

# DCC DOLLARS & \$ENSE

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## It's Tax Time

For most consumers, tax time can be a bit intimidating, but it doesn't need to be. In most cases filling out an income tax return is a simple process that takes less than a

half an hour. If you filled out your W-4 form properly with your employer, chances are you won't owe the government anything. In this case, there really isn't anything to be concerned with and you'll be one of the millions of consumers that have their income tax return form submitted by the end of February.

Once you've received all of your W-2s and any other reported income statements available, you're ready to file. Whether you're single, married or married filing separately; you'll most likely be filing a 1040 form, or a 1040EZ if you have no dependants.

The Internal Revenue Service has made simple to file your return. There is nothing preventing a consumer

from taking the correct paperwork and filing for their return. If you do not have a copy of the forms that you need to submit, whether it's a 1040 or a different one, log onto [www.irs.gov](http://www.irs.gov). The IRS has all of the forms and the instruction to go with them right online in a database that can be

searched and reviewed. If you're not sure which form you need to fill out, there are step by step instruction to help you along the way.

Once they have put together the necessary paperwork for their returns, many consumers will look for assistance on filing. Log onto the IRS home page, or call your local IRS office. It makes no sense to spend the money that you've worked hard for to pay someone to do, what you can do yourself in a few minutes.

There is a great myth about filing your taxes that the Tax Service Companies would like you to believe. There is nothing that is complex and/or confusing about filing your taxes. Truth be known, if you have all the forms and a calculator, you'll be okay. While some consumers may choose to have their accountant help them, it's a matter of convenience rather than a matter of necessity.

### *Special points of interest:*

- Earned Income Tax Credit
- What to have when filing your taxes.
- Where to find the forms that you'll need.
- Ask DCC

## Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC), is a refundable Federal income tax credit for low-income working individuals and their families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. The credit reduces the amount of Federal tax owed and in some instances may result in a refund check. When the EITC exceeds the amount of taxes

owed, it results in a tax refund to those who claim and qualify for the credit.

The maximum amount of income you can earn and still get the credit has been increased.

You may be able to take the credit if:

- ❖ You have more than one qualifying child and you have earned less than \$33,692 (\$34,692 if married filing jointly),

## Earned Income Tax Credit (EITC) Cont.

- ❖ You have one qualifying child and you earned less than \$29,666 (\$30,666 if married filing jointly), or
- ❖ You do not have a qualifying child and you earned less than \$11,230 (\$12,230 if married filing jointly).

Your Adjusted gross income (AGI), is the amount on line 4 of Form 1040EZ, line 22 of Form 1040A, or line 35 of Form 1040. The limits for your Adjusted Gross Income are as follows:

- ❖ \$33,692 (\$34,692 for married filing jointly) if you have more than one qualifying child,
- ❖ \$29,666 (\$30,666 for married filing jointly) if you have one qualifying child, or
- ❖ \$11,230 (\$12,230 for married filing jointly) if you do not have a qualifying child.

If your AGI is equal to or more than the applicable limit listed above, you cannot claim the EIC.

## Ask DCC

*Question:* I'm 26 and I've recently gone through extensive surgery and my medical expenses for prescriptions and follow up visits are increasing. Are there any programs available to help people in my situation? I have insurance and I'm not sure I qualify for most of the programs available

Albert S. Boston Ma.

*Answer:* It's a tight situation when you're insured and still spending a large amount in co-pays. The first thing to come to mind would be a Medical Savings Account. This is a program that can be set up with your employer to have funds deducted pre-tax from your check to be used for medical expenses throughout the year. Talk to your employer to see if this is available. You're still spending the money, but you save some in the tax break.

Another option would be to sign up for prescription discount cards. Several major prescription companies have membership cards that allow as much as 25% off their prescriptions. Many of these can be used in conjunction with your insurance.

## What You'll Need for Your Income Tax Return

The one thing that will make the process of filing your taxes as painless as possible is having all of the necessary information. While there may be instances where a consumer finds more than this, the following is a checklist of what you'll want to have available.

- Income statements. W-2 forms from all employers for whom you and your spouse worked in 2003.
- The correct form for filing. Use the IRS web site to help you choose and print the correct forms and instructions.
- Investment Income: Interest Income- Form 1099-INT Dividend Income- Form 1099-DIV and so on.
- Education Costs: Receipts for tuition if applicable
- Income from State & Local Income Tax Refunds Form 1099-G from state or local governments
- Alimony Bank statements or record of deposits
- IRA Contributions Year-end account summary or bank statements
- Medical Savings Account Contributions
- Itemized Deductions: example- Home mortgage interest: Form 1098
- Work Travel Expenses
- Student Loan Interest Form 1098-E showing interest paid
- Personal Property Taxes
- Unemployment Income Form 1099-G from your state unemployment agency
- Social Security Benefits Form SSA-1099

Some of these may or may not apply to you, but they cover the majority of items that most consumers would need. Not all consumers have IRAs or are home owners, this is only meant to be general idea of some of the things to consider. For more information we recommend researching your individual needs with the Internal Revenue Service online, or contacting your local IRS office.