

Ricko's Personal Income Tax

NAME:

We will explore finding the tax refund or tax due for Ricko in multiple steps. Show your work for partial credit. Circle your answers. Include dollar signs when appropriate.

Ricko Flax earned a salary of \$45,300 in 2016. He made a good investment which earned him another \$1,000. He is a member of a credit union and so received a dividend of \$34. He paid, in alimony, a total of \$5,000.

He files as a head of household with two dependents. (His sons, Martin and Wesley, are the loves of his life.) He does *not* itemize his deductions. During 2016, he had \$347.58 withheld from each of 12 paychecks for personal income taxes.

a.) What is Ricko's adjusted gross income (AGI)?

b.) He will claim personal exemptions for himself and two sons. Since each exemption is worth a deduction of \$4,050, how much will we be subtracting from his AGI for personal exemptions?

c.) He does *not* itemize his deductions. Find the standard deduction for Ricko.

d.) Use your above answers to find his taxable income.

e.) Look up his taxable income on the 2016 Tax Rate Schedule provided at the end of the worksheet. What is his tax owed?

f.) Luckily, he has been paying his taxes through the year. What is the total that he paid during the year?

g.) Come April 15, does Ricko have a tax bill (with tax due) or does he get a refund? How much?

Finding Standard Deduction

- \$6,300 for single taxpayers
- \$12,600 for married taxpayers filing jointly
- \$6,300 for married taxpayers filing separately
- \$9,300 for head of household

Filing Status and Exemptions

Single individual (1 exemption)
Married with 3 children (5 exemptions)
Single, head of household, 2 children (3 exemptions)

Total Deduction

$1 \times \$4050 = \4050
 $5 \times \$4050 = \$20,250$
 $3 \times \$4050 = \$12,150$

(source: Business Mathematics, Clendenen and Salzman, 14th edition)

2016 Tax Rate Schedules

SINGLE

Taxable Income	Find the Tax
\$0–\$9,275	10%
\$9,276–\$37,650	\$927.50 plus 15% of the amount over \$9,275
\$37,651–\$91,150	\$5,183.75 plus 25% of the amount over \$37,650
\$91,151–\$190,150	\$18,558.75 plus 28% of the amount over \$91,150
\$190,151–\$413,350	\$46,278.75 plus 33% of the amount over \$190,150
\$413,351–\$415,050	\$119,934.75 plus 35% of the amount over \$413,350
\$415,051 or more	\$120,529.75 plus 39.6% of the amount over \$415,050

MARRIED FILING JOINTLY

Taxable Income	Find the Tax
\$0–\$18,550	10%
\$18,551–\$75,300	\$1,855 plus 15% of the amount over \$18,550
\$75,301–\$151,900	\$10,367.50 plus 25% of the amount over \$75,300
\$151,901–\$231,450	\$29,517.50 plus 28% of the amount over \$151,900
\$231,451–\$413,350	\$51,791.50 plus 33% of the amount over \$231,450
\$413,351–\$466,950	\$111,818.50 plus 35% of the amount over \$413,350
\$466,951 or more	\$130,578.50 plus 39.6% of the amount over \$466,950

MARRIED FILING SEPARATELY

Taxable Income	Find the Tax
\$0–\$9,275	10%
\$9,276–\$37,650	\$927.50 plus 15% of the amount over \$9,275
\$37,651–\$75,950	\$5,183.75 plus 25% of the amount over \$37,650
\$75,951–\$115,725	\$14,758.75 plus 28% of the amount over \$75,950
\$115,726–\$206,675	\$25,895.75 plus 33% of the amount over \$115,725
\$206,676–\$233,475	\$55,909.25 plus 35% of the amount over \$206,675
\$233,476 or more	\$65,289.25 plus 39.6% of the amount over \$233,475

HEAD OF HOUSEHOLD

Taxable Income	Find the Tax
\$0–\$13,250	10%
\$13,251–\$50,400	\$1,325 plus 15% of the amount over \$13,250
\$50,401–\$130,150	\$6,897.50 plus 25% of the amount over \$50,400
\$130,151–\$210,800	\$26,835 plus 28% of the amount over \$130,150
\$210,801–\$413,350	\$49,417 plus 33% of the amount over \$210,800
\$413,351–\$441,000	\$116,258.50 plus 35% of the amount over \$413,350
\$441,001 or more	\$125,936 plus 39.6% of the amount over \$441,000

These figures change every year.