

## Tax Filing Requirements

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## Need to Know



- Required to file.
- Correct tax-filing status.
- Claiming exemptions.
- Mismatches.



## Today's Agenda



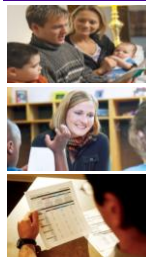
- Filing Status.
- Age and Gross Income.
- Exemptions.
- Assets and Income.



## Filing Requirements



**Three elements determine requirement to file return:**



1. Tax-filing status.
2. Age.
3. Gross income.



## Filing Requirements

Filing Status



- Single.
- Married, filing jointly.
- Married, filing separately.
- Head of household.
- Qualifying widow(er) with dependent child.



## Filing Requirements

Filing Status: Marital Status



**Married and living together as man and wife.**

- Common-law marriage:
  - Recognized by the state in which they live.
  - In the state where the common-law marriage originated.
- Married and living apart; not legally separated.
- Separated under a divorce decree that is not final.



## Filing Requirements

Filing Status: Single



- Unmarried.
- Legally separated.
- Do not qualify for any other filing status.



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## Filing Requirements

Filing Status: Married Filing Jointly



- Agree to file jointly.
  - Both obligated to tax liability.
- Both parties must sign unless:
  - Spouse died before signing.
  - Injury or disease.
  - Mental incapacity.
  - Combat zone.
  - Legal power of attorney.

## Filing Requirements

Filing Status: Married Filing Separately



- Releases from tax liability.
- Can amend to joint return:
  - Within three years of due date of separate returns.
- Cannot amend joint to separate:
  - Unless spouse dies.
    - Within one year of due date of separate return.

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## Filing Requirements

Filing Status: Head of Household



- Unmarried or considered unmarried.
- Maintaining a home.
- Qualifying person.



## Filing Requirements

Filing Status: Head of Household



- Considered Unmarried:
  - Separate tax return.
  - Cost of maintaining the home.
  - Spouse did not live in the home for last six months of tax year.
  - Primary residence of a child, stepchild or eligible foster child for more than half of the year.
  - Able to claim child as an exemption.



## Filing Requirements

Filing Status: Head of Household



- Maintaining a Home:

	Amount Filer Paid	Total Cost
Property Taxes	\$	\$
Mortgage interest expenses	\$	\$
Rent	\$	\$
Utility charges	\$	\$
Upkeep and repairs	\$	\$
Property insurance	\$	\$
Food consumed on the premises	\$	\$
Other household expenses*	\$	\$
<b>TOTAL</b>	\$	\$
Minus total filer paid		-\$
Amount to filer paid		\$

\*Other household expenses cannot include clothing, education, medical treatment, vacations, life insurance or transportation.



## Filing Requirements

Filing Status: Head of Household



- Qualifying Person:
  - Can only be considered by one person filing head of household.
  - Residence.
    - Generally, must live with the tax-filer for more than half the year.
  - Birth or death.



## Filing Requirements

Filing Status: Qualifying Widow(er) with Dependent Child



- Entitled to file a joint return.
- Spouse died within two years preceding tax year.
  - Surviving spouse not remarried before end of current tax year.
- Child or stepchild can be claimed as exemption.
  - Excludes foster children.
  - Birth or death.
- Paid more than half cost of maintaining home.
  - Where surviving spouse and child lived for entire year.



## Case Studies

Filing Status



1. Craig died in September and his wife has not remarried. They have no children.

### Craig's wife

- |   |
|---|
| A. Single.                                    |
| B. Married, filing jointly.                   |
| C. Married, filing separately.                |
| D. Head of household.                         |
| E. Qualifying widow(er) with dependent child. |



## Case Studies

Filing Status



2. Samantha and Larry's divorce was final on December 30. They lived together until the divorce was finalized.

### Samantha

- |   |
|---|
| A. Single.                                    |
| B. Married, filing jointly.                   |
| C. Married, filing separately.                |
| D. Head of household.                         |
| E. Qualifying widow(er) with dependent child. |



## Case Studies

Filing Status



2. Samantha and Larry's divorce was final on December 30. They lived together until the divorce was finalized.

### Larry

- |   |
|---|
| A. Single.                                    |
| B. Married, filing jointly.                   |
| C. Married, filing separately.                |
| D. Head of household.                         |
| E. Qualifying widow(er) with dependent child. |



## Case Studies

Filing Status



3. Charles and Elaine were married five years ago and have no dependents. They are neither divorced nor legally separated, but they have not lived together during the marriage.

### Charles and Elaine

- |   |
|---|
| A. Single.                                    |
| B. Married, filing jointly.                   |
| C. Married, filing separately.                |
| D. Head of household.                         |
| E. Qualifying widow(er) with dependent child. |



## Case Studies

### Filing Status

4. David is divorced and provided all the cost of maintaining his home. His seven-year-old son Hayden, lived with him seven months during the year. David cannot claim Hayden as an exemption because he provided a written agreement to his ex-wife that allows her to claim the exemption for Hayden.

#### David

A. Single.

B. Married, filing jointly

C. Married, filing separately

D. Head of household.

E. Qualifying widow(er) with dependent child.



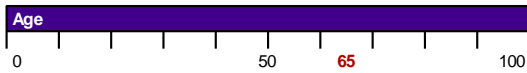
## Today's Agenda

- Filing Status.
- Age and Gross Income.
- Exemptions.
- Assets and Income.



## Filing Requirements

### Age and Gross Income



Earned Income	Unearned Income
Salaries	Taxable interest
Wages	Ordinary dividends
Tips	Capital gain distributions
Professional Fees	Unemployment compensation
Scholarships and Fellowships	Taxable Social Security benefits
	Pensions
	Annuities
	Distributions of unearned income from a trust



## Filing Requirements

### Age and Gross Income

Table 1-1. 2008 Filing Requirements for Most Taxpayers

IF your filing status is...	AND at the end of 2008 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$8,950
	65 or older	\$10,300
Married filing jointly***	under 65 (both spouses)	\$17,900
	65 or older (one spouse)	\$18,950
Married filing separately	65 or older (both spouses)	\$20,000
	any age	\$3,500
Head of household	under 65	\$11,500
	65 or older	\$12,850
Qualifying widow(er) with dependent child	under 65	\$14,400
	65 or older	\$15,450



## Filing Requirements

### Age and Gross Income: Dependents



Vary for most taxpayers.

- Age.
- Blind.
- Marital status.
- Earned income.
- Unearned income.

**Different than financial aid requirements.**



## Filing Requirements

### Age and Gross Income: Exceptions

- Gross income.
  - Owe any special taxes.
  - Advanced earned income credit.
  - Self employment earnings of at least \$400.
  - Wages from church or church-controlled organization.
- Living abroad.
  - Must file a U.S. tax return.
- Residents of Puerto Rico.
  - Generally must file a U.S. and P.R. tax return.
- Income from U.S. possession.
  - Different taxation rules.



## Case Studies

### Age and Gross Income



1. Charles is 52 years old and was widowed 10 years ago. He has not remarried. His income includes \$6,573 from work, \$232 in interest and \$463 in self-employment.

Earned Income	<b>\$7,036</b> (\$6,573 + \$463)
Unearned Income	<b>\$232</b>
Gross Income	<b>\$7,268</b>
Tax return required?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Why or why not?	<b>Self-employment income.</b>



## Case Studies

### Age and Gross Income



2. Jerry 61, lives with his wife, Suzanne, 67. They file a joint tax return. Jerry's income from work was \$10,570 and Suzanne's was \$5,230. They also own stock from which they received \$120 in dividend income.

Earned Income	<b>\$15,800</b> (\$10,570 + \$5,230)
Unearned Income	<b>\$120</b>
Gross Income	<b>\$15,920</b>
Tax return required?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Why or why not?	<b>Filing status, age, gross income</b>



## Today's Agenda



- Filing Status.
- Age and Gross Income.
- **Exemptions.**
- Assets and Income.



## Exemptions



### Two types of exemptions:



1. Personal exemption.



2. Exemptions for dependents.



## Exemptions

### Personal Exemptions



- Self.
  - If no one else claims or is eligible to claim.
- Spouse.
  - Never considered a dependent.



## Exemptions

### Exemptions for Dependents



Qualifying Child

Qualifying Relative



## Exemptions

Exemptions for Dependents

Meet all three tests:

1. Dependent-taxpayer test.
2. Joint-return test.
3. Citizen or resident test.

<p><b>Qualifying Relative:</b></p> <ol style="list-style-type: none"> <li>1. Not a qualifying child test.</li> <li>2. Member of household or relationship test.</li> <li>3. Gross-income test.</li> <li>4. Support test.</li> </ol>	<p><b>Qualifying Child:</b></p> <ol style="list-style-type: none"> <li>1. Relationship test.</li> <li>2. Age test.</li> <li>3. Residency test.</li> <li>4. Support test.</li> <li>5. Special test.</li> </ol>
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## Case Studies

Exemptions

Victoria	0	1	2	3	4
Victoria's Parents	1	2	3	4	5
Daniel	0	1	2	3	4
Daniel's Parents	0	1	2	3	4
Richard	0	1	2	3	4
Richard's Parents	0	1	2	3	4

## Today's Agenda

- Filing Status.
- Age and Gross Income.
- Exemptions.
- **Assets and Income.**

## Assets and Income

- Mismatches.
  - Incorrect filing status.
  - Interest income and assets reported.
  - Exemptions claimed.

## Case Studies

Assets and Income

1. Sarah
  - a. Yes
  - b. No
2. Samuel
  - a. Yes
  - b. No
3. Jaycee
  - a. Yes
  - b. No

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