

How to Complete Form 1040A

Individuals who earn less than \$100,000 in taxable income can use Form 1040A. With Form 1040A, you can take more deductions than with the 1040EZ. It is a two-page form. Figure 1 shows Forms W-2 for Melissa B. and Michael J. Anderson. Figure 2 shows their joint return using Form 1040A. Follow along on the form as you read the instructions that follow. (Form 1040A instructions are also available on the IRS website.)

Figure 1 Forms W-2 for Melissa Anderson and Michael Anderson

22222		a Employee's social security number 999-00-3214		OMB No. 1545-0008	
b Employer identification number (EIN) 92-186848			1 Wages, tips, other compensation \$18,072.40	2 Federal income tax withheld \$611.00	
c Employer's name, address, and ZIP code A&W Welding Supply 85 West Bensington Blvd. Chicago, IL 60615-2358			3 Social security wages \$18,072.40	4 Social security tax withheld \$1,120.49	
			5 Medicare wages and tips \$18,072.40	6 Medicare tax withheld \$262.05	
			7 Social security tips	8 Allocated tips	
d Control number			9	10 Dependent care benefits	
e Employee's first name and initial Melissa B. Anderson		Last name Anderson	Suff.	11 Nonqualified plans	
f Employee's address and ZIP code 312 East 34th Street Chicago, IL 60604-5214			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12a	
			14 Other	12b	
				12c	
				12d	
15 State IL	Employer's state ID number 33-261	16 State wages, tips, etc. \$18,072.40	17 State income tax \$820.00	18 Local wages, tips, etc.	19 Local income tax
				20 Locality name	

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

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Department of the Treasury—Internal Revenue Service

22222		a Employee's social security number 999-00-6128		OMB No. 1545-0008	
b Employer identification number (EIN) 91-4813141			1 Wages, tips, other compensation \$21,028.60	2 Federal income tax withheld \$591.00	
c Employer's name, address, and ZIP code A Art Studios 48 East 11th Avenue. Des Plaines, IL 60601-3132			3 Social security wages \$21,028.60	4 Social security tax withheld \$683.77	
			5 Medicare wages and tips \$21,028.60	6 Medicare tax withheld \$159.91	
			7 Social security tips \$21,028.60	8 Allocated tips	
d Control number			9	10 Dependent care benefits	
e Employee's first name and initial Michael J. Anderson		Last name Anderson	Suff.	11 Nonqualified plans	
f Employee's address and ZIP code 312 East 34th Street Chicago, IL 60604-5214			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12a	
			14 Other	12b	
				12c	
				12d	
15 State IL	Employer's state ID number 226421	16 State wages, tips, etc. \$21,028.60	17 State income tax \$706.00	18 Local wages, tips, etc.	19 Local income tax
				20 Locality name	

Form **W-2** Wage and Tax Statement
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Department of the Treasury—Internal Revenue Service

Step 1: Name and Address

Write the name, address, and Social Security number for each person filing the return. Michael and Melissa are filing a joint return. Each person filing can elect to give or not give to the Presidential Election Campaign Fund. They are not doing so.

Step 2: Filing Status

In this section, select your tax filing status. If married filing separately, you must fill in your spouse's name and Social Security number. If filing as head of household, insert names of any qualifying children who are not your dependents. The Andersons have two children William 999-00-2915 and Diane 999-00-4814.

Step 3: Exemptions

In the Exemptions section, claim yourself and your spouse if you are filing jointly, and enter the names and Social Security numbers of your dependents. Total your exemptions on line 6d.

Step 4: Income

On line 7, enter wages, salaries, tips, and other income as shown on your Form W-2. The Andersons, filing jointly, entered the total earnings from their two Forms W-2.

On lines 8 and 9, report taxable interest and dividend income. If you received over \$1,500 in interest, you must complete Schedule 1. The same is true of dividend income.

The Andersons had \$284 in taxable interest.

If you received any tax-exempt interest, list it on line 8b, even though you would not have to pay tax on it. The rest of the Income section of Form 1040A requires you to report the taxable amount of any money received from IRAs, pensions, unemployment compensation, and Social Security benefits.

The Andersons had \$168 in dividends.

After listing income received from all sources, you would add them to determine total income for line 15 of Form 1040A.

Step 5: Adjusted Gross Income

You can deduct educator expenses, contributions to an individual retirement account (IRA), student loan interest, and tuition fees in this section of the form. You would then subtract the total adjustments from gross income (line 20) to determine your adjusted gross income (line 21).

The Andersons contributed \$500 to an IRA and paid \$500 in interest on a student loan.

Step 6: Taxable Income

Next you would compute your taxable income. First, copy your adjusted gross income from the bottom of the first page to line 22 at the top of the second page. Then enter the standard deduction stated on the form for your filing status.

Subtract the standard deduction from adjusted gross income, and enter the result on line 25. Then multiply the number of exemptions claimed by the amount allowed for each exemption. Line 26 of the form shows the amount per exemption for this tax year (2016) as \$4,050 (it changes yearly). On the first page of their form, the Andersons had claimed four exemptions, so they multiplied \$4,050 by 4 to arrive at their deduction. Subtract the result from adjusted gross income to determine taxable income for line 27.

Step 7: Tax, Credits, and Payments

Find your tax by looking up your taxable income in the tax table in the Form 1040A instructions. On line 29 enter the amount of the advance premium tax credit repayment if applicable, add it to line 28, and enter the total on line 30.

You may qualify for other credits; if so, enter the amounts on lines 31-35 as appropriate and record the total on line 36. Subtract total credits from the tax on line 30 and enter the difference on line 37. The Andersons do not claim any of the credits listed on lines 31-35, so they enter a zero on line 36. Enter the amount for health care coverage on line 38, if applicable. The Andersons have health care coverage through their employers, so they enter a zero on line 38. Their total income tax is calculated on line 39.

Finally, enter the amount of federal income tax withheld, as shown on Form W-2. The Andersons had \$1,202 ($\$611 + \591) withheld during the year and entered this amount on line 40. If they had qualified for the earned income credit (EIC), they would have entered it on line 42a and included it as part of the total payments made on line 46.

Step 8: Refund or Amount Owed

If the total payments on line 46 exceed the total tax shown in line 39, the difference is your refund. If your total tax is greater than payments, you owe taxes. Record the amount you owe on line 50 and pay that amount. The Andersons show a refund on lines 47 and 48a.

Step 9: Signature

Both spouses must sign and date a joint return, even if only one had income. Anyone who is paid to prepare a tax return must sign and date the return as well.