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Important Tax Information



Individual tax returns granted the automatic six-month extension are due October 15.

The Basics: How Taxes, Refunds and Payments Work



Each year you bring all of your tax forms to me and I calculate how much you owe in tax. From there, I calculate whether or not your withholding covered the Federal tax due and if you will receive a refund, or if you will have a payment due. But how exactly do Federal taxes and withholding work?

The Federal government requires most income to be taxed at a certain rate, depending on how much you earn in a year. Income generally includes wages (received from services, tips or sales), interest, dividends, other investments, rents, alimony, pensions, gambling and most other income.

The government doesn't wait until the end of the year for you to pay your tax all at once, so the IRS developed withholding and estimated tax payments. If you have an employer and receive a Form W-2, then at some point during the hiring

process, you completed a Form W-4, *Employee's Withholding Allowance Certificate*. The Form W-4 is used by your payroll department to determine how much money to withhold from each paycheck. This withholding is used to pay the tax you owe to the Federal government.

If you're self-employed or have income that is not subject to withholding, you are required to pay tax throughout the year using estimated tax payments. You generally have to make estimated tax payments if you expect to owe tax of \$1,000 or more when you file your return.

At the end of the year, the forms you receive document the income received and withholding payments. I use these documents to complete various tax forms to determine your total income, total deductions and final total tax that you are required to pay the government. I then determine how much you have already paid through withholding and estimated tax payments to calculate the final amount you overpaid (a refund) or underpaid (tax due).

With tax planning, I can help you determine your payroll withholding or estimated tax payments throughout the year.

Did You Know?

The *Stamp Act of 1765* was the fourth Stamp Act to be passed by the Parliament of Great Britain and required all legal documents, permits, commercial contracts, newspapers, wills, pamphlets and playing cards in the American colonies to carry a tax stamp.

Quote Corner

A taxpayer represents the fact that death and taxes doesn't come in that order!

~Unknown