**Income Tax assignment**

In the U.S., we pay income taxes to the Federal government and to the State government in the state in which we live. The taxes collected are used to fund the operations of the government. People must file their tax returns by April 15th, and the Federal income tax is computed on Form 1040. (the California tax is computed on Form 540). Federal income tax is payable to the Internal Revenue Service, or “I.R.S.”.

Instructions: Compute the Federal income taxes on Form 1040 for a hypothetical married couple with 3 children. Use the “auto-fill” forms available on the I.R.S. website (see links below). For this scenario, you will need Form 1040 and Schedules ‘A’ and ‘B’. When you are done filling them out, you can combine into a single PDF ‘package’ and turn-in by the due date.

I have attached a “sample”. Use the “auto-fill” forms, however. Be creative and come up with your own names, address, and occupations for Mr. and Mrs. Taxpayer, as well as names for their 3 children-dependents.

Information needed to prepare their tax return:

On Form 1040: <https://www.irs.gov/pub/irs-pdf/f1040.pdf>

Mr. and Mrs. Taxpayer and family (supply their names, address, occupations)

Wages (line 1): Husband = $50,000; wife = $50,000

Tax (line 11): use the tax tables <https://www.irs.gov/pub/irs-dft/i1040tt--dft.pdf>

Child tax credit (line 12a): use $2,000 per child

Federal income tax withheld (line 16): let’s say $5,000 was withheld from Mr. and Mrs. Taxpayer’s paychecks

On Schedule A: <https://www.irs.gov/pub/irs-pdf/f1040sa.pdf>

State income taxes paid = $5,000

Real estate taxes paid = $4,000

Home mortgage interest paid = $20,000

Gifts by cash or check = $4,500

On Schedule B: <https://www.irs.gov/pub/irs-pdf/f1040sb.pdf>

Interest earned from an interest-bearing bank account = $200

Interest earned from a private loan made to a 3rd party = $800

Dividends received: Amazon = $100

Dividends received: Exxon = $500

Dividends received: Krispy Kreme = $700

Assemble into a packet in the proper order, make sure your name and date are somewhere on the cover sheet, and submit by the due date.

Hint: Their taxable income (line 10 on Form 1040) will be between $65,000-70,000, their tax owed (line 11) will be between $7,000-8,000, and the amount of their refund (line 20a) will be between $3,000-5,000.