surprised at the end of the year.

(2) If your comparison is a **negative** number and/or you have a payment due, it means that you may not be sending enough to the IRS during the year from your wages. The key here is to look at your payment due. It shows that you need to send \$_____ more per month to the IRS. Revisit your withholding to send more every paycheck to the IRS than writing a check to them when you file your return. Keep in mind that there are penalties for not withholding enough, so you want to make sure your W-4 form is correct.