

Income Tax Matters

A Component of BestPrep's Financial Matters Program

Presenter Info: Name and Company



Objectives

- Provide an overview on Income Taxes
- Review forms involved and key information to focus on
- Discuss how to fill out a Tax Return (1040)
- Identify resources to get help with taxes and how to file
- Review common tax filing mistakes

What is Income Tax?

- Income tax is the money taken out of your job earnings to pay for government services such as military, public safety, health care, education, transportation systems.
- Income tax is withheld by employers throughout the year.
 - Federal
 - State



Federal Income Tax: United States

What is the range for
income tax rates in the
United states?



10-37%



15-45%



7-28%

Federal Income Tax Range

- What is the range for income tax rates in the United states?

10-37%

- Wage earners really pay between 0-37%.



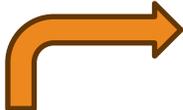
Marginal Tax Rate

- Applies different tax rates to different levels of income
- As income rises, it is taxed at higher rate
- Income is not taxed at one rate but at many rates



Example

- You earn your first \$100 taxed at one rate (10%)
- Then, you earn \$101-200 taxed at increased rate (15%)
- Then, \$201+ taxed at next higher rate (20%)
- How much are your taxes?
 - Tax on \$300 is not \$60 (300×0.2), but \$45

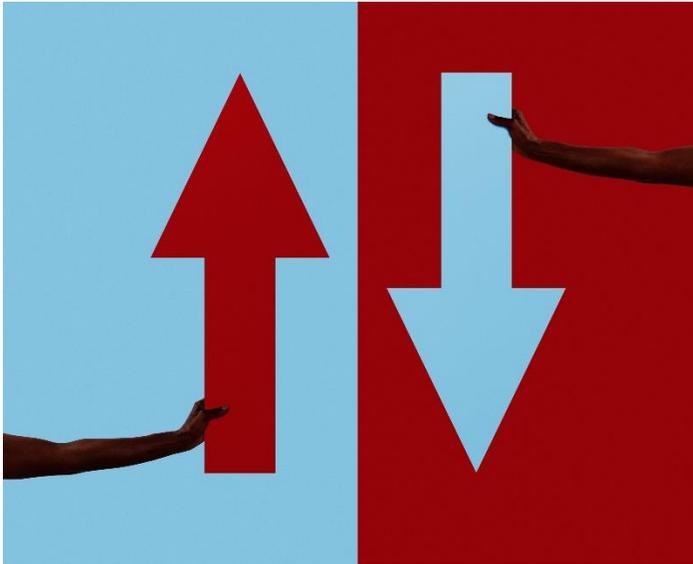
Money earned multiplied by percentage tax rate 

$$((100 \times 0.1) + (200 \times 0.15) + (300 \times 0.2))$$



$$(10+15+20) = \$45$$

Federal Marginal Tax Rate:



If your taxable income is less than \$11,926 – Your tax rate is 10%

If your taxable income is greater than \$626,350 – Your tax rate is 37%

State Income Tax



The tax rates for
MN range from:

5.35% - 9.85%

The Tax Formula

Gross Income – Standard Deduction

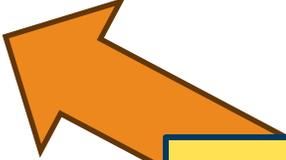
= Taxable Income

Taxable Income * Tax Rate = Tax Owed

For the 2025 filing year, you **must** file a tax return if your gross income was more than \$15,750

Should I File A Return?

- Even if you're not *required* to file a tax return, there are reasons you may *want* to file a tax return.
- Taxes are generally due on April 15



WHY?



The Form W-4

- Used by employers to calculate income tax withheld from your paycheck
- May file as exempt if no tax liability last year and do not expect liability this year
- IRS Form W4
 - Very simple if no dependents
 - If exempt from withholding, check the box at the bottom of Step 4

IRS Form W-4 Exemption

If owed no taxes last year and expect to owe no taxes this year, you are Exempt from withholding

**Step 4:
Other
Adjustments**

- (a) Other income (not from jobs).** If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income
- (b) Deductions.** Use the Deductions Worksheet on page 4 to determine the amount of deductions you may claim, which will reduce your withholding. (If you skip this line, your withholding will be based on the standard deduction.) Enter the result here . . .
- (c) Extra withholding.** Enter any additional tax you want withheld each **pay period** . . .

4(a)	\$	
4(b)	\$	
4(c)	\$	

Exempt from withholding	I claim exemption from withholding for 2026, and I certify that I meet both of the conditions for exemption for 2026. See <i>Exemption from withholding</i> on page 2. I understand I will need to submit a new Form W-4 for 2027 . <input type="checkbox"/>
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IRS Form W-4 Worksheets

The deductions worksheet (and multiple jobs worksheet) are used to determine how much money is withheld from your paycheck for tax purposes.

Form W-4 (2026)

Page 4

Step 4(b) – Deductions Worksheet *(Keep for your records.)*



See the Instructions for Schedule 1-A (Form 1040) for more information about whether you qualify for the deductions on lines 1a, 1b, 1c, 3a, and 3b.

- 1 Deductions for qualified tips, overtime compensation, and passenger vehicle loan interest.
 - a **Qualified tips.** If your total income is less than \$150,000 (\$300,000 if married filing jointly), enter an estimate of your qualified tips up to \$25,000 **1a** \$ _____
 - b **Qualified overtime compensation.** If your total income is less than \$150,000 (\$300,000 if married filing jointly), enter an estimate of your qualified overtime compensation up to \$12,500 (\$25,000 if married filing jointly) of the “and-a-half” portion of time-and-a-half compensation **1b** \$ _____
 - c **Qualified passenger vehicle loan interest.** If your total income is less than \$100,000 (\$200,000 if married filing jointly), enter an estimate of your qualified passenger vehicle loan interest up to \$10,000 **1c** \$ _____

The Form W-4 Worksheet A-H (Minnesota)

- A. Usually, parents claim you if you're in high school or college
- B. Enter 1 here
- C. If you have a spouse who works, they will also have taxes withheld
- D. These are usually children
- E. Probably do not apply

Add all lines A-E to determine allowances.
This will usually equal 1 in the worksheet.

The Form W-4 Worksheet Exempt

In Section 2 of the MN W4 Worksheet is where you claim your exemption if it applies.

You **MUST** qualify for both criteria to check box A:

- No liability on previous year's tax return
- This year I expect a refund on all Income Taxes because I expect to have no tax liability

Minnesota Form W-4 Worksheet

How do you decide the number of allowances to claim on your W4 worksheet?

The more allowances listed, the less tax taken out of your paycheck.

How to File Your Tax Form

- You may file paper Form 1040 by mail (required if first time filer under 16)
- By using IRS e-file <https://www.e-file.com>
- Other free on-line tax software (IRS Freefile, FreeTax USA)
- Or through an approved tax preparer.
- Electronic filing requires an IP (Identity Protection) PIN (online or use Form 15227)

Under Sixteen, First Time Filing

- If you are under age 16 and you have never filed a tax return, you **cannot** e-file your first year.
- You can prepare your return on [efile.com](https://www.efile.com).
Print it and mail it to the IRS to file it.
- However, you will be able to e-file your return the next year.



W2 Wage and Tax Statement

22222		a Employee's social security number		OMB No. 1545-0029			
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld		
			5 Medicare wages and tips		6 Medicare tax withheld		
			7 Social security tips		8 Allocated tips		
d Control number			9		10 Dependent care benefits		
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a	
						12b	
						12c	
12d							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	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

2025

Department of the Treasury – Internal Revenue Service

Individual Income Tax Return

Form 1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning _____, 2025, ending _____, 2025. See separate instructions.

Filed pursuant to section 301.9100-2 Combat zone Deceased MM / DD / YYYY Spouse MM / DD / YYYY
 Other

Your first name and middle initial _____ Last name _____ Your social security number _____
 If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____

Home address (number and street), if you have a P.O. box, see instructions. _____ Apt. no. _____
 Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025.

City, town, or post office. If you have a foreign address, also complete spaces below. _____ State _____ ZIP code _____
Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Filing Status Single Head of household (HOH)
 Married filing jointly (even if only one had income) Qualifying surviving spouse (QSS)
 Married filing separately (MFS). Enter spouse's SSN above _____ If you checked the HOH or QSS box, enter the child's name and full name here: _____
 If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): _____

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Dependents	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.
(6) Check if	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled
(7) Credits	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents

Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

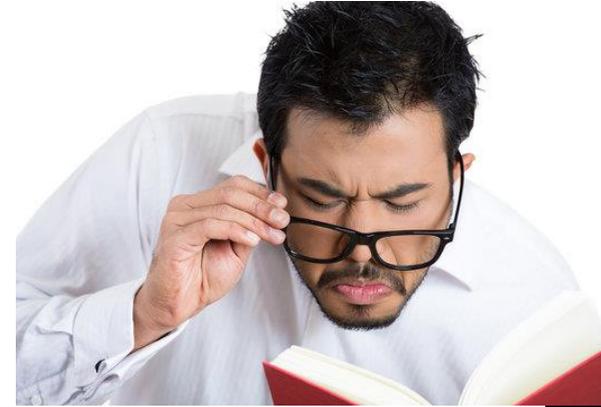
Income

1a Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b Household employee wages not reported on Form(s) W-2	1b	
c Tip income not reported on line 1a (see instructions)	1c	
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	

Attach Form(s) W-2 here. Also attach Forms _____

Common Filing Errors

1. Return is illegible
2. Incorrect filing status
3. Wrong number of exemptions
4. Enter income on wrong lines
5. Incorrectly calculate deductions and credits
6. Did not sign and date return
7. Did not include all W2s (paper return)
8. Not enough postage



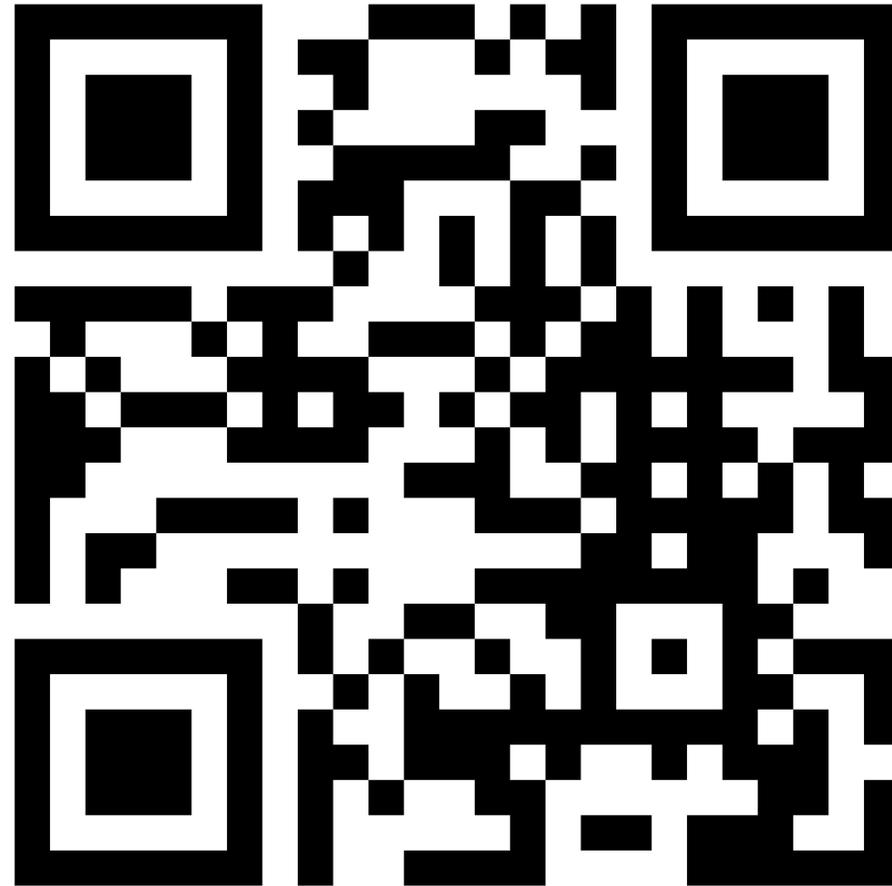
Where to Find Help

- IRS website (www.irs.gov) (documents, FAQs, chat)
- Volunteer Income Tax Assistance (VITA)
- Many community groups

Questions?



Student Survey



Thank You!

BestPrep gratefully acknowledges the financial and volunteer support provided by the Minnesota Society of CPAs along with several BestPrep volunteers to offer Income Tax Matters as a part of Financial Matters.

