

# TAXES - "W" FORMS

The Internal Revenue Service (IRS) is the government agency that is responsible for collecting taxes. In 1862, the first income tax was passed by President Abraham Lincoln and Congress to raise money to pay for the Civil War. Today, there are many types of taxes:

- **Individual Income Tax:** Paid by a person ("individual") on income received from a job or investments (such as savings, stocks, and bonds).
- **Corporate Income Tax:** Paid by a corporation (business with "Inc." after its name such as Forever 21, Inc.) on money earned (profits) from selling things.
- **Excise Tax:** Extra tax paid when certain goods are purchased such as gasoline, cigarettes, or alcohol.
- **Gift Tax:** Paid when money or property is given from one person (called "donor") to another person.



## "W" FORMS FOR YOUR INCOME TAX

Income tax is a **pay-as-you-go** tax system. This means that you must pay income tax as money is earned each month from your job or business. Tax forms with names that start with the letter "W" are designed to help a business or worker figure out the amount of income tax to pay each month during the year.

**W-4 Form:** This form is filled out by you before the first day of your job. W-4 Form tells the employer:  
 a) How many allowances you claim. b) How much money to withhold from your paychecks to pay income taxes. You are allowed one **personal** allowance for yourself, and one **dependent** allowance for each child you support. In addition, you may be allowed to claim **head of household** allowance if you are a single parent. Each allowance you claim will reduce/lessen the amount of taxes withheld from your paychecks.



### Can the W-4 Form help me save money?

Yes. If single, you are allowed ONE personal allowance on the W-4 Form. If you decide to write down ZERO as personal allowance — extra tax money will be withheld from your paychecks and sent to the Government. Then, you must fill out 1040 Income Tax Form by April 15 to request a refund of this extra money. The extra money returned to you can then be put into a savings account.

### May I claim "Exempt From Withholding" on the W-4 Form?

If you claim "Exempt From Withholding," your employer will not take income tax from your paychecks. Students with jobs do not automatically qualify for "Exempt From Withholding." You may claim "Exempt From Withholding" only if **both** the following situations are true:

1. For last year, you had a right to a refund of all income tax withheld because you had no tax liability.
2. For this year, you expect a refund of all income tax withheld because you expect no tax liability.

### What happens if I claim more allowances than I deserve on the W-4 Form?

1. The employer will withhold less income tax money from your paychecks.
2. You may end up owing the Government a large amount of income tax money at the end of the year.
3. You may received a penalty (money fine) from IRS for claiming more tax allowances than you deserve.

**W-2 Form:** Called "Wage and Tax Statement." W-2 is used by your employer to report: 1) Wages paid to workers from January to December. 2) Taxes withheld from workers' wages. Employers must give or mail you the W-2 Form before January 31 so that you can prepare your taxes (1040 Income Tax Form).

**W-2G Form:** Called "Gambling Winnings." W-2G Form is used when you win \$600 or more (such as in a Las Vegas casino). Casino sends the W-2G form to the Government and gives one copy to the winning person to attach to his or her 1040 Income Tax Form.



**W-7 Form:** Form you fill out to receive an Individual Taxpayer Identification Number (called TIN). TIN number is used by a person in U.S. legally but does not have a social security number. Then, the person uses the TIN number to file his or her income tax return.

**W-9 Form:** Called "Request for Taxpayer Identification Number." W-9 is used by employers to request **name, address, and social security number** from **freelance or independent workers** who are hired to do jobs for \$600 or more.

**W-9 workers are not regular employees.** W-9 workers are hired by verbal (talk) or contract (written agreement) to do jobs like clean windows, fix sprinklers, or take pictures.

**Employers must use a 1099 Form to report to the Government if \$600 or more was paid to a W-9 worker. W-9 worker must report (write down) money listed on the 1099 Form on his income tax form.**



### **QUICK CHECK:**

1. a) When was the first income tax passed?  
b) By whom? c) For what?
2. a) List the name of 4 types of taxes. b) Briefly describe why each tax is paid.
3. a) What type of system is the U.S. income tax?  
b) What does this mean?
4. What do the W-Series Forms help a business or worker figure out?
5. a) Before when is the W-4 Form filled out?  
b) What 2 things does W-4 tell the employer?  
c) List 3 types of allowances. d) What does each allowance you claim do to your paycheck?
6. a) If you decide to write ZERO as personal allowance, what happens? b) What must you do to request a refund of this extra money?
7. List 2 situations that must be true before you may claim Exempt From Withholding.
8. List 3 things that happen if you claim more allowances than you deserve on the W-4 Form.
9. a) What is the W-2 Form called? b) For what 2 things is the W-2 Form used? c) By what date must employers give employees the W-2 Form?
10. a) When is W-2G Form used? b) Who is given the W-2G Form — and who is given a copy?
11. a) What is the W-9 Form called? b) What 3 types of information does an employer use W-9 Form to request? c) From whom? d) Is the W-9 worker an employee? e) Why do employers use a 1099 form? f) What must W-9 workers report?
12. **W-4 FORM:** a) What is Jason's social security number? b) How many allowances did Jason claim for 2019? c) Did Jason want additional amount withheld from his paychecks (Line 6)? d) Did Jason want to claim Exempt (Line 7)? e) Did Jason forget to sign the W-4 Form? f) What happens if you forget to sign?
13. **W-2 FORM:** a) What is Emma's social security number? b) What is the EIN of her employer? c) How much in wages and tips did Emma earn in 2018? d) What amount of federal income tax was withheld from Emma's paychecks? e) How much social security tax? f) How much Medicare tax? g) In what state does Emma live? g) How much state income tax was withheld from Emma's paychecks for this state?

**SAMPLE W-4 FORM (FOR A NEW JOB) — Worker hired during year 2019**

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ▶ Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 <span style="font-size: 2em; font-weight: bold;">2019</span>	
<b>1</b> Your first name and middle initial <b>Jason</b>		Last name <b>Jones</b>		<b>2</b> Your social security number <b>512-00-2213</b>	
Home address (number and street or rural route) <b>5022 Oak Tree Drive</b>			<b>3</b> <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married filing separately, check "Married, but withhold at higher Single rate."		
City or town, state, and ZIP code <b>Careerville, TX 30445</b>			<b>4</b> If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. <input type="checkbox"/>		
<b>5</b> Total number of allowances you're claiming (from the applicable worksheet on the following pages) . . . . .				<b>5</b> <b>1</b>	
<b>6</b> Additional amount, if any, you want withheld from each paycheck . . . . .				<b>6</b> \$	
<b>7</b> I claim exemption from withholding for 2019, and I certify that I meet <b>both</b> of the following conditions for exemption. <ul style="list-style-type: none"> <li>• Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability, <b>and</b></li> <li>• This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability.</li> </ul> If you meet both conditions, write "Exempt" here . . . . . ▶				<b>7</b>	
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.					
<b>Employee's signature</b> (This form is not valid unless you sign it.) ▶			<b>Date ▶</b>		
<b>8</b> Employer's name and address ( <b>Employer:</b> Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.)			<b>9</b> First date of employment		<b>10</b> Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 4.

Cat. No. 10220Q

Form **W-4** (2019)

**SAMPLE W-2 FORM (END-OF-YEAR REPORT) — Employer gives to worker by January 31, 2019**

22222		<b>a</b> Employee's social security number <b>223-08-9753</b>		OMB No. 1545-0008			
<b>b</b> Employer identification number (EIN) <b>10-0023458</b>			<b>1</b> Wages, tips, other compensation <b>\$31,200.00</b>		<b>2</b> Federal income tax withheld <b>\$2,090.10</b>		
<b>c</b> Employer's name, address, and ZIP code <b>Food 4U Restaurant</b> <b>777 City Circle</b> <b>Detroit, Michigan 34554</b>			<b>3</b> Social security wages <b>\$31,200.00</b>		<b>4</b> Social security tax withheld <b>\$1,922.00</b>		
			<b>5</b> Medicare wages and tips <b>\$31,200.00</b>		<b>6</b> Medicare tax withheld <b>\$450.20</b>		
			<b>7</b> Social security tips		<b>8</b> Allocated tips		
<b>d</b> Control number			<b>9</b>		<b>10</b> Dependent care benefits		
<b>e</b> Employee's first name and initial <b>Emma Smith</b>		Last name <b>422 Woodland Way</b>		Suff. <b>Detroit, Michigan 37554</b>		<b>11</b> Nonqualified plans <b>12a</b>	
<b>f</b> Employee's address and ZIP code		<b>13</b> Statutory employee   Retirement plan   Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>		<b>12c</b>	
		<b>14</b> Other		<b>12d</b>			
<b>15</b> State   Employer's state ID number <b>MI   10-0023458</b>		<b>16</b> State wages, tips, etc. <b>\$31,200.00</b>		<b>17</b> State income tax <b>\$1,326.00</b>		<b>18</b> Local wages, tips, etc.	
				<b>19</b> Local income tax		<b>20</b> Locality name	