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Federal Individual Income Tax Terms: An Explanation

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Summary

Described in this report are the terms most commonly used when discussing the federal individual income tax. Most of these tax terms are explained in the order that they occur in the process of determining one's income tax on the Form 1040. *Total income* is the sum total of all income required to be reported for tax purposes before adjustments to income are made for special types of expenses which Congress has determined should be considered in calculating gross income. These adjustments function like deductions, except that unlike deductions, adjustments are calculated in arriving at adjusted gross income, and thus can be claimed by all taxpayers, not just those who itemize deductions. An *exclusion* from income refers to an item specifically excluded from determination of gross income.

Adjusted gross income (AGI) equals gross income less qualifying adjustments to income. It is the income measurement before deductions and personal exemptions are taken into account. *Deductions* from adjusted gross income are allowed for certain types of expenditures for which income taxation is deemed inappropriate or inadvisable. Deductions function like adjustments and exclusions in their effect on tax liability. In addition to the standard deduction, an additional standard deduction amount is available to certain individuals, for example the blind or elderly. Personal *exemptions* are allowed for the taxpayer, his or her spouse, and each dependent. Exemptions affect tax liability like deductions, adjustments to income, and exclusions.

Taxable income is adjusted gross income reduced by either the standard deduction (plus the additional standard deduction in some cases) or itemized deductions along with personal exemptions. Taxable income is the base to which the income tax rates are applied to calculate income tax liability. *Tax liability* is calculated by applying the marginal tax rate and schedule to taxable income. *Tax credits* are then subtracted from gross tax liability to arrive at a taxpayer's final tax liability. Hence, tax credits reduce tax liability directly, on a dollar for dollar basis. Tax credits are available to all qualifying taxpayers, whether they itemize deductions or not. *Total tax liability* is the amount of federal income tax owed by the taxpayer to the federal government. When a taxpayer's final tax liability exceeds federal taxes withheld, estimated quarterly taxes paid, and certain other credits, then the taxpayer has *taxes due* and must pay the federal government additional federal income taxes to cover the shortfall. A *refund* is a payment by the federal government to a taxpayer whose withheld taxes and/or estimated tax payments or refundable credits exceeded his final tax liability.

A copy of the 2016 IRS Form 1040 is included at the end of this report.

This report will be updated as warranted by legislative events.

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Introduction

This report describes the terms most commonly used when discussing the federal individual income tax.[1] The format of this report is structured to follow the general order of the IRS Form 1040—the form individuals use to determine their income tax. Many taxpayers, however, determine their tax liability with the use of tax preparation software (e.g., TurboTax®) and paid tax preparers, which eliminates the need to be familiar with Form 1040. Therefore, taxpayers who rely on tax preparation software or services may not be familiar with some of the concepts presented in this report.

Total Income

Total income, also sometimes referred to as gross income, is the broadest measure of income used for tax purposes. It is the total of all realized income recognized by the tax law. It is measured net of business expenses but before any other deductions or adjustments. It includes employee compensation such as wages, salaries, and tips; taxable interest and dividend income; business and farm income (net of expenses); realized capital gains; income from rents, royalties, trusts, estates, and partnerships; and taxable pensions and annuities.

Gross income does not include income explicitly excluded from tax. An exclusion is an item of income that is not included as income for tax purposes because the tax code explicitly excludes—or exempts—it from taxation.[2] Examples of items of income which are exempt from federal income taxation and, hence, excluded from gross income, are state and local bond interest income, public assistance (welfare), small gifts, employer contributions for health care, and employer-provided contributions to retirement plans. Social security and railroad retirement income may or may not be excluded from income subject to tax. The taxability of social security and railroad retirement depends on the amount of other income the taxpayer receives.

Other forms of income excluded from taxation are a clergy member's tax-free housing allowance, qualified foster care payments, and qualified scholarship and fellowship grants. Under certain conditions, a taxpayer can exclude a limited amount of disability pay such as workers' compensation. Except for tax-exempt interest, exclusions generally are not required to be reported to the Internal Revenue Service.

A taxpayer's gross income is listed on line 22 of the Form 1040 found in **Appendix A**. The individual components of a taxpayer's gross income are listed on lines 7 to 21. Exclusions are not listed explicitly on the Form 1040.

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[1] Economic income is the broadest measure of all income, and is an economic concept rather than one contained in the tax code. It is defined as realized monetary compensation plus the value of any other nonmonetary forms of compensation that an individual receives. For example, in addition to the salary employees receive each year, they may also receive compensation in the form of health insurance premiums paid for by their employer. This employee's economic income is their salary plus the monetary value of the insurance premiums paid for by their employer. Economic income therefore is measure of an individual's total compensation. Another example of economic but not monetary income is the imputed rental value of owner-occupied housing, which is not subject to taxation. Understanding economic income is important for constructing tax policies that are efficient and equitable. Economic income is not listed explicitly on the Form 1040 found in **Appendix A**.

[2] The expression "tax-exempt" is used to describe types of income and organizations that are not subject to taxation. Interest income from state and local bonds, for example, is exempt from federal income taxes. Certain qualifying nonprofit organizations are exempt from federal income taxation. The provisions are not, however, described as exemptions on the tax return. They are more properly termed "exclusions."

Adjustments to Income

Adjustments to income, also known as above-the-line deductions, are allowed for certain payments made by the taxpayer and are generally related to the earning of income. These payments are deducted from gross income in arriving at adjusted gross income. Payments that may qualify for an above-the-line deduction may include contributions to Keogh or traditional (but not Roth) individual retirement accounts (IRAs), forfeited penalties on early withdrawals of savings, interest paid on student loans, moving expenses, and alimony payments. Adjustments to income function similarly to deductions. However, unlike deductions, adjustments are made to arrive at adjusted gross income, and hence can be claimed by all qualified taxpayers, whether or not they use the standard deduction amount or have itemized deductions (see "Deductions").

The sum of a taxpayer's adjustments to income is listed on line 36 on the Form 1040. The individual components of a taxpayer's total adjustments to income are listed on lines 23 to 35.

Adjusted Gross Income (AGI)

Adjusted gross income (AGI) is equal to a taxpayer's total income minus adjustments to income (see previous two sections). AGI is the basic measure of income under the federal income tax and is the income measurement before deductions and personal exemptions are taken into account. AGI is commonly used as the base for computing many of the limits under the tax law, such as those on the itemized deduction for medical and dental expense and miscellaneous itemized deductions.

A taxpayer's adjusted gross income is listed on line 37 of the Form 1040 and is carried over to line 38 so that the taxpayer may continue onto page 2 of the Form 1040.

Deductions

Deductions from adjusted gross income are allowed for certain types of expenditures of income. Deductions may be claimed in one of two ways. First, taxpayers can choose to itemize (explicitly list) their deductible expenses. Itemized deductions are allowed for many purposes, including certain medical expenses;[3] state and local property taxes, income (or sales) taxes, and a few other taxes; home mortgage interest, points, and limited amounts of other interest paid (but not personal interest); contributions to charitable organizations; certain casualty and theft losses less $100 per event;[4] investment expenses; tax preparation fees; certain unreimbursed employee business expenses;[5] and a few other "miscellaneous" expenses.

Alternatively, a taxpayer can choose to claim the so-called standard deduction, which was intended to reduce the complexity of paying taxes. The standard deduction varies depending on filing status (single, married filing jointly, head of household), whether the taxpayer is over 65, and whether the taxpayer is blind. For 2016 the standard deductions were as follows: $12,600 for married taxpayers filing jointly or qualified widow(er)s; $6,300 for single taxpayers; and $9,300 for taxpayers who qualify as the head of a household. The standard deductions for those who are

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[3] Medical expenses in excess of 10% of AGI were deductible beginning in 2013, as a result of the Patient Protection and Affordable Care Act (P.L. 111-148). Prior to 2013, medical expenses in excess of 7.5% of AGI were deductible.

[4] Casualty and loss expenses in excess of 10% of AGI are deductible.

[5] Unreimbursed business expenses in excess of 2% of AGI are deductible.

65 or older and for those who are legally blind are increased by $1,550 if single or head of household and $1,250 if married filing jointly. These increases apply per classification. Thus, a 70-year-old blind and single taxpayer would be eligible for a $3,100 increase in his or her standard deduction. These amounts are adjusted annually for inflation.

Only individuals with deductions that can be itemized in excess of the standard deduction find it worthwhile to itemize. These tend to be taxpayers in the middle to high income ranges. For the 2014 tax year (the most recent data), approximately 30% of taxpayers itemized their deductions.[6] Whichever deduction the taxpayer claims—itemized or standard—the deduction amount is subtracted from AGI.

Deductions function like adjustments and exclusions in their effect on tax liability. Deductions reduce a taxpayer's tax liability, but only by a percentage of the amount deducted. An individual in the 35% tax bracket would receive a reduction in taxes of $35 for each $100 deduction while an individual in the 25% tax bracket would receive a reduction in taxes of $25 for each $100 deduction. Hence, the same deduction can be worth different amounts to different taxpayers depending on their marginal tax bracket. More simply stated, the tax savings from deductions are generally equal to the taxpayer's tax rate times the amount of the deduction. So higher-income taxpayers typically benefit more than lower-income taxpayers from deductions.

A taxpayer's standard or total itemized deductions are listed on line 40 of the Form 1040. The individual components of the itemized deduction are listed on lines 1 to 28 on Schedule A to Form 1040 in **Appendix A**.

Exemptions

Before calculating total income, personal exemptions are allowed for the taxpayer, his or her spouse (if married and filing a joint return), and each dependent. If a taxpayer's AGI is less than $155,650 each exemption claimed reduces income subject to taxation by $4,050 for tax year 2016 (this amount is adjusted for inflation annually). If a taxpayer's AGI is greater than $155,650, then they must reference the *Worksheet for Determining the Deduction for Exemptions* on page 23 of IRS Publication 501. The personal exemptions combined with the standard deduction amount are designed to remove low-income households from the tax rolls, and exempt a minimum level of income from taxation for other families. The value of the personal exemptions is reduced or eliminated for certain taxpayers with a relatively high AGI.

The number of exemptions a taxpayer claims is listed on line 6 of the Form 1040. The value to the taxpayer of claiming this particular number of exemptions is found on line 42.

Taxable Income

Taxable income, the narrowest measure of income used on the income tax return, is equivalent to adjusted gross income reduced by either the standard deduction or itemized deduction and the personal exemption. Taxable income is the base upon which the income tax rates are applied to calculate income tax liability.

Taxable income is listed on line 43 of the Form 1040.

[6] CRS calculations using 2014 Internal Revenue Service, Statistics of Income, Table 1.2.

Tax Liability

Tax liability, also sometimes referred to as gross tax liability, is a taxpayer's tax liability prior to the subtraction of tax credits. For most taxpayers, gross tax liability is equal to regular income tax liability, which is calculated by applying the marginal tax rate schedule to taxable income. The structure of the marginal tax rate schedule is progressive, which means higher-earning taxpayers face higher tax rates on the last dollar that they earn. To understand how the marginal tax structure is applied, consider the 2016 marginal tax rate schedule provided in **Appendix B**. The 2016 tax schedule shows the various tax rates and income ranges to which those rates are applied. A married couple with a taxable income of $80,000 would fall into the 25% tax bracket. This means that the first $18,550 of their taxable income would be taxed at a rate of 10%, their next $56,750 of income would be taxed at 15%, and the last $4,700 of income would be taxed at 25%.

A small fraction of taxpayers (4.8% in 2016) must also account for the alternative minimum tax (AMT) when computing their gross tax liability.[7] The AMT is calculated in the following manner. First, an individual adds back certain tax deductions and tax preference items to taxable income. This amount then becomes the AMT tax base. Next, a basic exemption is allowed and subtracted from the AMT tax base. A two-tiered tax rate structure of 26% and 28% is then assessed against the remaining AMT tax base to determine the AMT liability. If the AMT liability exceeds a taxpayer's regular income liability a taxpayer must add the difference between the two to his or her regular income tax liability to arrive at gross tax liability. Congress, in 1969, enacted the predecessor to the current individual AMT to make sure that everyone paid at least a minimum of taxes and still preserve the economic and social incentives in the tax code.[8]

A taxpayer's regular income tax liability is listed on line 44 of the Form 1040. The AMT liability is listed on line 45 of the Form 1040, and the gross tax liability is listed on line 47 of the Form 1040.

Nonrefundable Credits

Nonrefundable tax credits are subtracted from gross tax liability to arrive at a taxpayer's final tax liability. Thus, nonrefundable tax credits generally reduce an individual's tax liability directly, on a dollar-for-dollar basis, and are available to all qualified taxpayers. A taxpayer may not claim more nonrefundable tax credits than his or her tax liability. Therefore, the only time in which nonrefundable tax credits do not result in a dollar-for-dollar reduction in an individual's tax liability is when the amount of nonrefundable tax credits exceeds the individual's tax liability. A different class of tax credits, known as refundable tax credits, can be claimed even when they exceed an individual's tax liability. Refundable tax credits are discussed later in this report. Examples of nonrefundable credits are the credit for the elderly and the permanently and totally disabled, the credit for child and dependent care expenses, and the foreign tax credit.

The total amount of nonrefundable tax credits is found on line 55 of the Form 1040. The individual nonrefundable credits are listed on lines 48 to 54.

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[7] Table T16-0241, *Characteristics of Alternative Minimum Tax (AMT) Taxpayers, 2015-2017, 2026,* by Tax Policy Center.

[8] For a detailed discussion of the AMT and how it is computed, see CRS Report RL30149, *The Alternative Minimum Tax for Individuals*, by (name redacted). Also, see CRS Report R44494, *The Alternative Minimum Tax for Individuals: In Brief*, by Donald Marples.

Total Tax Liability

Total tax liability, also sometimes referred to as final tax liability, is the amount of federal income tax owed by the taxpayer to the federal government after taking into account allowable refundable tax credits. Thus, total tax liability represents the taxpayer's total federal income tax bill for the tax year.

A taxpayer's total tax liability is found on line 63 of the Form 1040.

Payments

Most taxpayers make periodic tax payments throughout the year via income withholdings that are credited against their federal income tax liability. Employees typically have a certain percentage of their paycheck withheld (W-2 withholding, named for the IRS Form W-2) each pay period by their employer. Taxpayers who receive nonwage or nonsalary income, such as interest or dividend payments, debt cancelation, and certain other types of income, generally have a fraction of this income withheld (1099 withholding, again, named for IRS Form 1099) by the compensating party. The withheld amounts are then forwarded to the IRS.

Some taxpayers make estimated tax payments throughout the year—typically quarterly. There are a variety of reasons why estimated tax payments may be required—for example, when the taxpayer earns income not subject to withholding or when there is an expectation that a taxpayer may owe more than a certain amount in taxes even after accounting for withholdings and credits. A taxpayer estimates the taxes owed on the income he or she earned in a particular quarter and pays this amount during the year rather than waiting until April 15 of the following year.

Refundable tax credits are another form of tax "payment." Refundable tax credits are similar to nonrefundable tax credits except that a taxpayer may claim refundable tax credits in an amount greater than his or her tax liability. When the amount of refundable credits exceeds a taxpayer's tax liability, the Treasury makes a direct payment to the taxpayer for the difference. The primary refundable credits are the earned income tax credit and the child tax credit.

A taxpayer's total tax payment is found on line 74 of the Form 1040. The individual components of a taxpayer's total tax payment are found on lines 64 to 73.

Tax Refund

A tax refund is a payment by the federal government to a taxpayer whose withheld taxes, estimated tax payments, and refundable credits exceeded final tax liability, entitling him or her to a refund for overpayment of the tax bill.

The amount of refunded taxes owed to a taxpayer may be found on line 75 of the Form 1040.

Amount Owed

When a taxpayer's total tax liability exceeds federal taxes withheld, estimated tax payments, and refundable credits, then the taxpayer will owe the federal government an additional amount to cover the shortfall in paid taxes.

Taxes owed are found on line 78 of the Form 1040.

Appendix A. 2016 IRS Form 1040

Form **1040** Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return **2016** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 See separate instructions.

Your first name and initial	Last name	**Your social security number**
If a joint return, spouse's first name and initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		**Presidential Election Campaign**
Foreign country name	Foreign province/state/county · Foreign postal code	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**

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a . . . . .
b ☐ **Spouse** . . . .

Boxes checked on 6a and 6b

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see instructions)
Dependents on 6c not entered above

If more than four dependents, see instructions and check here ▶ ☐

d Total number of exemptions claimed . . . .

Add numbers on lines above ▶

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. **Do not** include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required		9a
b	Qualified dividends	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13
14	Other gains or (losses). Attach Form 4797		14
15a	IRA distributions 15a	b Taxable amount	15b
16a	Pensions and annuities 16a	b Taxable amount	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
18	Farm income or (loss). Attach Schedule F		18
19	Unemployment compensation		19
20a	Social security benefits 20a	b Taxable amount	20b
21	Other income. List type and amount		21
22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22

Adjusted Gross Income

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid **b** Recipient's SSN ▶	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35		36
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶		37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2016)

Form 1040 (2016) Page **2**

Tax and Credits

38 Amount from line 37 (adjusted gross income) . . . 38

39a Check if: ☐ **You** were born before January 2, 1952, ☐ Blind. ☐ **Spouse** was born before January 2, 1952, ☐ Blind. } **Total boxes checked ▶ 39a** ☐

b If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐

Standard Deduction for—
• People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
• All others:
Single or Married filing separately, $6,300
Married filing jointly or Qualifying widow(er), $12,600
Head of household, $9,300

40 **Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin) . . 40

41 Subtract line 40 from line 38 . . . 41

42 **Exemptions.** If line 38 is $155,650 or less, multiply $4,050 by the number on line 6d. Otherwise, see instructions 42

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . 43

44 **Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐ 44

45 **Alternative minimum tax** (see instructions). Attach Form 6251 . . . 45

46 Excess advance premium tax credit repayment. Attach Form 8962 . . . 46

47 Add lines 44, 45, and 46 . . . ▶ 47

48 Foreign tax credit. Attach Form 1116 if required . . . 48

49 Credit for child and dependent care expenses. Attach Form 2441 49

50 Education credits from Form 8863, line 19 . . . 50

51 Retirement savings contributions credit. Attach Form 8880 51

52 Child tax credit. Attach Schedule 8812, if required . . . 52

53 Residential energy credits. Attach Form 5695 . . . 53

54 Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐ 54

55 Add lines 48 through 54. These are your **total credits** . . . 55

56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- . . . ▶ 56

Other Taxes

57 Self-employment tax. Attach Schedule SE . . . 57

58 Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919 . . 58

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . 59

60a Household employment taxes from Schedule H . . . 60a

b First-time homebuyer credit repayment. Attach Form 5405 if required . . . 60b

61 Health care: individual responsibility (see instructions) Full-year coverage ☐ . . . 61

62 Taxes from: **a** ☐ Form 8959 **b** ☐ Form 8960 **c** ☐ Instructions; enter code(s) 62

63 Add lines 56 through 62. This is your **total tax** . . . ▶ 63

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099 . . 64

65 2016 estimated tax payments and amount applied from 2015 return 65

66a **Earned income credit (EIC)** . . . 66a

b Nontaxable combat pay election 66b

67 Additional child tax credit. Attach Schedule 8812 . . . 67

68 American opportunity credit from Form 8863, line 8 . . . 68

69 Net premium tax credit. Attach Form 8962 . . . 69

70 Amount paid with request for extension to file . . . 70

71 Excess social security and tier 1 RRTA tax withheld . . . 71

72 Credit for federal tax on fuels. Attach Form 4136 . . . 72

73 Credits from Form: **a** ☐ 2439 **b** ☐ Reserved **c** ☐ 8885 **d** ☐ 73

74 Add lines 64, 65, 66a, and 67 through 73. These are your **total payments** . . . ▶ 74

Refund

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you **overpaid** 75

76a Amount of line 75 you want **refunded to you.** If Form 8888 is attached, check here . ▶ ☐ 76a

Direct deposit? See instructions.

▶ b Routing number ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number

77 Amount of line 75 you want **applied to your 2017 estimated tax** ▶ 77

Amount You Owe

78 **Amount you owe.** Subtract line 74 from line 63. For details on how to pay, see instructions ▶ 78

79 Estimated tax penalty (see instructions) . . . 79

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | Daytime phone number

Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN

Firm's name ▶ | Firm's EIN ▶

Firm's address ▶ | Phone no.

www.irs.gov/form1040 Form **1040** (2016)

2016 IRS Schedule A (Form 1040)

SCHEDULE A
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ **Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea*.**

▶ **Attach to Form 1040.**

OMB No. 1545-0074

2016

Attachment Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses		**Caution:** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see instructions)	1	
	2	Enter amount from Form 1040, line 38 [2]		
	3	Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid	5	State and local **(check only one box):**		
		a ☐ Income taxes, **or** / **b** ☐ General sales taxes	5	
	6	Real estate taxes (see instructions)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8		9
Interest You Paid	10	Home mortgage interest and points reported to you on Form 1098	10	
Note: Your mortgage interest deduction may be limited (see instructions).	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11	
	12	Points not reported to you on Form 1098. See instructions for special rules	12	
	13	Mortgage insurance premiums (see instructions)	13	
	14	Investment interest. Attach Form 4952 if required. (See instructions.)	14	
	15	Add lines 10 through 14		15
Gifts to Charity	16	Gifts by cash or check. If you made any gift of $250 or more, see instructions	16	
If you made a gift and got a benefit for it, see instructions.	17	Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . .	17	
	18	Carryover from prior year	18	
	19	Add lines 16 through 18		19
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See instructions.)		20
Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21	
	22	Tax preparation fees	22	
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶	23	
	24	Add lines 21 through 23	24	
	25	Enter amount from Form 1040, line 38 [25]		
	26	Multiply line 25 by 2% (0.02)	26	
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27
Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount ▶		28
Total Itemized Deductions	29	Is Form 1040, line 38, over $155,650? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter. . .		29
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here . . . . ▶ ☐		

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 17145C **Schedule A (Form 1040) 2016**

Appendix B. 2016 Marginal Tax Rate Schedule

If *taxable income* is:	Then, *tax* is
Married Joint Returns	
$0-$18,550	10% of the amount over $0
$18,550-$75,300	$18,55 + 15% of the amount over $18,550
$75,300-$151,900	$10,367.50 + 25% of the amount over $75,300
$151,900-$231,450	$29,517.50 + 28% of the amount over $151,900
$231,450-$413,350	$51,791.50 + 33% of the amount over $231,450
$413,350-$466,950	$111,818.50 + 35% of the amount over $413,350
$466,950 +	$130,578.50+ 39.6% of the amount over $466,950
Single Returns	
$0-$9,275	10% of the amount over $0
$9,275-$37,650	$927.50 + 15% of the amount over $9,275
$37,650-$91,150	$5,183.75+ 25% of the amount over $37,650
$91,150-$190,150	$18,558.75 + 28% of the amount over $91,150
$190,150-$413,350	$46,278.75 + 33% of the amount over $190,150
$413,350-$415,050	$119,934.75 + 35% of the amount over $413,350
$415,050 +	$120,529.75 + 39.6% of the amount over $415,050
Heads of Households	
$0-$13,250	10% of the amount over $0
$13,250-$50,400	$1,325 + 15% of the amount over $13,250
$50,400-$130,150	$6,897.50 + 25% of the amount over $50,400
$130,150-$210,800	$26,835 + 28% of the amount over $130,150
$210,800-$413,350	$49,417 + 33% of the amount over $210,800
$413,350-$441,000	$116,258.50 + 35% of the amount over $413,350
$441,000 +	$125,936 + 39.6% of the amount over $441,000

Source: Internal Revenue Service

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