

Taxes 101 – Tax Time Thursday with Prepare + Prosper

Outreach Reference Guide

Presented by the Center on Budget and Policy Priorities' Get It Back Campaign

Presenter Contact Information

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What are Taxes

- Payments to the government that are used to provide public goods and services (e.g., state, locality, administration)
- Taxes are paid in a variety of ways, like income, sales tax, property tax, etc.
 - Used to fund government functions and essential services like Medicare, Social Security, roads, schools, and more

Income Tax Return

- The United States has a voluntary compliance tax system
- The main income tax form is Form 1040

Common Tax terms

- **Filing Status:** Determined based on marital status and status of supporting family members. It determines tax rates and eligibility for tax credits.
- **Dependents:** Someone that is financially supported by the taxpayer (not just children under 18)
- **Income:** Money that is coming in. Most income is considered taxable and is reported on the tax return.
- **Deductions:** How people can lower their taxable income. Some deductions are standardized, and some are only for filers with specific life situations. (Aka “writing things off on your taxes”)
- **Tax:** Amount that someone owes to the government. It’s based on their income and tax rate.
- **Credits:** Lower tax owed based on certain life situations, like having children or attending college.
 - Nonrefundable: Only go to pay the tax; If credit is more than the amount of money they owe, they will not get that money as a refund.
 - Refundable: If credit is more than the amount of taxes they owe, they will get that money as a refund.

Who Must File Taxes

- People with income above a certain amount
 - \$12,550 for single filers

- \$25,100 for married filers
- Those in specific tax situations, such as having self-employment income

Who Should File Taxes

- Anyone should file taxes if they:
 - Had federal or state income tax withheld from income
 - Qualify for federal and state refundable credits
 - Made estimated tax payments during the year
- There's no punishment for not having filed in the previous years

Getting Ready to File

- [Collect Documents](#)
 - Mail with "important tax information"
 - Tax forms from online accounts
 - Previous year's tax return
 - Direct deposit or direct debit information
 - **Direct Debit:** If someone owes additional taxes when filing tax returns, they can pay that directly
 - **Direct Deposit:** If receiving a refund, you get it directly deposited into a bank account instead of having to wait through mail
- Choose a preparation method
 - Volunteer Income Tax Assistance (VITA)
 - Online self-preparation option
 - Paid Preparer

Tax Dates and Deadlines

- Tax season starts in late-January/early-February
- Income tax returns are due mid-April
- Late filing
 - Returns with a balance due will incur penalties and interest
 - If someone owes money and files late, they will have penalties and interest added onto the tax return
 - Returns with a refund must be filed within three years of the original deadline
 - No penalty for filing late
 - Up to three years to still claim refund

Q&A

- **Can you give an example of a refundable vs. non-refundable tax credit?**
 - If a family owes \$200 in taxes and they have a \$500 credit: $\$500 - \$200 = \$300$
 - i. Refundable: They would receive that extra \$300 as a refund.
 - ii. Non-refundable: They do not receive an extra \$300.
- **I know the stimulus checks are considered credits; would those also be available 3 years out for those who haven't claimed them?**

- Yes, they would be!
 - If someone is trying to file taxes for the past years, they usually can't file it themselves with free software. You can go to [GetYourRefund.org](#), where they do file taxes for previous years.
- **Is GetYourRefund.org mobile friendly?**
 - Yes, it is very mobile friendly.
- **The last Tax year to claim for filling in 2022 is when?**
 - In April of 2022, you can file for Tax Year 2018.
- **Will Code for America help you even if you owe taxes?**
 - Yes, they will.
- **Is GetYourRefund.org available for every state?**
 - Someone familiar with your state's taxes will file your tax return.
- **In future Tax Time Thursdays, will you cover the [Child Tax Credit and EITC](#)?**
 - We went over those tax credits on [our navigator training](#).
- **What should someone know who has never filed taxes before? They don't know if they would have owned money or qualified for a refund and are afraid of penalties.**
 - Just start filing. Sometimes you may be eligible for tax benefits that you didn't know existed. By starting in one year, you are in a good spot. If you file and do owe money for previous years, the IRS will work with you if you can't pay all the money.
 - You can also go into a VITA site or [Low Income Taxpayer Clinic](#) and ask these questions. Depending on your filing circumstances, you might be getting more money back than you owe.
- **If you are 18 or 19 and still live with your parents, should you file taxes? What if you're claimed as a dependent?**
 - These types of situations are very nuanced, but one misconception is that even as a dependent you can't file your own tax returns. You can still file, you just indicate that you are being claimed as a dependent. Yes, you should still file.
- **In Colorado, there is a lack of availability for VITA appointments. Would you suggest using [GetYourRefund.org](#) as a backup?**
 - Unfortunately, there is a lack of capacity across the country for free tax filing. But keep sending your folks over to [GetYourRefund.org](#). [GetYourRefund.org](#) doesn't have the capacity to serve everyone individually. However, you can use their free tax filing software with chat support for help.
- **With undocumented immigrants, sometimes they fear that if they get an ITIN and start filing, they will get questioned about years prior that they did not file. What would you tell someone in that situation?**
 - Start filing. Look back to previous years if there are documents. Apply for an [ITIN](#) and start where you can.
- **Is it possible someone can get deported for filing taxes?**
 - IRS does not share any tax information with any of the other agencies, so they don't need to worry about their immigration status being affected by filing taxes.

- **I work with college students. Is there anything they need to be prepared for when filing?**
 - If their parents support them financially, they (the parents) can still claim them as a dependent.
 - If they are under 24, their parent can also claim them for the EITC.
 - Students who are filing independently will likely qualify for an education credit.
 - Form 1098-T may be helpful.
- **What deductions can you take without dependents?**
 - There are deductions for retirement savings, contributing to a health savings account, student loan interest deduction, among others.
 - People can choose a standard deduction or itemized deduction
 - Most people with low-to-moderate incomes choose standard because it gives the greater benefit
 - Itemized deductions are expenses for mortgage interest, medical expenses, charitable contributions
- **What should someone that has not filed taxes in a while know? They might owe money and didn't receive any of the stimulus payments, they are afraid of penalties.**
 - If someone has a refund coming, there aren't any penalties for filing late. Often the tax credits they can claim outweigh the amount they would owe on their tax returns.
 - Doing the tax return even if there are penalties and fees - knowing what those are can relieve so much stress, and they can earn these credits and refunds moving forward.
- **What are best practices for supporting immigrant and refugee populations who are interested in filing to get tax refunds?**
 - Connecting folks with VITA sites if capacity allows.
 - Support folks getting an [ITIN](#) number is super important.
 - Be proactive with outreach and local community organizations and leaders to help you get the word out about taxes.
- **If an undocumented person stops filing their taxes years ago, can they resume from 2020 without filing the earlier ones?**
 - Yes, you can. Someone can have a gap between years. If they have any outstanding debt, hopefully they might be able to claim a refund that will help pay that money off.
- **Is there anything college students need to think about regarding FAFSA? Or student loans they are paying? Also, a lot of students take on jobs such as Uber and DoorDash because they are flexible. I think this is considered self-employment. Do you have any tips for that?**
 - Regarding FAFSA, it depends on who is filing the taxes - whether the student is a dependent or filing independently. FAFSA is related to family income.
 - If people are chipping away at their student loans, a student loan interest deduction may be applicable.

- Regarding [Uber and DoorDash](#), most self-preparation software support self-employment. But I recommend that people who are in the first year of self-employment work with someone who is knowledgeable about this process.
- You can also visit [ridesharetaxhelp.com](#).
- **Folks with 1099 - any general messages for them regarding documents they should have? Deductions maybe?**
 - If you have a Form 1099, the taxes are not taken out beforehand. So, it's similar to self-employment income.
 - Go to [ridesharetaxhelp.com](#) for more information.
- **How many stimulus checks were there and how much was the last one worth?**
 - The most recent one was \$1400 dollars per person on the tax return.
 - There were two on the 2020 tax return.