



Individual Income Tax: Income Part 1

Course #3111A

Taxes

2 Credit Hours

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INDIVIDUAL INCOME TAX: INCOME PART 1

This course covers basic information about the tax system and discusses which income is and is not taxed. Types of income discussed include: wages, salaries, tips, interest, dividends, social security, and others.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Filing Information
Filing Status
Dependents
Estimated Tax
Wages, Salaries, and Other Earnings
Tip Income
Interest Income
Dividends and Other Distributions
Social Security and Equivalent Railroad Retirement Benefits

Study the course materials from pages 1 to 65

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recognize the length of the automatic extension provided by filing Form 4868.
- Recognize the various filing statuses and who is eligible to use them.
- Recall the various requirements for a qualifying relative.
- Identify the purpose of estimated taxes.
- Recall what types of compensation are included as income for tax purposes.
- Recognize what tips should be included in income for tax purposes.
- Recall the proper tax treatment for various types of interest.
- Identify the proper treatment of various types of dividends.
- Recognize key taxation thresholds related to social security income.

NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: FILING INFORMATION

Chapter Objective

After completing this chapter, you should be able to:

- Recognize the length of the automatic extension provided by filing Form 4868.

I. IMPORTANT REMINDERS

Who must file. Generally, the amount of income you can receive before you must file a return has been increased. See Table 1-1 for the specific amounts.

Installment agreement. If you cannot pay the full amount due with your return, you may ask to make monthly installment payments.

Automatic 6-month extension. Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, provides for an automatic 6-month extension. When you file Form 4868, you will get an automatic extension to file for 6 months.

Service in combat zone. You are allowed extra time to take care of your tax matters if you are a member of the Armed Forces who served in a combat zone, or if you served in the combat zone in support of the Armed Forces.

Adoption taxpayer identification number. If a child has been placed in your home for purposes of legal adoption and you will not be able to get a social security number for the child in time to file your return, you may be able to get an adoption taxpayer identification number (ATIN).

Taxpayer identification number for aliens. If you or your dependent is a nonresident or resident alien who does not have and is not eligible to get a social security number, file Form W-7 with the IRS to apply for an Individual Taxpayer Identification Number (ITIN).

Note



The Consolidated Appropriations Act of 2020 codifies a 60-day automatic extension of all tax filing deadlines for taxpayers located in a federally declared disaster area.

II. INTRODUCTION

Table 1-1 summarizes the key filing requirements.

TABLE 1-1. 2019 FILING REQUIREMENTS FOR MOST TAXPAYERS

IF your filing status is...	AND at the end of 2019 you were...*	THEN file a return if your gross income was at least...**
single	under 65	\$12,200
	65 or older	\$13,850
married filing jointly***	under 65 (both spouses)	\$24,400
	65 or older (one spouse)	\$25,700
	65 or older (both spouses)	\$27,000
married filing separately	any age	\$5
head of household	under 65	\$18,350
	65 or older	\$20,000
qualifying widow(er) with dependent child	under 65	\$24,400
	65 or older	\$25,700

* If you were born on January 1, 1955, you are considered to be age 65 at the end of 2019.

** Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you may exclude part or all of it). Do not include social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time during 2019, or (b) one-half of your social security benefits plus your other gross income is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the Instructions for Form 1040 or Pub. 915 to figure the taxable part of social security benefits you must include in gross income. Gross income includes gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you did not live with your spouse at the end of 2019 (or on the date your spouse died) and your gross income was at least \$5, you must file a return regardless of your age.

CERTAIN CHILDREN UNDER AGE 19 OR FULL-TIME STUDENTS

If a child's only income is interest and dividends (including capital gain distributions and Alaska Permanent Fund dividends), the child was under age 19 at the end of 2019 or was a full-time student under age 24 at the end of 2019, and certain other conditions are met, a parent can elect to include the child's income on the parent's return. If this election is made, the child does not have to file a return. See *Parent's Election To Report Child's Interest and Dividends* in chapter 30.

CHAPTER 1: TEST YOUR KNOWLEDGE

The following question is designed to ensure that you have a complete understanding of the information presented in the chapter (assignment). It is included as an additional tool to enhance your learning experience and does not need to be submitted in order to receive CPE credit.

We recommend that you answer the question and then compare your response to the suggested solution on the following page before answering the final exam question(s) related to this chapter (assignment).

- | | |
|----|--|
| 1. | <p>If your filing status is married filing jointly, and at the end of 2019 both you and your spouse were under age 65, then you need to file a return if your gross income was at least how much:</p> <ul style="list-style-type: none">A. \$12,200B. \$24,400C. \$25,700D. \$27,000 |
|----|--|