

**Income Tax Review. Do all work on a separate sheet of paper.**

**Find the gross income, adjusted gross income and taxable income in the following situations:**

- 1) Sandra is single, earned wages of \$ 33,570, received \$415 in interest from a savings account, and contributed \$2,300 to a tax deferred retirement plan. She is entitled to a personal exemption and had deductions totaling \$4,250.
- 2) Malcolm is head of household with 1 dependent, earned wages of \$29,300, received \$67 in interest from a savings account, and will claim standard deduction.

**Decide whether you should itemize your deductions or take the standard deduction:**

- 3) Your deductible expenditures are \$7,100 from interest on a home mortgage, \$1,900 for contributions to charity, and \$602 for state income taxes. Your filing status entitles you to a standard deduction of \$11,900
- 4) You are married and filing separate. Your deductible expenditures are \$5,070 for contributions to charity, and \$923 for state income taxes.

**Compute the gross income, adjusted gross income, and taxable income. Use the exemptions and deductions allowed in 2012. Explain how you decided whether to itemize or use standard deduction:**

- 5) Spencer is single and earned wages of \$43,000. He had \$3,150 in itemized deductions from interest on a mortgage.
- 6) Christina and Oscar are married and filed jointly. Their combined wages were \$95,300. They earned \$7,750 from a rental property they own, and they received \$813 in interest from their savings account. They claim five exemptions for themselves and three children. They contributed \$13,850 to their tax-deferred retirement plans, and their itemized deductions totaled \$12,550.
- 7) Angel is married but filed separate. His wages totaled \$55,230, received \$433 in interest from a savings account. He is entitled to a personal exemption and his itemized deductions totaled \$5,150.

**Use the 2012 marginal tax rates to find:**

**a) Tax bracket (%)**

**b) Tax owed**

**c) Actual percentage paid of income tax**

- 8) Joseph is single with no dependents and had a **taxable income** of \$ 55,600
- 9) Anna is married and filing separately. Her **adjusted gross income** is \$43,200. Her itemized deductions totaled \$3,675.
- 10) Kathryn is head of household and a **taxable income** of \$66,300.

**Fill out a 1040 Form:**

11) Use the scenario in problem (12) to fill out a 1040 form and calculate the tax amount owed OR the amount to be refund. Given that their W-2 Forms show that they have had a total of \$10,115 withheld from their paychecks for federal income tax.

**Tax Credit vs. Tax Deductions**

12) Jacob is in the 28% bracket and claims the standard deduction. How much will his tax bill be reduced if he makes a \$2,000 contribution to charity?

13) Jordan is in the 28% bracket and itemizes her deductions. How much will her tax bill be reduced if she makes a \$2,000 contribution to charity?

14) Justin is in the 28% bracket and itemizes his deductions. How much his tax bill be reduced if he qualifies for a \$2,000 tax credit?

**Rent or Own? Determine whether the monthly rent is greater than or less than the monthly house payment. Assume you itemize deductions:**

15) You are in the 25% bracket. Your apartment rents for \$1,300 per month. Your monthly mortgage payments would be \$1,700 of which an average of \$1,650 goes toward interest during the first year.

16) Ted is in the 15% tax bracket. Lizet is in the 35% tax bracket. They each donate \$3,000 to charity. Compare their true costs for charitable donations.